



Global Technology Industry Association



State of the Channel

2023

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Introduction

What's in a name? When it comes to defining the IT channel, it's a question even some practitioners acknowledge can be tricky to answer articulately, especially in response to a non-tech industry person. There are some mostly agreed-upon channel characteristics: The indirect sales nature, its longstanding role as a middle piece in the go-to-market technology chain and its proximity to the customer or buyer of the technology. Most often, when those in the industry hear the word "channel," they typically conjure a product reseller, IT solution provider or MSP.



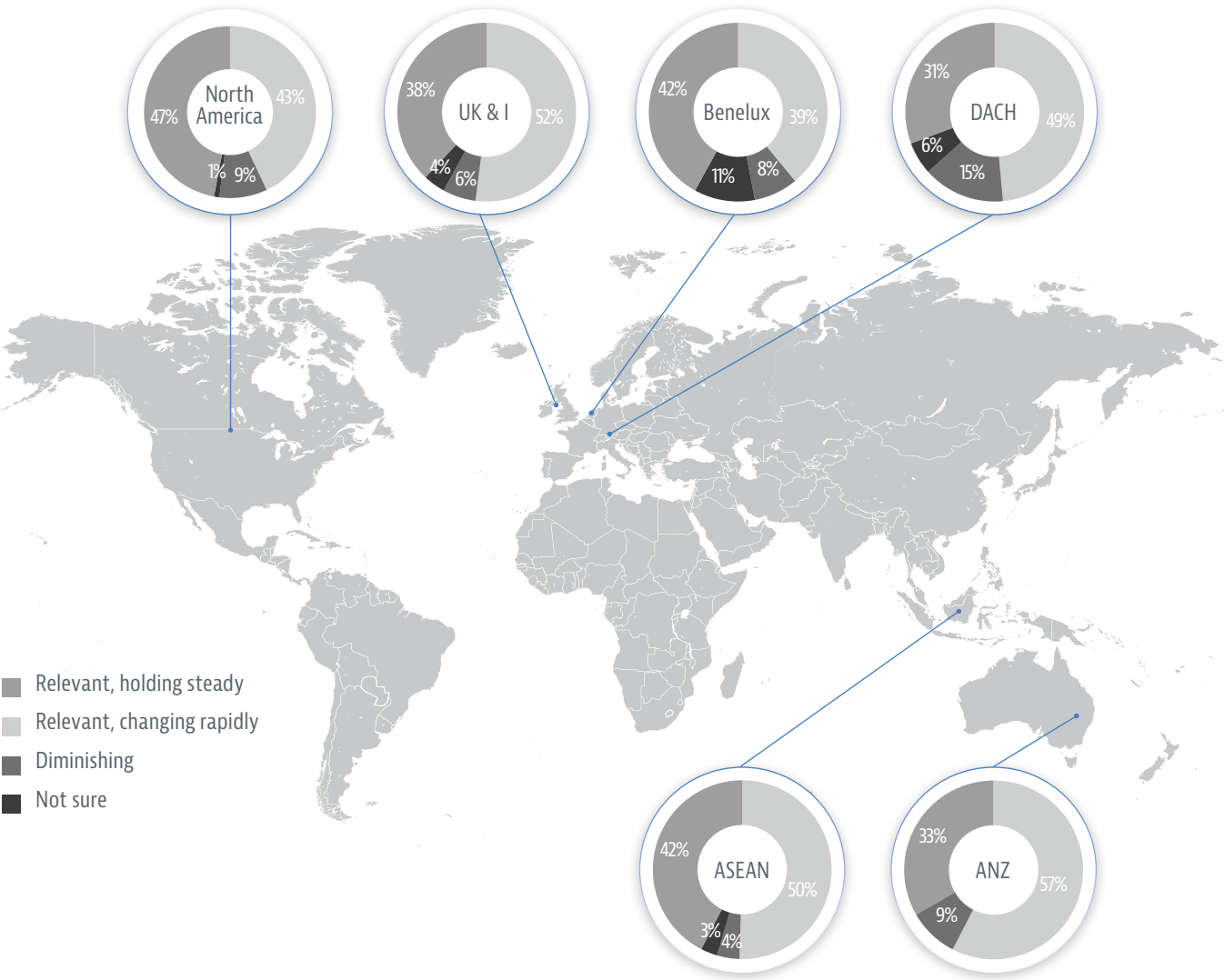
Consider the following description of the channel's composition:

Channel representation runs across hardware/software product resellers, managed services providers (MSPs), solution providers, IT services and support specialists, consultants, systems integrators, developers and systems builders. The emergence of various cloud business types, including cloud infrastructure providers, cloud brokers and cloud services resellers, will only add to the mix of categories.

This is in many ways an apt list. But here's the kicker: The description is a decade old. It's from CompTIA's very first *State of the Channel* research report, written and published in 2012. Notably, a good portion of that definition remains accurate and unchanged from then, bolstering the case that the channel is a mature slice of the industry. But the reality isn't that clear cut. In fact, 2023's channel picture is more nuanced, and changing in ways big and small.

This year's research, CompTIA's 10th version of the *State of the Channel*, details today's top channel issues, including the present health of its ecosystem; business challenges and opportunities; vendor relationships; the changing competitive landscape; profit and revenue trends; and mergers and acquisitions activity. The study has international reach, with data collected from respondents in North America, the United Kingdom and Ireland, Benelux (Belgium, Netherlands, Luxembourg), DACH, ASEAN, and ANZ (Australia-New Zealand). This main report will reflect North American data, but individualized report briefs are also available to reflect the study results in each other region polled.

Global Channel Outlook

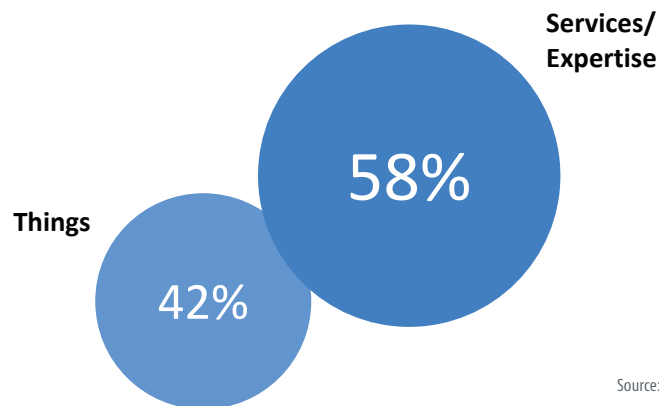


Market Overview

Though ten years have passed since CompTIA's initial State of the Channel study, the core of the channel remains consistent in featuring tech vendors, distributors, solution providers and MSPs in a mostly linear go-to-market structure. In many ways, however, their respective roles and relative power balance has evolved, especially as the proliferation of new vendors – mostly cloud-based – has afforded partners far more choice in whom to work with. At the same time, a cornucopia of new and adjacent channel participant types has emerged. Consider the crossover happening between the telecom agent world and the traditional MSP channel, or the rise of digital marketers, cloud-only SaaS distributors, or firms that specialize in channel-specific software like PRM. And then there are the non-product businesses – consulting firms and influencer types that inform and sway customer choice both through direct projects and indirect engagement. These firms compete against the core channel, but also complement it with a variety of support activities, referral/buying influence and other interconnections.

During this time of change, it's interesting to see how some things remain the same. Data in the chart below shows how respondents would explain to a non-tech person what they sell in their business: Things or services/expertise. Given today's shift toward services (managed, consulting, projects, etc.), it's not surprising that the majority described their wheelhouse as one of services and expertise. And yet a not-insignificant percentage (42%) still identified as sellers of things, whether that's software licenses or hardware devices and/or networking gear. The "traditional" channel type of sale, as it were, remains relevant, and likely indicates that major change will be more prominent in some firms than others in the future.

How Channel Firms Describe What They Sell



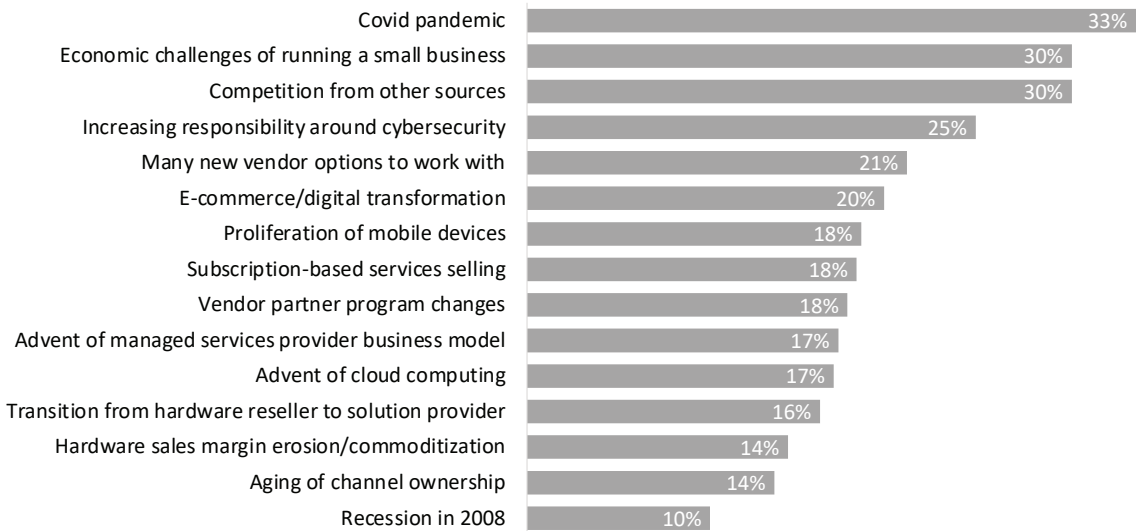
Source: GTIA 2023 State of the Channel US survey | n=399 respondents

Regardless of the degree of participation, however, changes in the channel hold ripple effects for all in the ecosystem. As more partner types abound, tech vendors have been tasked with realigning how they think about their indirect channel. No longer dealing solely with an army of resellers looking for margin points, discounts and rebates, vendors must consider the newer priorities and business needs of a less tangible universe of delivery specialists, business services consultants, subscription and referral partners – some of whom work in concert to serve the same customer at once. This impacts partner program structures, incentives, compensation and enablement. Similarly, customer habits are changing. More customers today are buying directly from online marketplaces, vendor websites and retail establishments. As a result, some channel firms have had to place less emphasis on initial transactions, instead doubling down on offering technical and business expertise and services in and around a product sale.

Looking back over the past 10–15 years, many developments have occurred to impact the channel both positively and negatively. None more than COVID, according to respondents asked to reflect on a range of events for this year’s study. Most interestingly, regardless of years in business, channel firms identified virtually the same items as most impactful over the years. COVID made the top 3 list of companies ranging from less than four years in business to 20+ years. As did facing new competition from sources other than the traditional, which one would think to be the most jarring for older channel firms and less so for those that are newer to the industry and more familiar with the current landscape of rivals.

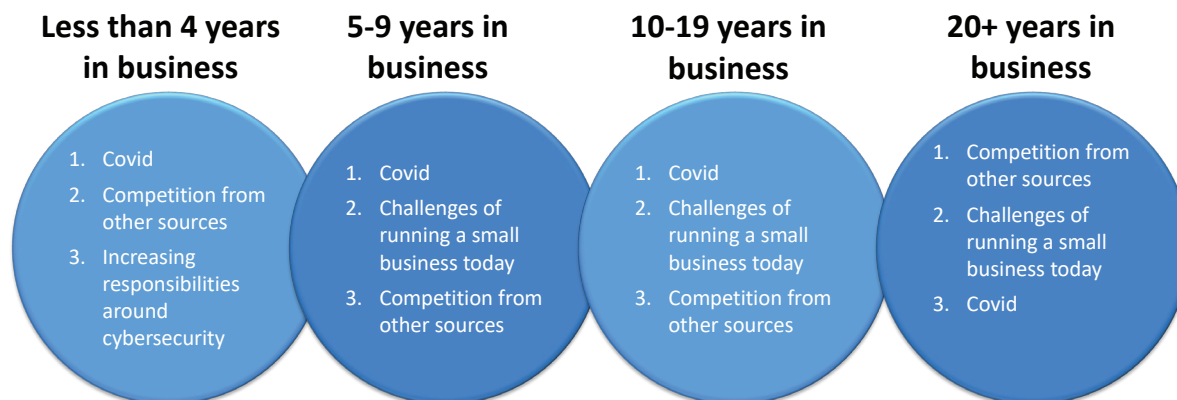
One notable development that made the top 3 for only the youngest companies of less than four years is the increasing responsibility around cybersecurity. Cybersecurity is all-encompassing, relentless, and a discipline that cannot be ignored by the channel. For some younger firms that entered the market as cloud or SaaS specialists or emerging tech mavens, the reality that cybersecurity expertise will need to be a major part of that effort might be a surprise. But while some sigh at the need to focus more than cursory attention to this area, those that address it head on will find it can be a lucrative, in-demand opportunity.

Most Significant Impacts On the Channel in Last Decade



Source: GTIA 2023 State of the Channel US survey | n=399 respondents

Top 3 Impacts on the Channel by Age of Company



Source: GTIA 2023 State of the Channel US survey | n=399 respondents

With the year ahead uncertain in terms of the economy, inflation, banking and workforce stability, the channel faces some significant macroeconomic challenges alongside the rest of the tech industry. That's clearly not ideal after weathering 2+ years of pandemic conditions and constrictions. But many companies learned lessons from the pandemic chaos, specifically around the importance of business resiliency, operational efficiency, customer experience and workplace culture. These wakeup calls should help carry them through 2023 and beyond.

\$4.6

trillion

Estimated size of the global information technology market for 2023. Inclusive of hardware, software, services, telecom, and emerging tech. Source: Gartner projection

#1

Customer experience (CX) as a competitive differentiator ranks as the top factor in maintaining IT channel relevance and health

90%

of channel firms that believe the IT channel remains relevant. Of that, 43% believe it is changing rapidly, while 47% believe it is holding steady

52%

of MSPs that say cybersecurity services are the most requested offering by today's customers

66%

of channel firms that say their profit margins generally increased over the last year, mainly in the areas of business consulting, IT consulting, and managed services

33%

of channel firms that say the COVID pandemic has had the most impact of any market/global development in the last decade.

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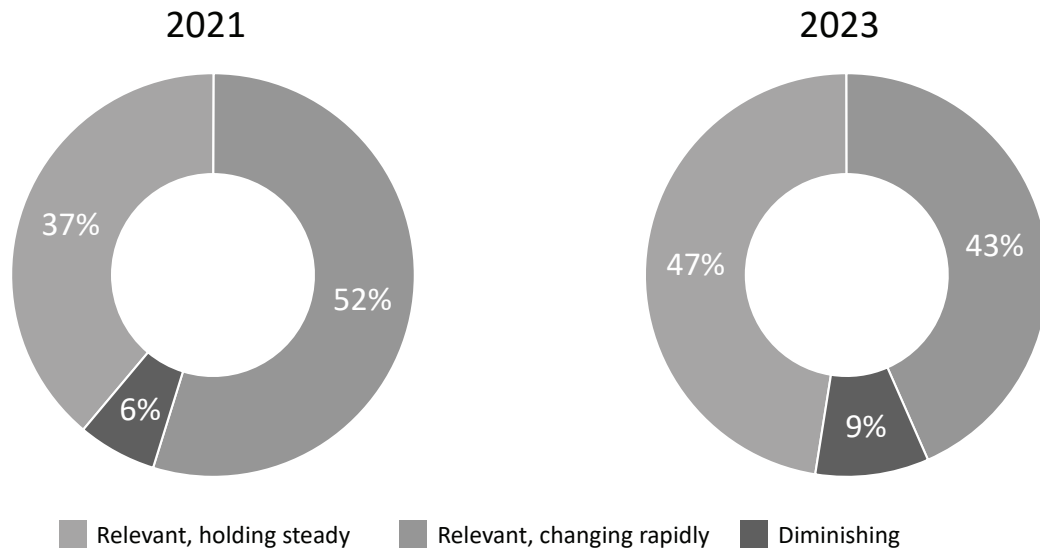
General Health of Channel



In general, channel firms are feeling pretty good about their own industry milieu. That said, there's a significant change in attitudes between 2021 and 2023 data that bears discussion. In early 2021, the thick of pandemic time, channel firms were feeling the ground shaking under their feet, and as a result more than half of respondents then assessed the channel as relevant but also changing rapidly. Remote work demands, an explosion of new vendors, new technologies, macroeconomic uncertainty and struggling customers – each of these factors contributed to their sense of flux. That compared with the 37% in 2021 that said the channel was relevant and holding steady, and the 6% that said its relevance had diminished.

Fast forward to 2023's new data and we find a greater balance between channel firms that believe the industry is relevant and changing rapidly (43%) and relevant and holding steady (47%). That sentiment remained consistent across channel companies of all sizes, micro (1–9 employees) to the largest firms (500+ employees).

The firms in the holding steady camp might be experiencing post-pandemic adjustment, basically breathing a sigh of relief that their company survived or even thrived during that unprecedented shock. There's no question, however, that the channel continues to change in many ways as mentioned in this report's introduction: New technologies, new players, new rules of engagement, new customer habits. What will be most instructive going forward is how companies decide to embrace change or make incremental improvements to a current way of business that is working for them.



Source: GTIA 2023 State of the Channel US survey | 2023: n=397 respondents
2021: n=400 respondents

There are many factors that channel firms have identified as keys to maintaining a healthy and relevant channel, whether that means holding steady in an existing business practice or changing rapidly to support a new business model, customer type or something else.

The operative word behind maintaining a healthy channel is “customer.” As in, customer focus. Channel firms cited providing superior customer experience (CX) as the no. 1 factor that will help ensure a healthy channel in the years ahead. CX engenders many things, but at its core reflects how a customer perceives doing business with you. Translated, this is how a channel firm performs along every step in the buyer’s journey, from initial sales interactions to onboarding to tech support to communications responsiveness and medium options to ongoing account management. Study after study has shown that the company with the best customer experience most often wins, even if they aren’t the market leader in terms of product or service sold. For more on the buyer’s journey, see CompTIA’s [“The Technology Buyer’s Journey: A Roadmap to Customer Success”](#).

One divergence in the no. 1 choice for ensuring a healthy channel occurs between respondents that say they primarily sell things vs. expertise/services. And it’s converse to what you might think. The mostly “things” channel firms identified CX as most important, while the “expertise/services” group cited the commitment to emerging technologies with CX a close second. It might be that the sellers of mainly products are often smaller channel firms serving SMB customers. They are historically close to these customers, familiar in a way that the local relationship is the cement that binds them. The services and expertise group, while also keenly focused on CX, represents companies that have undergone business model change (say reseller to MSP) and might be larger in size. They are expanding their portfolio and looking to compete on innovation, hence the emphasis on emerging techs that are often enabling pieces built into broader business solutions for customers.

Factors Contributing to a Healthy IT Channel



Source: GTIA 2023 State of the Channel US survey | n=399 respondents

Factors Contributing to a Diminishing IT Channel



Source: GTIA 2023 State of the Channel US survey | n=399 respondents

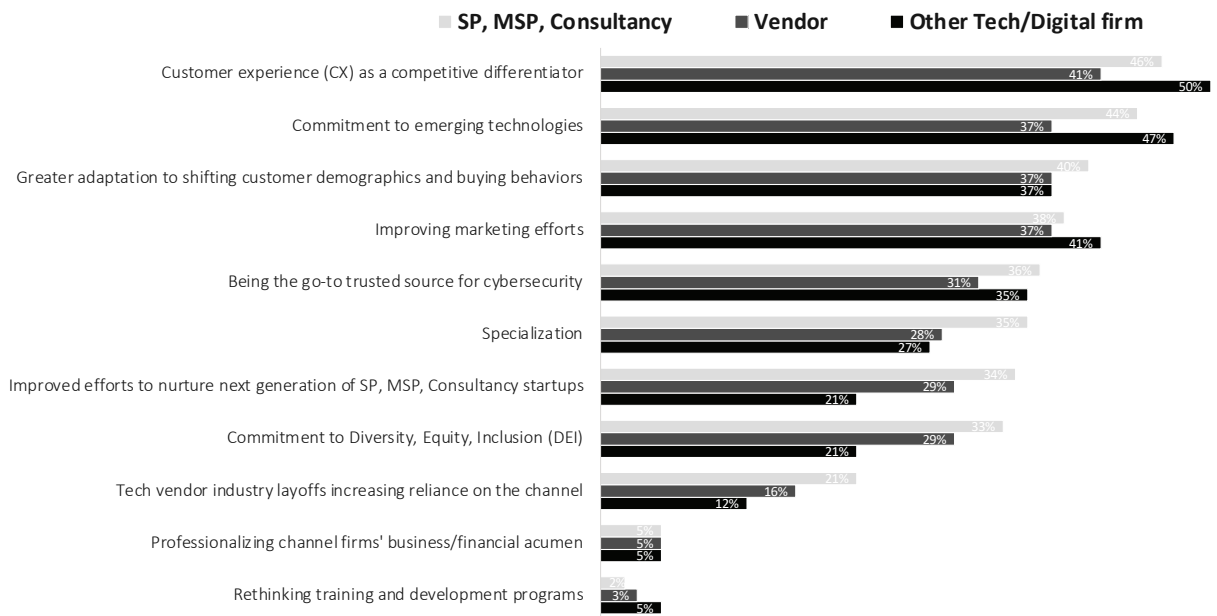
Not surprisingly, the second most cited factor in continued good fortune for the channel is its success in adapting to new customer demographics and buying habits. As has been noted in CompTIA research reports in past years, the buyers of technology are no longer confined to workers in the IT department. Line-of-business executives increasingly have tech budgets of their own and make or strongly influence buying decisions both in conjunction with and without their technical colleagues. Consider the following: A [Gartner study](#) of enterprise company managers in early 2022 found that 74% of tech purchases are funded, at least in part, by business units outside of IT. Just 26% are paid for exclusively from IT department coffers.

What does this mean to the average channel firm? A multitude of things: Looking for leads and sales targets in new places, navigating a longer sale that involves parties in multiple departments, training or hiring sales reps and marketing professionals that can speak the language of business when interacting with line of business prospects. In a nutshell, this means making an investment in customer-facing employees and tactics that are quickly becoming table stakes.

The commitment to emerging technologies along with improving marketing efforts round out the top of the list of factors to ensure a healthy channel. Marketing as a focus area has consistently moved up the priority list of channel firms over the last few years, indicating that companies are realizing that their brand and reputation, especially if they are an MSP or consultant, is what matters to the customer most.

Broken out by more traditional channel firms vs. newer digital firms and vendors, the digital marketing and other more modern channel firms are slightly more bullish on their focus on CX, commitment to emerging tech and marketing. This isn't surprising given their entry into the market is likely in the past five or so years when these three topical areas rose in importance. Notably, the grouping of resellers, solution providers and MSPs (more likely to have represented the channel longer) are out in front in prioritizing a commitment to being the trusted go-to for cybersecurity, a technical discipline that they have been exposed to from a customer demand and in-the-trenches perspective for some time and with progressive urgency.

Top Priorities in Maintaining a Relevant IT Channel



Source: GTIA 2023 State of the Channel US survey | n=399 respondents

On the opposite side of the attitude meter are those issues or developments that channel firms say could stymie the channel's progress or impact it negatively in the year ahead. The main worry is the economy and the uncertainty it brings. Over the last few years, channel firms have been walloped by pandemic restrictions and closures, inflation that has to date not fully abated, supply chain issues and the downstream impacts of the war in Ukraine. Today, while some of those macroeconomic issues are mellowing, others such as interest rate hikes, banking nuttiness and general fear of a coming recession remain a concern.

At the end of the day, however, these global issues are beyond the control of the average channel company. But as many learned during the pandemic, there are ways to shore up your company so that it is in the best shape possible to weather adverse financial conditions. Focus on operational efficiency and cost-cutting where it makes sense, maintain adequate cash flow and access to credit, and zero in squarely on two constituencies: Customers and employees as a start.

Much of this advice will help head off the second most cited factor that could lead to a negative future for the channel: The ongoing challenges of running a small business. Data shows that nearly 9 in 10 channel firms of all types are small businesses, often with fewer than 10 employees and around \$1M or less in annual revenue. Three in 10 respondents to this study said they worry about their day to day as an SMB, acknowledging that scaling in size and reach; keeping up with changes to business models, technologies and skills; and managing a multitude of vendors can be overwhelming.



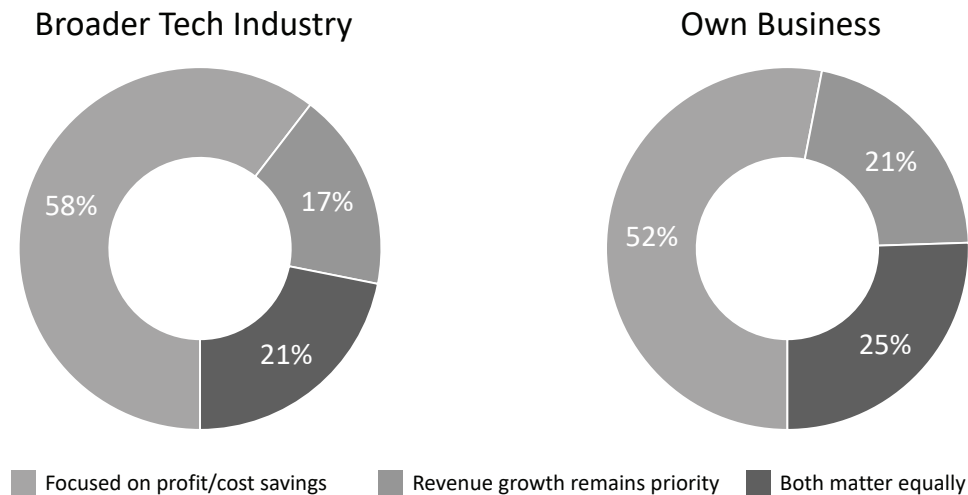
2 Profit & Revenue



We've all seen the raft of tech industry layoffs among the biggest of players – Google, Amazon, Meta, Microsoft, etc. It's a thing. And yet the broader economy is not shedding tech-specific jobs in the same way, or at all, in many cases. Demand for skills and open tech positions persist in many verticals outside of high tech. There are many theories for Big Tech job shedding, but one that is resonating is course correction. After years of overstaffing, borrowing at near-zero interest rates and a pandemic that shot certain types of tech companies (think Zoom and the like) out of a cannon growth-wise, major tech companies are realizing the need to scale back.

As part of that explanation, there's been widespread discussion in industry news about a shift in focus for all tech companies away from aggressive topline revenue growth in favor of more emphasis on bottom-line profit, cost-cutting and operational efficiency. It's not an either/or, but rather a noticeable shift toward the latter with a continued, but more mellow revenue push.

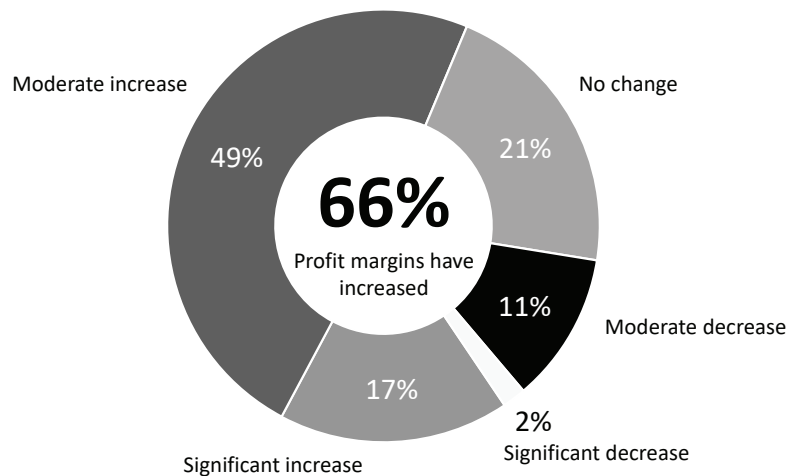
Respondents in this study appear to agree with this observation, both as they reflect on the tech industry writ large and their own channel businesses. Not surprisingly, the largest channel firms – ones that might have operated most similarly to the tech industry giants in the past – said their focus today is profit/cost savings. Eighty-six percent of them reported this compared with 54% of small channel firms.



Source: GTIA 2023 State of the Channel US survey | n=399 respondents

The pandemic had a lot to do with channel firms zeroing in on operational efficiency and wringing the most profit they could out of all corners of their businesses. A slowdown in sales for many during that period meant more time for internal reviews of process-, financial-, and human resource-efficiencies.

Changes in Profit Margins Over the Past Two Years

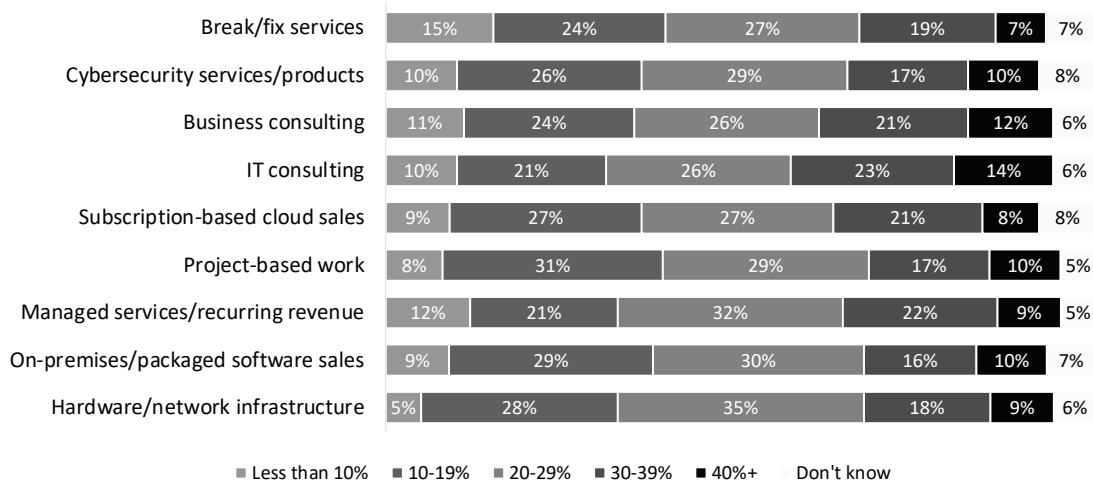


Source: GTIA 2023 State of the Channel US survey | n=400 respondents

The work appears to be paying off. Two thirds of respondents say their profit margins have increased over the last two years. Of that group, 21% said profit margins grew significantly. For some, this bounty is attributable to their gut check on cost and efficiencies or the positive result of entering a new market or business model; for others, like MSPs, it might be an increase in business. (See Appendix for more on the reasons behind profit margin increases and decreases). It's important to note here that, for purposes of this study, the term profit margin is used in a very general sense, referring to an absolute bottom line, or the percentage more money channel firms are making relative to two years ago. The study does not delve into the granular specifics of net vs. gross operating margins. The intent here was to gauge performance in the broad sense. Future studies might take a deeper dive.

Of the areas of their business that are yielding the highest margins, those with a services' bent to them rise to the top. Respondents are getting the most bang for their buck from three line items – business consulting, IT consulting and managed services – which they say yielded more than 30%+ margins in the past year. Not every business offers these services and focuses on other areas instead, obviously, but those that do are benefitting.

Profit Margins Over the Past Year



Source: GTIA 2023 State of the Channel US survey | n=398 respondents

Bottom line: Services that help customers with their technology choices and the application and management of those technologies tends to be lucrative. As a result, more channel firms have pursued consulting in some form, either fully or partially. Consulting work is also a way to blunt the impact of customers' increasingly direct procurement of technologies from vendors, online marketplaces, retail establishments and the commoditization of many products. What might appear to be disastrous to the foundation of the channel business model – a trend toward more direct sales – doesn't have to be. Channel firms just need to recognize the money to made in and around an actual product sale. Consider the consulting

work that helps customers make sense of the myriad choices of SaaS applications they can buy, for example. Or stepping in to provide the implementation, integration and security services needed to make sure a customer's made-on-their-own purchase works well and safely in their corporate environment. These are both examples of capitalizing on expertise and services acumen in lieu of having a stake in the initial transaction.

Finally, among companies that reported diminished profit margins the last two years, inflation was far and away the no. 1 reason. Albeit a small sample of respondents given that few reported decreases in profits, nonetheless 67% of them pointed to inflation as the hindrance. This economic indicator will be one for all channel firms to keep an eye on in the year ahead.



3 | Managed Services



Close to half of all respondents said managed services is one of their offerings, if not their entire business model. The MSP model can mean several things. The first is an MSP business focused on traditionally remote management of infrastructure, primarily hardware devices, networks, storage, and software such as operating systems, along with basic cybersecurity. The second is an MSP business that manages technologies up the stack such as business applications (think CRM, financial apps, etc.), along with cloud-based SaaS software and other cloud workloads. The third flavor is an MSP that does both.

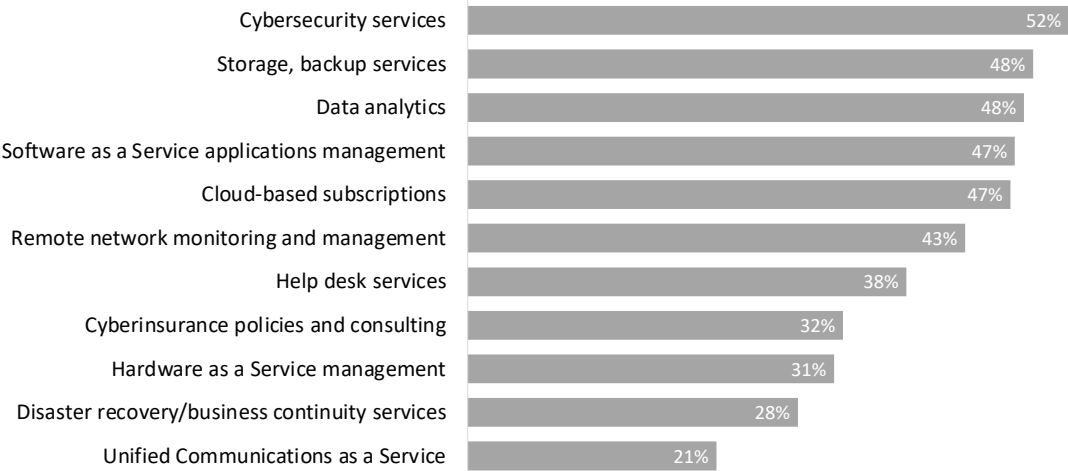
The other business composition to consider with MSPs is whether they offer managed services as their primary business (more than 75% of annual revenue) or in a hybrid mode where the offering co-exists alongside traditional product and project sales. The clear preference to date is the hybrid model, with 6 in 10 respondents describing their MSP setup this way. A quarter claim pure-play MSP status, while 15% say they will offer some sort of managed IT operations to customers on an ad hoc or opportunistic basis.

Thinking specifically about the types of MSP businesses, the group that is moving into the applications space is growing and reportedly thriving. In CompTIA's 2022 *Trends in Managed Services* research, for example, 78% of MSPs said the addition of "premium" or applications/cloud-based business offerings was growing either robustly or on par with the rest of their business. It's a smart move for them as customers embrace the SaaS model in droves. Data firms from Gartner to Productiv to Statistica and beyond report that the average number of SaaS applications in use at companies ranging from small to enterprise in 2022 varied from 100 up to as many as 300.

Scattered throughout an organization, purchased by different departments and not always connected or secure, these many applications are ripe for an expert's touch. Customers need help. Nearly half (47%) of MSPs in the study said SaaS application management is on their client's docket of most-requested technology services, as are cloud-based subscriptions.

Not surprisingly, channel firms that identify mainly as the sellers of things report less demand for SaaS management and cloud subscriptions (38% and 40%, respectively) vs. the camp leading with services that do (54% and 51%, respectively).

Most Requested MSP Services



Source: GTIA 2023 State of the Channel US survey | n=258 respondents

SaaS and cloud don't top the customer demand list, however. The most in-demand MSP offering is cybersecurity, with more than half (52%) citing those services at the top of the list. Medium- and large MSPs are hearing the most from customers about cybersecurity (roughly 2/3rds each cite it as a major request). It makes sense. According to a new [Huntress survey](#) of midmarket companies, nearly half of mid-sized businesses (49%) plan to budget more for cybersecurity in 2023. Yet 61% of mid-sized businesses don't have dedicated cybersecurity experts in their organizations, and 47% of mid-sized businesses don't currently have an incident response plan, according to Huntress. The study also found that 27% of mid-sized businesses say they have no cyber insurance coverage. In the CompTIA study, 32% of respondents say customers are asking about cyber insurance, which is an area in which many MSPs and other channel firms acknowledge needing to skill up.

As revealed in CompTIA's [Trends in Managed Services 2022 report brief](#) data, MSPs in the past couple of years have embarked on a variety of paths to gain more cybersecurity proficiency and pad their portfolios. The actions fall into two categories: Internal staff/human resources and partnering.

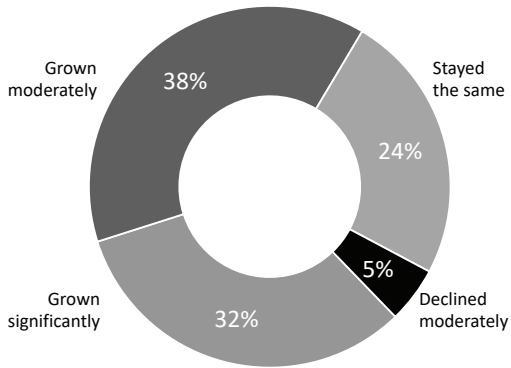
On the human resources side, 42% of MSPs said they hired personnel with specific cybersecurity skill sets in the last year. Those skills could range from expertise in data, endpoint, applications and network security to acumen in identity management, data/risk analysis, penetration testing and/or cryptography (among others). Other areas to beef up through targeted hiring included finding new workers that understand today's regulatory and compliance landscape or are adept at training a customers' user population on cybersecurity best practices. A similar percentage of MSPs (41%) looked inward, retraining their existing workforce to update their cybersecurity skills. Another 36% paid for their employees to attain cybersecurity-related professional certifications.

On the partnering side, a surprising number of MSPs looked for help from other MSPs. Forty-four percent said they partnered with peers, chiefly MSSPs (managed security services providers), to fill in cybersecurity skills gaps.

Finally with respect to managed services generally, MSPs are one of the categories of channel firm that fared relatively positive during COVID. The main reason being the migration to remote work. Customers needed technology assistance nearly overnight to manage what was now a spider's web network of employees working from their kitchen tables. Devices were needed, networking hardware and software, telecom services, and importantly cybersecurity – all delivered remotely.

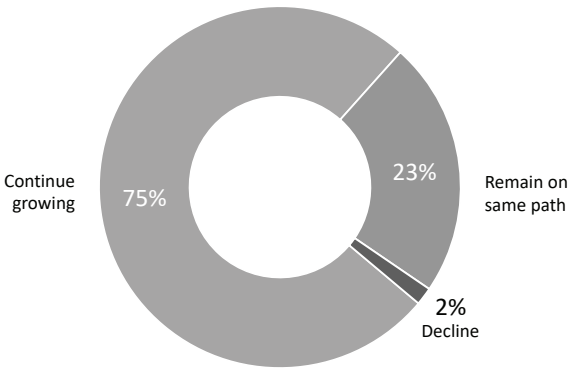
If the data are any indication, MSPs are bullish on an upswing continuing, with 3/4s predicting continued growth in the next five years.

COVID and Remote Work Effects on MSPs



Source: GTIA 2023 State of the Channel US survey | n=261 respondents

Forecasting MSP Growth Over the Next 5 Years



Source: GTIA 2023 State of the Channel US survey | n=253 respondents

4 Vendors & Competitors



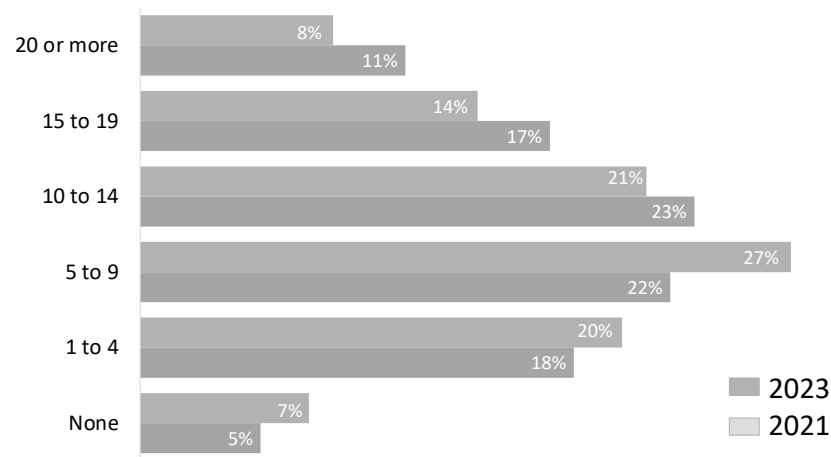
No State of the Channel report would be complete without a pulse check on the status of relationships. Specifically, it's critical to review how channel firms are getting along with vendors – or not – and what factors are driving satisfaction or dissatisfaction. Likewise, and especially pertinent in today's fast-changing ecosystem, is an understanding of the landscape of channel competitors.

Differing business models and new adjacent roles have allowed channel partners to thrive in new and varied ways in the industry but have also thrown a monkey wrench at vendors trying to figure out what aspects of their channel programs, resources, incentives and other engagement/enablement mechanisms are relevant. One of the biggest mindset shifts has had to be away from how much a partner is helping a vendor's bottom line to how successful that partner is as a venture of its own. Likewise, there has been the age-old, yet now heavily discussed issue of vendors needing to provide good partner experience or ease of doing business. Just as with channel firms and their own efforts at excellence at CX, partner expectations of similar treatment coming their way extend to the vendors with whom they work. That means less friction; smooth and diverse communication; top-notch and responsive technical support; automated and easy-to-use tools; and partner program elements that matter in 2023.

To get an idea of how critical a smooth relationship is between vendors and the channel, consider just how many vendor programs that partners are enrolled in. Over the last decade, the sweet spot for the average number of programs partners are involved in formally has been between five and 14. That remains the case in 2023, however there's a clear, though not huge, jump in the number of channel firms settling between five and nine programs compared with 2021. Likewise, slightly fewer are going full tilt and participating in 15 or more vendor programs than they did two years ago.

The reason? The choice of vendors has expanded greatly during the cloud era: A mushrooming number of SaaS players, easier ways to sign up and more options across the board beyond the pantheon of traditional hardware and software giants. One would think that means enrolling in ever-more programs, but not necessarily. Channel firms today – in part because of all these choices – can afford to be more selective in whom they work with and to shift things around year over year. And they have done so, basing decisions on revenue opportunity, PX performance and the vendor's alignment with their own business goals and operational model.

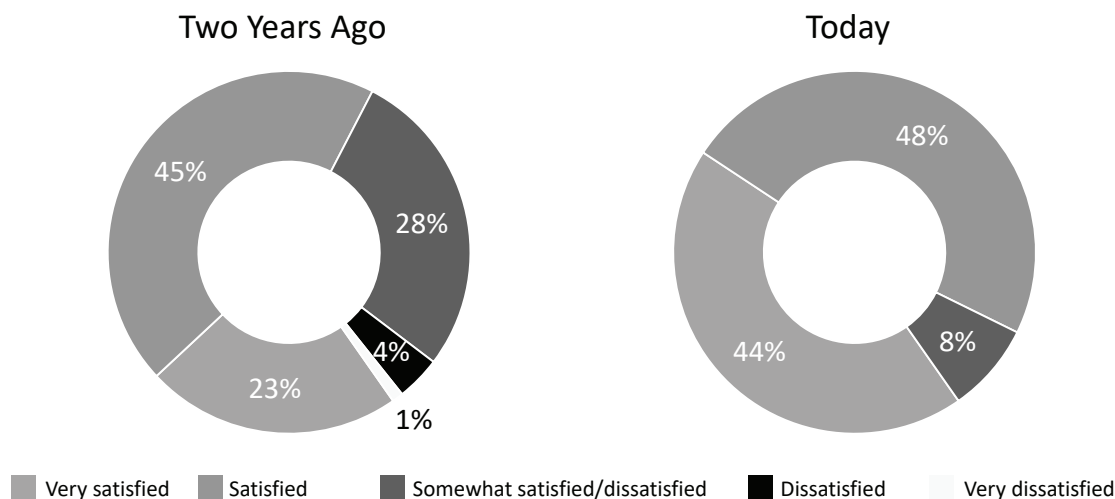
Number of Vendor Channel Partnerships



Source: GTIA 2023 State of the Channel US survey | n=400 respondents

The good news for both vendors and partners is that satisfaction levels are up significantly from two years ago. It appears that any of the shuffling in program participation or the effects of improvements existing vendor partners have made to their game has resulted in a surge of contentment by channel firms. Forty-four percent of channel firms report a superlative level of satisfaction with their vendors in the past year, nearly double the 23% that said so in 2021.

Satisfaction Level With Vendors



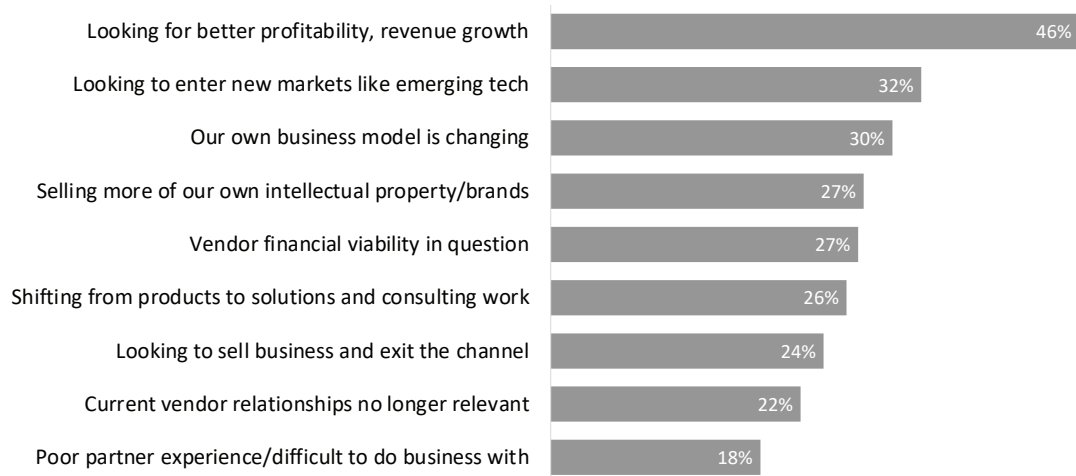
Source: GTIA 2023 State of the Channel US survey | n=399 respondents

The level of satisfaction maps relatively consistently across channel firms of all sizes, with a slight edge in contentment exhibited by the medium to largest companies. These firms typically have reached a more elevated status within vendor partner programs and can exert more leverage in terms of becoming a managed partner with access to more resources such as dedicated channel account managers. But smaller firms, most of the channel, still express a higher degree of vendor satisfaction in 2023 than in 2021.

Two things are likely in play in terms of vendor satisfaction levels. One, channel partners have switched up the companies they are working with dramatically, choosing vendors that better align to their business model or goal. With more choices in the marketplace, as stated above, this has been a route many channel firms have decided to take if unhappy or just ambivalent about some of their relationships.

The no. 1 reason for making a shift is the desire for better profitability and revenue growth – an obvious aspiration. Because many channel partners are in the midst of a business model change – reseller to MSP, for example – the vendors and compensation plans that worked for them in the past may not be as applicable or fruitful today. So, they move on. A third of vendors are eyeing different markets and have set their sights on vendor relationships that provide an onboard to newer or emerging technologies. Still others worry about vendor financial viability, a valid consideration after the pandemic and in the current throes of economic uncertainty. Bottom line: Vendor portfolio change that improves overall business alignment is surely a factor behind greater satisfaction.

Reasons for Changes to Vendor Relationships



Source: GTIA 2023 State of the Channel US survey | n=400 respondents

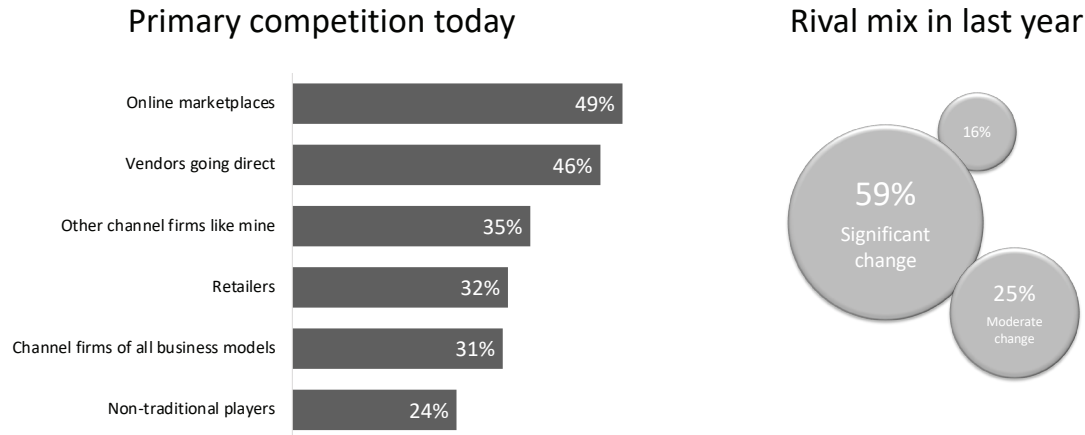
The other driver for high satisfaction, however, could be the positive changes that many vendors have made to accommodate their partners, particularly during and after the chaos of the pandemic. In CompTIA's [Partner Experience Trends 2022](#) research, nearly 4 in 10 channel firms said vendors are reworking compensation models and benefits to reflect the times and, notably, to attract and recruit new partners. One of the biggest challenges in the last 15 years of cloud computing dominance has been how to reward different types of partners financially for as-a-service or subscription-type models commensurate with transactional product sales. In other words, how will partners make money when, in most cases, the game is no longer about reselling at markup an office's worth of devices and networking gear.

Compensation changes, enablement, business training, and marketing assistance, along with better PRM automation tools are just some of the levers that vendors have been moving to bolster their overall relationship with the indirect channel.

Beyond vendor relationships, the other fast-moving dynamic in the channel's orbit is its competition. If some things remain the same over a decade in the channel, the competitive picture is not one of them. Today's primary competition for the average solution provider, reseller or MSP is an online marketplace. This falls in line with more customers buying direct, both from these multivendor marketplaces or from the vendors themselves. Nearly half of respondents (49% and 46%, respectively) cited these two sources as their main competition today, ahead of rival channel firms like themselves by more than 10 percentage points. Clearly, it's not the shingle down the street anymore, but internet giants and their aggregating e-commerce prowess that is causing most concern in the sales trenches.

There are other competitors to consider as well, from retailers to non-traditional players such as accounting and law firms that have gotten into the vertical software game. All of this adds up to major change in who the average channel firm is going up against in the market every day. Last year, nearly 6 in 10 respondents said their mix of rivals underwent significant flux.

View of Competitors in Business Today



Source: GTIA 2023 State of the Channel US survey | n=392 respondents

In general, the competitive mix of players is fairly consistent across channel firms of all sizes and ages, though the incidence of online marketplaces and vendors as primary rivals is seen in higher numbers by micro and small companies vs. medium and large sized. The smallest channel firms serve the smallest of customers for the most part, and those small customers are often budget-strapped and looking for the easiest way to buy technology quickly. An online marketplace such as Google’s or Amazon’s or the vendor’s own website is understandably attractive to them.

Alas, online marketplaces need not be the channel’s mortal enemy. In fact, savvy firms have figured out how to work with online marketplaces, selling their own offerings through them with transactions either facilitated by the marketplace e-commerce engine or linked back directly to a channel firm’s own storefront. Additionally, as channel firms increasingly focus on services, one of the major areas of opportunity lies in helping customers navigate marketplaces. These platforms can be dizzying in terms of choice. The average small customer looking for a new marketing app to help drive campaign success will be facing hundreds of potential purchases online. Who better than the channel to vet that menu? Whether the customer then conducts the transaction directly isn’t the point; the channel firm will have engaged pre-sales with consulting help and can then insert themselves after the transaction with services for integration, implementation, cybersecurity and the like.

Change is inevitable, but for the channel it looks more like an expansion and evolution of the greater ecosystem and its players vs. everybody switching up what they do with their businesses. Some will remain in the business model they started in – and continue to thrive to their own expectations. Others will race toward the next new thing, focusing on innovation. Still others will live in the middle, reaping rewards that can come from a hybrid mix of the old and the new.

5 | Methodology



CompTIA's *State of the Channel* study provides insights around key channel trends in business environments. The quantitative study within the United States consisted of an online survey fielded to channel professionals during February 2023. A total of 400 respondents participated in the survey, yielding an overall margin of sampling error at 95% confidence of +/- 5.0 percentage points. Sampling error is larger for subgroups of the data.

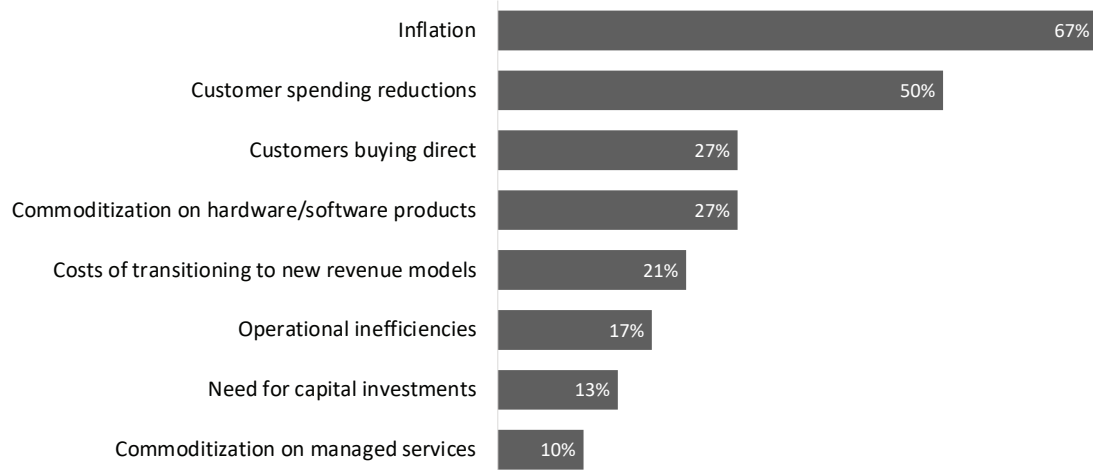
As with any survey, sampling error is only one source of possible error. While non-sampling error cannot be accurately calculated, precautionary steps were taken in all phases of the survey design, collection and processing of the data to minimize its influence.

CompTIA is responsible for all content and analysis. Any questions regarding the study should be directed to CompTIA Research and Market Intelligence staff at research@comptia.org.

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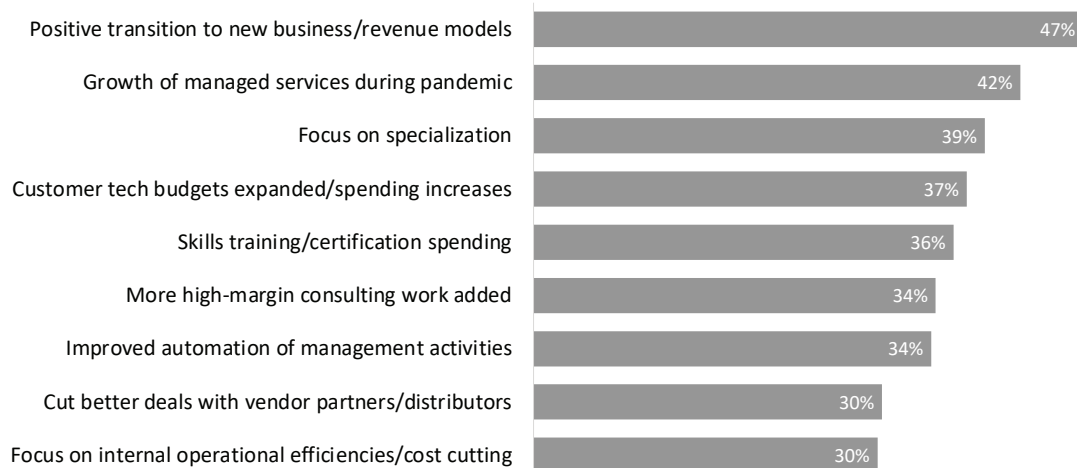
Appendix

Factors Contributing to Decreased Profit Margins



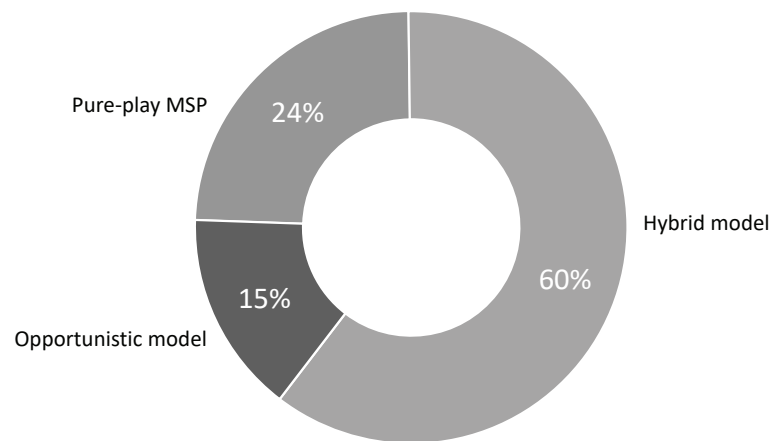
Source: GTIA 2023 State of the Channel US survey | n=52 respondents

Factors Contributing to Increased Profit Margins



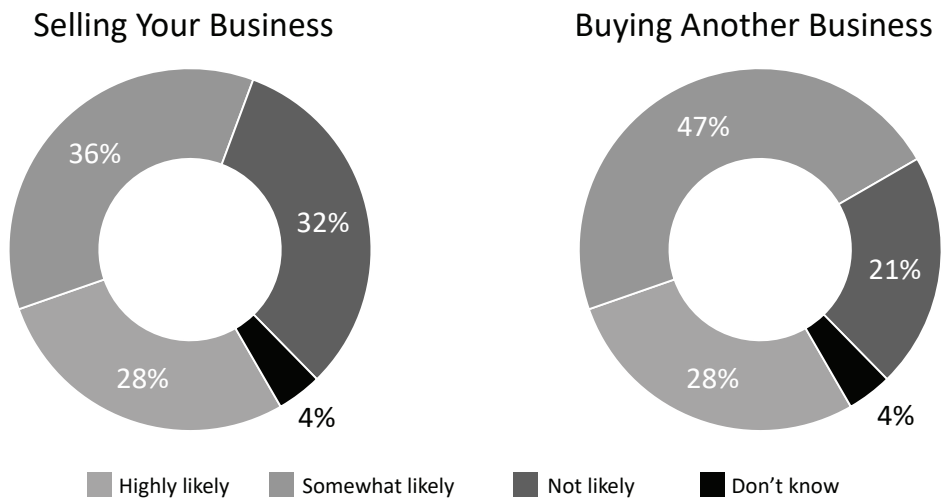
Source: GTIA 2023 State of the Channel US survey | n=261 respondents

Managed Services Business Models

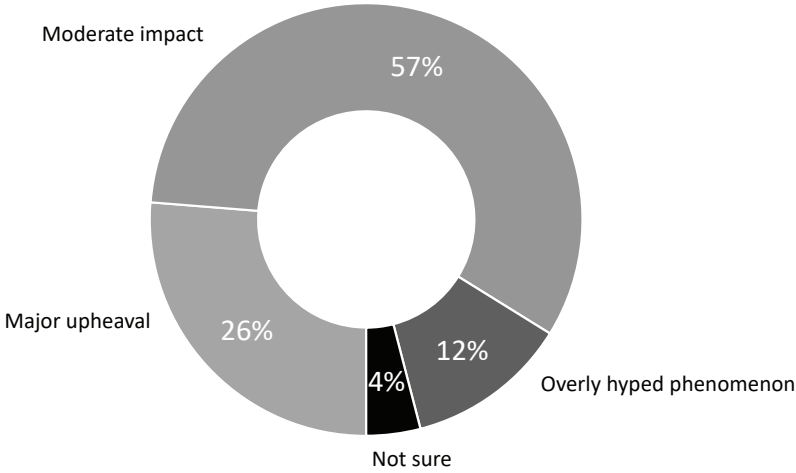


Source: GTIA 2023 State of the Channel US survey | n=260 respondents

Predictions for M&A in Your Business Next 2–5 Years



Source: GTIA 2023 State of the Channel US survey | n=399 respondents



Source: GTIA 2023 State of the Channel US survey | n=400 respondents



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