11 Channel Partner Types for SaaS Companies:

How to Pick the Best One(s)

When it comes to choosing the right channel partners to represent your software, there's a lot to know and a lot of options to choose from. Do you want companies that target large businesses, or SMB? Do you want partners with specific technology expertise, or that focus on a specific vertical market?

The following list of 11 different channel partner model types can help you determine which channel model is the best fit for you. When considering prospective channel partners, SaaS companies should consider five factors: your SaaS company business profile, the products you sell, your ideal customer profile, go-to-market and sales model, and current routes to market. With that in mind, here are some strengths, weaknesses, and other information for each of the 11 types of partners:

1

MANAGED SERVICE PROVIDERS (MSPs)

A managed service provider (MSP) is a company that remotely manages a customer's IT infrastructure, networks and/or devices, typically on a proactive basis and under a subscription model. Today, the terms cloud service provider and managed service provider are sometimes used as synonyms when the provider's service is supported by a service level agreement (SLA) and is delivered over the internet.

STRENGTHS
Great for large and small software vendors. Brand recognition is not as important as value to customers and margins. Purchasing is driven typically by the business owner. No worries about seasonality of sales, complicated approval finance chains, etc. Partners typically handle most levels of support.

WEAKNESSES
Channel only for selling IT focused products they have domain expertise in. Price Sensitive compared to traditional IT departments.
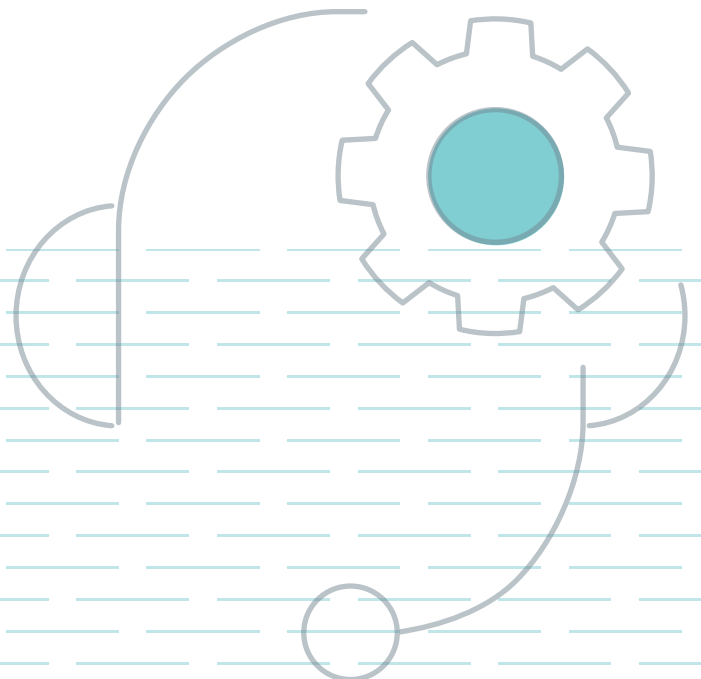
EXPECTED PARTNER MARGINS
25% to 75%

END-USER SEGMENT SERVED
25 to 250 people, SMB companies

IMPLEMENTATION
Traditional prospecting, account executive and account management sales team.

2

MSP PLATFORM VENDORS

Remote monitoring and management (RMM) is the process of supervising and controlling IT systems by means of locally installed agents that can be accessed by a managed service provider. RMM vendors develop platforms that MSPs use to better manage their customers' systems, networks, etc.

STRENGTHS
Great for medium to large software vendors. Similar to a reseller, typically providing Level 1 and 2 support. It's a great avenue to attack the SMB market without the need for a large sales organization and cannibalization can be mitigated by promoting bundles.

WEAKNESSES
Channel only for selling IT focused products they have domain expertise in. Price Sensitive compared to traditional IT departments.

EXPECTED PARTNER MARGINS
50% or higher

END-USER SEGMENT SERVED
25 to 250 people, SMB companies

IMPLEMENTATION
Business development and engineering integration.

3

VALUE ADDED RESELLERS

A value-added reseller (VAR) is a company that adds its own features or services to an existing product, then resells it (usually to end users) as an integrated product or complete "turnkey" solution. By doing this, the company has added value above the cost of the individual tech products.

STRENGTHS
Great for all sizes of companies. VARs enhance the value of the offering by adding products and services to the sale. VARs typically handle customer support unless it is an issue with a specific vendor's product. Customers look to VARs as trusted advisors and often serve as a single point of contact to help customers. VARs normally have experts on their solution, and the suite of products that make up the solution, but not for all vendors.

WEAKNESSES
VARs have no control of feature function and capability of the product they are selling. The reselling process is often not as transparent as it could be. Customers normally do not have direct access to the vendor.

EXPECTED PARTNER MARGINS
20% to 40%

END-USER SEGMENT SERVED
SMB, Mid-Market, Enterprise

IMPLEMENTATION
Engineering integration VAR Services

4

VALUE ADDED DISTRIBUTORS

A value-added distributor is a company that traditionally buys products and services directly from vendors, then adds features or services to those products and sells them as an integrated product or complete "turnkey" solution. Distributors usually sit in the middle of the technology supply chain, serving as a conduit between the vendors and MSPs and VARs. They typically sell to VARs or MSPs in North America but may also sell directly to end users in other regions around the world.

STRENGTHS

Great for all sizes of companies. Value-added distributors enhance vendors' offerings by adding products and services to the sale. Value-add distributors typically handle may handle Level 1 and 2 customer support but do so representing the vendor or channel partner in an outsourced model. Channel partners look to value-added distributors as trusted advisors who will not compete with them for customer sales.

WEAKNESSES

Value-added distributors have very limited control of product feature functions and capabilities for the product they sell. Many distributors also operate on razor-thin product margins, relying on volume to earn the bulk of their profits, and may demand significant investment from vendors in order to carry their products or services.
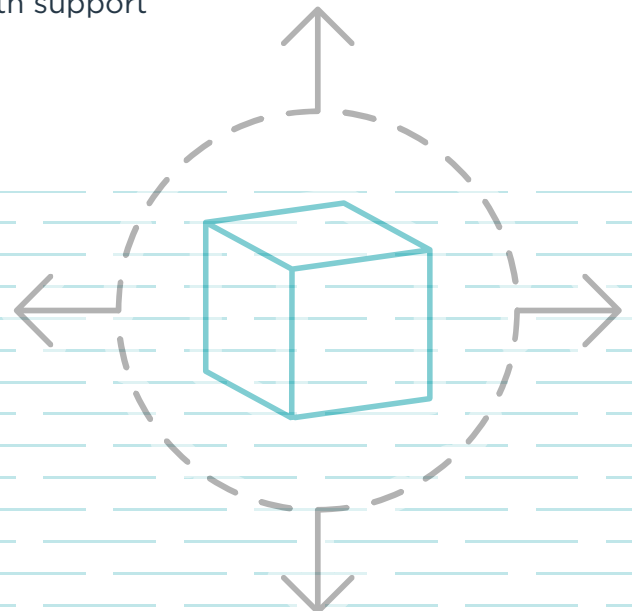
EXPECTED PARTNER MARGINS

15% to 30% for channel partners sourcing products and services through distribution.

END-USER SEGMENT SERVED

SMB, Mid-Market, Enterprise

IMPLEMENTATION

Engineering integration, customer install with support

5

LARGE ACCOUNT RESELLERS

The largest value-added resellers (VARs) are often identified as large account resellers because they serve large, enterprise-sized accounts.

STRENGTHS
Great for all sizes of companies. Large offering of solutions they can offer to help with security posture. Ability to bridge geographies globally. The customer base is larger with vertical segmentation. With this large customer base, they have the ability to reach more customers.

WEAKNESSES
LARs have so many vendors there is not the dedicated attention. They are predominantly a pay-to=play partnership.
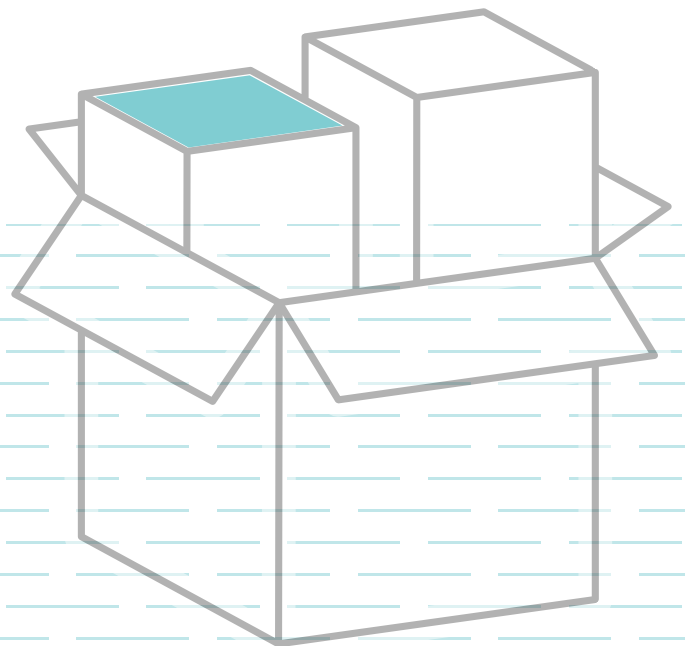
EXPECTED PARTNER MARGINS
20% to 40%

END-USER SEGMENT SERVED
SMB, Mid-Market, Enterprise

IMPLEMENTATION
Engineering integration, customer install with support

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MARKETPLACES AND ECOSYSTEMS

An online marketplace (or online e-commerce marketplace) is a type of e-commerce website or platform where product or service information is available through multiple third parties. Online marketplaces are the primary type of multichannel e-commerce and can be a way to streamline the production process. Marketplaces may be hosted by large public cloud and SaaS companies or can be operated by companies that are pure distributors of B2B technology services.

STRENGTHS
Great for SMB/mid-market companies. Simplified and streamlined product offerings. No touch sale for customers that visit the marketplace. No discount on pricing. Ease of purchase.

WEAKNESSES
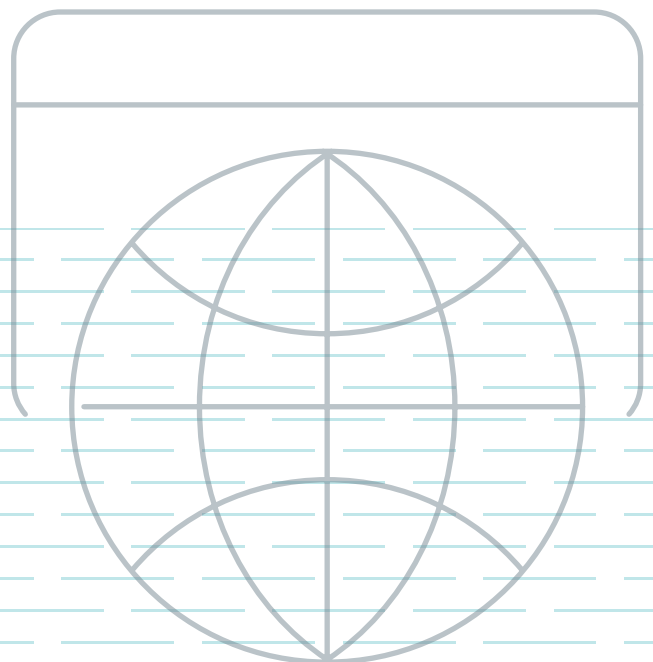Limited product offering due to integrations. Limited phone support.

EXPECTED PARTNER MARGINS
15% to 30%

END-USER SEGMENT SERVED
SMB, Mid-Market, Enterprise

IMPLEMENTATION
Engineering integration, customer install with support

7

TELECOM AND CABLE COMPANIES

The telecommunications industries within the sector of information and communication technology are comprised of telecommunications/telephone companies, carriers, cable companies and internet service providers that play a crucial role in the implementation of mobile communications.

STRENGTHS
Strength at integrating multiple carriers / services into a single customer offering. Transactional and point product driven.

WEAKNESSES
Not focused on technical, marketing or sales acumen of third-party products.

EXPECTED PARTNER MARGINS
15%

END-USER SEGMENT SERVED
All, with a bias to SMB and Mid-Size Enterprise

IMPLEMENTATION
Telecom agents do not deliver implementation services. They quote, configure, sell, and renew in exchange for a recurring commission.

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SOFTWARE SERVICES-LED PARTNERS

Software services-led partners are third-party companies that source, resell, integrate and remotely manage software services for end-user organizations. Similar to MSPs, but without the focus on physical hardware managed services, the software services-led partner focuses primarily on the SMB and mid-market customer.

STRENGTHS
Complex solution builds that map customer problems to software solutions; implementation and integration services.

WEAKNESSES
Finite ability to drive net new customer discovery
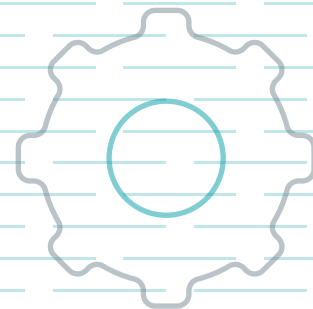
EXPECTED PARTNER MARGINS
15% to 20%

END-USER SEGMENT SERVED
Mid-size enterprise to large enterprise

IMPLEMENTATION
Customer solution build; app testing and deployment; new app integration with legacy apps; migration to the cloud

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GLOBAL SYSTEMS INTEGRATORS (GSIS)

GSIs source, implement and provide professional services around the lifecycle of complex IT solutions within enterprise organizations helping them to achieve specific strategic business outcomes.

STRENGTHS
C-level relationships, large digital transformation projects; complex software/hardware solutions

WEAKNESSES
Hard for small vendors to create relevance

EXPECTED PARTNER MARGINS
10 to 15% referral fees

END-USER SEGMENT SERVED
Large enterprise customers

IMPLEMENTATION
Primary economic opportunity is solution and implementation services. Product revenue is not as important to a GSI, as most prefer not to resell. Maintaining vendor agnostic position is key to their client value proposition

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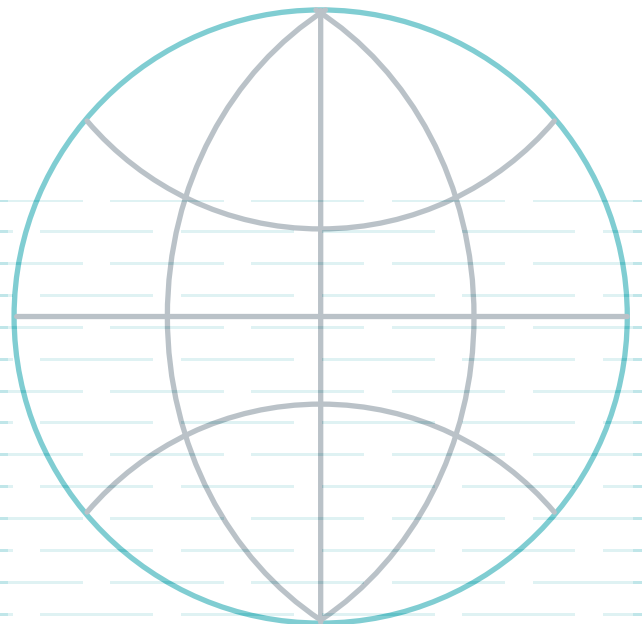
MANAGED OR VIRTUAL HOSTING COMPANIES

Managed dedicated hosting is an IT service model in which a customer leases dedicated hardware from a managed hosting services provider. This solution may include servers, storage and networking hardware. The equipment is not shared and thus often referred to as a single-tenant solution.

STRENGTHS
Great for all sizes of companies. If in the ecosystem, the hosting company will integrate your solution into the offerings. They will also promote your solution to all customers.

WEAKNESSES
Do not have single representation. They try and make it simple, but you do not have a person that is your contact.
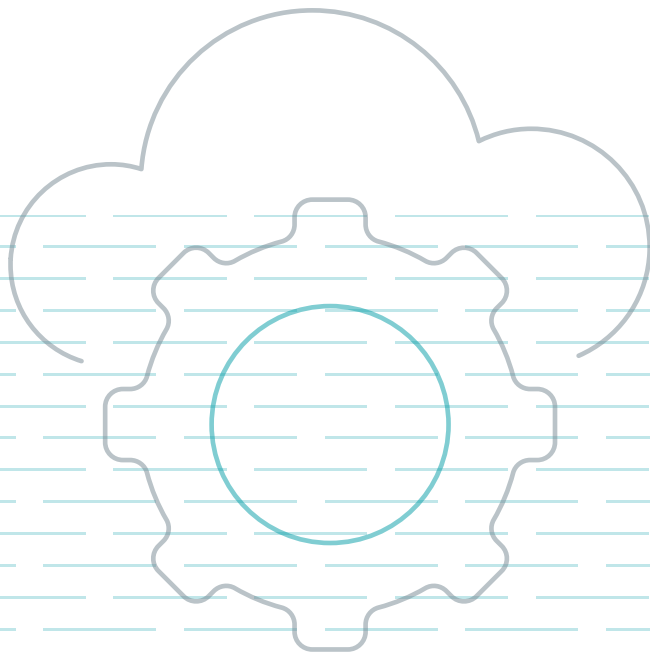
EXPECTED PARTNER MARGINS
8% to 25%

END-USER SEGMENT SERVED
SMB, mid-market, enterprise

IMPLEMENTATION
Engineering integration; customer install with support

11

REFERRAL AGENTS AND TECHNOLOGY SERVICES DISTRIBUTORS

Referral agents are technology advisors and consultants that provide technology consulting services (usually cloud, telecom, and connectivity) to businesses, usually in form of solution consulting, vendor selection and strategy, and sometimes implementation. Instead of getting paid by the end-customer, they are paid a recurring referral fee (15% to 20%) from the vendor the client chooses to work with that was referred by the agent.

Referral agents usually do not have direct payment contracts with the vendors, but instead leverage contracts of the larger technology services distributors (formerly master agents) which have direct contracts with the hundreds of technology service vendors that their sub-agents can refer.

STRENGTHS
Heavily sales- and GTM-focused, skilled at driving new business and getting new logos. Heavily focused on connectivity (fiber, cable, SD-WAN, SASE, MPLS, etc.), UCaaS, CCaaS, productivity, and security services.

WEAKNESSES
Challenging for newer brands to get mindshare with the agents, and expensive to get mindshare through the technology services distributors. Highly relationship based.

EXPECTED PARTNER MARGINS
15% to 20%

END-USER SEGMENT SERVED
Historically, SMB and mid-market. Recently moving into the lower enterprise as well.

IMPLEMENTATION
Depends on the agent. Some do no integration/engineering. Moving up market, some will manage design and implementation   from start to finish.

CompTIA SAAS ECOSYSTEM ADVISORY COUNCIL

This document was developed by members of the CompTIA SaaS Ecosystem Advisory Council, one of CompTIA's Industry Advisory Councils comprised of influential and knowledgeable leaders who volunteer their time to help advocate and educate the adoption of innovative technologies into businesses small and large.

WHO WE ARE
The CompTIA SaaS Ecosystem Advisory Council is a group of thought leaders and subject matter experts representing cloud software platforms and applications. Our members provide valuable insight that helps develop resources and tools to help achieve specific business objectives and advance the Software as a Service (SaaS) industry.

WHAT WE STAND FOR
The council is dedicated to exploring the benefits and opportunities created through SaaS, applications and cloud solutions. We also collaborate with CompTIA's other industry advisory councils to further enable opportunities and partnerships around the IT channel, drones, blockchain and internet of things. Our goals include:

- Exploring new routes to market and developing use cases that accelerate success.
- Studying innovative methods to create, deliver and support business applications.
- Fostering greater adoption and expansion of emerging technologies.
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HOW WE'RE MAKING AN IMPACT
Our members collaborate regularly to address relevant industry trends and issues affecting the business applications/SaaS market and its rapidly evolving platforms and methodologies. The results have had a positive impact on establishing new partnerships and promoting the value that SaaS holds in the market, including:

- Refining industry best practice standards.
- Improving operations through cloud and SaaS-enabled solutions.
- Tracking market expansion and innovation.
- Building industry-leading enablement programs, research and tools.

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CompTIA is home to thousands of member technology companies and millions of professionals that provide the technology solutions and IT services that are powering the world's economy. Explore the categories below to learn how membership can benefit your entire organization by helping you scale your tech business, connect with the right partners, safeguard your company and its customers against cyber-attacks, excel in your career and drive the tech industry forward.

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MSPs, solution providers, vendors, distributors, and technology companies of all sizes find CompTIA membership to be an invaluable asset to their business. Your entire organization gains access to membership benefits, including industry research and connections necessary to grow your business.

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MSPs, integrators, vendors, distributors, and technology consultants gain access to tools you need to increase your cybersecurity resilience including threat intelligence information and a trusted community to share best practices. We fight back against the cybersecurity threats that are targeting the IT industry.

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