



ChannelPro

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STATE OF THE SMB CHANNEL REPORT

2021

THE CHANNELPRO NETWORK PROVIDES TARGETED BUSINESS AND
TECHNOLOGY INFORMATION FOR IT CHANNEL PARTNERS WHO SERVE
SMALL AND MIDSIZE BUSINESSES (SMBs).



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EXECUTIVE SUMMARY

- The coronavirus pandemic and resulting economic slowdown did real harm to the channel's revenue and profits.
- That harm was not as severe as some feared, however, and many channel pros actually gained financial ground last year.
- With the future brighter but still uncertain, about half of channel pros expect higher revenue and profits in 2021.
- Many are avoiding wage increases and hiring, though, just in case.
- Thanks to work-from-home computing, cloud computing and security were both breakout markets in 2020 with growing margins.

BRUISED BUT ROARING BACK

Results from our latest reader survey suggest that 2020, while hard, could have been far worse, and that 2021, while uncertain, looks way more promising. BY RICH FREEMAN

SAY ONE THING FOR 2020, it sure was filled with surprises.

Most channel pros entered the year with momentum at their back and high hopes for the future. Then came a global public health crisis, cascading stay-at-home orders, mounting small business closures, and an abrupt contraction in technology spending. Those were in turn followed by recovering GDP figures and the arrival of vaccines on the one hand, and political turmoil plus an agonizing year-end spike in coronavirus casualties on the other. As we wrote this report, the future, while far brighter than last spring, remains hard to predict.

Welcome to a State of the Channel report unlike any before it, in which we compare data collected last summer and fall in what already feels like a different era to research conducted a year earlier in heady pre-pandemic times, as well as interim polling from last April when fear,

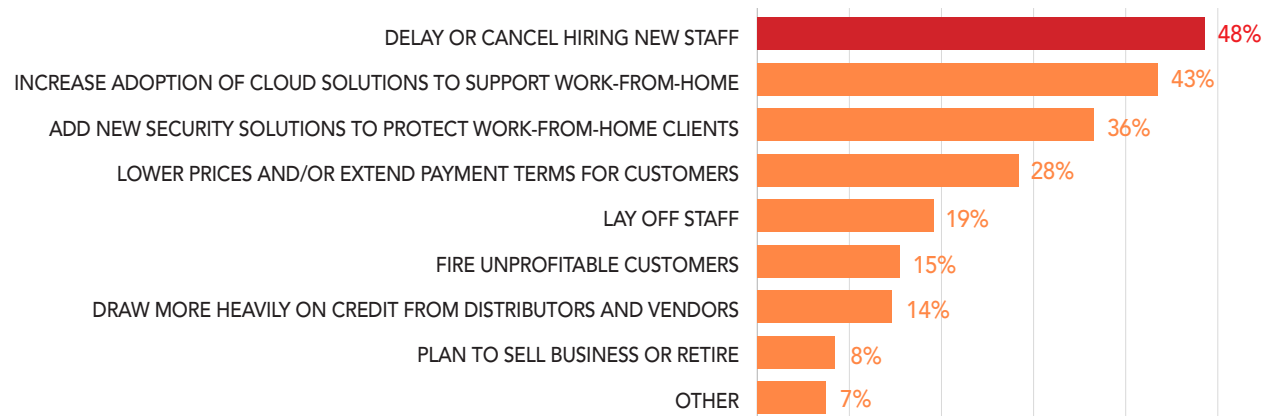
uncertainty, and doubt were at their peak.

The analysis that follows very much reflects the last year's ups and downs, but also tells a tale worthy of relief and even gratitude: Though readers suffered real damage when the virus arrived

and the economy shut down, most came through the darkest days of 2020 less wounded than many once feared, and some even thrived. They entered 2021, as a result, with an understandably wary but nonetheless real sense of optimism.

Fig 1: Coronavirus Actions and Implications

Which of the following did you do during 2020 in response to the coronavirus pandemic? (Select all that apply)

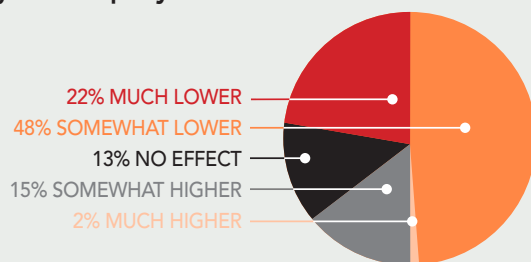


DOWN BUT COMING BACK

Not surprisingly, the arrival of lockdown orders last spring took an immediate toll on the channel's expectations for the future. When we asked readers to forecast the year ahead going into 2020, 63% projected much or somewhat better conditions for channel pros, 65% predicted the same for the economy as a whole, and 71% prophesied the same for themselves. When we

Fig 2: Coronavirus Actions and Implications for Revenue

How has the coronavirus pandemic impacted your company's revenue?



To what degree has your company's revenue returned to where it was before the coronavirus pandemic?



asked them again last April, those figures had plummeted to 22% predicting much or somewhat better conditions for channel pros, 16% saying the same for the economy, and 24% saying the same for themselves.

They were right to be concerned too. Fully 48% of respondents to this year's survey say revenue was somewhat lower in 2020 due to the coronavirus and another 22% say it was much lower. Furthermore, 63% say revenue is still a little or well behind where it was before the pandemic.

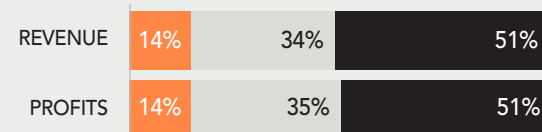
The services our readers offer were less profitable in 2020 too, even in critical fields. For example, the portion of readers who called margins on BDR, security services, and networking average or low in last year's survey stood at 56%, 56%, and 66%, respectively. In this year's study, those numbers rose to 61%, 63%, and 74%.

Vital markets for remote work weren't spared from profit erosion either. While 36% of readers called margins on videoconferencing average or low in last year's survey, 50% say the same this year. And while global sales of desktops, notebooks, and workstations jumped 13.1% in 2020, according to IDC, as businesses rolled out new and improved hardware to home-based employees, fully 71% of respondents to this year's study call PC margins average or low, versus 59% a year earlier.

Fig 3: Upbeat about Revenue/Profit for 2021 after 2020 Rollercoaster

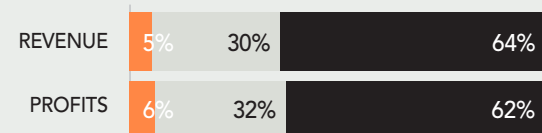
● DECLINE ● LITTLE CHANGE ● GROWTH

What do you expect 2021 revenue and net profit will look like when compared to 2020?



Data collected before the pandemic
(Oct. 2019)

What do you expect 2020 revenue and net profit will look like when compared to 2019?



Data collected after the pandemic
(April 2020)

What do you expect 2020 revenue and net profit will look like when compared to 2019?



More predictably, margins on services tied to office locations, most of which have been shuttered for months, suffered too. While 32% of readers said profits on video surveillance were average or low in last year's survey, for example, 49% say the same this year. Similarly, 38% of readers now call profits on access control systems low or average, versus 24% in our previous study.

Yet as bad as all that is, matters could have been worse. Close to a third of our readers (30%) say their revenue was either unaffected by COVID-19 or actually grew, and 36% say sales are either back to pre-pandemic levels or higher. What's more, profits held steady for 38% of poll respondents last year and increased for 37%.

Credit sober, hard-headed management for those encouraging numbers. For example, 48% of this year's poll respondents canceled or delayed plans to hire new employees, and 19% made the painful but necessary decision to lay off staff. Meanwhile, just 28% of them surrendered to temptation by lowering rates or extending payment terms for their customers, and 15% actually fired unprofitable clients in the middle of a recession.

"If you went back to the MSP community 10 years ago, you would not have found that business acumen," says Paul Dippell, CEO of managed services consultancy Service Leadership. "That, to me, is really the silver lining here."

The best news of all, though, is that the out-

look among readers for 2021 is generally upbeat, with 51% believing both revenue and profits will be up this year versus 2020. That's sharply down from the 64% forecasting higher revenue and 62% anticipating higher profits 12 months earlier, but way, way up from the measly 17-18% projecting revenue and profit growth last April.

Even so, with so much about the world still uncertain, channel pros are steering a cautious course for 2021. Fifty-three percent expect headcount to hold steady, for instance, and 7% expect it to shrink. In addition, 56% plan to keep technician wages and their own personal salary roughly unchanged this year, 58% say the same of salespeople, and 63% say the same about administrative staff.

Fig 4: The Cloud Solutions Landscape

What cloud services are you offering now (please select all that apply)

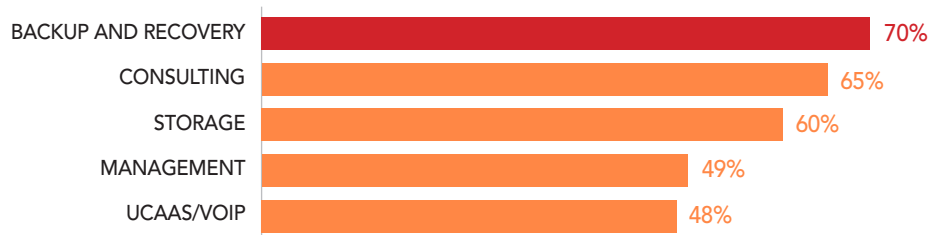
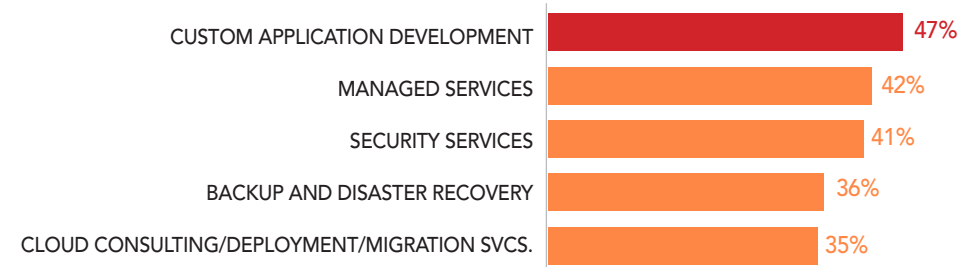


Fig 5: Where Respondents Expect Rising Profits in 2021



A BIG YEAR FOR CLOUD AND SECURITY

Though the pandemic's worst effects on channel partners proved temporary, its impact on the cloud computing market looks to be enduring. IDC, in fact, expects worldwide spending on cloud software, hardware, and services to climb at a 15.7% CAGR through 2024 to more than \$1 trillion. Global outlays on public cloud services alone will rise 18.4% this year, moreover, according to Gartner.

The big driver behind that growth, of course, is last year's swift embrace of work-from-home (WFH) computing, which has 67% of channel pros currently offering remote work services to their clients, according to our new survey. Forty-three percent of participants in that survey, moreover, increased their use of cloud solutions in 2020 to support WFH use cases. At present, 48% offer unified communications as a service or VoIP, 60% offer cloud storage, 65% offer cloud consulting, and 70% offer cloud backup. Forty-nine percent now provide cloud management services, too, to help businesses provision, monitor, and optimize their increasingly multicloud environments.

In a continuation of a trend first highlighted in last year's State of the Channel study, channel pros are still showing greater interest in more sophisticated, high-margin cloud services that require greater investment in skills. The number of poll respondents planning to roll out platform-as-a-service offerings in the future rose from 12% to 18% (a 50% uptick), while the portion planning to

BIGGER CHANNEL BALANCE SHEETS

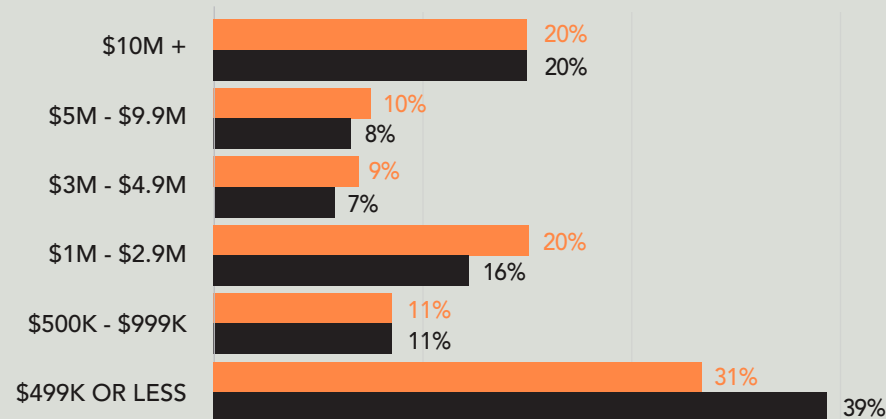
WHEN THE CORONAVIRUS first struck North America, many feared it would result in a wave of panicky channel pros selling out to bigger peers and private equity investors bent on assembling giant firms with regional and even national footprints. Though that prediction never came true, thankfully, our latest State of the Channel survey does reflect continued movement in the IT services industry toward fewer companies with bigger revenue totals. Last year, for example, 50% of poll respondents billed less than \$1 million a year. This year that figure dipped to 42%. And while 23% of last year's poll sample collected \$1 to \$4.9 million annually, 29% fell in that category in 2021.

On the other hand, there was very little growth in readers making \$5 million or more annually. That number rose from 28% a year ago to 30% now.

Fig 6: Size Is Starting to Matter

What was your firm's overall revenue?

● 2020 ● 2019



add online ERP and cloud analytics services both roughly doubled, from 7% to 13% in the former case and from 9% to 18% in the latter.

As a result of all that cloud growth, though 68% of readers derive less than a quarter of revenue from cloud computing today, 50% expect cloud to account for a greater portion of the top line by the end of this year, up from 44% a year earlier.

Meanwhile, 62% of channel pros now offer cloud security, according to this year's study. Thanks to increased threat activity against often inadequately protected remote workers, 2020 was a big year for security generally. In fact, 40% of SMBs in the U.S. increased their security spending last spring when stay-at-home orders went into effect, Analysys Mason reports, and 93% of those firms plan to keep spending at those higher levels going forward.

Good thing too, according to Ian Thornton-Trump, CTO of Winnipeg, Manitoba-based MSP Octopi Managed Services and chief information security officer of threat intelligence vendor Cyjax. Last year's sudden, unplanned rush to WFH left home-based workers vulnerable to surging threats. "Some of the decisions that

we made, some of the equipment that we have, just were not up to the task," he says.

Accordingly, 36% of channel pros added security solutions last year to protect their work-from-home clients, 46% now offer managed security services, and another 18% plan to add managed security in the future.

Fortunately for the people going deeper on cloud and security, margins on both appear to be climbing. While 56% of poll participants called profits in cloud consulting, deployment, and migration average or high in last year's research, and said the same of security services, 65% report average or high margins in both areas now. What's more, 35% expect margins to increase in cloud consulting, deployment, and migration in 2021 and 41% expect margins to rise in security. Just 3% of channel pros believe margins on security will dip this year, and just 5% foresee a decline in cloud margins.

FURTHER SIGNS OF MANAGED SERVICES MATURITY

One reason COVID-19 hurt channel pros less last year than initially feared is that MSPs truly are essential workers. Companies unable to

pay other bills found money to pay the people responsible for keeping their tech gear running, and organizations big enough to have in-house IT departments hired MSPs in growing numbers to ease the unfamiliar burdens of delivering remote support.

Still, though managed services have replaced break-fix as the channel's leading business model, its position is hardly dominant. At present, 63% of *ChannelPro* readers derive less than 25% of their revenue from managed service offerings, and just 20% make more than half of their money that way. And although that last figure appears set to grow in 2021, the jump may not be a big one. While 43% of this year's survey participants expect the share of their top line accounted for by managed services to climb in 2021, 52% anticipate little change.

MSPs have similarly mixed feelings about their profits. Though 37% call margins on managed services high, an identical 37% say they're average. And while 42% expect margins to improve this year, 38% foresee no change.

The picture on break-fix margins is even worse. Just 18% of participants call them high, while 43% call them average. Forty-nine percent expect little change this year, moreover, against 19% predicting improvement.

Let's hope those channel pros are unduly pessimistic, and that there's improvement in store not just for break-fix margins but for everything in 2021. We're all surely due for it.

METHODOLOGY

The 2021 ChannelPro State of the Channel survey was conducted online from August to October 2020, and was open to everyone in our email database. A total of 1,178 respondents participated. For detailed demographics of the respondents see the Demographic and Respondent Profile information beginning on page 9.

A BUMP IN THE INTERNET OF THINGS ROAD

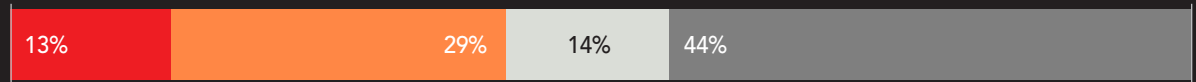
LAST SUMMER, IDC predicted that global IoT spending would rise 8.2% in 2020 to \$742 billion. That's good, solid growth in a difficult year (IDC forecast a 5.1% decline in worldwide IT spending overall last year around the same time) but a significant drop from the 14.9% increase in IoT outlays the analyst projected before the pandemic.

Results from this year's State of the Channel survey mirror that continued but somewhat slower momentum. On the one hand, the percentage of participants who offer IoT services today grew from 29% a year ago to 34% now, with another 25% planning to add IoT offerings in the future. On the other hand, while 41% of readers believed margins would improve in the year ahead in last year's survey, just 20% say the same this time. To make matters worse, just 13% of poll respondents call margins on IoT services high at present, and 27% predict little change in 2021.

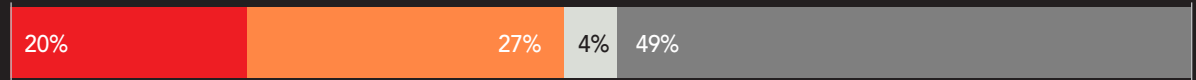
Fig 7: IoT Profits Expected to Show a Small Increase

PROFIT MARGIN: ● HIGH ● AVERAGE ● LOW ● DON'T OFFER

How would you characterize the IoT profit situation currently?



What do you anticipate the IoT profit situation will be for the year ahead?



2021 SURVEY RESULTS

CHANNEL

I. PROFILE OF RESPONDENTS

1. What is the primary business of your company?

(Select all that apply)

MANAGED SERVICES PROVIDER	51%
VAR/INTEGRATOR/SOLUTION PROVIDER	44%
BREAK-FIX SHOP	26%
CUSTOM SYSTEMS BUILDER	22%
OTHER*	11%
DISTRIBUTOR	7%
TELECOM AGENT/RESELLER	2%
PRINT/MANAGED PRINT/COPIER PROVIDER	1%
VENDOR	0%
PROAV PROVIDER	0%

2. How many years has your company been in business?

LESS THAN 5 YEARS	7%
5 TO 10 YEARS	14%
11 TO 20 YEARS	31%
MORE THAN 20 YEARS	48%

3. What is your job function?

EXECUTIVE MANAGEMENT (CEO/Owner/President/VP)	53%
TECHNICAL MANAGEMENT	22%
SALES/MARKETING MANAGEMENT	13%
OFFICE STAFF	6%
TECHNICIAN/ENGINEER	5%

4. What is your age?

UNDER 30	2%
30 TO 49	38%
50 OR OLDER	60%

I. PROFILE OF RESPONDENTS

5. Which of the following vertical market industry sectors does your company currently serve?

(Select all that apply)

LEGAL/PROFESSIONAL SERVICES	57%
HEALTHCARE AND SCIENTIFIC	53%
MANUFACTURING	51%
INSURANCE AND FINANCIAL	50%
RETAIL/HOSPITALITY	42%
HOME/SOHO	40%
ARCHITECTURE/ENGINEERING/CONSTRUCTION	40%
GOVERNMENT	37%
EDUCATION - K-12	32%
TRANSPORTATION/LOGISTICS AND ENERGY	27%
EDUCATION - HIGHER ED	24%
OTHER	8%
eSPORTS	1.5%

6. Do you anticipate revenue growth in these industries?

	YES For my firm, serving companies in this industry	YES For companies in this industry
ARCHITECTURE/ENGINEERING/CONSTRUCTION	53%	47%
LEGAL/PROFESSIONAL SERVICES	52%	48%
RETAIL	50%	50%
GOVERNMENT	49%	51%
MANUFACTURING	49%	51%
INSURANCE AND FINANCIAL	48%	52%
HEALTHCARE AND SCIENTIFIC	47%	53%
HOME/SOHO	46%	54%
EDUCATION - K-12	44%	56%
EDUCATION - HIGHER ED	37%	63%
TRANSPORTATION/LOGISTICS AND ENERGY	37%	63%
eSPORTS	17%	83%

I. PROFILE OF RESPONDENTS

7. What are your expectations for market conditions in 2021 versus 2020?

	Much Better in 2021	Somewhat Better in 2021	About the same in 2021 as in 2020	Worse in 2021 than in 2020
FOR THE ECONOMY AS A WHOLE	23%	37%	24%	17%
FOR CHANNEL PROS (IT consultants, MSPs, integrators, etc.)	20%	42%	24%	14%
FOR MY COMPANY SPECIFICALLY	22%	45%	22%	10%

II. CORONAVIRUS IMPACT

C1. Which of the following did you do during 2020 in response to the coronavirus pandemic?

(Select all that apply)

DELAY OR CANCEL HIRING NEW STAFF	48%
INCREASE ADOPTION OF CLOUD SOLUTIONS TO SUPPORT WORK-FROM-HOME USE CASES	43%
ADD NEW SECURITY SOLUTIONS TO PROTECT WORK-FROM-HOME CLIENTS	36%
LOWER PRICES AND/OR EXTEND PAYMENT TERMS FOR CUSTOMERS	28%
LAY OFF STAFF	19%
FIRE UNPROFITABLE CUSTOMERS	15%
DRAW MORE HEAVILY ON CREDIT FROM DISTRIBUTORS AND VENDORS	14%
PLAN TO SELL BUSINESS OR RETIRE	8%
OTHER	7%

II. CORONAVIRUS IMPACT

C2. How has the coronavirus pandemic impacted your company's revenue?

IT'S LED TO SOMEWHAT LOWER REVENUE	48%
IT'S LED TO MUCH LOWER REVENUE	22%
IT'S LED TO SOMEWHAT HIGHER REVENUE	15%
IT'S HAD NO EFFECT ON REVENUE	13%
IT'S LED TO MUCH HIGHER REVENUE	2%

C3. To what degree has your company's revenue returned to where it was before the coronavirus pandemic?

IT'S A LITTLE BEHIND WHERE IT WAS	36%
IT'S WELL BEHIND WHERE IT WAS	27%
IT'S A LITTLE AHEAD OF WHERE IT WAS	17%
IT'S BACK TO WHERE IT WAS	15%
IT'S WELL AHEAD OF WHERE IT WAS	4%

III. PRODUCTS AND SERVICES

8. Which of the following products/solutions/services does your firm offer? (Select all that apply)			
	Offer now	Will Begin to Offer in the Future	No Plans to Offer
ACCESS CONTROL SYSTEMS	26%	17%	42%
ALARM SYSTEMS	16%	14%	55%
ANALYTICS/BIG DATA	20%	17%	47%
BACKUP AND DISASTER RECOVERY	65%	9%	14%
BREAK-FIX SERVICES	55%	4%	28%
CLOUD COMPUTING CONSULTING/DEPLOYMENT/MIGRATION SERVICES	58%	14%	17%
CUSTOM APPLICATION DEVELOPMENT	24%	11%	49%
CUSTOM-BUILT BUSINESS PCS AND SYSTEMS	41%	4%	41%
CUSTOM-BUILT GAMING PCS AND SYSTEMS	29%	6%	47%
DESKTOP VIRTUALIZATION	44%	16%	26%
DIGITAL SIGNAGE	25%	13%	45%
DOCUMENT MANAGEMENT	33%	16%	35%
DRaaS	32%	12%	39%
EMAIL HOSTING	37%	9%	38%
ENDPOINT MANAGEMENT	59%	10%	19%
GOOGLE APPS LICENSING	23%	17%	43%
IoT (INTERNET OF THINGS) SOLUTIONS	34%	25%	29%

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	Offer now	Will Begin to Offer in the Future	No Plans to Offer
IT INTEGRATION SERVICES	58%	10%	18%
MANAGED SECURITY	46%	18%	25%
MANAGED SERVICES	64%	9%	16%
MOBILE COMPUTING	50%	11%	26%
NETWORKING HARDWARE AND SOFTWARE	69%	4%	15%
OFFICE 365 LICENSING	54%	10%	24%
PCS AND PERIPHERALS	64%	6%	18%
PRINTER IMAGING AND MANAGED PRINT SERVICES	24%	16%	43%
SECURITY SERVICES (email, anti-virus, spam, network cybersecurity)	63%	8%	15%
SERVER HARDWARE	61%	6%	19%
SERVER VIRTUALIZATION	53%	8%	25%
STORAGE SOLUTIONS	64%	6%	16%
TELECOM SOLUTIONS	41%	12%	34%
TRAINING	38%	20%	28%
UNIFIED COMMUNICATIONS/VOIP	46%	13%	28%
VIDEO SURVEILLANCE SYSTEMS	40%	12%	35%
VIDEOCONFERENCING	38%	14%	35%
WORK-FROM-HOME/REMOTE WORK	67%	9%	15%

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III. PRODUCTS AND SERVICES

9. If you build custom systems or provide break/fix services, which products do you purchase for this?

(Select all that apply)

POWER SUPPLY	62%
DESKTOP/SERVER MEMORY	61%
SSDS	59%
MONITORS	59%
PROCESSORS - INTEL	56%
HDDS	56%
GRAPHICS CARDS	55%
COOLING SYSTEMS - FAN	53%
MOTHERBOARDS	52%
CASES	47%
OPTICAL DRIVE (CD/DVD/BD)	45%
SATA/SAS/RAID CONTROLLER	37%
SOUND CARD	35%
PROCESSORS - AMD	28%
COOLING SYSTEMS - LIQUID	25%
PROCESSORS - NVIDIA	24%
EMBEDDED SOLUTIONS	14%

III. PRODUCTS AND SERVICES

10. How would you characterize the profit situation for each of the following products/solutions/services that your firm currently offers?

	High Margin	Average Margin	Low Margin	Don't Offer
MANAGED SERVICES	37%	37%	6%	20%
IT INTEGRATION SERVICES	26%	37%	9%	28%
BACKUP AND DISASTER RECOVERY	24%	50%	11%	15%
CLOUD COMPUTING CONSULTING/DEPLOYMENT/MIGRATION SERVICES	21%	44%	11%	23%
MANAGED SECURITY	21%	36%	9%	35%
SECURITY SERVICES (email, anti-virus, spam, network cybersecurity)	18%	47%	16%	19%
BREAK-FIX SERVICES	18%	43%	12%	28%
CUSTOM APPLICATION DEVELOPMENT	17%	19%	10%	54%
DRaaS	16%	27%	9%	48%
ENDPOINT MANAGEMENT	16%	45%	13%	26%
SERVER VIRTUALIZATION	15%	43%	10%	32%
UNIFIED COMMUNICATIONS/VoIP	14%	34%	16%	36%
IoT (INTERNET OF THINGS) SOLUTIONS	13%	29%	14%	44%
WORK-FROM-HOME/REMOTE WORK	12%	53%	18%	17%
ANALYTICS/BIG DATA	12%	20%	7%	60%
TRAINING	12%	35%	16%	37%
STORAGE SOLUTIONS	10%	51%	17%	22%

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	High Margin	Average Margin	Low Margin	Don't Offer
SERVER HARDWARE	10%	47%	21%	23%
DESKTOP VIRTUALIZATION	10%	40%	12%	38%
NETWORKING HARDWARE AND SOFTWARE	9%	58%	16%	16%
DIGITAL SIGNAGE	9%	23%	8%	60%
MOBILE COMPUTING	8%	41%	17%	34%
CUSTOM-BUILT GAMING PCS	8%	28%	11%	53%
VIDEOCONFERENCING	7%	28%	22%	42%
CUSTOM-BUILT BUSINESS PCS	7%	34%	17%	42%
PCS AND PERIPHERALS	7%	46%	25%	23%
ALARM SYSTEMS	6%	20%	10%	64%
DOCUMENT MANAGEMENT	6%	32%	11%	51%
TELECOM SOLUTIONS	6%	34%	19%	41%
VIDEO SURVEILLANCE SYSTEMS	6%	35%	14%	45%
EMAIL HOSTING	6%	28%	27%	40%
ACCESS CONTROL SYSTEMS	4%	29%	9%	57%
PRINTER IMAGING AND MANAGED PRINT SERVICES	4%	21%	17%	58%
GOOGLE APPS LICENSING	4%	16%	21%	59%
OFFICE 365 LICENSING	3%	26%	40%	31%

III. PRODUCTS AND SERVICES

11. Do you anticipate that the profit situation for each of the following products/solutions/services will improve, deteriorate, or be little changed in the year ahead?

	Improve	Little Change	Deteriorate	Don't Offer
CUSTOM APPLICATION DEVELOPMENT	47%	30%	4%	19%
MANAGED SERVICES	42%	38%	5%	16%
SECURITY SERVICES (email, anti-virus, spam, network cybersecurity)	41%	41%	3%	15%
BACKUP AND DISASTER RECOVERY	36%	45%	6%	13%
CLOUD COMPUTING CONSULTING/DEPLOYMENT/MIGRATION SERVICES	35%	39%	5%	21%
MOBILE COMPUTING	31%	40%	4%	24%
DIGITAL SIGNAGE	30%	26%	7%	36%
DRaaS	29%	40%	2%	29%
ENDPOINT MANAGEMENT	28%	45%	4%	22%
VIDEOCONFERENCING	28%	30%	5%	37%
SERVER VIRTUALIZATION	27%	44%	4%	25%
IT INTEGRATION SERVICES	26%	48%	4%	22%
STORAGE SOLUTIONS	26%	50%	7%	17%
DESKTOP VIRTUALIZATION	25%	46%	5%	24%
ANALYTICS/BIG DATA	25%	31%	3%	41%
OFFICE 365 LICENSING	25%	43%	5%	27%
NETWORKING HARDWARE AND SOFTWARE	23%	54%	11%	12%

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	Improve	Little Change	Deteriorate	Don't Offer
UNIFIED COMMUNICATIONS/VoIP	23%	33%	6%	38%
IoT (INTERNET OF THINGS) SOLUTIONS	20%	27%	4%	49%
MANAGED SECURITY	20%	36%	5%	39%
BREAK-FIX SERVICES	19%	49%	14%	19%
PCs AND PERIPHERALS	18%	51%	16%	15%
EMAIL HOSTING	18%	46%	5%	31%
DOCUMENT MANAGEMENT	17%	35%	5%	42%
ENDPOINT SECURITY SOFTWARE	16%	35%	6%	43%
SERVER HARDWARE	16%	50%	16%	17%
TELECOM SOLUTIONS	16%	40%	5%	39%
TRAINING	16%	28%	6%	50%
GOOGLE APPS LICENSING	14%	34%	4%	49%
VIDEO SURVEILLANCE SYSTEMS	13%	32%	4%	51%
CUSTOM-BUILT GAMING PCs	13%	37%	13%	38%
ACCESS CONTROL SYSTEMS	11%	25%	5%	58%
CUSTOM-BUILT BUSINESS PCs	11%	41%	17%	31%
PRINTER IMAGING AND MANAGED PRINT SERVICES	10%	34%	7%	49%
ALARM SYSTEMS	9%	35%	5%	51%

IV. MANAGED SERVICES/CLOUD

12. What cloud services are you offering now or plan to offer in the future? (Select all that apply)

	Offer Now	Will Begin to Offer in the Future	No Plans to Offer
BACKUP AND RECOVERY	70%	9%	21%
CONSULTING	65%	9%	26%
NETWORKING/WI-FI	62%	12%	25%
SECURITY	62%	9%	29%
STORAGE	60%	12%	28%
ANTI-VIRUS	59%	10%	31%
SPAM FILTERING	57%	9%	35%
PRODUCTIVITY (WORD PROCESSING, SPREADSHEETS, ETC.)	55%	12%	33%
DATA MIGRATION	51%	11%	39%
MANAGEMENT/SYSTEMS ADMINISTRATION	49%	11%	40%
EMAIL HOSTING	48%	9%	43%
VOIP/UNIFIED COMMUNICATIONS	48%	10%	42%
COLLABORATION	46%	17%	38%
VIDEOCONFERENCING	45%	12%	43%
PROJECT MANAGEMENT	42%	11%	48%
WEBSITE HOSTING	39%	6%	55%
INFRASTRUCTURE AS A SERVICE (IAAS)	35%	16%	49%
APPLICATION DEVELOPMENT	31%	13%	56%
PLATFORM AS A SERVICE (PAAS)	29%	18%	53%
CRM	28%	10%	63%
ANALYTICS	27%	18%	55%
ERP/ACCOUNTING	21%	13%	66%
OTHER	17%	6%	77%
HR	12%	11%	77%

IV. MANAGED SERVICES/CLOUD

13. Approximately what percentage of your firm's overall revenue is derived from managed services?

LESS THAN 10%	36%
10% TO 24%	27%
25% TO 49%	16%
50% TO 74%	10%
75% OR MORE	10%

15. Approximately what percentage of your firm's overall revenue is derived from cloud computing?

LESS THAN 10%	44%
10% TO 24%	24%
25% TO 49%	24%
50% TO 74%	3%
75% OR MORE	5%

14. Do you expect your share of managed services revenue in 2021 to be greater than, less than, or about the same as it was in 2020?

ABOUT THE SAME	52%
GREATER	43%
LESS	5%

16. Do you expect the share of cloud computing revenue in 2021 will be greater, less, or about the same as it was in 2020?

ABOUT THE SAME	46%
GREATER	50%
LESS	4%

V. CYBERSECURITY

17. How concerned are you about cybersecurity threats and their potential impact on your customers?

(Rate on an ascending scale of 1-10, with '10' indicating the highest level of concern)

How concerned are you about cybersecurity threats and their potential impact on your customers?		How much confidence do you have that the cybersecurity solutions and services you provide to your customers will protect them from data breaches?	
1	2%	1	2%
2	0.4%	2	0.4%
3	3%	3	3%
4	2%	4	1%
5	3%	5	5%
6	4%	6	5%
7	9%	7	15%
8	18%	8	27%
9	20%	9	28%
10	38%	10	13%

VI. FINANCIAL

18. How many people (including you) does your firm currently employ?

ONE (SELF-EMPLOYED)	17%
2 - 4	19%
5 - 9	17%
10 - 19	15%
20 - 49	12%
50 - 99	5%
100 OR MORE	16%

19. Do you expect that your firm's overall employee head count in 2021 will grow, shrink, or remain about the same as in 2020?

REMAIN ABOUT THE SAME	53%
GROW	41%
SHRINK	7%

VI. FINANCIAL

20. What was your firm's overall revenue in 2020?

	2020
\$10 MILLION OR MORE	20%
\$5 MILLION TO \$9.9 MILLION	10%
\$3 MILLION TO \$4.9 MILLION	9%
\$1 MILLION TO \$2.9 MILLION	20%
\$500K TO \$999.9K	11%
\$499.9K OR LESS	31%

21. What was the trend in your firm's revenue and net profit between 2019 and 2020?

	Declined	Little Change	Grew
REVENUE	25%	40%	35%
PROFITS	25%	38%	37%

22. What do you expect 2021 revenue and net profit will look like when compared to 2020?

	Decline	Little Change	Growth
REVENUE	14%	34%	51%
PROFITS	14%	35%	51%

23. What do you expect the 2021 salary/earning trend will be at your firm (compared to 2020)?

	Decline	Little Change	Growth
YOUR PERSONAL WAGE/SALARY INCOME	15%	56%	30%
SALESPEOPLE	15%	58%	28%
TECHNICIANS	13%	56%	31%
ADMINISTRATIVE/OFFICE PERSONNEL	16%	63%	21%

V. FINANCIAL

24. How do each of the following areas affect your firm's ability to develop a competitive advantage?

	Has a positive effect	Has no effect	Need improvement	Not applicable to my business
OFFERING SOME AMOUNT OF MANAGED SERVICES (as opposed to a purely break-fix model)	54%	22%	9%	15%
ATTENDING INDUSTRY EVENTS	54%	24%	17%	6%
TRAINING OFFERED BY MY DISTRIBUTORS OR VENDORS	53%	23%	14%	10%
ABILITY TO SERVE CUSTOMERS OUTSIDE OF MY IMMEDIATE GEOGRAPHIC LOCATION	52%	21%	15%	11%
YOUR SALES TEAM'S ABILITY TO RENEW CONTRACTS WITH EXISTING CUSTOMERS	48%	19%	18%	15%
YOUR SALES TEAM'S LEVEL OF TRAINING	48%	17%	20%	15%
YOUR SALES TEAM'S ABILITY TO CLOSE NEW BUSINESS	47%	14%	23%	15%
PARTNERING WITH OTHER IT SERVICE PROVIDERS TO LAND NEW BUSINESS	46%	19%	21%	14%
YOUR MARKETING EFFORTS	39%	19%	36%	6%
OFFERING SOME BREAK-FIX SERVICES	35%	37%	7%	21%
FINANCING OFFERED BY MY DISTRIBUTORS OR VENDORS	32%	39%	11%	17%
MEMBERSHIP IN A PROFESSIONAL ASSOCIATION SUCH AS COMPTIA OR ASCII	29%	42%	13%	16%
QUALIFYING FOR AND SPENDING MDF	26%	37%	16%	21%

VI. FINANCIAL

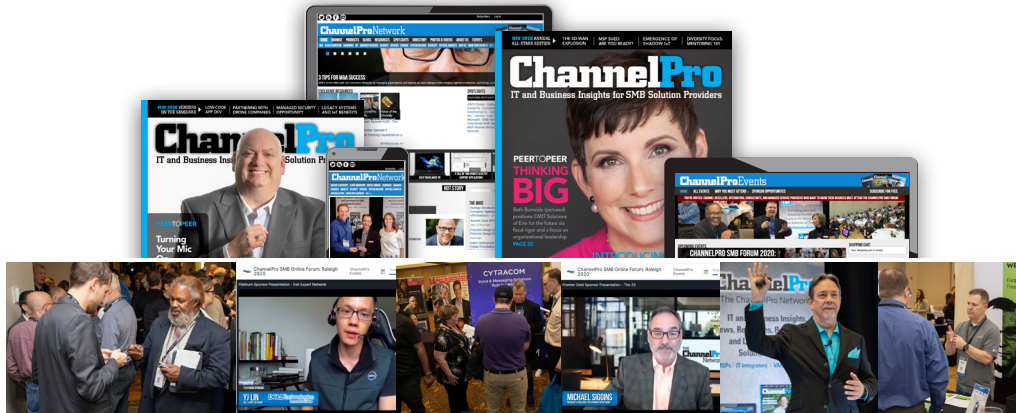
26. How do you expect your customers' spending on IT to change in 2021?

INCREASE SIGNIFICANTLY	12%
INCREASE SOMEWHAT	44%
LITTLE TO NO CHANGE	30%
DECREASE SOMEWHAT	9%
DECREASE SIGNIFICANTLY	5%

VI. MISCELLANEOUS

27. Please rate the following methods for learning about new products and services from vendors/manufacturers.

	High value	Some value	Little or no value
FEEDBACK/RECOMMENDATIONS FROM PEERS	56%	36%	7%
TRAINING	52%	40%	7%
INDUSTRY EVENTS	44%	50%	6%
ARTICLES/REVIEWS IN UNBIASED PUBLICATIONS OR WEBSITES	41%	54%	5%
VENDOR WEBINARS	35%	55%	10%
VENDOR WEBSITES	33%	54%	13%
SOCIAL MEDIA	12%	41%	47%



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