What Is the IT Channel?

The Information Technology (IT) industry is made up of professionals who deliver a complex array of hardware, software, communications and services that store, retrieve, manipulate and communicate information for businesses and organizations, generally referred to as end users. The way IT companies primarily deliver their goods and services to end users is collectively known as the IT Channel. These providers range in size from small, single–person, sole proprietorships to large, global conglomerates.

Total worldwide IT spending was $3.6 trillion in 2012, according to Gartner, an IT research company. Here is a breakdown of the four main components of IT and percentage of overall market, according to the industry trade organization, CompTIA:

Telecom Services	IT Hardware	IT Services	Software
Fixed voice, fixed data, wireless voice, and wireless data	Servers, personal computers, storage, smartphones, tablets, network equipment, and printers	Planning and implementation, support, operations management and training	Applications and system infrastructure software
46%	25%	19%	10%

When you buy a smart phone or laptop or word-processing software, you are buying IT. The average person is familiar with the difference between wholesale and retail sales, including online merchants. This two-tiered model is similar to the IT Channel. Additionally, the Channel includes services to design, implement, manage and support more complex IT solutions. You would likely first encounter a need for the Channel when your business or organization has outgrown "over-the-counter" IT (typically available at retail and online consumer stores) and needs to move to more sophisticated solutions. You may have advanced concerns about applications, connectivity, data storage, integration, mobility, or security that require expertise and support. That's when the IT Channel becomes indispensible to running your organization.

> *The average spend rate on IT is 3.6% of top line revenue or $12,708 per employee.*
> Gartner

The concept of the IT Channel is an apt one. It conjures images of goods and services flowing through a maze of tributaries—much like a river making its way to the sea—to bring goods and services to market and reach their ultimate destination, the end user. This is more than a sales model. It also encompasses training, maintenance, integration into existing systems, etc. Below, we will describe the companies that comprise the IT Channel and can help you navigate it. These companies are known by the all-encompassing term, "Solution Provider."

We classify these Solution Providers by "Type," with these terms based on their primary area of business. (Some companies operate in multiple categories. HP and IBM, for example, are arguably in multiple types listed, but the primary type is hardware for HP and software for Microsoft, so look for them there.)

- **CONSULTANT** refers to a company or individual that engages exclusively in billable professional services and typically does not sell hardware or software products. With the emergence of cloud-based services, however, some of these consultants are now participating in referral fees and commissions.

- **VALUE ADDED RESELLER (VAR)** is a company that adds features or services to an existing product, then resells it (usually to end users) as an integrated product or complete "turnkey" solution. This practice occurs commonly in the electronics industry, where, for example, a VAR might bundle a software application with supplied hardware. We include **Telecommunications Agents**, representing the interests of both customers and service providers/carriers, in this type. They broker the deal between the various interested parties. **Corporate Resellers**, which are usually larger resellers that sell and cater to enterprise customers, are also included as VARs.

- **OUTSOURCER** is a company that primarily contracts to assume a customer's IT business function, e.g., takes over the physical systems and/or personnel. Examples are CSC, Wipro, EDS. These companies can be located domestically or overseas.

- **RETAILER** is a company that operates a physical and/or online retail store where technology is sold to the public, e.g., Best Buy, Target, Walmart. A **Direct Marketing Reseller (DMR),** also known as an e-tailer, is a company that sells directly to businesses or consumers online without bricks-and-mortar stores of any kind, although it typically has warehouses and fulfillment services. Amazon and TigerDirect are examples of a DMR.

- **INTEGRATOR** is a company that specializes in bringing together component subsystems into a whole and ensuring that those subsystems function together, a practice known as Systems Integration. These are typically larger businesses that deliver complex solutions, including business consulting, etc., such as Accenture and Northrop Grumman.

- **DISTRIBUTOR**, in the North American IT market, refers to a company that purchases from vendors and sells to resellers at wholesale prices. They do not sell directly to end users. Examples are Ingram Micro and Tech Data. We include **Master Agents** from the telecommunications side as distributors, because they provide a similar function. (In Europe and Asia, "distributor" is used to describe businesses similar to the North American VAR.)

- **SERVICE PROVIDER** is an entity that provides data or voice communication solutions to other businesses or individuals. Examples of these services include Internet access, mobile phone service and hosting that are frequently used with telecommunications and sometimes referred to as **Carriers**, e.g., AT&T, Comcast, GoDaddy and Verizon.

- **VENDOR – HARDWARE/SOFTWARE** is an original equipment manufacturer (OEM) of hardware or software products for commercial or consumer use. Many of these companies, such as Apple and Microsoft, develop and sell both software and hardware, so we combine them together.

[Note: there is another tier to the Channel that the end-user does not interface with, which is the component and subcomponents that comprise the hardware solutions. We did not include that aspect of the channel here, because it is primarily Vendor to Vendor/Manufacturer to Manufacturer.]

There are two additional terms that are sometimes used to classify Channel businesses. We do not include these under Type, but do capture them in the Solutions and Services fields to include any of the Types of Solution Providers that operate in this model or provide a managed service:

- **Cloud Computing** is a general term for anything that involves delivering IT solutions over the Internet. These services are broadly divided into three categories: **Infrastructure-as-a-Service (IaaS)**, **Platform-as-a-Service (PaaS)** and **Software-as-a-Service (SaaS)**. It has three characteristics that differentiate it from traditional hosting: paid for by the minute/hour, elastic (allowing the end user to consume as much as wanted, for a fee) and managed/maintained by the provider. Cloud Computing is essentially a business model similar to leasing.

- **Managed Service Provider (MSP)** refers to the practice of assuming the overall operational responsibility for IT infrastructure or applications, including the support and lifecycle build/maintenance activities. We identify this practice under the Services field to accommodate any Consultant, VAR, Vendor, etc., providing Managed Services.

End users are frequently broken down by verticals, either by number of employees:

- **Home/Small** 1-5
- **Small** 6-250
- **Medium** 251-1000
- **Large** 1001-5000
- **Enterprise** 5001+

and/or primary customer markets they serve:

- **Agriculture**
- **Construction**
- **Defense**
- **Education**
- **Energy & Utilities**
- **Entertainment & Arts**
- **Fashion & Apparel**
- **Financial**
- **Food & Beverage**
- **Government**
- **Health Care**
- **Information Technology**

- **Legal**
- **Manufacturing**
- **Marketing & Advertising**
- **Media**
- **Mining**
- **Not for Profit**
- **Real Estate**
- **Retailers**
- **Services**
- **Telecommunications**
- **Transportation & Warehousing**
- **Travel & Hospitality**

Many solution providers specialize in one or more verticals. It is always worthwhile to learn about a potential solution provider's vertical specialties, because if they understand and have solved the problems for one dental office, for example, they can utilize that knowledge with similar customers. It is also good to keep in mind that the size of the solution provider is not necessarily related to the vertical it services, e.g., CDW has thousands of employees but sells primarily to small- and medium-sized businesses (SMBs).

Here's a graphic of how all of this typically comes together for the end user:

The IT "Channel"
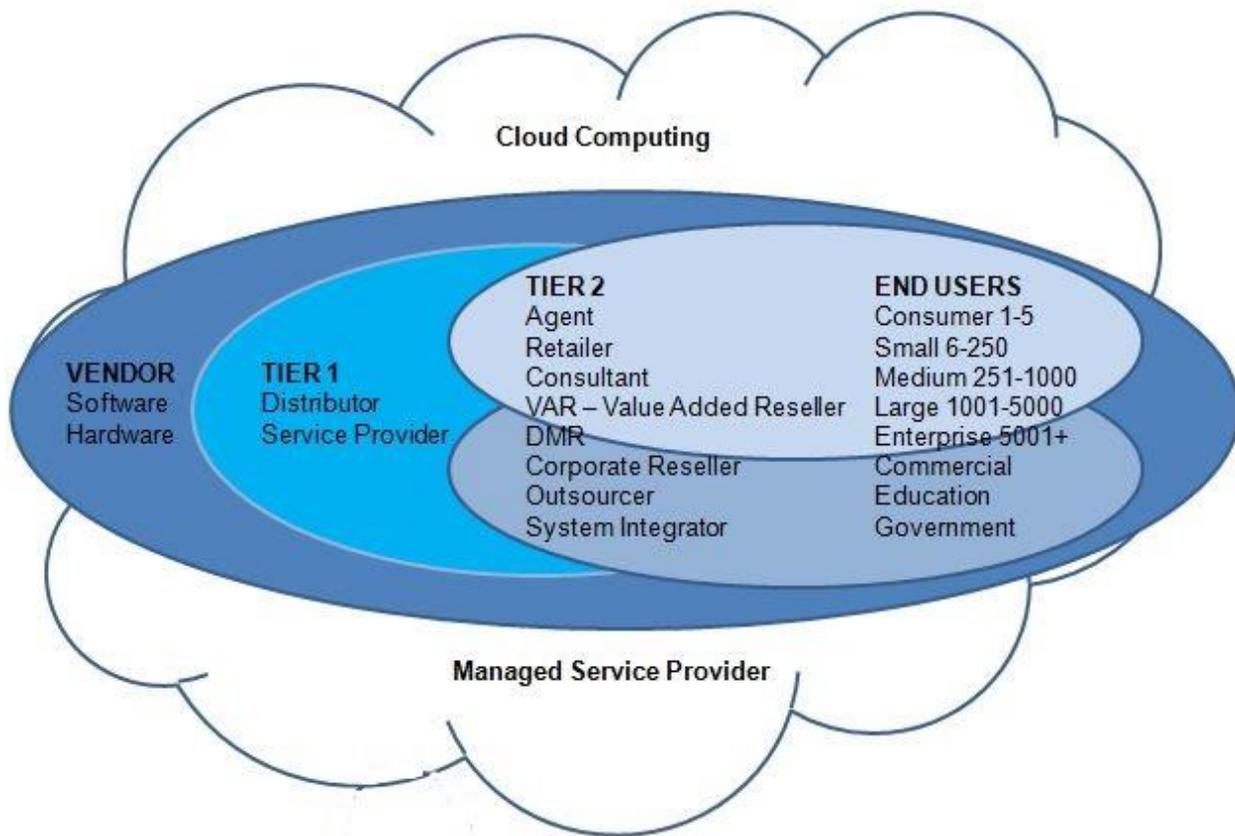
In summary, the Channel comes from its history of combining hardware, software, communications and services into solutions that meet the IT requirements of end users. We have outlined the basic terms used to identify the different solution providers. The terms change over time, but the function they all serve remains constant. Ultimately these companies exist to help people leverage complex IT systems to meet the needs of their end-user customers in a cost- and operationally- effective manner.

About Us: Fossa LLC is dedicated to delivering the most comprehensive, up-to-date IT Solution Provider information on the Web. We offer business intelligence on over 15,000 North American IT Solution Providers and publish the information through two primary websites:

- **CHANNEL NAVIGATOR www.channel-navigator.com** - enables IT Vendors to identify and target Channel Partners based on detailed profiles via subscription-based search and filtering tools.

- **iRUMBO www.irumbo.com** - connects Technology Buyers/End Users and IT Job Seekers to North American Solution Providers via a free searchable locator.

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