



# Digital Sales Evolution in the European Channel

How partners are embracing marketplaces to expand sales capacities and unlock opportunities



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## Contents

Rise of the Marketplaces.....	3
Marketplaces Unlocking New Opportunities .....	4
Digital Sales: Already the Norm.....	6
Changing and Evolving Strategies .....	8
Modifying Operations for Marketplace Sales.....	9
Considerations for Developing a Digital Sales Strategy .....	12
The Marketplace Imperative for Solution Providers .....	14
Research and Analysis Methodology .....	15
Sponsors .....	16
About Us.....	17

## Rise of the Marketplaces

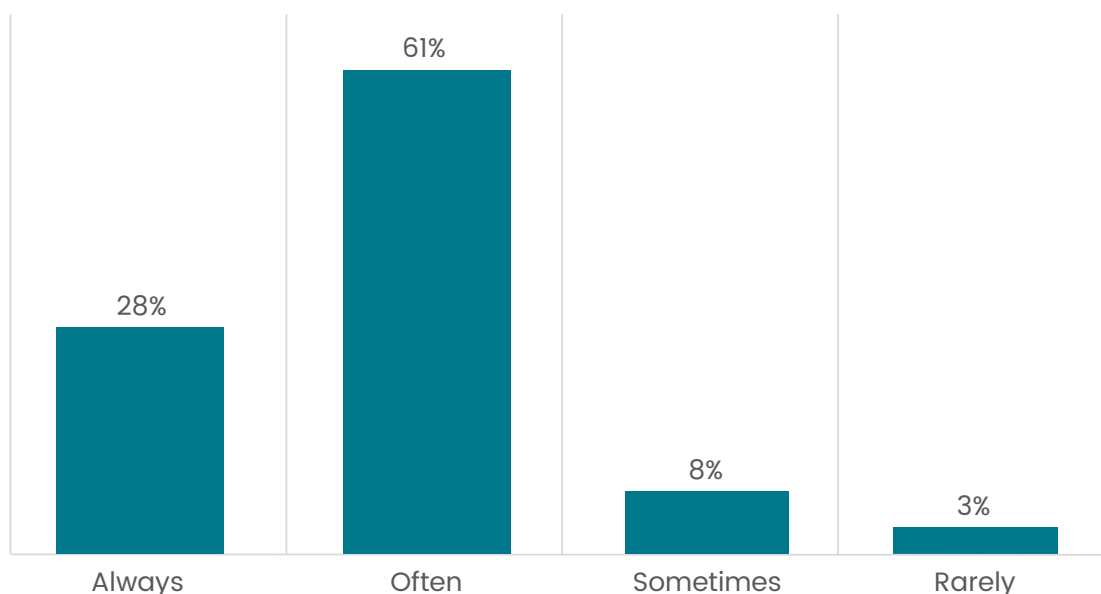
Amazon, the first viable and now largest online marketplace, started life with humble beginnings as a bookseller. Jeff Bezos gave users of the nascent Internet the ability to browse titles and order books through the post from the comfort of their own home. What many people are not aware of with regards to the story of the origins of Amazon: Selling books was not the objective. Amazon wanted to provide people with a simple and convenient way to buy just about anything.

In achieving its objective, Amazon radically changed the retail and business-to-business (B2B) landscape. Amazon has designed its marketplace with simplicity at its core. You can find products in well-organised categories and using search tools. You can also compare products and see alternatives. Ordering takes just a few simple clicks. And products arrive on your doorstep quickly – in as little as a few hours or just a couple of days. And best of all, the system rarely breaks down.

It is the simplicity and convenience of buying through marketplaces that draws people and businesses to them. Their expectations for excellent service and customer experience define what is now known as "The Amazon Effect". Business buyers want to have the same experience with their technology sourcing as they get with Amazon. They are no longer satisfied with lengthy product reviews, sales and quoting processes and fulfilment timeframes. They want price transparency, near-instant quotes and fulfilment within days.

For B2B technology products and services, traditional channels and sales models continue to dominate. Most transactions are either direct or through partners that sell their customers' products and support their use. Increasingly, though, sales are shifting to first-party (1P) and third-party (3P) marketplaces. While 1P marketplaces are self-developed and maintained by a single brand that sells other brands' products and services, 3P marketplaces like Amazon sell products on behalf

FIGURE 1: Frequency of Solution Providers Sourcing Products Through Marketplaces



of other brands. Technology vendors and partners are increasingly transacting online because that is where the customers are. According to Gartner, 83% of B2B buyers want to transact through marketplaces or an equivalent online medium.

Today, the average solution provider – reseller, managed service provider (MSP) or systems integrator – frequently sources products on behalf of customers through marketplaces. The increasing demand is prompting solution providers to further develop their go-to-market (GTM) strategies. They are now not only sourcing through vendor and third-party marketplaces, but also setting up their own digital storefronts to sell products to customers more easily.

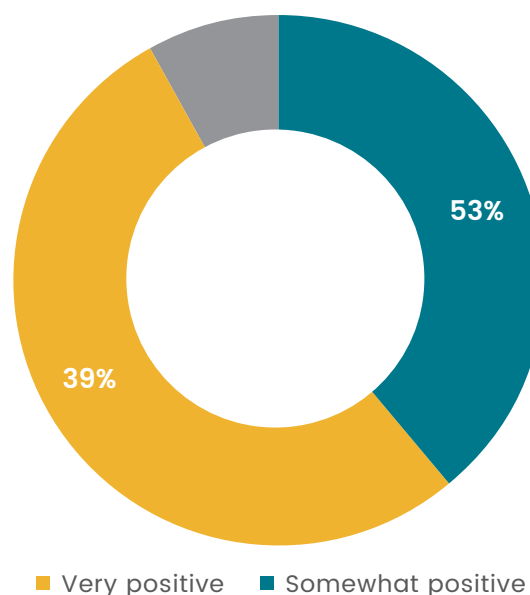
In this special Channelnomics/Pax8 report, we will define the marketplace trends evolving in the European channel, review how solution providers perceive the value of marketplaces and examine their plans for leveraging marketplace resources to expand their sales capacities and broaden their customer engagements. The report will also forecast how solution providers will evolve their digital sales based on current perceptions and strategic plans.

## Marketplaces Unlocking New Opportunities

Almost nine out of ten partners in Europe see additional benefits and opportunities in selling through digital sales and marketplaces, underscoring the vast potential of these channels. For the majority, marketplaces and digital sales are unlocking a host of new opportunities that are reshaping the way in which solution providers engage with customers and grow their business.

Higher demand for professional services is another key benefit. As businesses increasingly purchase

FIGURE 2: How European Partners Believe Marketplaces Will Impact Their Businesses Over the Next 3 to 5 Years

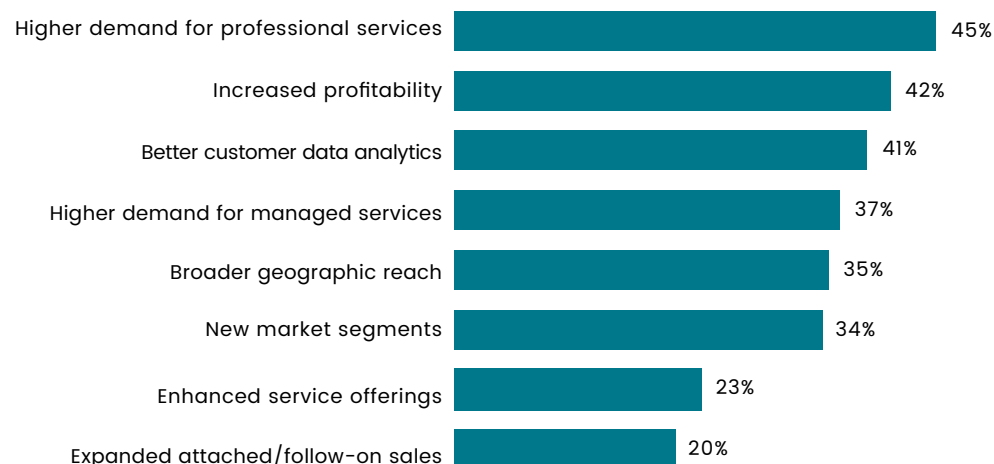


solutions through digital channels, they often require specialised professional services to integrate, customise and optimise these solutions within their existing infrastructures. Solution providers that offer these services are well-positioned to capitalise on the demand, turning initial product sales into on-going revenue streams through consulting, implementation and support services.

One of the most significant opportunities emerging from digital sales channels is increased profitability. By tapping into marketplaces, solution providers can reach a broader audience with minimal overhead, driving sales volumes without the need for extensive physical infrastructure. The scalability of digital platforms allows providers to offer their products and services to a global market, thereby increasing their sales potential and profitability. Moreover, marketplaces often reduce the time and cost associated with customer acquisition, enabling providers to focus resources on other growth areas.



**FIGURE 3: Opportunities Created by Marketplaces and Digital Sales Platforms for European Partners**



The rise of better customer data analytics is transforming how solution providers operate. Digital sales platforms generate a wealth of data on customer behaviour, preferences and purchasing patterns. Solution providers can harness this data to gain valuable insights into their customers, enabling them to tailor their offerings more precisely, optimise their marketing efforts and enhance customer satisfaction. The ability to analyse and act on customer data is becoming a critical differentiator in the marketplace.

Alongside professional services, there is also a higher demand for managed services. As organisations purchase more complex solutions through digital channels, many prefer to outsource the on-going management and maintenance of these solutions to expert providers. This shift creates a steady, recurring-revenue stream for solution providers that can offer managed services which ensure the on-going performance, security and compliance of their customers' digital investments.

Broader geographic reach is a direct consequence of the global nature of digital sales platforms.

Solution providers can now offer their products and services to customers in distant markets without the need for a physical presence. This greater reach not only increases sales opportunities, but also enhances brand recognition on a global scale.

In order to remain competitive, many solution providers are developing enhanced service offerings that complement their digital sales. This includes bundling products with services like training, customisation and support, creating a more comprehensive value proposition for customers. By enhancing their offerings, providers can differentiate themselves in crowded marketplaces and build stronger, longer-lasting customer relationships.

Digital sales platforms and marketplaces are also facilitating expanded attached and follow-on sales. This is because they make it easier for solution providers to upsell and cross-sell additional products and services. By analysing customer purchase data and leveraging automated marketing tools, providers can identify opportunities to offer complementary products or services, driving additional revenue from existing customers.



Marketplaces and digital sales channels are not just another route to market; they are powerful platforms for growth and innovation. From increased profitability and broader reach to enhanced service offerings and deeper customer insights, the opportunities for those solution providers willing to embrace these digital trends are vast.

## Digital Sales: Already the Norm

Since the COVID-19 pandemic, vendors have increasingly been turning their attention to marketplaces and automated digital sales platforms as a means of expanding their market coverage, winning net-new business and transacting sales 24/7. Most vendor attention has been directed towards hyperscalers – cloud service providers that have marketplaces for selling applications that run on their infrastructure. Some vendors have set up their own marketplaces, looking to satisfy customers' needs for complementary products, applications and services.

Solution providers are also conducting digital sales. Since Amazon Web Services (AWS) introduced its Consulting Partner Private Offers (CPPO) programme in 2018, solution providers have been able to transact sales via the cloud provider. Microsoft, Google Cloud and Oracle have similar programmes for their cloud marketplaces.

Solution providers have also sold many products through 3P marketplaces, including Amazon Business, eBay, Craigslist and other platforms around the world. Through these 3P marketplaces, solution providers can reach customers with their specialised products and services to drive incremental revenue.

Solution providers now have the capability to build their own e-commerce marketplaces using third-party tools like Shopify, BigCommerce and

WooCommerce. These platforms make it relatively easy to establish an online presence and extend sales into the digital realm. However, while these third-party tools offer a starting point, they often fall short in delivering the complete infrastructure, reliability and advanced functionality needed to compete in today's complex digital marketplace.

Rather than attempting to put together their own marketplaces, solution providers are better served partnering with a platform provider that offers a more comprehensive e-commerce solution. This approach ensures that they benefit from a robust infrastructure, greater reliability and the full suite of features necessary to support a seamless, scalable online sales experience. By working with a platform provider, solution providers can focus on their core business while confidently expanding their digital capabilities.

Now, marketplaces such as Pax8 are emerging to provide direct support to solution providers looking to sell applications and managed services online.

FIGURE 4: Percentage of European Partners Generating More Than 20% From Digital Sales

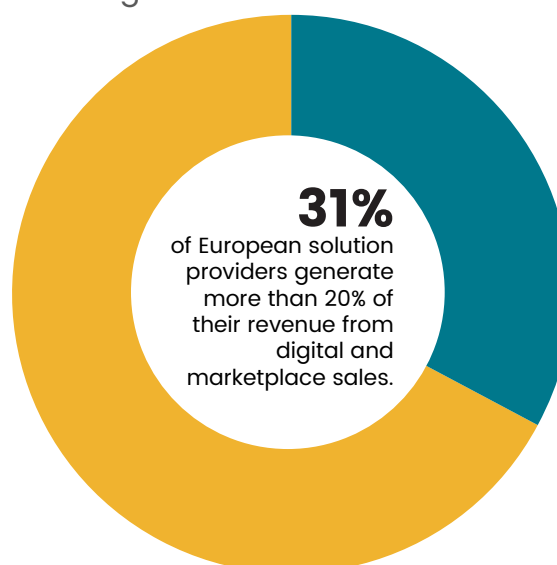
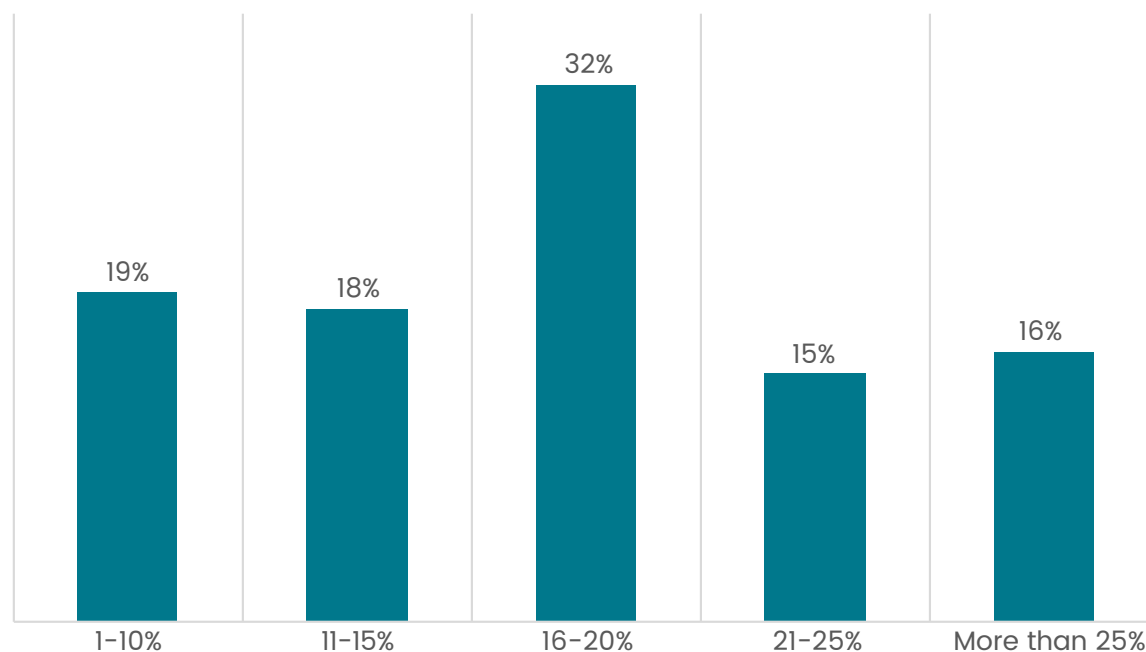


FIGURE 5: Percentage of European Solution Providers' Gross Revenue From Digital Sales



Through this direct resource, solution providers can integrate their e-commerce operations with the marketplace provider to ensure accurate product content, rich transaction capabilities and a strong customer experience.

Marketplace capabilities are revolutionising the way that solution providers sell to and interact with their customers. In Europe, 31% of solution providers generate more than 20% of their revenue from digital sales and products purchased via marketplaces. More developed regions have greater marketplace sales capacities and results. However, this is a global phenomenon, as solution providers are universally embracing the digital sales trend.

The average European solution provider generates 16% to 20% of its gross revenue from the sale of products through marketplaces or from products that it sources from marketplaces on behalf of its

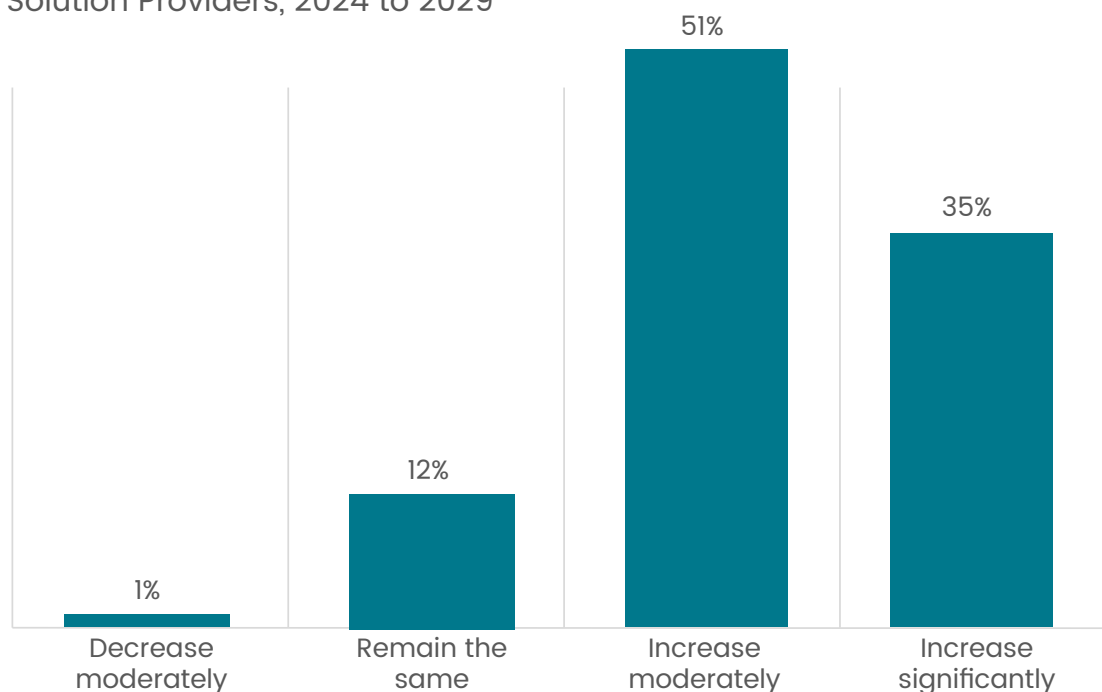
customers. Counting revenue in this way is not the same as categorising sales of other offerings such as managed services or hardware products. It is an overlay that identifies the channel through which offerings are sourced.

Among the European partners surveyed, 86% expect their use of marketplaces as a sourcing and sales medium to increase over the next three to five years. The European market is seeing a significant shift towards digital sales platforms, as it has the infrastructure to deliver marketplace-based products and services effectively and efficiently.

Marketplaces and digital sales are a small but growing part of the average solution provider's revenue mix. The expectations are that customers will continue to shift more of their IT product and service budgets to sourcing through marketplaces and digital sales platforms. Over the next three



FIGURE 6: Expected Marketplace Utilization by European Solution Providers, 2024 to 2029



years, Channelnomics expects more solution providers to sell products and services – particularly cloud-based applications – via digital sales.

### Changing and Evolving Strategies

Selling through marketplaces and other digital sales channels is fundamentally about aligning with customer preferences and behaviours. If customers prefer to buy online, it becomes imperative for vendors and solution providers to build the necessary infrastructure and craft seamless, engaging digital experiences. Companies that fail to do so risk losing potential business to competitors who are more attuned to these evolving customer expectations.

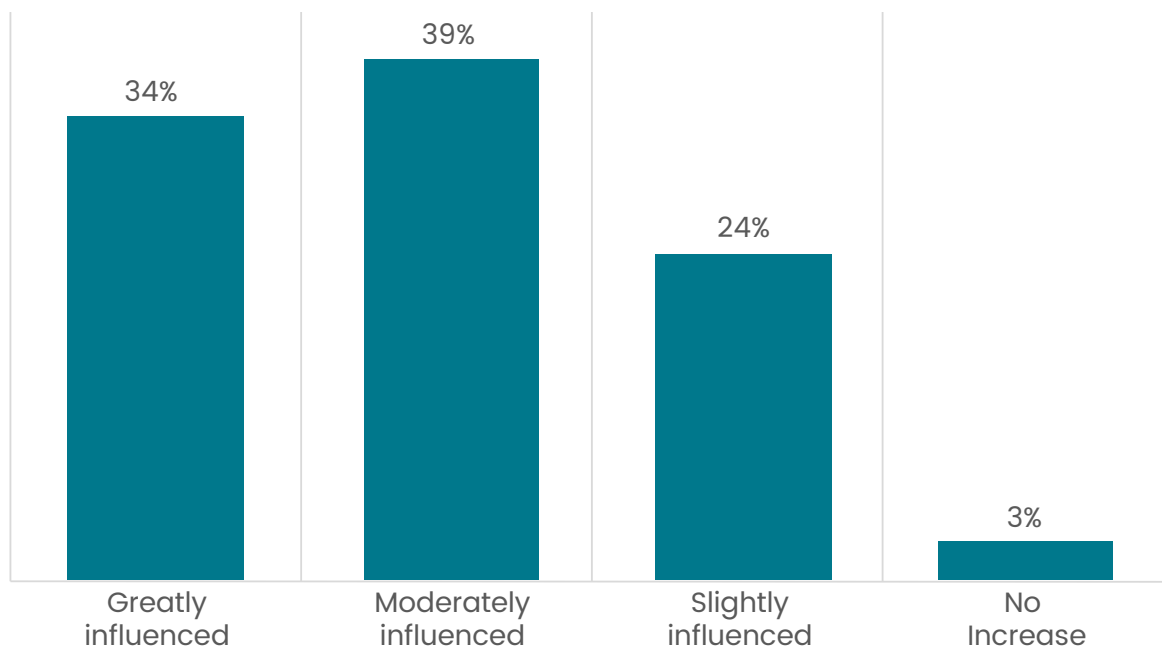
Customers are increasingly shaping the GTM strategies of solution providers, with three-quarters of providers worldwide stating that customer feedback on marketplace purchases and value is influencing their decision-making.

A significant proportion of European partners (39%) report that their decisions are "moderately influenced" by customer feedback, while 34% are "greatly influenced". This indicates that more than two-thirds of partners are highly responsive to customer feedback on digital marketplaces. The data underscores the growing role of marketplace feedback in guiding partner choices and aligning with customer expectations.

As marketplaces and digital sales gain momentum, solution providers are adjusting their GTM strategies to align with these trends. This shift is especially noticeable in Europe, where 81% of solution providers say that the rise of marketplaces is influencing their strategic planning. The growing demand for the "Amazon experience" when sourcing technology products and services is driving changes in both partner strategies and customer expectations.



FIGURE 7: Impact of European Customers' Marketplace Feedback on Partner Business Decisions



### Modifying Operations for Marketplace Sales

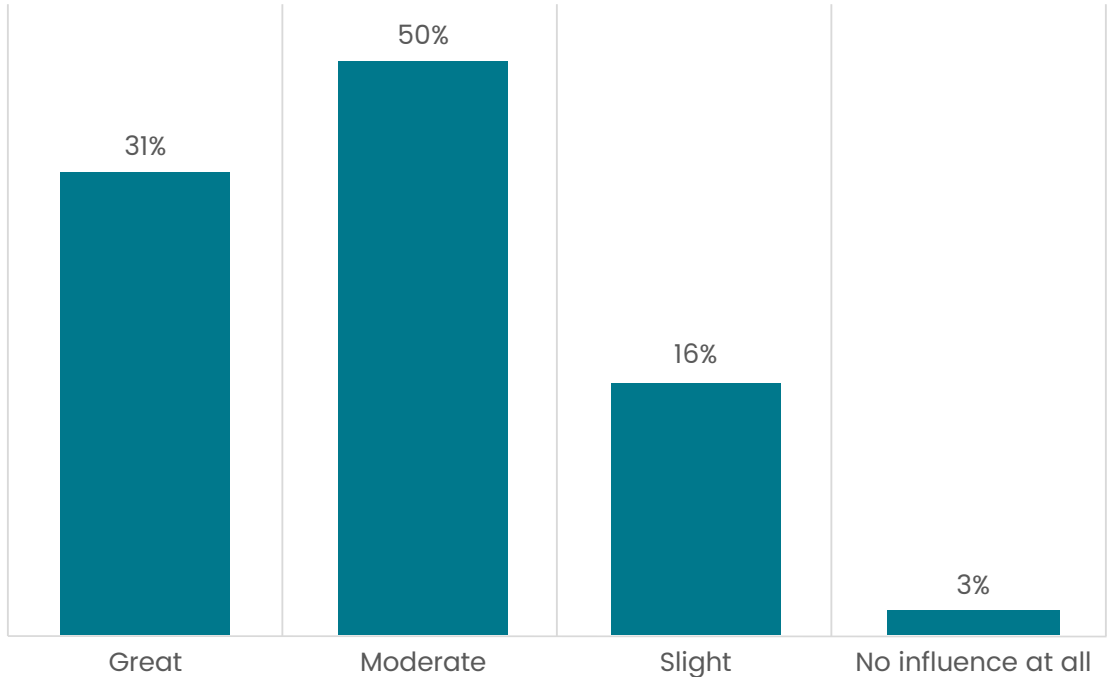
As marketplaces and digital sales channels continue to reshape the business landscape, solution providers are making strategic changes to adapt and thrive. Central to these changes is an increased focus on customer relationship and success management, which has become a cornerstone of partner strategies. Solution providers are increasingly prioritising customer retention and satisfaction, recognising that these elements are critical to sustaining growth in a competitive marketplace.

Marketplaces and digital sales are compelling European solution providers to make changes to their operational models and structure. Solution providers are upgrading the technologies that they use in sales, establishing partnerships with new vendors and suppliers and expanding their managed and other specialised services.

European partners are leveraging marketplaces to build relationships with new vendors, especially independent software vendors (ISVs) that often sell through vendor and distribution marketplaces. These digital platforms are not just sales channels; they also serve as tools for partners to research, test and access new products that may be unavailable through traditional distribution channels. As a result, these marketplaces are fostering new vendor-partner relationships that lead to mutually beneficial growth.

To achieve their goals in this area, solution providers are deploying dedicated teams and advanced tools designed to ensure customers get maximum value from their marketplace purchases. These efforts include more personalised communication, tailored product recommendations and proactive engagement with customers' technology choices. By integrating these elements into their relationship management strategies, solution providers not only

FIGURE 8: Marketplace Trends’ Degree of Influence on European Partners’ Strategies



strengthen customer bonds but also drive repeat business, thereby securing their place in the evolving digital economy.

Product and service innovation is another critical area of transformation. Solution providers are continually refining their offerings to meet the unique demands of online marketplace customers, which often requires faster development cycles and a greater emphasis on customisation. Alongside innovation, internal process automation is also being implemented to streamline operations and improve efficiency, enabling solution providers to respond more quickly to customer needs.

To support these innovations, there is a strong emphasis on staff training and development. Teams are being equipped with the skills needed to navigate digital sales platforms effectively and leverage new tools and systems. This training also extends to pricing

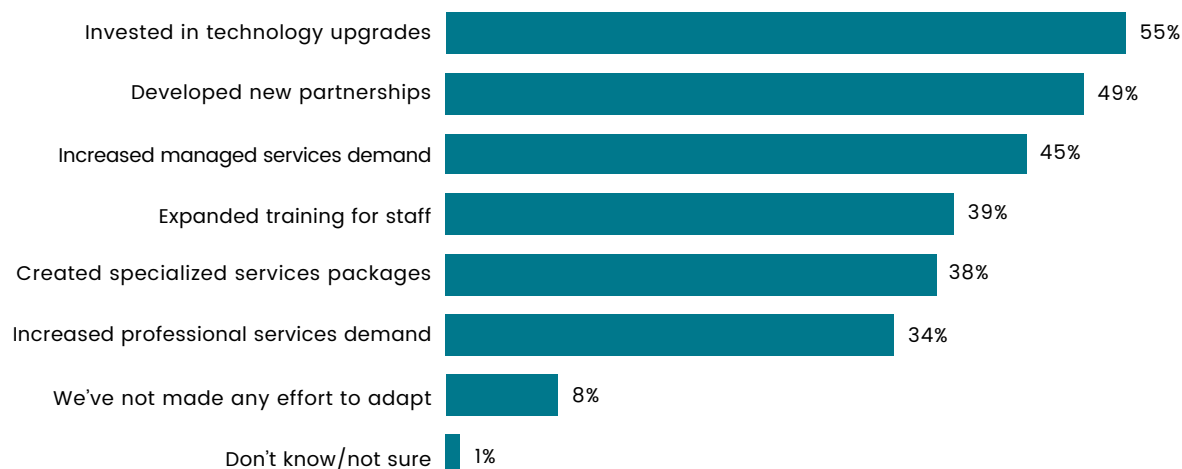
model adjustments, with solution providers revising their pricing strategies in order to remain competitive and transparent in the digital marketplace.

Additionally, the adoption of enhanced data analytics and decision-making tools is enabling solution providers to gain deeper insights into customer behaviour, optimise their offerings and make informed decisions. This data-driven approach is complemented by the acquisition of new systems designed to integrate and manage digital sales processes more effectively.

Solution providers are also incorporating private offers into their sales processes to create more personalised and attractive options for customers, further enhancing their competitiveness in the digital marketplace. These collective efforts demonstrate a comprehensive and strategic approach to adapting to the evolving demands of digital sales channels.



FIGURE 9: How European Partners Have Incorporated Marketplaces Into GTM Models



These operational changes necessitate additional adjustments to the way in which solution providers empower their teams and organise their operations. Strong customer service and technical support are paramount to marketplace and digital sales success. While acquiring products through marketplaces and digital platforms is relatively easy, ensuring that these products meet customer needs – particularly when integration with other products is required – can be challenging. This makes customer support imperative and a key value proposition for solution providers.

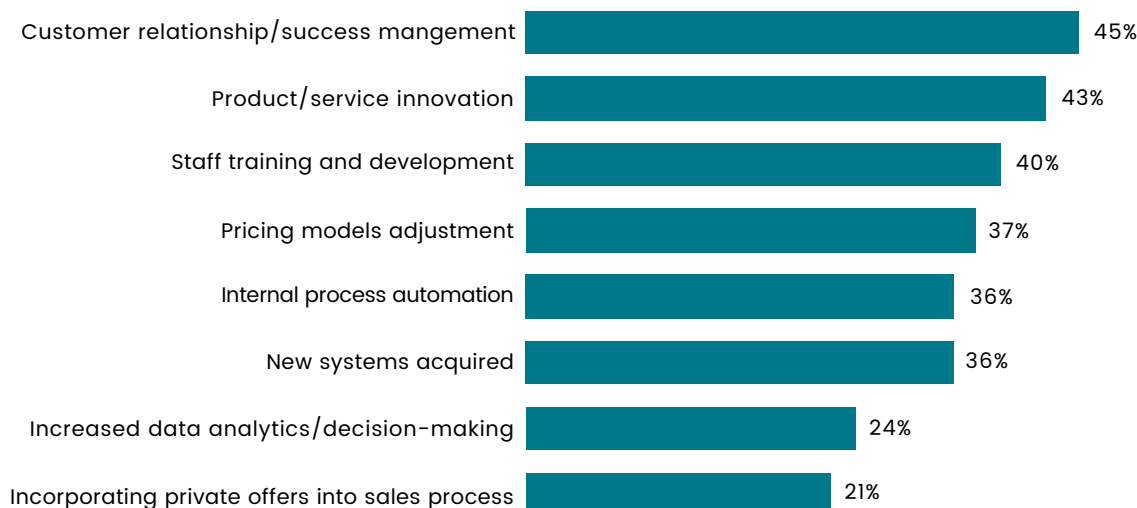
Solution providers are finding it essential to refine their marketing strategies for digital sales platforms. Online sales descriptions are often plagued by inaccuracies, poor product images and unclear value propositions. It is therefore crucial that solution providers invest in marketing resources in order to ensure that customers receive accurate and compelling information when considering online purchases.

Moreover, there is more to marketplace sales than simply "build it and they will come". Solution providers also need to actively promote their marketplace platforms and offerings to attract customers. Given the rapid proliferation of marketplaces, it is crucial for solution providers to stand out and entice online buyers.

Another area in which adjustments need to be made is sales strategies and processes. Marketplaces and digital platforms enable self-service purchasing, but they also create opportunities for upselling and cross-selling additional products and services. By leveraging sales analytics, solution providers can use marketplace data to identify new opportunities to engage with online buyers.

Ultimately, customers will judge the value of their marketplace purchases on their overall experience. This makes customer success a key focus for solution providers in marketplace engagements. By focusing on customer success, solution providers are finding that they can increase average sale values, retain customers and expand same-account sales over time.

FIGURE 10: Operational Adjustments That Come With Marketplace Adoption (Europe)



## Considerations for Developing a Digital Sales Strategy

As solution providers increasingly engage with marketplaces and digital sales platforms, they must navigate a range of factors that can significantly impact the success of their strategies. Based on the global survey findings, a number of key considerations stand out as critical for developing a robust marketplace and digital sales practice.

- **Brand reputation:** This is the most crucial factor influencing solution providers' marketplace strategies worldwide. A strong brand not only helps attract customers, but also builds trust, which is essential in a digital environment where customers may have multiple options. Solution providers must invest in maintaining and enhancing their brand image to ensure they stand out in competitive marketplaces. This could involve ensuring consistent quality across all offerings, engaging in thought leadership and maintaining positive customer relationships through excellent service and support.
- **Cost-effectiveness:** Nearly half of the respondents surveyed worldwide prioritise cost-effectiveness when developing their marketplace strategies. Solution providers must carefully assess the costs associated with participating in a marketplace, including fees, commissions and spending on marketing and support. Balancing these expenses against the potential revenue and growth opportunities is crucial for maintaining profitability. Providers should also consider whether the marketplace allows them to offer competitive pricing while still achieving acceptable margins.
- **Technological compatibility:** Ensuring the compatibility of various technologies is key, especially as digital sales platforms often require integration with existing systems and processes. Marketplaces must provide partners with application programming interfaces (APIs) to ensure seamless system connections. Solution providers must evaluate whether a marketplace's technology aligns with their infrastructure and supports the seamless delivery of their products and services. Compatibility also extends to the ease of integrating third-party tools or services that might enhance a provider's offering on the marketplace.

- **Customer demand:** Understanding and responding to customer demand is fundamental to the success of any marketplace strategy. Solution providers need to continuously assess the products and services that customers are searching for and purchasing through digital channels. These insights enable providers to adjust their offerings and ensure they meet market needs.
- **Advanced analytics:** Marketplaces and digital sales platforms provide a wealth of information about customers' purchasing history and future needs. Through analysis of purchased and installed products and services, recurring consumption pattern analysis, data telemetry and gap analytics, partners can learn a lot about their customers' needs and shortcomings to drive future sales and improve value experiences.
- **Platform ease of use:** A marketplace that is easy to navigate, both for customers and provider, can significantly enhance the user experience and facilitate more transactions. Providers should prioritise platforms that offer intuitive interfaces, efficient search functions and straightforward processes for listing and managing products.
- **Breadth of offerings:** A diverse product portfolio can be a competitive advantage in a digital marketplace. Solution providers should consider the breadth of their offerings and whether they can meet a wide range of customer needs. This may involve expanding product lines or adding complementary services to create more comprehensive solutions that attract a broader customer base.
- **Payment processing:** Reliable and secure payment processing is a non-negotiable aspect of a successful digital sales strategy. Providers must ensure that the marketplace supports a variety of payment methods and that transactions are processed smoothly and securely. This capability is critical for building customer trust and ensuring that the purchasing process is as seamless as possible.
- **Competition levels:** The level of competition within a marketplace can affect a solution provider's visibility and success. That is why

Digital sales platforms and marketplaces are facilitating expanded attached and follow-on sales, as they make it easier for solution providers to upsell and cross-sell additional products and services.





solution providers must assess the competitive landscape and develop strategies to differentiate themselves. This might be unique product offerings, superior customer service or strategic pricing models that set them apart from competitors.

- **Market trends:** Staying ahead of market trends is essential for long-term success in digital sales. Solution providers should continuously monitor industry developments and customer preferences to ensure that their offerings remain relevant and competitive. Adapting quickly to new trends can provide a significant advantage in dynamic marketplaces.
- **Channel conflict management:** Managing channel conflict is a key consideration, especially for providers that operate both online and through traditional channels. Providers must develop clear strategies for preventing conflicts between their marketplace sales and other sales channels, ensuring that all avenues are aligned and that any conflicts do not erode customer trust or provider profitability.

## The Marketplace Imperative for Solution Providers

The evolution of marketplaces and digital sales channels has become a defining trend in the technology sector, with solution providers around the world increasingly recognising the opportunities that these digital platforms offer. The vast majority of partners see additional benefits in engaging with digital sales and marketplaces – an overwhelming endorsement that underscores the transformative impact of these channels on how technology products and services are bought, sold and delivered.

Marketplaces have emerged as powerful engines of growth, enabling solution providers to expand their reach, enhance profitability and offer new and improved services. The shift towards digital sales is driving greater demand for professional and managed services as customers seek support in integrating and optimising their marketplace purchases. This creates a recurring-revenue stream for providers that can deliver these services effectively.

Moreover, the ability to harness and analyse customer data from digital platforms is giving solution providers a competitive edge. By leveraging insights into customer behaviour and preferences, providers can tailor their offerings, refine their marketing strategies and make data-driven decisions that enhance customer satisfaction and loyalty.

As solution providers navigate this evolving landscape, they are not only adapting their GTM strategies but also fundamentally rethinking their operations. From the adjustment of pricing models to the incorporation of private offers and development of new systems, the changes being made are comprehensive and strategic. They are crucial in helping solution providers stand out in an increasingly crowded marketplace and meet the growing expectations of digital sales-savvy customers.

In conclusion, the future of solution providers lies in their ability to embrace and adapt to the digital sales revolution. By doing so, they will unlock new market segments, broaden their geographic reach and secure their place in a rapidly changing industry. The opportunities are vast; those who seize them will be well-positioned for sustained success in the years to come.



## Research and Analysis Methodology

This report, conducted by Channelnomics on behalf of Pax8, is based on a survey of over 400 solution providers in North America, Europe and Asia-Pacific. The survey utilised an aided-response questionnaire targeting qualified solution providers in representative countries from each region. The majority of participants hold the position of Vice

President or higher. The companies in the sample have been in business for an average of seven to ten years and generate annual revenue of €9.5 million/£7.9 million to €13.3 million/£11 million. Channelnomics is confident that the survey results accurately reflect the marketplace experiences and plans of the solution provider community. Please note that the information and conclusions in this report are subject to change. ■



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