



Digital Sales Evolution in the European Channel

How partners are embracing marketplaces to extend sales capacity and opportunities



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October 2024



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Rise of the Marketplaces

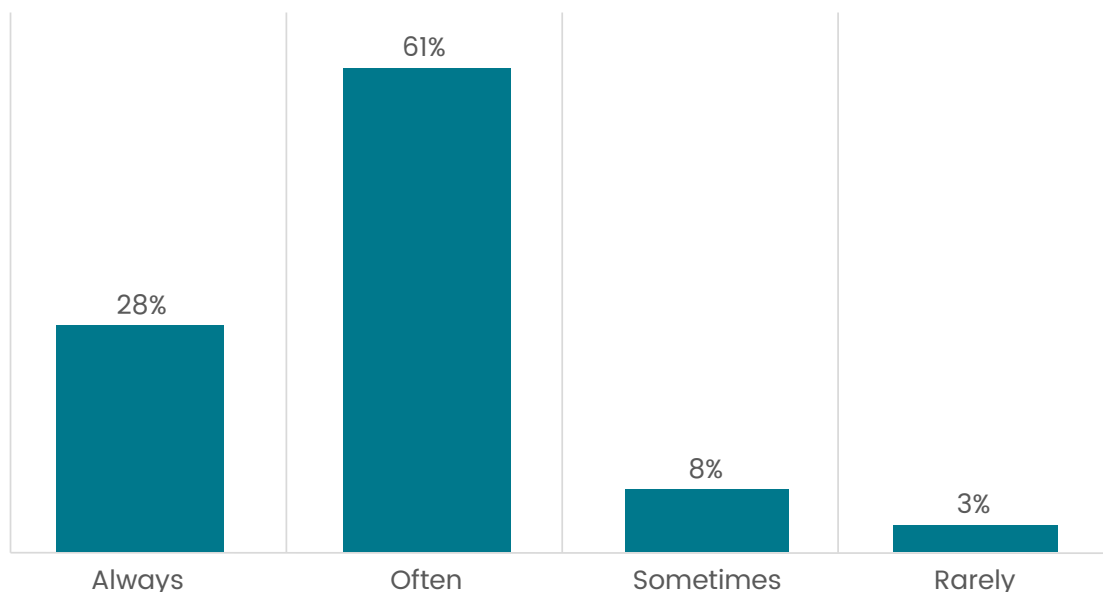
Amazon, the first viable and now largest online marketplace, started with humble beginnings as a bookseller. Jeff Bezos gave users of the nascent Internet the ability to browse titles and order books through the mail from the comfort of their homes. What many people miss in the Amazon origin story: Selling books wasn't the objective. Amazon wanted to provide people with a simple and convenient way to purchase just about anything.

In achieving its objective, Amazon radically changed the retail and business-to-business landscape. Amazon designed its marketplace with simplicity at its core. You can find products through well-organized categories and search tools. You can compare products and see alternatives. Ordering takes just a few simple clicks. And products arrive at your doorstep quickly — in as little as a few hours or in a couple of days. What's best of all is rarely does the system break.

It's 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's now known as "The Amazon Effect." Business buyers want the same experience in their technology sourcing that they get through Amazon. They're no longer satisfied with lengthy product reviews, sales and quoting processes, and fulfillment time frames. They want price transparency, near-instant quoting, and fulfillment within days.

In B2B technology product and services, traditional channels and sales models still dominate. Most transactions are either direct or through partners that sell and support their customers' product 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 ones like Amazon sell products on

FIGURE 1: Frequency of Solution Providers Sourcing Products Through Marketplaces



behalf of other brands. Technology vendors and partners are transacting more online because that's 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 — is frequently sourcing products on behalf of customers through marketplaces. The increasing demand is causing solution providers to evolve their go-to-market (GTM) strategies. Now they're not only sourcing through vendor and third-party marketplaces but also standing up their own digital storefronts to sell products more easily to customers.

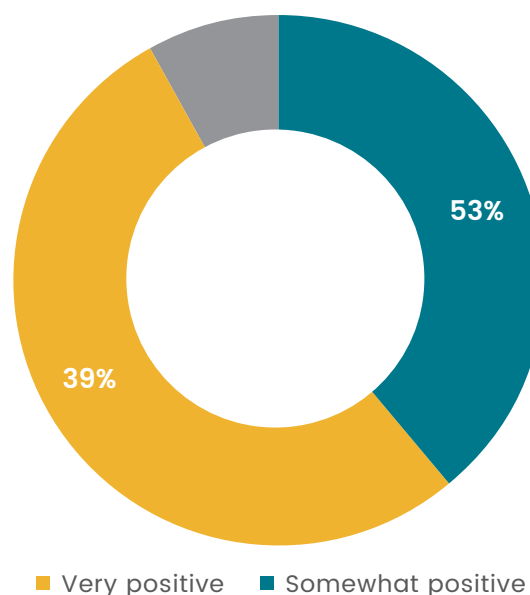
In this special Channelnomics-Pax8 report, we'll define the marketplace trends evolving in the European channel, review how solution providers perceive the value of marketplaces, and examine their plans for leveraging marketplace resources to augment and expand their sales capacities and customer engagements.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

Marketplaces Opening New Opportunities

Nearly nine out of 10 partners in Europe see additional benefits and opportunities in selling through digital sales and marketplaces, underscoring the vast potential these channels offer. For the majority, marketplaces and digital sales are unlocking a host of new opportunities that are reshaping how solution providers engage with customers and grow their businesses.

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

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

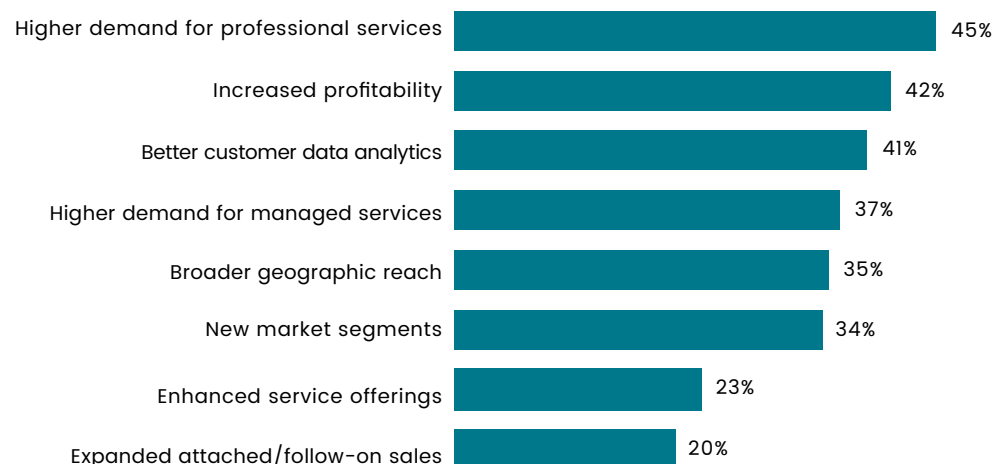


purchase solutions through digital channels, they often require specialized professional services to integrate, customize, and optimize these solutions within their existing infrastructures. Solution providers that offer these services are well-positioned to capitalize on the demand, turning initial product sales into ongoing 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 volume without the need for extensive physical infrastructure. The scalability of digital platforms allows providers to offer their products and services to a global market, increasing 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 behavior, 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, optimize marketing efforts, and enhance customer satisfaction. The ability to analyze and act on customer data is becoming a critical differentiator in the marketplace.

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

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

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

To remain competitive, many solution providers are developing enhanced service offerings that complement their digital sales. This includes bundling products with services like training, customization, 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 facilitating expanded attached and follow-on sales. That's because they make it easier for solution providers to upsell and cross-sell additional products and services. By analyzing 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 aren't just another route to market; they're powerful platforms for growth and innovation. From increased profitability and broader reach to enhanced service offerings and deeper customer insights, the opportunities are vast for those solution providers willing to embrace these digital trends.

Digital Sales: Already the Norm

Since the COVID-19 pandemic, vendors have paid more attention to marketplaces and automated digital sales platforms as a means of expanding their market coverage, capturing net-new business, and transacting sales at any time. Most vendor attention has been directed toward hyperscalers — cloud service providers that have marketplaces for selling applications that run on their infrastructure. Some vendors have stood 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) program in 2018, solution providers have been able to transact sales through the cloud provider. Microsoft, Google Cloud, and Oracle have similar programs for their cloud marketplaces.

Solution providers have also sold many products through third-party marketplaces, including Amazon Business, eBay, Craigslist, and other platforms around the world. Through these 3P marketplaces, solution providers can reach customers with their specialized 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 piece together their own marketplaces, solution providers are better served by 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

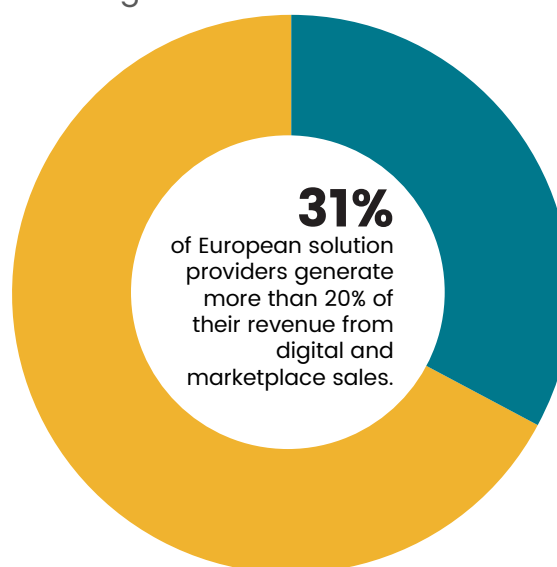
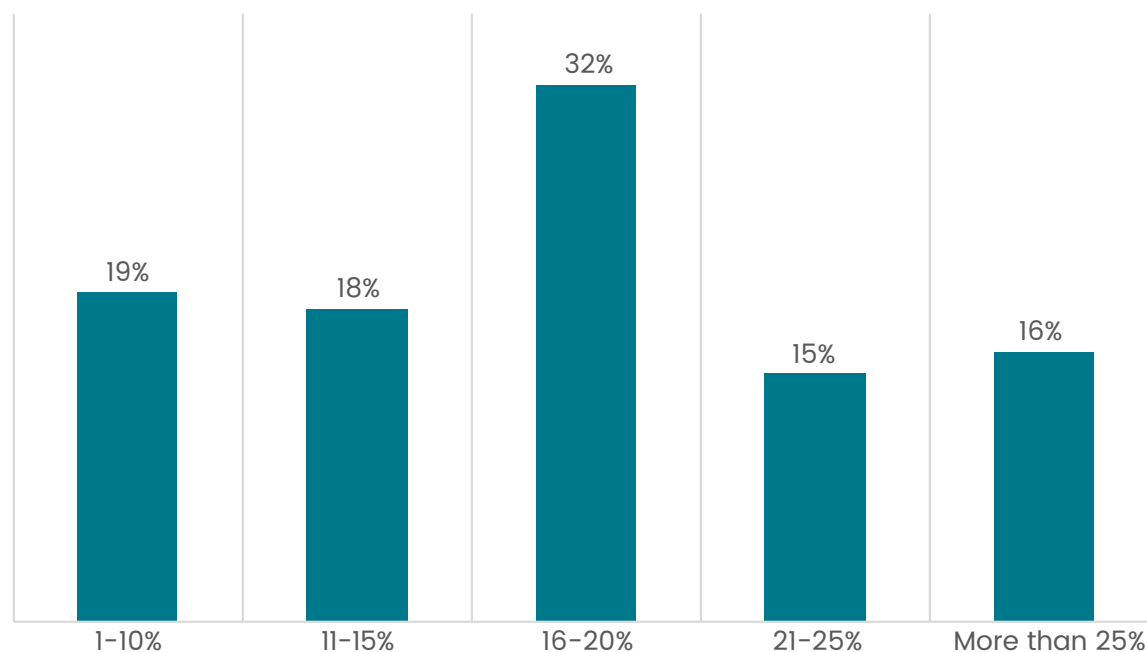


FIGURE 5: Percentage of European Solution Providers' Gross Revenue From Digital Sales



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

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

The average European solution provider is generating 16% to 20% of its gross revenue through the sale of products through marketplaces or products sourced from marketplaces on behalf of its cus-

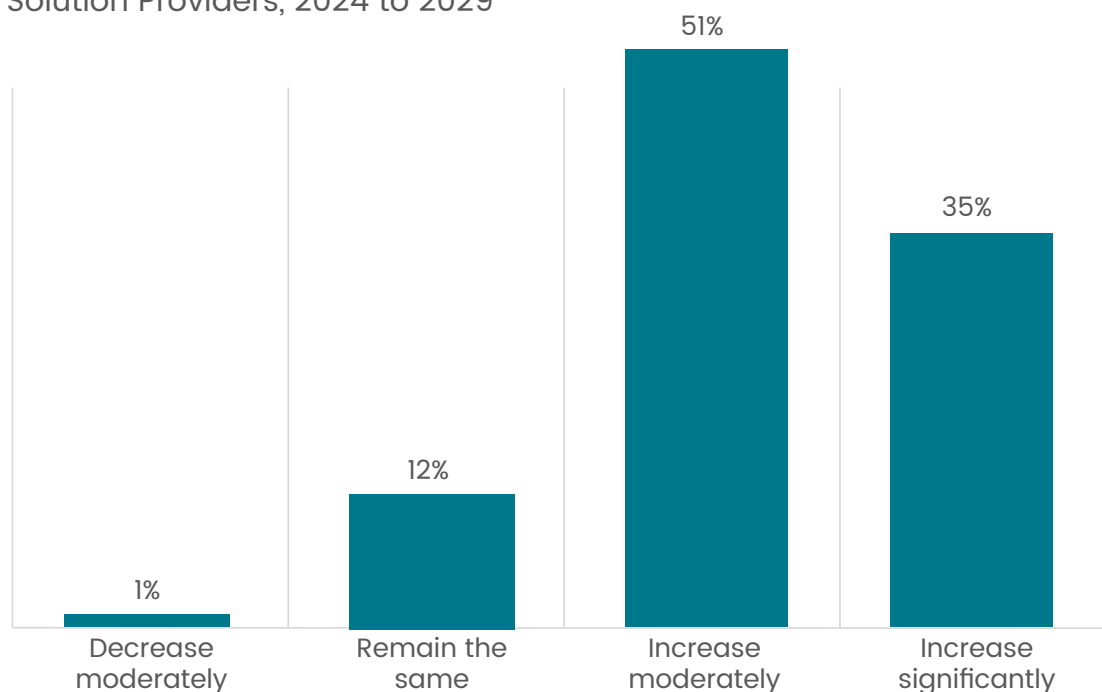
tomers. Counting revenue this way isn't the same as categorizing sales of other offerings such as managed services or hardware products. It's an overlay that identifies the channel through which offerings are sourced.

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

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 source 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 behaviors. If customers prefer to buy online, it becomes imperative for vendors and solution providers to establish the necessary infrastructure and craft seamless, engaging digital experiences. Companies that fail to do so risk losing potential business to competitors that are more attuned to these evolving customer expectations.

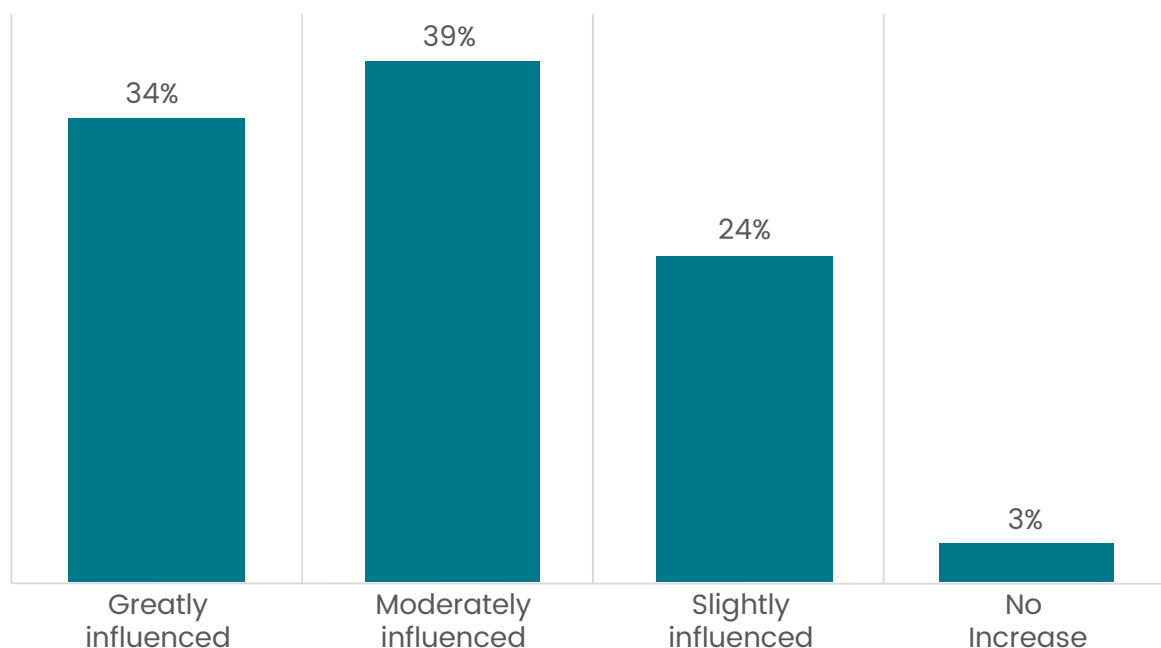
Customers are increasingly shaping the GTM strategies of solution providers, with three-quarters of providers globally acknowledging that customer feedback about marketplace purchases and value is influencing their decision-making.

A significant portion 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 the rise of marketplaces is influencing their strategic planning. The growing demand for the “Amazon experience” in 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

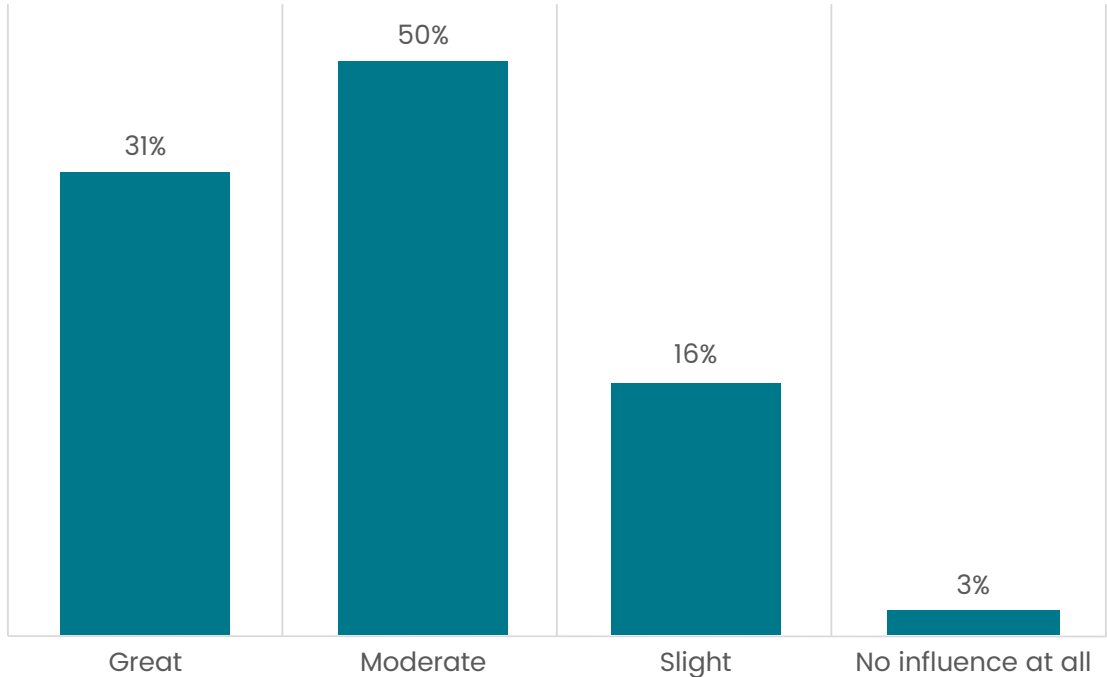
As marketplaces and digital sales channels continue to reshape the business landscape, solution providers are making strategic changes to adapt and thrive. Central to these changes is an enhanced focus on customer relationship and success management, which has become a cornerstone of partner strategies. Solution providers are increasingly prioritizing customer retention and satisfaction, recognizing 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 specialized services.

European partners are leveraging marketplaces to build relationships with new vendors, especially independent software vendors (ISVs), which often sell through vendor and distribution marketplaces. These digital platforms aren't 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 receive maximum value from their marketplace purchases. These efforts include more personalized communication, tailored product recommendations, and proactive engagement with customers' technology choices. By integrating these elements into their relationship management strategies, solution

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



providers not only strengthen customer bonds but also drive repeat business, 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, often requiring faster development cycles and a greater emphasis on customization. Alongside innovation, internal process automation is being implemented to streamline operations and improve efficiency, enabling solution providers to respond more quickly to customer needs.

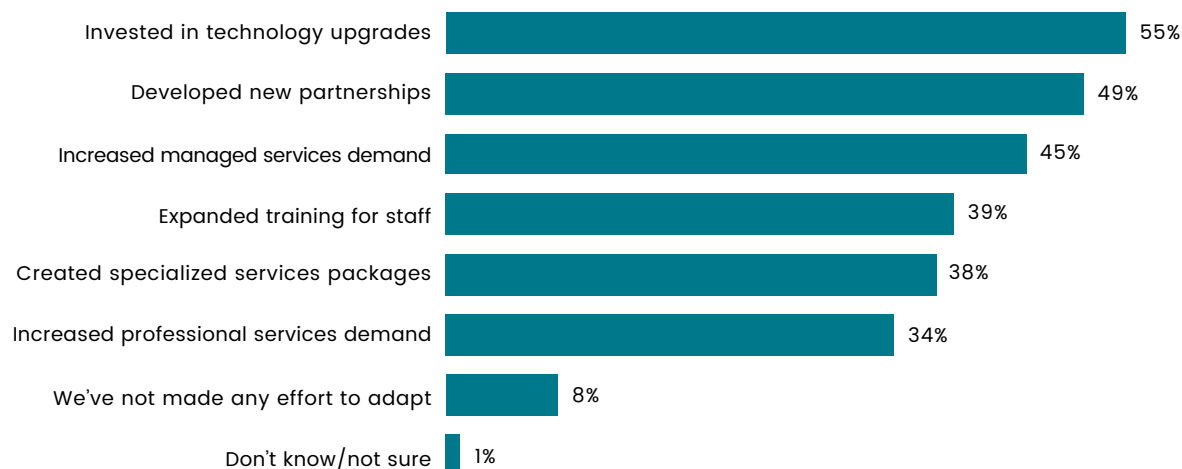
Supporting these innovations is a strong emphasis on staff training and development. Teams are being equipped with the skills needed to navigate digital sales platforms effectively and leverage new tools and systems. This training extends to pricing

model adjustments, with solution providers revising their pricing strategies 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 behavior, optimize 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 personalized and appealing 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 in how solution providers enable their teams and focus 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 these products meet customer needs — particularly when integration with other products is required — can be challenging. This makes customer support an 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. As a result, solution providers must invest in marketing resources to ensure that customers receive accurate and compelling information when considering online purchases.

Moreover, marketplace sales are not a “build it and

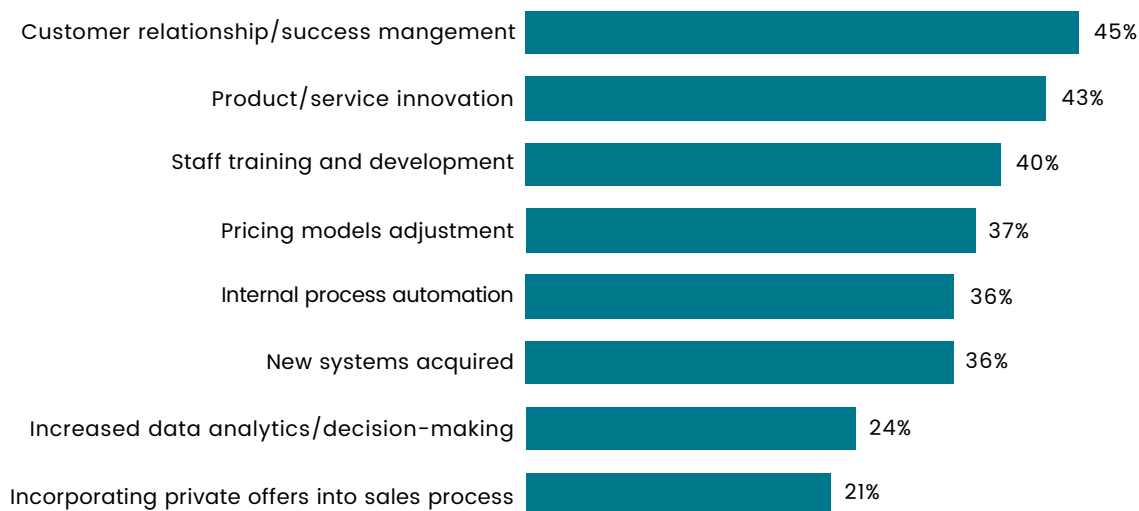
they will come” proposition. Solution providers must actively promote their marketplace platforms and offerings to attract customers. With the rapid proliferation of marketplaces, it's crucial for solution providers to stand out and entice online buyers.

Another area of adjustment: sales strategy 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 based on their overall experience. This makes customer success a key focus for solution providers in marketplace engagements. By emphasizing 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 globally. A strong brand not only helps to 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 one-half of the global respondents prioritize 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 offerings 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 allow 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 much about their customers' needs and shortcomings to drive future sales and improve value experiences.
- **Platform Ease of Use:** A marketplace that's easy to navigate, both for customers and the provider, can significantly enhance the user experience and facilitate more transactions. Providers should prioritize 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's why solution

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.



providers must assess the competitive landscape and develop strategies to differentiate themselves. This might involve 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 their offerings remain relevant and competitive. Adapting to new trends quickly 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 conflicts don't 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 recognizing 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 toward digital sales is driving greater demand for professional and managed services as customers seek support in integrating and optimizing their marketplace purchases. This creates a recurring-revenue stream for providers that can deliver these services effectively.

Moreover, the ability to harness and analyze customer data from digital platforms is giving solution providers a competitive edge. By leveraging insights into customer behavior 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're not only adjusting their GTM strategies but also fundamentally rethinking their operations. From pricing model adjustments to the incorporation of private offers and development of new systems, the changes being made are comprehensive and strategic. They're crucial in allowing solution providers to 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'll unlock new market segments, broaden their geographic reach, and secure their place in a rapidly transforming industry. The opportunities are vast; those who seize them will be well-positioned for sustained success in the years to come.



Research & 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 utilized an aided-response questionnaire targeting qualified solution providers in representative countries from each region. The majority of participants hold vice president-level positions or

higher. The companies in the sample have been in business for an average of seven to 10 years and generate annual revenue of \$10 million to \$14 million (USD). 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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