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EXPLORING A CHANNEL PARTNERSHIP STRATEGY FOR IMPROVED MARKET SHARE OF ICT PROVIDERS IN SOUTH AFRICA

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ABSTRACT

ICT providers need to differentiate themselves from competitors in a challenging environment by offering potential innovative technologies that are being developed throughout the ICT industry and provide attractive channel partnership programs for an inclusive industry strategy. The channel can be described as the providers' services and product (indirect) sales to the market via established channel business partners in the local industry. This study explores strategic decisions on whether the fastest route and penetration to the market is through the ICT Channel which already has existing relationships in different market segments throughout the country. A channel strategy has the advantage of better access to a wider audience base which can translate into higher sales revenues. The objective was to explore strategic options that could improve growth and market share for ICT companies in South Africa. A provider may consider engaging directly with a customer or through a channel partnership.

A qualitative method was adopted which included purposeful sampling and semi-structured interviews. The objective was to explore strategic options that could improve growth and market share. The study concluded that one of the options is to develop a channel growth strategy that is both viable and sustainable. Recommendations focus on establishing an effective and reliable channel partnership strategy by developing and implementing a program that is attractive and offers mutual benefits to all stakeholders within the partnership thereby overcoming certain barriers to entry and challenges posed in the local market.

1. INTRODUCTION

Information and communication technology (ICT) within a South African context requires a strategy to enable growth and the introduction of new technologies to resolve business problems. The exploration of strategic channel partnerships by international and local providers within the South African ICT industry is a means to engage with business partners with the purpose of determining whether creating a channel strategy will improve potential growth for all parties (Magers, 2019). The possible benefit of such a strategy is to establish integrity, reliability and sustainability, leading to improved market share. The South African ICT market is a multi-billion-rand industry, which is showing continuous year-on-year growth (IT Web Africa, 2018). Despite the South African economy improving marginally, the South African markets are still experiencing difficult economic conditions. While the ICT industry in South Africa is still growing, it remains a very competitive market and poses many challenges in sustaining continuous growth for ICT companies whose businesses must remain relevant in the industry.

Digital transformation is forcing end user customers to change their business models and adopt new technologies, with providers bringing in a multiplicity of new technologies to enhance the business processes for the

end user customer. ICT providers need to differentiate themselves from competitors in a challenging environment by offering potential innovative technologies that are being developed throughout the ICT industry, and provide attractive channel partnership programs for an inclusive industry strategy. The channel can be described as the providers' services and products in direct sales to the market via established business partners in the local industry.

There are three main stakeholders in ICT, consisting of business partners, providers and end users, each with its own mandate and strategic intent. The South African market has certain barriers to entry like Broad Based Black Economic Empowerment *(BBBEE). The provider can choose a strategy to engage directly with end user customers or indirectly through the channel. If a strategic relationship is established, there exists a common goal to provide products and solutions to the end user customer thereby overcoming some of the known barriers to growth and ensuring viability and sustainable. In an ever-changing innovative industry, it is important for companies to keep up with the changes in technology as well as the shift of the customers' focus and spend. As the ICT industry evolves, the customers' ICT requirements will change, given a larger focus on improving their core business functions, with businesses increasing their investment in digital technology and digital transformation. Many International ICT companies are also growing their international spread in developing countries, which are a key target market. South Africa has the biggest ICT market in Africa by value, and its ICT solutions industry is showing continuous market growth. ICT companies, both local and international, are looking to grow their products and services in this market (ICT Industry Report, 2020). A provider can choose a strategy to engage directly with end user customers or indirectly through the channel. The resources required to achieve market expansion across all technologies and geographical regions cannot be fulfilled by the providers alone and therefore strategic engagement with a local business partner channel needs to be considered (Prakash, 2019).

1.2 Research Questions

1: Are selected ICT Providers in South Africa adopting a channel partnership strategy?

2: How successful is a channel partnership strategy at selected ICT Providers in South Africa?

3: What are the barriers to adoption of a channel partnership strategy for selected ICT providers in South Africa?

4: To what extent can the implementation of a channel partnership strategy improve business growth and/or market growth?

2. LITERATURE REVIEW

The South African ICT sector is a multi-million-dollar (billion-rand) industry, that has advanced significantly as the internet speed and connectivity and modern disruptive digital technologies have emerged in the 21st century. The industry is made up of the supply of services and products to the South African market and is the largest in Africa by value. According to Gartner (2018), South Africa is expected to spend R276.6 billion on ICT in 2018, a 4.3% increase from 2017. This renewed vigour in the ICT sector encourages large corporates to engage in business innovation, which makes businesses operate more efficiently, grow revenue, improve quality, and increase productivity, (IT Web Africa, 2018).

To support corporate and consumer engagement in innovation, one of the significant points to emerge is digital transformation. Digital technologies are fundamentally transforming every aspect of business on a world-wide scale, (Tabrizi, Lam, Girard, Irvin, 2019). This necessitates a growth strategy; a plan for how South African ICT companies should change to meet the expectations of the present and the future requirements of the

business environment. Many growth strategies in business can be considered, such as market penetration, market expansion, product expansion, diversification and acquisition with the new era known as digital transformation (Aregbeshola et al., 2011), (Lam, 2016), (Herbert, 2017). With a successful ICT Strategy, business leaders are able to maintain and boost the future sustainability and agility of the data and technology according to the organisation's needs.

The channel can be defined as the flow of products from the Provider or Original Equipment Manufacturer (OEM), which is either a local or international company that manufactures or develops either a technology, product/s or solution/s to supply the end user customer (Li, Chen, Chen, 2019). These enterprises are engaged as the company that will also consume the technology via an established business partner. Such a business partner is referred to as a re-seller, whose task it is to supply these products on behalf of the provider and/or OEM.

2.1 ICT Channel strategy

The ICT channel strategy is a route to market to reach the end user customers with total solutions that include products and services. The channel has a primary focus of selling to the end user customer and providing customer service through partnerships. A channel strategy takes into account aspects such as customer behaviour, the competitive environment and restrictions such as financial implications and competences. An effective channel management process is required to ensure optimal operational performance is achieved and maintained. The channel can assist in overcoming certain barriers of entry and challenges posed in the local market, for instance, Black Economic Empowerment (BEE). The government BEE legislation is arguably one of the biggest strategic challenges providing both threats and potential new business opportunities for ICT companies in South Africa.

2.2 Partnership strategy

Spender (2014) proposed a set of metrics to enable a partnership strategy to be developed. These include: Account mapping and selection based on departmental budget spending, and their associated partners, with a good track record. A good track record infers good relationships, integrity, skills, credit worthiness and various other criteria, which would ensure that the (people) resource, time and financial outlay will generate a highly probable return on investment (Russell & Standen, 2019).

Skills pertaining to the IT channels and partner enablement can increase the ability to deliver a service through combined experience, to give the partners a competitive edge. This would enable the partners to deliver real value by understanding and delivering specific product-related solutions.

2.3 South African ICT sector and business partnership community

South Africa's ICT sector is in an on-going transformation phase, where new leading-edge technologies are being adopted along with a focus on traditional infrastructure projects. The business partner community is vital in this adoption phase, and growth will only be possible with a channel strategy that is profitable and includes the key strategic partners in the market. To ensure successive channel partners and effective channel management, a mature selection process, supporting motivation, training and evaluation of channel partners are necessary according to the PDA group (2015). The advantage of such a strategy could be that strategic alignment and enablement with the top business partners will allow for market dominance in the enterprise business sector. This is highly advantageous to any ICT company in South Africa which seeks to increase its competitive advantage.

2.4 Strategic Intent

Strategic planning is an executive management function that establishes priorities and focuses the organisation towards a common goal. Effective

strategic planning gives the company direction along with the proceedings needed to make advancement and measure the performance and success of the plan, (Bellin, 2016). Strategic planning for ICT companies is to identify opportunities for the company through the South African ICT channel in order to improve or increase market share and to be forward thinking. A SWOT analysis is a useful method to evaluate information from the internal and external environment and allows one to identify the markets that best suit a company (Rozmi, Nordin, Bakar, 2018),, .

2.5 The Channel

The channel can be defined as the flow of products from the original equipment manufacturer or provider, which is either a local or international company that manufactures or develops a technology, product/s or solution/s to supply an end user customer, which is also the company that will consume the technology via an established channel partner. The channel partner is referred to as a re-seller or business partner whose task it is to supply and install these products on behalf of the provider and OEM (Cant, 2017).

2.6 The Provider

A solution provider is a local vendor or service provider that creates specialised services which they can offer to the market via direct sales to end users or via a channel. This broad term incorporates all ICT businesses that provide products and solutions through services that are on-demand, pay per use, or a hybrid delivery model. A provider differs from an original equipment manufacturer as their services will focus on a specific area in the ICT industry and can complement a value-added re-seller that handles the project needs of the end user from concept through installation to support. A service provider does not require an outright purchase of an ICT product by the customer, but develops and manages the ICT products, which are combined to be delivered as a service or as a managed solution (Techopedia, 2019).

2.7 The Original Equipment Manufacturer (OEM)

OEMs are companies (mostly international) which manufacture their own product/s with the objective of supplying these products to the end user (Fransman, 2014). Original Equipment Manufacturers (OEMs) aligned with providers, are intent on using the current best in class product for growth and expansion strategies through the established channel. The OEMs' 'share of wallet' within their existing business partner network is high, hence the mandate to look outside of the current partner base for further growth is necessary/required and could also reduce costs, . An end customer, such as an ICT department, may handle bundled products and systems involving multiple OEM and third-party vendors. Some form of centralized control is usually required to ensure overall system reliability and availability (IBM Services 2019:1).

2.8 The Channel Business Partners

Business partners are the companies that supply integrated solutions, re-sell the OEMs' products and provides services to the end users. Rouse (2018) describes the channel partner as a company that provides services or on sells products on behalf of an original equipment manufacturers. Channel partners include value-added re-sellers (VARs), systems integrators, consultants, and managed service providers. Many OEMs have created channel partnership programs to engage closely with channel partners.

They provide integrated solutions with on-site support to the end users which usually comprise multiple OEMs (Fransman, 2014). This involves understanding the clients' existing infrastructure, evaluating their needs, advising them on the solution encompassing multiple manufacturers' hardware and software required to solve the customers' ICT related problems, providing skills to do installation and ongoing support.

2.9 The End User

The end user is the person or company that will be using the ICT equipment which is purchased by the customer. This purchase is utilised to solve a business function to enhance their own business interests. The re-seller sells to the end user, also known as the end customer.

2.10 Channel functions

The channel includes functions that require channel engagement by the channel members. Essentially, there exists an interdependency between the channel embers that directly affects the inputs and outputs of the company (Kenton, 2020). These functions should be performed in a way that is cost-efficient for the company. According to Kotler and Armstrong (2016), Figure 1 shows the channel functions required in the distribution process.

Figure 1: Channel Functions.

Source: Kotler and Armstrong (2016)

Functions related to the customers are considered as information gathering about potential customers. This involves conducting marketing research to create a strategic plan and reaction to the constant changes in the market (Hair et al., 2011). The data generated from the customer feedback, generates improvement of the company product. This is achieved through the building, development and acceleration of a channel program that can be achieved by identifying and contacting prospective customers through matching and promoting of a company's products.

Negotiation and sales are related to the quoting and purchasing process, inclusive of establishing new customer relationships. Logistics and after sales services are important functions related to customer satisfaction with the service levels provided by the provider. Financing and risk-taking functions are also important and require interaction and agreement from all involved. The OEMs have both software and hardware products. The software product is delivered via an electronic distribution and online management system. The hardware product requires physical distribution which involves planning, logistics and controlling of the process of delivering the final product to the end user at the correct requested destination and time. Most of the products are configured to the customer's specifications and required to be built to order. Once requirements are fulfilled, the products are shipped from the international manufacturing plant. This entails logistical planning to ensure the delivery reaches the end user on time. The provider needs to add value to the business partner by providing the best service and meeting the end users' requirements at reasonable prices. The distribution of physical hardware requires warehousing, inventory management and transportation. Each of these components must be managed to ensure efficient delivery of products (Awuah-Gyawu, Adzimah, Brako, 2015).

2.11 Market Expansion

The method to create market expansion is to identify new customers for existing products. Identifying new markets for existing brands and products requires the comparison of solutions of other industries with the

same or similar needs (Meldrum & MacDonald, 2007). A go-to-market strategy (GTM) can be described as the action plan that details how a business intends to identify and reach target customers and achieve competitive advantage within their market (Ashkenas & Finn, 2016). The GTM strategy should offer a framework for delivering a product or service to the end user customer, considering factors such as pricing and distribution.

2.12 Market Expansion through the channel

South African OEMs have a two-tiered route to market through a provider. The provider, who onwards sells to a re-seller or to an intermediary channel, is considered as the final tier sales channel. The re-seller sells to the end user, also known as the end customer. Cant (2017) explains that re-sellers perform a facilitating function by bringing the seller and buyer together; he goes on to say that re-sellers are needed in the channel because they make channels more efficient. In order to generate value for manufacturer, the reseller must be customer focused. This customer-generated focus create value for the upstream and downstream players in the channels. These assessments fit in well with the South African re-seller channel who owns the relationships with the end user customer, and more often than not, acts as a trusted advisor.

Partnering with the broader re-seller channel would in all probability be successful in achieving significant channel growth if they engaged strategically with the broader re-seller channel. Promotions will hopefully at some stage attract new partners to the products or at the very least, the current re-sellers will use the promotions to sell more than they are currently selling. However, there are also instances when the channel program fails. Channel consultants, Frank Lynn and Associates, cite channel program failure is as a result of ignoring end user buying patterns and needs, and sticking with traditional channels too long. They (2016:4) highlight that "the lack of growth through traditional channels can occur for several reasons. Markets may have reached maturity and channels have no incentive to shift share among competing suppliers. The market may still be

growing, but in new segments, not served by the existing channel. They highlight options which are needed to explore more aggressive, joint business planning with other partners or recruiting a new channel altogether, for example, by looking for channels that already sell other products to target customers".

Providers need to look at what market they want to serve and then highlight which channel they should partner with, or which channel is best positioned to serve the target market (Frank Lynn & Associates, 2016), (Dent, 2011). While new channels are created in response to new products, market, or buying behavioural influences, before one can set up a channel, one needs to know what the end user/customer wants, and that every intelligent channel strategy begins with a customer segmentation analysis (Rangan & Bell, 2013). One would need to find out who their end users are, and then match the channel to suit those needs. They refer to this as the Total Channel Equation: Manufacturer = Channel = End User (i.e. there are three factors to consider), as illustrated in Figure 2.
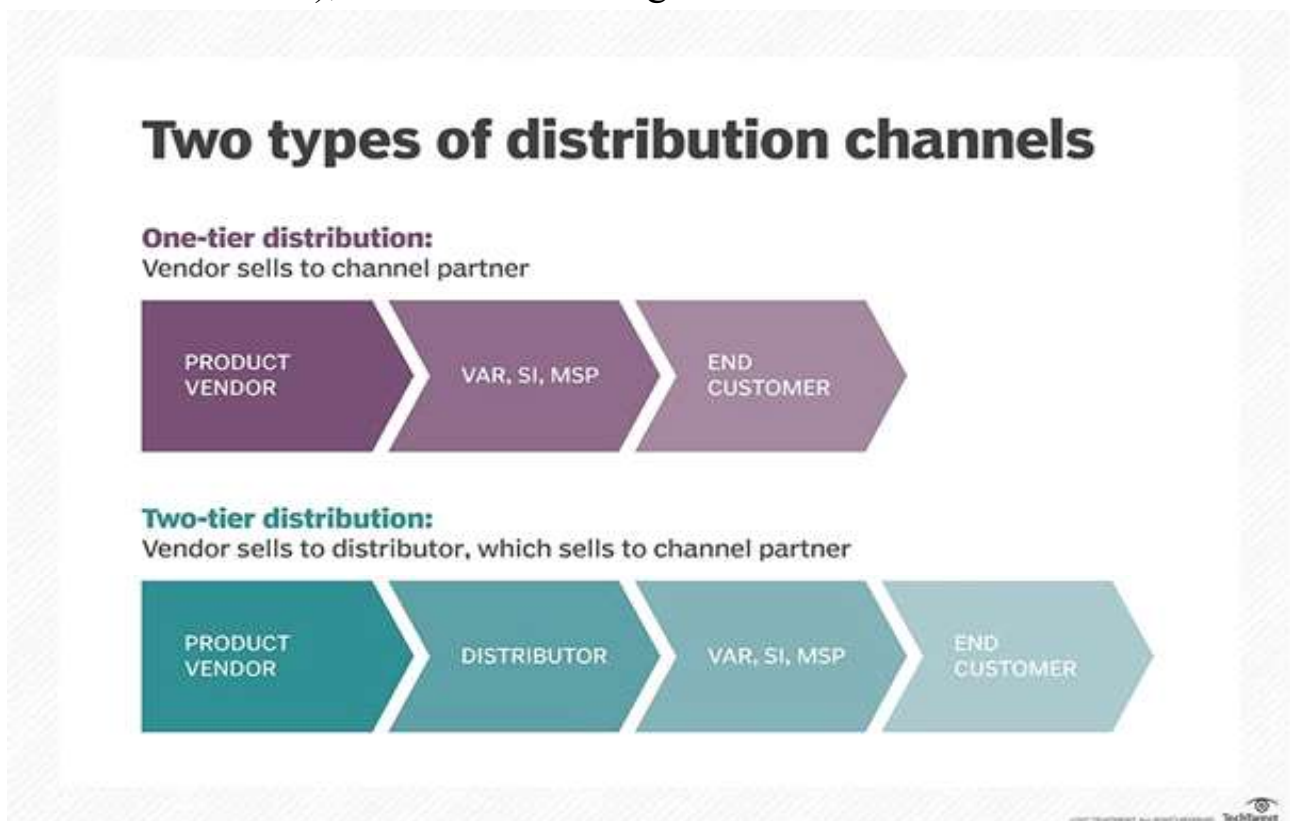
Figure 2: Marketing Expansion Methods using the Total Channel Equation.

Source: Rouse (2018)

There is a very definite cause and effect relationship in the total channel equation. All three factors must be fully considered prior to taking a managerial action. Based on the current evidence, prior to taking any strategic direction relating to channel, growth providers would need to fully understand the total Channel Equation. In the ICT sector or business, the channel equation does include understanding the end user market and relating that back to the wider ICT channel.

2.13 Channel: Market Strategy

In an ever-changing innovative industry and the difficult economic conditions in South Africa, it is important to keep up with changes in technology, especially the shift in customers' focus and spending. It is essential to invest in new innovative products from OEMs and new channel strategies to ensure survival and growth of a company's product or business. The survival of a company's product or business should be cost-effective, with regular reviews of current marketing strategies in place between channel members/partners and the company (PDA Group, 2015). The provider needs to create a channel strategy that will direct all business through the desired channel program. The aim is to present value-added services to the market. This would enable the OEMs to shift the current direct revenue stream to the business partner and end user through the distribution channel.

2.14 Channel Program

Creating an effective channel program involves a number of steps that need to be taken in order to realise the true potential and success of the channel program. These steps are: Build – Develop – Accelerate – Growth (Channeleyes, 2015). The building of the channel has become crucial and the chosen partners will influence how the channel functions. The success of the channel strategy will be determined by choosing the right channel partners which will help produce the best short-term and long-term results (PDA Group, 2015).

Identification of target markets will assist in selecting the dominant channel partners within the market to create/plan strategic engagements. The channel partners should have current engagement in the market segment that aligns with the providers' strategies and goals.

Identified partners aligned with the company's vision should have quick engagement by educating them on the value of the provider and the different parts of the channel. According to Kotler and Armstrong (2016:186), "Cooperating to achieve overall channel goals sometimes means giving up individual company goals. Although channel members depend on one another, they often act alone in their own short run best interests. They often disagree on who should do what and for what rewards. Such disagreements over goals, roles, and rewards generate channel conflict".

2.15 Channel Conflict

Channel conflict is a scenario where channel business partners have to compete against each other and/or the OEMs or providers of direct sales, for the same opportunity (Aman, 2019). Channel partners, such as business partners and providers, are an extension of the OEMs or providers' resources. Very few channel partners will do business with a single OEM and provider. Most offer products and services from multiple OEMs and providers depending on the business partners' business model, targeted markets and the solution required (Rouse, 2018).

2.16 Impact of channel conflict

When channel conflict occurs, business partners could potentially lose the deal as well as the resources invested, as the sales process in the ICT industry can be expensive and time-consuming prior to being finalised (Claro, Vojnovskis, & Ramos, 2018). This will put the relationship between the two parties under strain and could eventually lead to separation.

Many OEMs have a deal registration process to try and minimise channel conflict. This should guarantee the business partner exclusivity to the opportunity for a period. However, OEMs have in certain instances evaded the business partner and dealt with the sale directly (Rouse, 2018), (Satyam, Aithal, Maurya, 2017).

2.17 Identifying Target Markets

2.17.1 Segmentation in the channel

Market segmentation requires market intelligence to divide the market into meaningful and measurable segments, according to the size of the companies and the previous purchasing behaviours and measure the performance of each segment (Camilleri, 2017). Weinstein (2010) explains that the company has two basic strategic choices: 1) to segment the market, or 2) to treat the entire market as potential customers for its goods or services.Cant (2017) explains that the primary reasons why companies should use market segmentation are easier marketing, finding niches and efficient use of resources.

2.17.2 Mapping

Customer Market Mapping, as already referred to by Wilson & Rangan (2013), is about the relationship of business strategy to the people and businesses that buy your product, and what they want tomorrow.

Cant (2017) agrees that using mapping for market segmentation aids the opportunities for finding growth, and states that this strategic planning tool has been used ineffectively in many companies.

2.17.3 Black Economic Empowerment

Black Economic Empowerment (BEE) is arguably the greatest strategic issue, challenge, threat and potential opportunity facing businesses of all sizes, structures and shapes in South Africa today. It is a government initiative to promote equitable economic transformation of the economy.

In the South African Market, the value of the channel is where channel business partners and providers who meet the BEE certification requirements will be able to access a larger market through their BEE level status.

3. METHODOLOGY

This study seeks to understand the potential growth options and improved market share available to ICT companies by exploring a channel partnership strategy of ICT providers in the South African ICT Industry. Exploratory research is the initial research, which forms the basis of more conclusive research. Following an interpretive paradigm, the researcher selected the qualitative research method and designed an interview schedule which contained semi-structured questions to elicit detailed responses from the respondents. The sample was purposefully selected from the total population of ICT providers in South Africa. Kneale (2019:1) advises that "It is estimated that there are over 13,000 ICT companies and over 3,000 electronics companies in South Africa with the vast majority being small companies employing less than 50 people". Suitably knowledgeable persons were requested by appointment to provide information pertinent to answering the research questions (Mack et al., 2012) Respondent were selected from companies which have been engaged with a channel partnership strategy, or may have decided against such a strategy (Saunders et al., 2015:106), (Creswell, 2014). The 12 purposefully selected companies to conduct interviews have head offices in the Gauteng area of South Africa with branches in Cape Town and Durban. Participants were employed in the ICT companies at various management levels from directors, to middle management and sales executives. The reason for this selected sample population is that it covers the supply chain of the South Africa ICT market with a mixture of vendors, providers and business partners, to provide input from all areas of the supply chain.

Of the 12 participants who initially agreed to participate in the research, only 11 participants were interviewed by the researcher through one-on-one

interviews with the Gauteng and Durban companies while electronic interviews via video conferencing and telephonic interviews were conducted with selected participants in the Cape Town area. All interviews lasted approximately 45 minutes. The 11 ICT company participants consisted of three original equipment manufacturers (OEM), four business partners (BP) and four providers (P). The researcher was mindful of data saturation occurring, Primary sources of data included telephonic interviews, electronic interviews and one-on-one interviews. Secondary sources were used as support included document reviews, scholarly journals, and the World Wide Web. A pilot study of the interview schedule was conducted to ensure that all questions were easy to understand, were relevant, and would provide accurate insights and logical answers to the research questions.

Data was collected by recorded interviews. Thereafter the recorded data was transcribed into text and subjected to a data-coding system via an Excel Spreadsheet. Finally, the researcher looked for emerging themes from the data in accordance with thematic analysis methods, making use of NVivo version 12 software to support the analysis (Saunders et al., 2015), (Williamson & Johanson, 2017), (Skovdal & Cornish 2015). The researcher also considered efforts to ensure trustworthiness of the study viz. credibility, transferability, dependability and conformability (Williamson & Johanson, 2017). Ethical considerations were observed at all times (Creswell, 2014), (Shamoo & Resnik, 2009), (Flick, 2018).

3.1 Limitations

Following the qualitative method for research has limitations of selecting only a small sample from all the ICT companies in South Africa thus making the findings not generalisable. However, ICT companies are encouraged to test the findings of the research to improve their market share.

3.2 Analysis of data

Data in this study was collected via semi structured interviews following an interview schedule that had both closed and open-ended questions. The researcher was able to conduct all Interviews face-to-face with each of the participants. Initially there were twelve participants selected but one participant was unable to attend the interview and did not participate in the study. A summary of the responses to the 13 questions that were used to guide each interview appears in the tables below. Thereafter a more detailed discussion follows, using thematic analysis that emerged after a rigorous coding process using Nvivo 12 software.

Table 1 below shows the responses to Questions 1 and 2 of the interview schedule regarding the participants' companies and designations.

3.3 Demographics of participants

Category 1 - Original equipment manufacturer - Participant OEM1 – Channel manager; OEM2 – Sales manager; OEM3 – Country manager for South Africa.

Category 2 - Business partner BP1 – Business Development manager; BP2 – Executive manager (mid-market); BP3 – Managing director; BP4 – Sales director.

Category 3 - Provider P1 – Business Development executive; P2 – Regional executive; P3 – Business Unit manager; P4 – Sales manager

Table 1: Direct or indirect customer engagement.

PARTICIPANT	DIRECT SUPPLY	INDIRECT SUPPLY VIA CHANNEL
OEM1	Yes	Yes
OEM2	No	Yes
OEM3	No	Yes
BP1	Yes	No

BP2	Yes	No
BP3	Yes	No
BP4	Yes	No
P1	Yes	Yes
P2	Yes	Yes
P3	Yes	Yes
P4	No	Yes

4. RESULTS AND DISCUSSION:

The two primary routes to market are direct and indirect sales. As shown in Table 1 above, certain OEMs and providers have a direct engagement and supply model selling directly to the end user, which competes with the channel. This can be a disadvantage if not handled correctly, as it may also be the cause of channel conflict, as discussed in the literature review

4.1 Product lines and/or solutions

Discussion: OEMs innovate and develop their own products which gives them control over the pricing and go-to market strategies, so they generally only have product or solutions in a few areas affecting the customers' environment.

OEM1 explained: *Yes, we have focused solutions which are developed through market intelligence, research and development and we strive to provide leading edge solutions that will benefit different industry sectors.*

The channel business partners have the ability to choose the most suitable product/solution for their customers and will implement multiple solutions to satisfy all the customers' ICT needs.

BP3 responded: *No, the cost of developing products is very high and to maintain these products is expensive. We look to create value through*

strategic partnerships with businesses who have a similar mindset of creating value to our client base.

P1 explained: *No, on the products; yes, on the solutions. Utilising leading vendor technology, we have created solutions to provide as a cloud service to the market.*

Providers use a combination of OEM products and their own developed product to provide a solution to the end user customer

4.2 Competitive advantage or disadvantage for business

Discussion: OEMs have the advantage of developing their own products and can be first to market with their speciality solutions; they can also drive their own pricing strategies and control costs.

OEM3 said: … *we control the costs of our products through our manufacturing process and hence [we are] the go-to market competitive pricing structures.*

OEMs provide solutions to the global market and generally have representation internationally. Channel business partners have the advantage of being able to choose the most innovative and robust solutions in the market and will develop skills to support that environment. Providers have the advantage of developing their own solutions, but the disadvantage is their market reach and competition.

P2 explained: … *we have our own development product and we offer other vendor products. We control the innovation and development of the product by assessing the market condition and needs.*

Innovation is an important characteristic of the ICT industry, and when providers develop their own products or solutions, they should have the flexibility to adapt to the market requirements.

4.3 Responses to any change in ICT business environment

Discussion: All parties agreed that the ICT industry is constantly evolving and changing, with new solutions being developed all the time.

BP2 stated: … *the ICT industry has changed due to more complex digitalization solutions being driven into the market, and with multiple vendors and solutions, it can be difficult for both customers and business partners to keep up with the skills required to sell and implement these solutions*.

Many customers are moving away from technology products to digital solutions that enhance the business functions and increase the efficiencies of the company.

4.4 Main challenges and likelihood of growth

Discussion: The main challenges highlighted by the participants are to remain relevant in the market and create new innovative solutions that will help customers in their respective businesses.

OEM1 supported this statement by saying: *Creating innovative solutions that are relevant to current market conditions…will make businesses future proof and getting the market to adopt these solutions*.

Skills is also highlighted as a challenge; there is a need to develop skills and maintain skills amidst a general skills shortage in South Africa.

P3 observed: *The main challenges are retaining skills across the multiple solutions that we provide to the market whilst adapting new innovative technologies*. P3 noted that BEE is a vital requirement and is a challenge if not addressed when accessing growth areas: *In the public sector environment, financial sector where the BEE credentials influence the purchasing decisions and mid-market*.

The public sector and Small and Medium Enterprises (SMEs) are regarded as the largest growth areas mentioned by the participants.

P2 stated: …*the biggest growth area is the public sector environment which requires channel engagement, especially where BEE compliance is required, and the SMME market.*

4.5 Channel partnerships (advantages and disadvantages)

Discussion: All parties have heard about the channel strategy with most participants stating that the advantage is access to new sectors and wider range of markets.

OEM3 disclosed: *Yes, all of our business is done through the channel and has resulted in us being one of the leading and trusted brands in the channel.*

One provider highlighted the disadvantage of the cost and complexity of setting up an effective channel, with return on investment only being realised in the future.

P3 had heard about channel partnerships and stated: *...the channel partnership in our company has been moderately successful due to the lack of investment in the channel program and seeing the proper return on investment by not maintaining the supply chains.*

4.6 Barriers to adopting a channel partnership strategy

Discussion: OEMs must all compete for the same channel partners and want end users to adopt their strategies and products. They have all stated that the main challenge is finding the right partners that will adopt and skill their employees to the respective solutions. The solution is creating an effective, well-managed channel program that protects the partners and offers enablement and skills development.

P4 stated the need for …*effective channel management through channel partnerships which provide enablement, skills development, and market segmentation planning.*

BP4 explained: *Yes, the barriers we are facing are that because we are a smaller company that is only based in the Johannesburg area, we feel that the vendors will back the larger ICT companies with national footprints. A vendor with a mature and reliable channel program is required as a partner to make sure we protect our business and resolve conflict quickly and fairly.*

P3 said: *The barriers would be identified as partnerships where the vendor competes with us directly or has insufficient innovation or long-term product road map.*

4.7 Channel market strategy

Discussion: All parties agreed that a channel partnership strategy would improve the market growth to all parts of the supply chain in the channel.

OEM2 disclosed: *Market growth of our business is based on the channel adopting our go to market strategy and working with our current and new partners to introduce new innovative solutions to the market.*

 Thus, channel market strategy will provide access to larger market segments and help expand resources to cover all the regions.

BP2 explained: *Yes, to survive in the ICT industry you need to constantly adapt and change landscapes and find vendors who offer reliable and innovative solutions and be able to offer these to new markets effectively.*

Adopting and implementing an effective, well-managed channel is the challenge.

P4 said that a channel market strategy would improve the market growth: *With effective channel management through channel partnerships which provide enablement, skills development, and market segmentation planning.*

OEM1 agreed: Yes*, especially in public sector where local businesses are supported through the BEE environment, local skills and the reach of an already established market.*

BEE has emerged as challenge for international companies and local companies who do not comply with requirements of the legislation. This must be carefully considered when creating strategic partnerships to allow access to markets segments with this requirement.

4.8 Analysis of Data Using Thematic Analysis

Themes are the result of data analysis that show practical findings in the selected field of research. They are used as an attribute, description and concept. As a subject matter that arranges a collection of repeating ideas, they permit researchers to answer the research question. They contain codes which have a shared point of reference and a degree of generality that joins ideas concerning the subject of investigation (Henderson & Dhanaraj, 2014; Theron, 2015). In terms of graphical data display used by the researcher to explore the findings, the preference was the use of NVivo 12 software for the analysis of each section. The following five themes and sub-themes emerged from participant narratives extracted out of NVivo 12 software.

4.8.1 Theme 1: Channel Partnership Strategy

All participants in the interviews, from different sectors in the value chain, agreed that they saw the value in adopting and engaging a channel strategy. Certain Original Equipment Manufacturers (OEM2 and OEM3) and providers (P4) have a channel only supply to the market and have modelled their business successfully around the channel with mature channel engagement programs that are effectively managed. Channel strategies need to address the complexity of channel partners, each with their own business practices, target markets, customers and values. Channel partners should focus on their speciality to create a niche in the market. This development in a speciality focus within each channel partner would also

encourage more collaborations with other businesses, thereby improving marketing strategy of the company's product (Prophet, 2017).

Channel business partners which are local South African companies, are reliant on channel programs from different vendors and providers to complete their value-added services to the end user market. However, they have the ability to choose the best suited solution providers that cater for their end users' needs. They tend to adopt OEM solutions where they have the skills to support the environment and are not competing directly with the OEM, allowing for protection inside their customer base.

Providers that have created their own solutions have engaged in a direct model but see the value and access to the market via the wider channel community. Hence for market expansion, they need to develop and invest in an inclusive channel program that is both sustainable and profitable for both parties involved.

4.8.1.1 Sub-theme 1: Channel Program

An effective and well-managed channel program that supports the business partners, along with a leading-edge innovative solution, will be the most successful in gaining business partner confidence and benefit from a channel growth strategy. Reflecting on the literature, an effective channel management process is required to ensure optimal operational performance is achieved and maintained (PDA group, 2015). As discussed, in the literature review, an effective channel program can create market expansion through the channel (Crainer & Dearlove, 2003). Identifying new markets for existing brands and products requires a comparison of solutions of other industries with the same or similar needs (Meldrum and MacDonald, 2007).

4.8.2 Theme 2: Go-to-Market

A go-to-market strategy (GTM) can be described as an action plan that details how a business intends to identify and reach target customers and achieve competitive advantage within their market. The GTM strategy

should offer an outline for delivering a product or service to the end user customer, considering factors as that include pricing and distribution.

Growth strategy addresses how companies should develop to meet modern day and future challenges. Growth strategies are important as they assist companies towards reaching goals, while keeping employees focused and aligned on long-term strategies. All business partners have a direct GTM strategy to their customers. However, some specialise in different market segments with the ambition to enter into other market segments to grow their business. ICT companies need to be known for their areas that they specialise in the market and when they are partnering with right vendors that match their aspirations then will be engage with different market segments and ultimately show growth.

4.8.2.1 Theme 2 Sub-theme 1: Black Economic Empowerment (BEE)

In the South African Market, Broad-based Black Economic Empowerment (BEE) legislation has an impact on the ICT Sector pertaining to local and international purchasing, thus making the barrier to entry more difficult for new international companies to engage with large corporate companies and the public sector. For the benefit of an international company, the channel strategy was vital to enter into the public sector markets. The impact on market growth by having the correct BEE credentials, requires a strategic channel partnership solution.

4.8.2.2 Theme 2 Sub-theme 2: Market Routes

The two primary routes to market are direct and indirect sales. Certain OEMs and providers have a direct engagement and supply model selling directly to the end user which competes with the channel. This can be a disadvantage if not handled correctly and could cause channel conflict. The channel will adopt OEMs and suppliers where they see the least threat of losing their existing customers to a direct supply model. In the dual distribution model, the distributor procures from the OEM's and provide products to the channel business partners, for example Value-added

resellers (VARs) and System integrators (Sis). The channel business partners then package solutions for the end user customer. Distribution can assist small channel partners to engage and establish relationships with large ICT vendors (Rouse, 2018).

4.8.2.3 Theme 2 Sub-theme 3: Growth

OEMs and providers will gain access to new market segments via a wide range of channel business partners servicing different sectors of the market. The latest trends will offer opportunities for both small and large players in the industry. The growing trends include in telecommunications, data centre hosting, artificial intelligence and the Internet of Things (IOT). New company start-ups are expected to lead innovation in these areas. Digital transformation technologies to improve customer experiences will be disruptive in the South African ICT industry (Kneale, 2019). A channel has the ability to increase the range of products and services available to the end user customers. Providers and channel business partners provide consulting services, implementation services and post-sales customer support. They may also incorporate different OEM products into an integrated IT solution that they would propose to a customer. A single company cannot address the needs of the entire market, which shows that strategic partnerships are vital for all parts of the channel to be able to stay relevant and provide innovative solutions to solve the customers' requirements, which would lead to them retaining their current customers and acquiring new customers.

4.8.3 Theme 3: Business Challenges

Some of the key business challenges are that this is an ever-changing industry with new innovative technologies being introduced on a regular basis. It is imperative that channel business partners keep themselves relevant in the market by searching and adopting problem solving, innovative solutions from OEMs and providers.

Strategic partnerships will have challenges that need to be addressed efficiently to ensure sustainability and success of the partnership. The challenges in the channel are protection of intellectual property (IP), skills retention, risk and compliance and opportunity protection. Failing to address these challenges will result in the creation of conflict and unsustainability of the partnership.

To overcome some of the business challenges, strategic partnerships are vital but need to be part of an effective, well-managed program that protects all parties. Business requires investments and the profit should out way the cost of doing business, and a successful partnership is when the outcomes are mutually beneficial.

4.8.3.1 Theme 3 Sub-theme 1: Business Environment

The global ICT industry is constantly evolving and requires continuous innovation to continue on a financial growth path. The South African ICT industry has the added pressure of the current economic woes which have been putting end user companies on cost saving strategies, and influences the spending habits on ICT solutions, which has direct impact on the ICT industry and all companies involved.

4.8.3.2 Theme 3 Sub-theme 2: Competitive Advantage

Direct involvement in innovation of a finished product may not be required with the channel model for channel business partners. The channel business partners should be researching the latest technologies and innovate their approach to customer and skills development with a focus on customer service excellence. Skills pertaining to the ICT Channels and partner enablement can increase the ability to deliver a service through combined experience to give the partners a competitive edge. This would enable the partners to deliver real value by understanding and delivering specific product related solutions (Fransman, 2014).

4.8.4 Theme 4: Skills

Having the right level of skills in the market to propose, implement and support products is imperative to being able to grow the brand in the market. It is essential for OEMs and providers to have skills development programmes and skills or knowledge transfer. Channel business partners that have the right level of skills to support their customer will be able to retain their current customers and grow their footprints across different sectors. Recent examples of skills transfer initiatives for South Africa are USA based firms like Microsoft are lifting South Africa into a group of countries that will be receiving new product releases, showing the importance of the local market while CISCO and Dell have created training centres within South Africa to develop skills within the industry (export.gov, 2019).

4.8.5 Theme 5: Value-added Solutions

OEMs and providers sometimes only have specialised or specific solutions for a single part of the business function and this is where they rely on channel business partners to implement their solution part of a value-added solution that will contain multiple OEMs and providers to create an end to end solution for the end user customer. There is no doubt that the ICT industry is changing all the time with new technologies emerging on a regular basis. What the findings revel is that the provider and business partner should ensure they are able provide solutions that solve problems and add value to the customer.

5. CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to understand the potential growth options and improved market share by exploring a channel partnership strategy of ICT Providers in the South African ICT Industry. The objective was to investigate growth options in order to develop a channel growth strategy that is both viable and sustainable. The results of the research findings indicate that the channel plays a vital part of the ICT industry in South

Africa, with each business entity adding to the channel supply chain. Noteworthy is the fact that different channel participants all contribute to the channel supply chain, namely, the Original Equipment Manufacturer (OEM), the Provider (P) and the channel Business Partner (BP). Each participant has a specific set of products, skills, and solutions to offer the end user to solve the customers' ICT-related problems.

The implementation of a channel partnership strategy will give the providers access to new customers in different market segments and geographical areas, where their business partners have representation and skills which will lead to both business and market growth. However, it was also noted in the literature that there are sometimes complications attached to achieving a successful partnership, such as financial investment and channel conflict. These factors can be overcome with suitable investment and implementation of a well-managed, effective channel program that specifically addresses these challenges.

The impact of the strategic channel partnership for each of the main channel participants, Original Equipment Manufacturer, Business Partner and Provider, constitute the three vital components of the SA ICT industry. From an Original Equipment Manufacturers (OEM) perspective, OEMs play a vital role in innovation and creating new, more efficient and cost-effective solutions to help customers drive efficiencies in their business functions.

Channel Business Partners (BP) play a vital part in the ICT industry and many end user customers rely on them to provide reliable, managed solutions, with the vision to evaluate and find innovative solutions.

Providers (P) in the South African ICT industry are becoming more prominent by developing solutions that are fit for the South African market. They create specialised services that can complement the other channel business partners' solutions. These providers are leveraging and investing in ecosystems such as strategic channel partnerships for solution scale,

market access and innovation, attracting the best skill in the market and building talent for the future.

5.1 Recommendations

Providers have the option of selling directly to customers or indirectly via the channel business partner. The researcher would recommend the inclusion of an ICT Channel partnership strategy for providers that includes all parties that form part of the ICT value chain. This is the fastest route to market and would expedite their reach to new and existing market segments and customers with new innovative products, services and solutions. A good channel strategy will consider a number of factors inclusive of customer habits and spend, the competitive environment and limitations such as cost, capability and legislative restrictions.

The following recommendations are made to successfully operationalise a channel partnership strategy.

(1) Growth Strategy - A growth strategy creates a plan to identify and engage opportunities within the ICT market, giving the specific company direction and showing intent of achieving long-term plans and objectives. Growth strategies are vital as they push the business towards objectives that are above the current market expectations.

(2) Develop a Channel through communication, teamwork and collaboration - When considering the channel partners, it is important to revisit established relationships regularly, and update them on the company's new strategies and solutions. Re-engagement with partners and re-establishing relationships is an effective way to develop the channel.

(3) Accelerate the Channel by increasing product sales and revenues to the existing top 20% customers that bring in 80% of the company's total revenue. These are the customers in the channel that are self-sufficient and require minimal development. It is important to recognise these partners and accelerate them to the next level.

(4) Enablement - Once the top enterprise channel business partners are identified, the next step is to create strategic executive engagement and enablement to accelerate these partners to expand brand sales and drive up revenues. Loyalty programs empower you to build more personalised, rewarding experiences for your partners and sales staff.

5.2 Final Actions (*Acta Non Verba*)

The research findings show that all participants agree that the fastest route to market is via an established channel. OEMs provide innovative solutions to business problems, whereas channel business partners have pre-existing relationships with the customers, providing multiple solutions, and skills for implementation services and after-sales support to maintain the solution, keeping the customers' business running. An effective channel partnership program that is well-managed and provides suitable protection for the channel partner and is executed to drive sales and revenues growth for all parties in the channel value chain, including the OEM, channel business partners and ICT providers.

Future research options could include the exploration of the use of different methods such as quantitative methods, to include a wider sample population of the South African ICT industry. This research offers value to the ICT market and should be used by the companies in the ICT industry as they should all be making use of a channel strategy. Insight gained from this research is that the benefits of a correctly implemented channel partnership strategy outweigh the problems.

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