



JSG RESEARCH REPORT

LAYOFFS

A CHANNEL IN FLUX

FEB 2024VA

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FOREWORD

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In the midst of the tech sector's rapid evolution, the recent state of layoffs within the technology and communications channels presents a compelling narrative that diverges from the industry's typical storyline of relentless progress and innovation. This report delves deeply into the complex dynamics of these layoffs, examining not just the immediate economic ramifications, but also the profound personal toll on those directly affected. By weaving together data, personal anecdotes, and expert insights, we aim to provide a nuanced understanding of the factors driving these changes, the broader implications for the industry's ecosystem, and the pathways forward for businesses and individuals navigating this challenging landscape. In doing so, we hope to offer a comprehensive perspective that honors the experiences of those impacted and illuminates the resilience and adaptability at the heart of the tech community.

INTRODUCTION

Over the past year, we have observed a noticeable surge in layoffs within the Information and Technology Channel. The headlines are consistently populated with the news of once-lauded startups scaling back their ambitious projects or tech giants axing thousands of jobs. For an industry that projects an image of relentless growth, the nature of these current layoffs seems ironic. It's not just about the figures and graphs depicting cost savings, lowered compensation for roles, and restructured divisions. Behind each layoff statistic is a life upended, a career in jeopardy, and a livelihood lost.

So, just what is happening? Our role at ANS and JSG is to conduct an in-depth exploration of the underlying causes behind these layoffs, with a focus on enhancing impacted professionals' skill sets within this fiercely competitive landscape. Additionally, we aim to scrutinize the insights and perspectives shared by individuals who have experienced layoffs in our industry better to equip ourselves for future challenges, and to hopefully provide much needed accurate information to those concerned with the current layoff trend in our industry. Our primary avenues of research involved conducting surveys on LinkedIn and confidential interviews with industry professionals including Channel sales leaders, Channel managers, global sales leaders, PRM managers, and more.

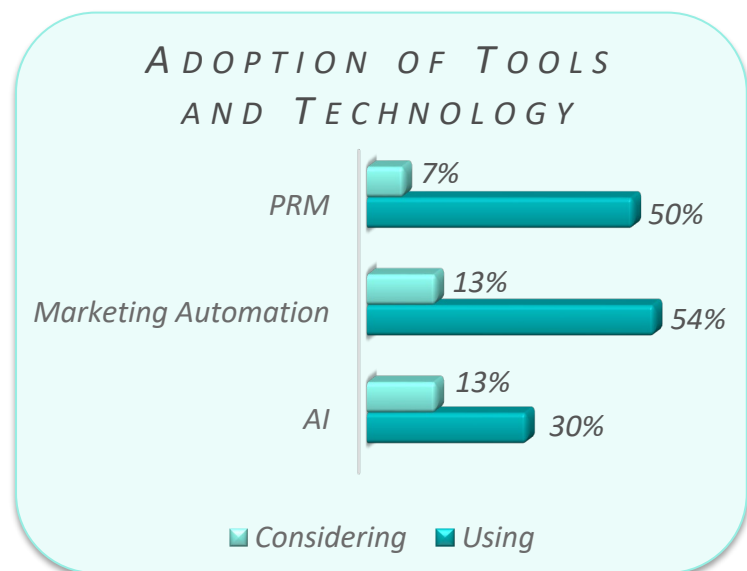
Summary of the Channel Ecosystem

For those reading this report without any context regarding the Channel: a simple primer follows. The Information, Technology and Communications Channel (ITC) is an intricate network of distributors, resellers, agents, MSP/MSSPs, ISVs, platform companies, consultants, private and public investors and other entities that facilitate delivering, selling and servicing technology products and services from producers to end users. Without this ecosystem, we would not have organized sales, distribution, or client needs met, making this ecosystem very important.

SURVEY METHODOLOGY AND PARTICIPANT DEMOGRAPHICS

To understand the current landscape, our research team conducted a survey of industry professionals, and a series of engaging, confidential interviews with industry insiders such as channel chiefs, channel sales leaders, channel managers, and global sales leaders. A particular focus was placed on the perspectives of individuals directly impacted by the layoffs. Demographically, our survey included 59% of respondents who had more than ten years of Channel experience, while almost half of these experienced individuals worked for a vendor or manufacturer. Furthermore, 45% reported working in sales, 19% in marketing, 7% in operations, and 29% in alliances, among several other positions. Regarding gender and age, 55% of the respondents were female, and 66% were between the ages of 45 and 64. In addition, 44% of respondents had been personally laid off, and our results show these layoffs impacted both women and men equally.

A deeper dive into the respondents that have been laid off shows that 67% of organizations are using (54%) or consider using (13%), marketing automation which at least tangentially indicates an opportunity for using marketing automation to lower needed headcount. 43% of these organizations are using (30%) or considering using (13%) the ever-popular generative AI. While 57% of these organizations are using (50%) or considering using (7%) PRM. Looking at the respondents working for an organization that has laid off personnel, 73% of those organizations are using (62%) or considering using (11%) Marketing Automation further reinforcing our opinion that marketing automation does appear to lessen the need for marketing headcount in the eyes of the organization using the automation; however when we spoke with multiple leaders in the space, the promise of automation was not delivering the promised head count savings, and these marketing layoffs were having a negative impact on the organization. With this we see 54% of those organizations are using (39%) or considering using (15%) generative AI. Lastly, 62% of those organizations are using (52%) or considering using (10%) a PRM.



OBSERVATION OF LAYOFFS AND DOWNSIZING AND REASON FOR LAYOFFS

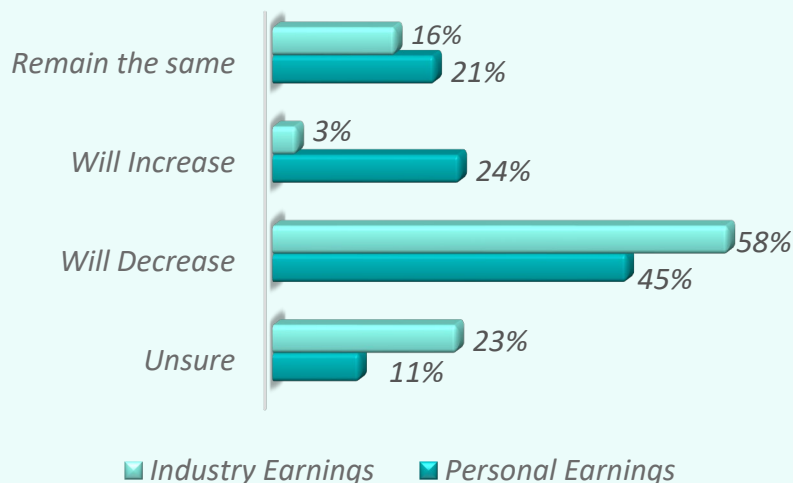
We have learned from our interviews that layoffs have become much more common due to economic pressure and the relentless march towards automation, coupled with the pressure of Venture Capital/Private Equity investors (VC/PE) needing to make their money back. On an organizational level, layoffs often lead to scrambles to redistribute responsibilities. Nearly three-quarters of survey respondents (73%) work for an organization that has implemented layoffs; and the vast majority of these individuals (90%) reported that existing staff is taking on the workload of eliminated positions. This is key because the promise of automation seen in the statistics previously shared doesn't seem to be the answer that most firms are utilizing. The question therefore must be asked of the broader industry— is automation just hype or will it deliver reduced workloads for the remaining staff?

The impact of the numerous layoffs that have occurred in the past year and a half have led to much uncertainty in our ecosystem, affecting everything from partnership stability to market strategies. Additionally, many people we spoke with felt that the Channel may not be the viable long term career option it once was if these trends continue. When it comes to the factors that cause layoffs, one participant noted that it was a cocktail of factors, including economic shifts, private investor pressure, the push toward digital transformation, and the adoption of AI and automation. It was a perfect storm of pressure that had built up in the Channel and the result was layoffs.

CHANGES IN COMPENSATION AND SALARY STRUCTURES

Our participants view the changes in compensation and salary structures as a seesaw. Some roles face pay cuts, while other high-demand areas like AI and cybersecurity are seeing their values spike. There has also been a shift towards performance-based compensations where fixed salaries are moderated, emphasizing variable components leading to tangible results. Of the 73% who reported working for an organization implementing layoffs, 51% believe their earnings will decrease, while 29% think their personal compensation will increase or remain the same. One participant noted that the salaries for fresh marketing personnel are starting 25% lower than in previous years. Many participants were left wondering what these decision-makers were thinking, which is what many of us in the industry are also thinking. Overall, 58% of those surveyed report that total compensation has decreased in the industry, and 45% believe their personal compensation will decrease. From the interviews, some feel that they see a 30-40% salary reduction for Channel roles, and “senior” roles require much less experience for the same or less pay compared to 15 years or more years ago. These data points indicate that while participants in the survey may see the macro trend of compensation lower in the Channel, they don’t want to accept that it will impact their earnings – this slight disconnect will take time to resolve as many people who have been laid off have not yet landed their new role at another firm and as such don’t fully know their earnings future.

HOW WILL LAYOFFS IMPACT CHANNEL COMPENSATION?



*“We’re seeing average salary reduction of **30-40%** for many channel roles.”*

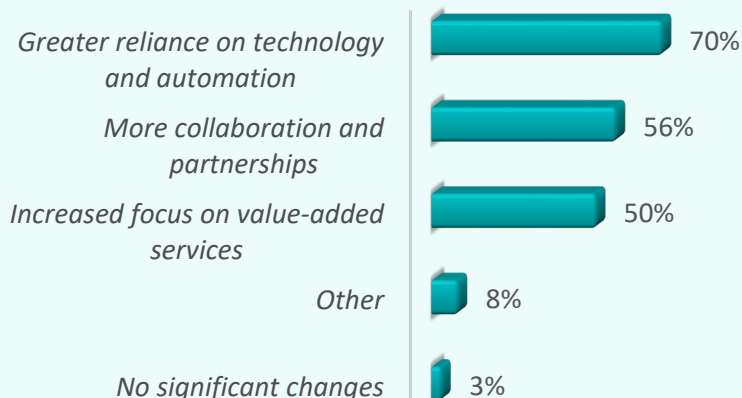
-Anonymous Respondent

IMPACT OF LAYOFFS ON ORGANIZATIONS, INDIVIDUALS, AND BROADER ECOSYSTEM

Layoffs have increased pressure on the remaining staff members and left companies scrambling to get things done for their clients. One participant noted that broader ecosystem impacts included a shift toward fewer but deeper partnerships and an emphasis on profitability over growth. Our survey results revealed that 46% of respondents believe the Channel ecosystem will see more collaboration and partnerships. This makes sense, with more partners in each deal and more hands to do the work the partnering aspect of the industry could help to overcome some of the staff shortages being created by the layoffs. Software platforms like PartnerTap, PartnerOptimizer, CrossBeam and PRM systems were all noted as potential partner acceleration tools that could help to ease some of the pressure.

In addition, 70% of our respondents expect a greater reliance on technology and automation, while half (50%) think increased focus will be on value-added services. Another respondent rightfully pointed out that the layoffs have led to talent reshuffles and a higher demand for multi-skilled professionals which will ease some of the talent pressure for impacted firms. Others note that it has become a mess of uncertainty and broken relationships as key contacts disappear overnight. Regardless of how you look at this trend, the bottom line is the talent equation at most firms is shifting and we have yet to see the full impact of these shifts.

HOW WILL CHANNEL ROLES EVOLVE?



“More emphasis on generating leads and closing new business will be put on channel and partner roles.”

-Anonymous Respondent

ADJUSTMENTS MADE BY CHANNEL LEADERS AND STAKEHOLDERS

Channel leaders are focusing on realism as their new mantra. They are recalibrating expectations and concentrating more on sustainable growth than just top-line figures. One interviewee noted that there is a tempering of expectations. Both leaders and stakeholders are setting more realistic targets but are under pressure from investors to ramp it up quickly. It must also be noted that the large severance packages of yesteryear are NOT returning, and many are being left without anything to fall back on as they seek their next role.

But this change is not just impacting the employees of the firms rebalancing their staff, as the partners are also being impacted. One area partners have relied on to help them grow vendors sales is MDF (Market Development Funds). Regarding expectations around Market Development Funds (MDF), Sales Performance Incentive Funds (SPIFs), and other incentives, 55% of respondents have noticed changes. This leads to a more strategic approach to funding and how it is utilized, along with trying to do “more for less.” Since many Channel partners rely on MDF to help them achieve their profit and growth goals this trend could be of concern in the coming year.

WHAT IS THE IMPACT ON INCENTIVES?

*“Funding is not what it used to be and therefore, we have to **be more strategic** with what we use funding for.”*

-Anonymous Respondent

*“I think the market has become much more competitive, with vendors using spiffs, MDF, and pricing to more **aggressively drive business with reduced staff**.”*

-Anonymous Respondent

*“The partners want more funding while our finance org wanted us to cut back the spend while also growing channel sales: **insanity!**”*

-Anonymous Respondent

EVOLUTION OF CHIEF REVENUE OFFICERS' ROLES

Chief Revenue Officers (CROs) have become part of the circus with their juggling acts, balancing traditional sales with emerging digital ones. These CROs in many cases have been part of the decision to lay off teams and specific staff people. Sometimes in response to financial pressures, but many other times in response to their need to change the Channel strategy of their firm.

These CROs are being tasked with being much more strategic, data-driven, and adaptable to navigate this blended landscape. With this, an interviewee noted that CROs are balancing the need for immediate results with sustainable long-term strategies, considering both direct and Channel sales costs and success rates. While the CRO role is critical to most firms in our industry it is worth noting that the majority of CROs in our industry do not possess deep Channel and partnering expertise making their decisions a risk to their firms' long term Channel success should they be executed upon incorrectly.

"Today's CRO needs to carefully consider how they evolve their go to market strategy to best embrace the realities of a partner engaged sales, service and solutions engagement.

Sticking with the same old way it worked back in the linear economy won't work to grow or even retain revenues for much longer so it's time for the CRO to question how their channel strategy and program are really working"

Janet Schijns, CEO JSG

STRATEGIES FOR ADAPTING TO ONGOING CHANGES AND CHALLENGES

Regarding ongoing changes and challenges, we see a partial resetting of Channel strategy across most of the industry. The old days of partners purely as a sales Channel have disappeared, yet many of the firms we spoke to are still using the old-world definitions of a 'channel' to run their firms Channel strategy. The result? It appears that the costs of sales, and growth of sales, throughout the Channel are rising, when in fact just the opposite may be true. As these firms have not spent the time and considerable effort to redraft their Channel strategy to better address co-selling, marketplace, technology platform alliances and alternate Channels, often the data they are working off for their Channel results is skewed.

One interviewee speaking about this change stated that there is a constant internal battle between the board and C-Suite executives, thinking that things should go faster than they do with the Channel because they are still seeing the Channel as "widget sellers." They continued that we must make sure we are realistic in what expectations we set with them and what investments we seek.

Another stated that other incentives have become more stringent due to pressure on cost of Channel from their finance teams. They are focusing more on strategic investments than blanket funding or annual plan funding, expecting their partners to demonstrate more precise plans and expected outcomes for the funds they receive. This is a wake up call for the partners, there will need to be more focused planning for MDF submissions and better ROI tracking and reporting across the board as vendors tamp down on MDF spend.

RECOMMENDATIONS FOR BUSINESSES AND PROFESSIONALS NAVIGATING CHANGES

While there is no silver bullet when it comes to keeping your role at your current firm, there are a few tips we can offer from speaking with experts and leaders in the partner ecosystem.

- **Justify your teams worth to the organization:** Know what you bring to the organization before layoffs start (or continue) to happen in your organization. Take a careful look at the impact you and your team deliver. How do you quantify it? How do you promote your work internally to your leadership? If your work is not valued start to seek out highly valued work now before you are caught in low value role.

Challenge yourself: Ask yourself if you are focused on the right things to add value to the firm or are you doing the same old things and expecting a different outcome?

- **Learners are Earners:** Focus on how you expand your skills, along with your team's skills. Learn new ways to perform your role, accelerate your and your team's results through learning, and adapt to an 'always learning' culture. Continual learners are not only less likely to be laid off, they are also more likely to get a new role quicker than their non-learning peers.

Challenge yourself: What skills do you need to learn to excel at your current job? At the job you want? To quote one of our participants "invest in training your teams to handle new technologies and go-to-market strategies to ensure you are ready for our industries changes."

RECOMMENDATIONS FOR BUSINESSES AND PROFESSIONALS NAVIGATING CHANGES

- **Grab a dose of reality:** If you are setting channel goals, or living with goals someone else set, begin to set a real dose of reality to those goals. Question inputs and outputs, evaluate realistic achievement of goals, and if resources or budget are cut negotiate lower targets. Don't be a victim of poor goal setting, making it appear that you did not do your job.

Challenge yourself: Are you over promising to keep someone in the organization happy or hopeful? That will only backfire, and the time to adjust expectations is now. To quote one of our survey participants "Be realistic about your channel's success; do not expect the Channel to operate for free or reduced fees, they require an investment to perform work and the firm with the best investments often wins."

- **Realize and justify the fact that your most precious asset is your team:** As a leader, expose your people to presenting to your leadership, ensure they receive credit for the work they do, and highlight their skills and impacts continually. Too many leaders hog the spotlight and then are surprised when their leadership team doesn't see the value in their team.

Challenge yourself: Are you ensuring your people are as well known for their results as you are for yours?

RECOMMENDATIONS FOR BUSINESSES AND PROFESSIONALS NAVIGATING CHANGES

According to our interviewees, here are some additional personal recommendations for navigating the changes that layoffs have created in businesses:

- **Embrace agility:** Invest in upskilling your workforce and explore partnerships that complement your evolving tech stack.
- **Focus on building lean operations:** Avoid the human resources bloat that happens when you think of old-school Channel approaches and instead find ways to simplify your Channel strategy and program.
- **Invest in technologies:** Embrace the tools and technologies that enhance efficiency and provide actionable insights.

RECOMMENDATIONS FOR BUSINESSES AND PROFESSIONALS NAVIGATING CHANGES

For professionals navigating changes, our survey participants had some specific advice for those concerned with being laid off:

- **Do not fall in love with the past:** *The same partners you have known for decades may not be the right partners to win today, which will negatively impact results. Challenge yourself to find the right partners not just the partners you are comfortable with.*
- **Be adaptable, curious, and invest in yourself:** *Don't wait for others to show you new areas of growth, like the security sector, where layoffs are less prevalent. Instead, always be looking for the next great segment and opportunities within that segment or technology space.*
- **Be cautious:** *Employers who are heavily PE/VC funded and who over promise earnings on equity upside growth, and demonstrate overspending without the matching results are more likely to need to lay people off when times get rough because their model is not sustainable.*
- **Get ready for more challenging times:** *Save money, get a side gig (within the allowable employment rules of your firm), and keep in touch with your network, ensuring that you remain open to new roles should the opportunity present itself.*
- **Know your worth:** *Understand what your role should pay, what it does pay, and what you can expect to earn in the future. Then plan your career path to maximize your earnings. And a final word of advice from one of our participants:*

To the business, **don't let business needs devalue your associates.**

To the professionals, **don't let the company determine your value.**

CONCLUSION

In closing, we hope that our findings help you, the reader, better understand the ecosystem layoff impact and how to prepare for the future during uncertain times. JSG and ANS thank our participants for speaking out on such an uncomfortable and heart-wrenching subject. We hope their responses, along with our findings and information, can be helpful for you when navigating through the Channel ecosystem. If you have any more data, or were not part of our initial findings, do not hesitate to reach out to us with your thoughts, as we at JSG and ANS do not see this being the end of this discussion in the Channel.



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