CRN
CHANNELWEB.CO.UK
December 2017

Artificial intelligence, genuine opportunity?

Early adopters highlight the benefits that AI can bring to the channel **18**

A LOOK BACK AT ANOTHER EVENTFUL YEAR IN THE CHANNEL **10** ALL THE NEWS FROM THE CRN CHANNEL AWARDS **13** HP ENTERPRISE AND HPI BOSSES DISCUSS THEIR STRATEGIES **22, 25**

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Top of the lot

Anyone picking up a hard-copy version of this December edition of *CRN* will find nestled inside a copy of *Top VARs 2017*, our annual rundown of the top 100 players in our sector.

While the top 100's collective revenues soared by 15 per cent to £13.6bn, Brexit blues appear to have adversely affected their bottom lines.

For the second year running, we have analysed profit margins across those that made the cut, and the numbers will make painful reading.

When it comes to operating profits – the profit measure we have chosen to standardise around – average (mean) margins have fallen from 4.4 to 3.4 per cent year on year.

The last sets of numbers from many in the top 100 coincided with the build-up and aftermath of last June's EU referendum, and indeed many blamed Brexit in their annual commentaries for creating uncertainty, currency headwinds, and unwanted price spikes.

Some 18 months on, Theresa May's government has restored at least some semblance of stability by securing a deal to move to the next stage of Brexit talks. More importantly, the tech market has rebounded this year and is now in ruder health than at any time in memory, according to market bellwether (and #1 Top VAR) Computacenter.

Arguably, resellers also have more 'door openers' at their disposal than ever before thanks to the rise of new technology areas or concepts such as hybrid cloud, digital transformation, IoT and AI.

The latter is the undisputed buzzphrase of 2017. Whether it is more than just a buzzphrase is the key question posed in our lead feature on p18, where *CRN*'s Tom Wright chats to three resellers with live AI use cases.

> **"Arguably, resellers have more 'door openers' at their disposal than ever thanks to the rise of new technology"**

Much uncertainty remains as we head into 2018, not just around Brexit but also interest rates, which were raised for the first time in a decade in November and face further hikes.

On p26 we examine the knock-on impact this could have on all levels of the channel, which has been a beneficiary of cheap money in recent times.

Despite this potential fly in the ointment, a feel-good factor has undoubtedly returned to the industry in the last few months.

As evidenced by the bankruptcies of Entatech and Misco, 2017 has been a bumpy ride for the channel, but who would bet against *Top VARs 2018* chronicling a rebound in fortunes for our industry?

As ever, please don't hesitate to get in touch with your feedback via *ChannelWeb* or Twitter @CRN_UK.

■ *Doug Woodburn is editor of CRN.*


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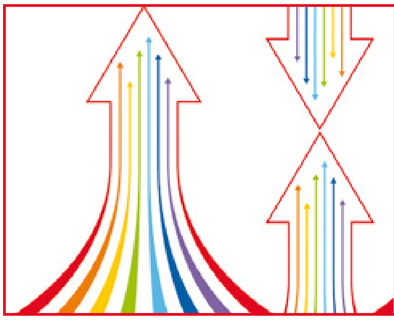
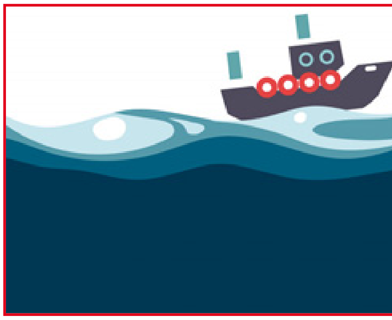
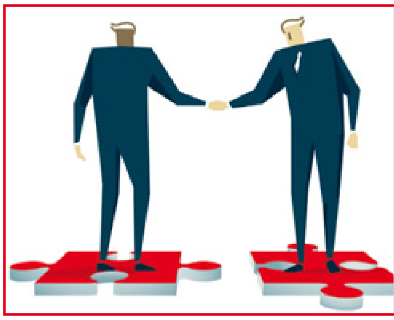
2017







Five things we've learned this month

1. BIG PUBLIC SECTOR WIN MIGHT NOT SAVE RESELLER

IT and audiovisual reseller Millennium Business Systems (MBS) has gone into administration, apparently following a failed attempt to refinance.

Last year the Wokingham-based VAR won a place on an £800m Welsh public sector IT framework, but it was not enough to save the firm.

Reports reached *CRN*'s desk at the start of December that MBS was attempting to raise cash urgently by selling off excess inventory, and had also told staff that it couldn't pay them.

Writing in a LinkedIn post, sales director James Baxter said the firm closed its doors after 31 years in business.

Baxter said a failed MBS attempt left the business "with nothing", and that Millennium had no choice but to call in the administrators after one of the big distributors issued a winding-up order.

"As expected, there is a lot going on at this point but my main concern right now lies with our 40 personnel and their families who, in this festive period just before Christmas, find themselves without work, through absolutely no fault of their own," Baxter wrote.

2. EMEA STORAGE MARKET IS BOUNCING BACK

After 10 consecutive quarters of decline, the EMEA external storage market made a surprising return to form in Q3 as sales saw a double-digit increase year on year, according to market watcher IDC.

EMEA external storage market sales grew by 10 per cent annually in Q3.

As in previous quarters, all-flash arrays saw the highest growth through a year-on-year comparison, climbing 40 per cent in US dollars, and accounted for almost one third (28 per cent) of overall external storage sales.

Hybrid arrays meanwhile saw 15.3 per cent growth while hard disk drives (HDDs) continued on a downward trajectory and declined by 15.9 per cent year on year.

3. BIG BLUE VARs LOOKING FURTHER AFIELD

Two of IBM's most committed UK partners have referenced their efforts to reduce their reliance on Big Blue, and work with a broader spread of vendors, in their latest sets of annual accounts.

Big Blue has infamously seen revenues decline for 22 consecutive quarters as it reshapes its business to focus on "strategic imperatives" such as analytics and cloud.

In their recently filed 2017 accounts, Meridian IT and Tectrade both referenced initiatives to diversify their vendor portfolios during the year.

Meridian said that its long-held strategy of working "almost exclusively" as an IBM Business Partner "could be considered detrimental in the sense of 'all our eggs in one basket'."

4. ANALYST BACKING VR HEADSETS

Virtual reality headsets will be a hit in verticals such as healthcare and education, Canalys has predicted, as its figures showed the emerging device category has just racked up its first million-unit quarter.

Shipments reached seven figures for the first time in Q3 as a price war among leading players such as Oculus and Sony drove a surge in consumer adoption, the analyst said. VR headsets are also set for "strong uptake" in the business market from next year as new A-brand PC entrants supporting Microsoft's Windows Mixed Reality platform begin to push their products through the channel, according to Canalys analyst Jason Low.

"As top-tier PC vendors launch their own VR headsets, using their distribution channel efficiencies, one can expect a strong VR uptake in business," he said.

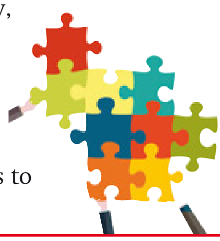
5. MIDWICH CONTINUING WITH ACQUISITIONS

Midwich has continued its acquisition spree with a deal to take over Letchworth-based Sound Technology.

Sound Technology, which saw revenue top £20m in its last financial year, will continue to operate as an independent company but will become a subsidiary of the Midwich group.

Midwich has been in an acquisitive mood since going public, acquiring distributors in the UK, Spain, New Zealand and the Netherlands.

Of the acquisition Stephen Fenby, managing director at Midwich, said: "The acquisition of Sound Technology substantially enhances the group's ability to provide world-leading products and high-value-add audio solutions to our trade customers."



Comment of the month:

"We weren't doing a great job of working with our channel partners to build an ecosystem that would benefit both them and us. One of my goals for 2017 was, in some places, building the channel organisation and, in some places, repairing relationships that have been stressed over previous years for different reasons."

Bill Robbins, EVP of worldwide sales at FireEye on the security vendor's failings with the channel

Facts and figures

£9.14bn
Quarterly net sales for Tech Data – its highest quarterly revenue ever in Q3

60%
Increase in vendors' business share going through two-tier distribution in next 3-5 years *(GTDC)*

31 years
Time in business for Millennium Business Systems before going into administration

Worldwide security spending by segment, 2016-2018 (millions of current US$)

$96.3bn
Estimated worldwide enterprise security spending in 2018 *(Gartner)*

	2016	2017	2018
Identity access management	3,911	4,279	4,695
Infrastructure protection	15,156	16,217	17,467
Network security equipment	9,789	10,934	11,669
Security services	48,796	53,065	57,719
Consumer security software	4,673	4,637	4,746
Total	**82,225**	**89,133**	**96,296**

Gartner (December 2017)

53%
Amount of organisations that cited security risks as the number one driver for overall security spending *(Gartner)*

2020
Year where more than 60 per cent of organisations will invest in multiple data security tools *(Gartner)*

NOTABLE AND QUOTABLE

"I wanted to make it clear that Tesla is serious about AI, both on the software and hardware fronts. We are developing custom AI hardware chips. Jim [a well-known chip engineer] is developing specialised AI hardware that we think will be the best in the world."

Despite making a series of disparaging comments about the threat of Artificial Intelligence (AI), Tesla's Elon Musk reportedly told party attendees at the intelligence conference NIPS that the company is developing its own custom chips for its driverless cars.

"My staff log onto my computer on my desk with my login everyday [sic]. Including interns on exchange programmes. For the officer on @BBCNews just now to claim that the computer on Greens [sic] desk was accessed and therefore it was Green is utterly preposterous!!"

Conservative MP Nadine Dorries takes to Twitter to unveil a fairly lax attitude to cybersecurity. She was defending her colleague, Damian Green, who has been accused of having pornography on his Commons computer.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2017

The year in review

This year will go down as a year of contradictions, with the channel defying the economic gloom and exiting the year arguably in its rudest health for a decade, writes ***Doug Woodburn***

In September, Canalys founder Steve Brazier claimed that Q3 of 2017 was shaping up to be the best growth quarter for the technology industry in western Europe for 10 years.

Meanwhile, emerging technologies such as AI, IoT and quantum computing – not to mention more overarching trends such as digital transformation – have arguably provided IT resellers and consultancies with a wider repertoire of door-openers than ever before. May's WannaCry ransomware attack, which hit 81 NHS trusts, ensured that cybersecurity remained at the top of the boardroom agenda.

On the flip side, the last 12 months will also be remembered for the wrong reasons, as a spate of high-profile channel brands – chief among them Entatech and Misco – hit the wall. Orange IS, Millennium Business Systems and Datacentred were among the other casualties as the prolonged fall in UK corporate insolvencies between 2010 and 2016 showed signs of reversing. In September, the UK also sank to the bottom of the G7 GDP growth league table.

Reflecting on the events of 2017 as he revealed he would be gradually handing over control of Centerprise to its new CEO, industry stalwart Rafi Razzak said he felt that history will remember the period 2017 to 2020 in the same terms as the Stone Age or Bronze Age.

"The new generation will have a different concept of the quality of life they will live and what information they will have," he said.

Razzak picked out the rise of data analytics and 'deep computing' as the biggest potential change for life as we know it.

"Today, 95 per cent of companies in the world use a spreadsheet and they don't use a single glass to manage the data for them," he explained. "Managing the data, and presenting the data to the right level of person to be able to make decisions – that to me will be the biggest change we see in the next few years, over and above anything else like AI or IoT."

Though it was a bumpy ride at times, no-one could argue that 2017 was anything other than eventful.

Quotes of the year

"I think this is an isolated incident. In general resellers are doing pretty well at the moment. If you're struggling at the moment, you need to look in the mirror."
Mike Norris, CEO of Computacenter on the demise of Misco

"We used to talk about getting a PC in every home and on every desk as our mission. Even by the late nineties, at least in the developed world, we had more or less achieved that, and after that it was a bit unclear – what is our purpose? So that was what I thought was important to start asking in 2014. It's quite an existential question: why does Microsoft exist?"
Microsoft CEO Satya Nadella on how he had to "rediscover Microsoft's soul"

"I've certainly made thousands of mistakes along the way and I probably would have gone faster in terms of diversifying our portfolio. And I probably would have gone faster in opening up our branch network. But overall it's been a pretty good journey."
Outgoing Softcat CEO Martin Hellawell

"Labour voters will be made redundant first if Labour win and things slow down."
Managing director of reseller Storm Technologies, John Brooker, and the "tongue-in-cheek" email he sent to staff advising them to vote for the Conservatives.

Kieran O'Connor, sales director, Total Computers

What will 2017 be remembered for in the IT industry and channel?
The year cloud became mainstream.

What was the biggest let-down of 2017, either technology or industry-wise?
Annoyance rather than let-down: everyone becoming GDPR experts and clogging up my Linkedin feed.

How about the surprise development?
The demise of Misco was pretty massive.

Alex Tatham, manging director, Westcoast

What will 2017 be remembered for in the IT industry and channel?

This is the year that Westcoast launched its next chapter in its remarkable development as one of Britain's most successful and entrepreneurial businesses. Our new brand on which the team has been working all year demonstrates that we are primarily a services business servicing many different aspects of the IT channel and many more – print, design, cloud, retail, voice, licensing, mobile – all with an unrelenting excellence. UK channel watchers will look back in five years' time and remind themselves that 2017 was the time Westcoast accelerated once again.

What was the biggest let-down of 2017, either technology or industry-wise?

Perhaps the biggest disappointment was the loss of Misco to the UK channel. This is a long-standing business that has employed many and did so to the end. A loyal Westcoast customer too. However, it also shows just how important it is to move with the times and constantly redevelop your business without bumping up the costs. A great shame though.

How about the surprise development?

Alex Tatham winning a Channel Achievement Award without retiring. There is no sign of that any time soon!

Sam Routledge, solutions director, Softcat

What will 2017 be remembered for in the IT industry and channel?

Hopefully, the year hybrid cloud started to become a reality. With Microsoft releasing Azure Stack and VMware partnering with AWS, customers have options in either direction. Widespread adoption won't happen until 2018 but the seed has been planted.

What was the biggest let-down of 2017, either technology or industry-wise?

For me, it was the 'success' of WannaCry. We need to do a better job of getting the basics right in security – patch, multi-factor authentication, network segmentation and test. It should never have been able to spread so fast and get so much publicity.

How about the surprise development?

The surprise has been the emergence of VMware as a player in the security market, with the focus on NSX as a platform and AppDefense. With the AWS partnership too, they are very relevant in today's market and I think at the end of 2016 a few people were starting to write them off.

Hayley Roberts, owner/managing director, Distology

What will 2017 be remembered for in the IT industry and channel?

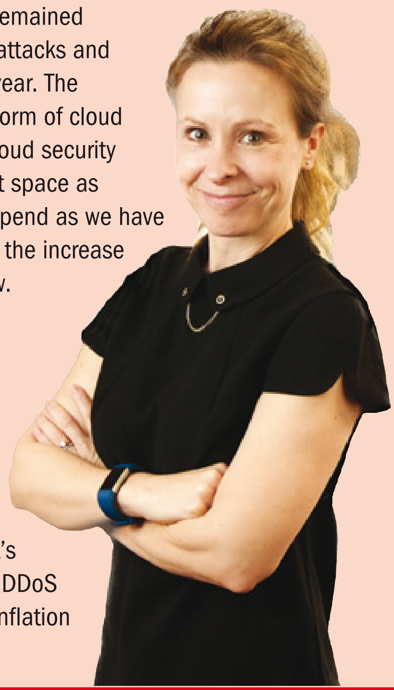
Despite the warnings from previous years, it was surprising to see how many organisations remained vulnerable to significant cyber attacks, particularly advanced threats. The constant wave of attacks and magnitude (WannaCry, Equifax, etc) alarmingly continued, if not increased on the previous year. The adoption of cloud gathered even more momentum with most organisations adopting some form of cloud at least in a hybrid approach. From a channel point of view, partners that had invested in cloud security software and services have been able to take advantage of the growing opportunities in that space as spending on this area of security outstripped the traditional perimeter and firewall security spend as we have seen remote working and connectivity demands increased. AI in various guises has been on the increase in terms of product development and is becoming more reliable from a security point of view.

What was the biggest let-down of 2017, either technology or industry-wise?

As an industry, we saw a severe IT skills shortage in 2017. No different from last year, but compounded by the fact that we have more need for these skills on an annual basis. It has been challenging to find resource with the knowledge of new technologies and that has been a limiting factor in our ability to capitalise on some of the new opportunities.

How about the surprise development?

The sheer number of cheap and insecure IoT devices being deployed at a very fast rate. Their threat seems to have been under the radar of most IT security departments in 2017. It's an area which does need addressing to avoid the potential for further damaging large-scale DDoS attacks if left unchecked. Of course, the biggest surprise was the rate of the recent Bitcoin inflation and the other methods of digital currency that may follow suit!



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WINNER'S Q&A

Distributor of the Year (sub-£100m turnover): Giacom

Outline Giacom's channel strategy.
Our focus is dedicated to the channel; we don't serve customers directly and therefore have no channel conflict. We have a passion for supporting the UK SMB market and believe the best way to do this is through ICTs and resellers, who understand the needs of their customers.

We plan to launch new products and services over the coming year that will help our customers provide in-demand solutions to the end user. These new services will be aligned to our value proposition and will therefore be easy on/easy off with no contracts or minimum commitments and all at a competitive price delivered through our one-stop shop, the Giacom Cloud Market.

What has been the highlight of 2017 for your business?
2017 has been a fantastic year for Giacom and it's difficult to select a specific highlight. Revenue has more than doubled in the last financial year, we have launched our new Cloud Market, and have also been recognised in *The Times* Tech Track 100. The year was rounded off with the *CRN* award win, which provides genuine recognition of the teams' achievements over the last 12 months. It was an honour and privilege to collect this on behalf of them.

How pleased are you to have won?
We're delighted to have won the Distributor of the Year (sub-£100m) Award. As one of the smaller businesses at the awards, it's great to be recognised among our competitors as a growing company. We were shortlisted for two awards including Cloud Distributor of the Year, so it was a great achievement to be included among the very best of cloud and hardware distributors. This seal of approval gives our customers and suppliers an extra level of confidence, as well as showcasing the advancements we've made as a business to achieve industry-wide recognition.

GIACOM™

How has the award been received in the company so far? How did you celebrate?
The award was announced via internal communications to the Giacom team and on social media during the evening. We took the team out over the coming weekend as a thank you for their hard work and they had some drinks on us.

What would you say is your greatest channel achievement in 2017?
We rebranded in September 2017 from MessageStream to the Giacom Cloud Market, launching a new provisioning portal for our customers. We wanted to create a fluid customer-centric journey and enable them to support their customers in a simple, intuitive way. As we continue to grow by adding new services, the Giacom Cloud Market will steadily evolve into a complete cloud marketplace.

With the launch of the Giacom Cloud Market and a new website at cloudmarket.com, it's provided a great foundation to deliver additional services to the channel over the coming years, as well as support their businesses.

How important is the channel to your business?
The channel makes up 100 per cent of our revenue and we believe it is the only way to serve the SMB market effectively as they truly understand their customers.

What difference will winning this award make to your business in 2018?
Not only will the *CRN* Channel Award boost awareness of Giacom as one of the best cloud distributors in the UK, but it will also increase our credibility and respect within the industry. This has further strengthened Giacom as a partner of choice for cloud suppliers and resellers.

■ *Mike Wardell, managing director, Giacom*

What a night

The channel turned out in force at a glittering party last month to celebrate the 2017 CRN Awards. Here are the winners and their moments of glory

WINNERS

RESELLER
Rising Star Award
Metaphor

Public Sector VAR of the Year
XMA

SMB Reseller of the Year
FirstNet Solutions

Corporate VAR of the Year
Cisilion

MSP of the Year
Managed 24/7

Cloud Services Provider of the Year
TechQuarters

Cybersecurity VAR of the Year
Performanta

Reseller of the Year
Ultima Business Solutions

VENDOR
Storage Vendor of the Year
NetApp

Networking Vendor of the Year
Virtual 1

Cyber Security Vendor of the Year
Barracuda

Specialist Vendor of the Year
Jabra

Cloud Services Vendor of the Year
Microsoft

Vendor Innovation Award
Teleware

Emerging Vendor of the Year
Rubrik

Vendor of the Year
HP Inc

GENERAL CATEGORY
Channel Services Provider of the Year
Derive Logic

DISTRIBUTOR
Cloud Distributor of the Year
IntY

Storage Distributor of the Year
CMS Distribution

Cybersecurity Distributor of the Year
e92plus

Specialist Distributor of the Year
Nuvias

Emerging Technology Distributor of the Year
Exertis

Innovative Project Award
TD Mobile

Distributor of the Year (sub-£100m turnover)
Giacom

Distributor of the Year
Tech Data

Channel Achievement Award
Alex Tatham


Specialist Vendor of the Year


Specialist Distributor of the Year


Emerging Vendor of the Year *(winner not pictured)*


Cybersecurity Vendor of the Year


Public Sector Provider of the Year


Corporate VAR of the Year


Emerging Technology Distributor of the Year


Channel Services Provider of the Year


Cloud Services Vendor of the Year

Cloud Services Provider of the Year

Storage Vendor of the Year

SMB Reseller of the Year

Storage Distributor of the Year

Cybersecurity Distributor of the Year

Networking Vendor of the Year

Rising Star Award

Managed Services Provider of the Year

Cloud Distributor of the Year

Innovation Project Award

Vendor Innovation Award

Cybersecurity VAR of the Year

Industry Achievement Award

Distributor of the Year (sub-£100m turnover)

Distributor of the Year

Vendor of the Year

Reseller of the Year

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WINNER'S Q&A

Vendor of the Year: HP Inc

Outline HP's channel strategy.
Our strategy is very straightforward. We put our partners first in everything we do. The objective for HP is clear to 2020 and beyond:
1. Work with our partners to grow core technology in Printing and Personal Systems.
2. Unlock new pockets of growth by investing in key areas such as Commercial Printing, Mixed Reality and Service Contracts.
3. Develop our partners for the future in huge growth areas including 3D.

What has been the highlight of 2017 for your business?
Achieving our goals is a key highlight. The other one is developing partnerships and new lines of business with existing partners that we have never had before.

The channel is like a coral reef. Everywhere you go and every partner you visit has a different approach and new vibrancy and energy.

How pleased are you to have won?
I won't lie, we were over the moon! Forget playing it cool, the feeling of achievement and recognition was immense. This was hard work and I'm delighted that the whole team at HP were recognised for that.

How has the award been received in the company so far? How did you celebrate?
The whole company were delighted – we had so many messages of congratulations on Friday morning. But I was in Leeds by 9am the next day and we were all back to work (no joke!). We are celebrating properly in December at our office's Christmas jumper party in London!

What would you say is your greatest channel achievement in 2017?
Taking our business from 74 per cent to 84 per cent channel focused. No spin, no global figures. This is UK and Ireland based. And we are very, very proud of this.

How important is the channel to your business?
It is everything HP is built on. I recently presented at three partner sales conferences and all three of those partners helped to form the channel back in 1984 to 1988. Since then we have gone on to work with thousands of channel partners every year. And we speak regularly to every one of our partners!

What difference will winning this award make to your business in 2018?
It won't change what we do because the award is a recognition of a good strategy and executing on it. But when it comes to working with the next wave of partners, then it makes a world of difference. We have an interesting story to tell and we want to share it with everybody!

■ *Neil Sawyer, channel and education manager, HP Inc*

WINNER'S Q&A

Cyber Security Vendor of the Year: Barracuda

Outline Barracuda's channel strategy.
Barracuda is 100 per cent dedicated to developing our business with the channel. We operate a two-tier distribution strategy, working with distribution, but also engaging with the reseller channel to develop and execute sales and marketing programmes. Our strategy is to build a balanced channel ecosystem comprising volume-based resellers, resellers focused on the SMB markets and value-added resellers, who specialise in either security, data protection or both.

Once partners are engaged, we drive the majority of our marketing programmes with our partners, and where required work together to successfully close these opportunities. We also provide broad marketing programmes to generate overall demand.

What has been the highlight of 2017 for your business?
We have had a lot, including the success of our recently added Office365 Email Security Solution (Barracuda Essentials for Office 365), which has gained fast traction in the market as the leading solution in this space, together with the launch of our Artificial Intelligence Security solution for email, focused on combatting spear phishing attacks.

Our MSP business is another highlight. With the launch of Barracuda MSP, we are now able to deliver the majority of the Barracuda Portfolio through a dedicated MSP platform as a service.

How pleased are you to have won?
As a company that lives and breathes the IT channel, we are extremely honoured to win this award. Over the last year, we've worked tirelessly to build up our network of partners, as well as our own channel team, and support them with a powerful but affordable portfolio of security and data protection products that meet the needs of their customers.

How has the award been received in the company so far? How did you celebrate?
We celebrated on the night of course, but have also used the opportunity to celebrate with the whole team who played a part in the success this year, including our partners. We are immensely proud of the award.

What would you say is your greatest channel achievement in 2017?
As data protection and security are increasingly end-user priorities, we decided to focus our VAR recruitment around these two topics in 2017.

We created a new programme to build up specialised VARs' competencies in either data protection or security, and we ran additional training around the relevant solutions to upskill partners' knowledge via technical bootcamps, on-site training and Barracuda Campus, our partner portal training engine.

As end users are increasingly looking to partners to manage their solutions, we introduced a completely new MSP offering:

Our specialised MSP business offers easy-to-manage, secure data protection solutions and is designed to help MSPs grow and add greater value to their portfolio.

Our Essentials for Office365 solution and Next Generation Firewall are newly available as managed services, enabling MSPs to offer full security and data protection to customers.

As public cloud use grows, so do the security fears around it, which is why we added a new public cloud competency to our programme. We also invested in a public cloud channel partner manager and a dedicated marketing resource.

How important is the channel to your business?
As a 100 per cent channel organisation, our partners form the backbone of the organisation, helping us to build lasting relationships and market our solutions. It's great to know that our investment in our partner base is making a difference.

What difference will winning this award make to your business in 2018?
It has already further increased channel awareness of Barracuda – we have seen increased interest from resellers. I believe it will help continue to develop and build our channel in the UK.

■ *Chris Ross, SVP sales, international, Barracuda*

An artificial opportunity?

*With AI being talked about now more than ever, **Tom Wright** spoke to some of the channel's early AI entrants to see if the technology is mature enough to solve customer problems, and make money*

Artificial intelligence (AI) has undoubtedly been the buzz phrase of 2018. Along with machine learning, the two technologies have been billed as game changers, with the ability to change just about every industry in the world.

Multiple analysts and tech firms have published reports on AI's potential and the amount of money expected to be spent on it over the coming years — most recently Deloitte, which claims nine in 10 UK companies will have invested in AI by 2020, with over half investing more than £10m.

But behind the hype, examples of AI in action — in the public domain at least — are few and far between. The lack of tangible use cases presents a number of questions.

Is AI ripe for opportunities, and can the channel actually make money out of it at this stage? With this in mind, *CRN* set out to find solid examples of channel organisations delving into AI to successfully solve genuine customer problems.

Watching your health

Next year will see the launch of the WellWatch, a smartwatch launched from a partnership between a UK health provider and Microsoft partner RedPixie. The device gathers data such as heart rate and blood pressure in real time and sends it back to a programme created by RedPixie. This platform then uses AI to assess the wearer's health and decide if any action needs to be taken.

If, for example, the wearer has had a sudden deterioration in heart rate, the system will send out a notification to the healthcare provider.

The GPS means that the wearer can be located instantly. Essentially, the technology enables emergency responders to arrive at the wearer's location with an idea of what has taken place without even having to speak to them.

"This is a true game changer," said RedPixie's chief digital officer Mitchell Feldman. "It will radically change the way that healthcare is delivered globally.

"The whole thing is designed to be ready to take on population scale overnight, so tomorrow I could take on the whole planet. Because it's on the cloud it's designed to be elastic, so I can ingest millions of events a day. That is the beauty of IoT, machine learning and the cloud."

The process takes around 90 seconds to go from the incident taking place to the notification being sent to the relevant parties. But aside from notifying users of one-off events, the AI in the system will churn through the petabytes of data it receives from the devices and learn from what it analyses, meaning that it can begin to predict when a serious health incident is going to take place based on past events.

"We've never been able to model all of this data and understand when something is going to happen," Feldman added. "No one has ever aggregated all the data sets."

The device is not just designed for serious medical episodes. For example, it can alert family members if someone with dementia has strayed unusually far from their home or has been out longer than usual, or if someone has taken the watch off. It can also send alerts if someone has suffered a fall and alert the relevant people based on the severity of the incident.

Stop wasting money

Moving away from AI on Microsoft's cloud, Cambridge-based Arcus Global has built its platform using Amazon Web Services (AWS) and Amazon's Alexa AI.

Alexa, the so-called personal assistant on the Amazon Echo speaker is often viewed as a gimmick, but Arcus has built its own platform on Amazon's foundational tech to help solve budgetary problems for a local government organisation.

Cost restraints in the public sector are well documented, so Arcus has used Alexa to create a solution specifically for Aylesbury Vale District Council (AVDC).

The solution enables customers to interact with their Echo device to carry out tasks that would usually require speaking to someone at the council, for example finding out information about council tax and booking waste collections.

The Alexa interface uses AI to engage with the end user and establish which task they want to carry out, before interacting with a back-end system built by Arcus which decides what to do with the information. If the customer wants to book a waste collection, for example, the system will interact with Salesforce in order to book the appointment.

The ultimate aim is for the system to take on all the mundane tasks in the council, leaving its staff to focus on more complex work.

"The customer service centre will still check it at the moment to make sure that we've got it right, but for the first couple of transactions we have managed to have a complete voice interface without the need for human intervention," said Arcus founder Lars Malmqvist.

"That becomes interesting as you start to scale up. It means that all the routine stuff where you can design a good conversation interface becomes almost 100 per cent automatable in terms of how you deal with the transaction.

"So far there have been between 200 and 300 users of those two transactions in Aylesbury which, given the amount of people owning an Echo, is not too bad. Probably 20 or 30 per cent of the people with an Echo in Aylebury have used it."

Arcus is now working on building out capabilities for around a dozen other queries for AVDC. Malmqvist said that usage of the services will only increase as the number of people with Amazon Echo devices goes up.

> **"We have a desire to make our business have less reliance on the traditional work and more reliance on IP, because it's much more sustainable"**
> **Mitchell Feldman, RedPixie**

Student struggles

Staying in the public sector, Solutionpath has built a platform that uses AI to allow universities to track the progress of their students. The firm was founded by managing director Howard Hall and is part of the DTP Group, which houses HP reseller DTP.

The Solutionpath software has the ability to predict if a student is about to drop out of university before they actually leave. The solution works by analysing data from a student's activity at university – grades, attendance, and so on – and comparing it with students from previous years. If the data tallies with a student from a previous year who, for example, dropped out before completing the course, it can flag this to the relevant people.

"We typically see disengagement about six to 20 weeks before a student actually leaves university," Hall said. "It gives the university a lot of foresight to see what the problem is and to remediate that.

"It might take time between a student being seen to be having challenges to when they can be seen by a councillor, so what the AI component allows us to do is fast-track that by having a quick engagement through some prescriptive analytics. It's a gap filler where it's engaging with the student."

Once the machine learning on the back end of the system has identified students at risk, it will notify university staff, while an AI interface will engage with the student and offer support ahead of a meeting.

Hall said the Solutionpath software is currently being used by 10 universities in the UK and one in Australia.

"We build patterns of engagement against a known outcome," Hall explained.

"A known outcome would be if a student is leaving, for example. We look at what the digital pattern is of a student leaving – so what happened in week one, week two, etc – and then all we're doing is overlaying the current cohort to look for matches.

"If you think of the tutoring structure, without the insight all they can do is give students the one-size-fits-all support. Whether they're on course for a first-class honours degree or a fail, in reality what they get is the same.

"In reality what they want to do is get the students who are below the line, because they want to nudge them up." →

Do it yourself

Notably, all three of these use cases involve a partner using software built by vendors, but also, in a diversion from traditional channel habits, developing their own intellectual property (IP).

RedPixie's Feldman said that building IP will become more and more important for channel firms, as the big cloud players begin to rely less on partners and more on direct sales for their own products.

"All the cloud providers are eventually going to go direct to the consumer and for the very easy workloads they'll offer those services from free, or offer tooling," he said. "We're seeing that already."

"Building our own IP means that our business is highly sustainable and repeatable. We've built this quality, repeatable pattern that we can apply to different industries and create a revenue stream for ourselves.

"We have a desire to make our business have less reliance on the traditional work and more reliance on IP, because it's much more sustainable."

Solutionpath's Hall said he expects IP to become more important from a technological standpoint, as more functionality becomes available and solutions become more complex.

He said the channel's unwillingness to innovate could become a problem, with younger start-ups having the potential to swoop in where older companies are reluctant to change.

"You need a bit of joined-up thinking," he said. "We didn't know anything about software developing five years ago, but we've built a business around solving customer problems.

"The traditional approach for our industry is to either buy or sell a platform, and leave them to get on with it. Our approach [at Solutionpath] has been to find the problem we're going to solve and then build the platform to solve the problem.

"What may well get in the way of adoption by the current channel is that inability to innovate and think about things a little bit differently, but I don't think it will hold things up because others will just come around the sides."

Show me the money

Questions have often been asked of AI's profitability, and whether the investment in necessary capabilities would be justified by a sufficient return.

These three case studies in particular all involve the channel partner investing in software development, therefore adding numerous team members and resources they previously wouldn't have needed if they were reselling products and providing services.

Feldman said that projects of this nature have been made financially viable by the cloud providing the necessary infrastructure, allowing the likes of RedPixie to focus on the software development.

"This is a classic use case for the cloud," he said. "Historically if I wanted to build this solution I would have had to make millions of pounds worth of investment to even have the platform from day one. Today I don't need to do that.

"All my investment is in building the solution and the logic, rather than on the hardware. Tomorrow, once it's built, my expenses drop down because I've invested in building it. My only cost then is the consumption of cloud, which is in alignment with the number of people who consume it."

Arcus' Malmqvist echoed the sentiment, adding that, while developing software with AI requires expertise, channel firms may be surprised at how much can be achieved with a relatively small team.

"The opportunity is there but there are not that many who are applying it," he said.

"I think we're at the point where proof of concept is there, but people haven't really caught on to the business opportunity yet and started making serious efforts.

"[Our work] has been done by a very small project team. It has required resources to do, but it has not required a large team for a long period of time, so if you have a few senior engineers and you can spare them for a few months, you can probably get something up and running."

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A fly on the wall

*HPE's new global channel head Paul Hunter tells **Tom Wright** how three years working as Meg Whitman's chief of staff helped him see the bigger picture at the transitioning vendor*

The tech world may be lauding the rise of former call centre operator Antonio Neri to the top job at Hewlett Packard Enterprise (HPE), but another HPE veteran has made a not-too-dissimilar rise up the ranks.

Former UK PC and printer boss Paul Hunter started at a pre-split Hewlett Packard in 2002, and over 15 years has elevated himself to the pinnacle of HPE's partner organisation.

Like Neri, Hunter is an example of HPE promoting from within. His new role draws to a close a three-year spell as Whitman's chief of staff – an experience he refers to as "the chance of a lifetime from a professional standpoint".

While working closely with Whitman, Hunter said he was able to build up a deeper understanding of how the biggest decisions at the vendor are made, describing the role as a "three-year leadership apprenticeship".

"In essence I got to watch Meg work, not just Meg but the senior leadership of the company, for three years," he explained. "I was a fly on the wall.

"My main objective around taking the role was to find out how the organisation is run.

"You have a view of how you think it's run as a country leader. At the time I was running the PPS (printing and personal systems) business which was about three per cent of the company's revenue, and that's a big part of the company's performance, but it's very different from understanding how the company actually works."

Not only did Hunter work with Whitman as she presided over the biggest corporate separation in history, he will likely be one of the last HPE employees to spend time working so intimately with the CEO after she announced her departure last month. The move may have come as a shock to many, with Whitman just a few months earlier affirming her commitment to HPE amid rumours of a move to Uber.

Hunter admitted to being surprised at how some of the important strategic decisions at the very top of HPE are arrived at, explaining that they are often made more quickly and decisively than one might think.

"I'm not sure how I thought these decisions were made, but how you think they're made and how they're actually made are two different things," he explained. "It's remarkable to see how decisive the leadership team are when it comes to these big decisions.

"They're not long, drawn-out discussions that people prevaricate over - they're decisive, well thought through, intensive periods.

"[The role] has completely over-delivered on learning how the corporation is run and what is involved. Obviously I worked with one of the foremost CEOs in the world and that is rare opportunity."

When asked how he views Whitman's legacy at HPE, Hunter said the financial results don't do her work justice. But, where HPE has struggled over its last few quarters, the HP Inc PC and printer business has thrived, with its share price more than doubling over the last two years.

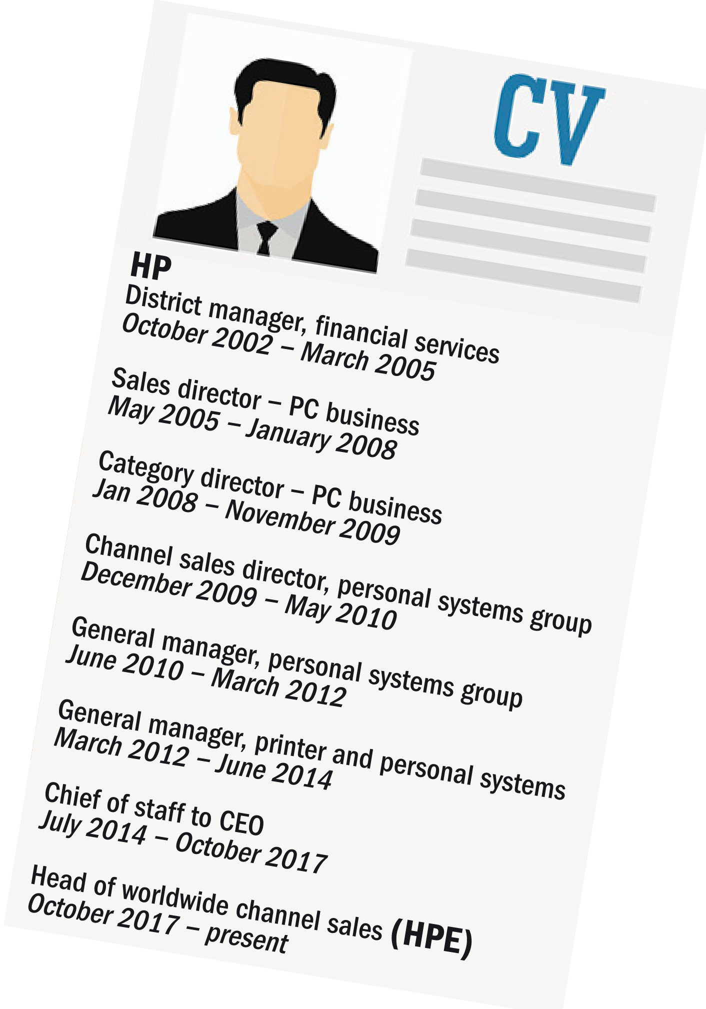
Speaking about Whitman personally, Hunter said his time working closely with her showed him how dedicated she is to improving HPE as an organisation.

"One of the things you also get an insight into when you're chief of staff for her is how committed and dedicated she is to the health of the company," he said. "She eats, sleeps and thinks how she can improve the company every second of the day and that never goes off. We're feeling the benefits and rewards of that.

"She's leaving the company at a time when it's in a much healthier position than when she started and it feels like the right time for a new leader to start, with us having completed the divestures, and she's fulfilling her promise to promote from within."

Getting reacquainted

Hunter has now returned to the channel business, having recently been appointed HPE's head of worldwide partner sales.



His immediate focus in the role, he explained, will predominately focus around three areas — flash storage, upgrades within HPE's blade server customer base, and the accompanying services for these areas.

Early on in his tenure, Hunter said he expects to revive some old relationships from his time running the printer and PC business in the UK.

"It's great to reacquaint myself with old faces, and a lot of them I didn't lose touch with anyway because in my previous capacity as Meg's chief of staff she was meeting with partners a lot," he said.

"The Computacenters, the Softcats and the SCCs — as well as the local companies in the UK — that I knew, I have been in regular touch with.

"At the same time, a lot has changed and there are new partners and new businesses that have grown up, so new people to get to know. I think the partners are pleased that I've grown up with them over the last 20 years. I'm not sure that gets me any credit but I think it gives them a degree of confidence that I understand the partner community and what they're looking to get out of a relationship."

HPE carried out a major restructure of its sales organisation earlier in the year, stripping out the EMEA and APAC layers of management and breaking its business into 11 geographical regions.

Hunter said this move has made it possible for him to experiment with new initiatives in different parts of the world — something that was more difficult to do when he had to communicate with a host of regional managers.

"I used to be a country manager and in my capacity there was always a lot of approval you had to seek to try something out," he said. "If you wanted to try something, you had to get a lot of people to say yes, and that took a lot of time and energy.

"Now, there aren't so many approvals so the balance of people who can ask questions versus the people who can answer them has shifted significantly. I can speak to one of the 11 geography managing directors, say to them I have an idea, and the two of us can decide to experiment. If it works we'll extrapolate them into the 11 geographies, and if it doesn't we've learned something."

The huge restructuring across the HP businesses has dominated much of the vendor's time over the last few years, with the firm splitting in two and spinning out its services and software businesses.

Hunter admitted that these changes have undoubtedly sucked up resources that could have gone into other areas, but declared the vendor fully focused on growth for 2018.

"We've done three huge separations and I wouldn't underestimate the amount of effort that has gone into the functions to separate the businesses and set them up on their own," he said. "For two years we've been doing that, and at the same time we've been acquiring companies.

"Seven acquisitions have happened over the last 18 months and then on top of that we're trying to make improvements to the business. Now, we don't have the separations to do and the functions are fully focused on how we grow the business and improve the partner experience.

"For those reasons it's a much more enlightening horizon that we're looking out on for 2018. We don't have all our resources tied up in divestitures, we have our resources focused on customers and partners."

"In essence I got to watch Meg [Whitman] work, not just Meg but the senior leadership of the company, for three years. I was a fly on the wall"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In it to win it

*With the UK's lacklustre productivity front and centre following the Autumn Budget, HP Inc's managing director tells **Nima Green** how the channel can step up*

"We're doing this because we want to win."

That was HP UK and Ireland managing director George Brasher's pithy response to why HP is one of 90 companies to have already signed the Tech Talent Charter — an employer-led initiative to encourage increased workforce diversity and progress in the UK.

More than joining the conversation on diversity, Brasher is insistent that it is part of his objective to make HP a byword for innovation.

"Our entire strategy is built on innovation and the only way we can have that innovation in the market is by having a diverse set of people and a diverse set of opinions as you make your products and services. I think the Tech Talent Charter is so important because it is a demonstrable statement to the industry and to the UK that we're committed to this," he said.

"This is good for business...There's nothing like money and revenues being at risk for sharpening focus."

Brasher told *CRN* it's a conversation he is having with HP's channel partners, as part of the vendor's commitment to helping firms position themselves "to win".

"We've had a great year, in both print and PC, and that's completely down to our commitment to the channel. We were very proactive and assertive two years ago when we separated, that we wanted to move our business 10 points with the channel and that's essentially what we've done."

Indeed, last month HP's Q4 results revealed that it is continuing to outrun HPE.

HP Inc's PC business saw double-digit growth in sales at 13 per cent to $9.1bn (£6.8bn), while its printing business hit net revenues of $4.9bn, up seven per cent year on year.

Brasher said that some of this success was driven by HP's strategy of "always being on the lookout to recruit new resellers".

"An example on the print side is part of our purchase of Samsung's printing business," he said.

"It gives us this great IP portfolio, and great channel people. We said we'd go out and recruit new resellers. So not only have we worked with our existing resellers to drive our growth, we've recruited 25 new resellers to drive our MPS business and we've spent a lot of the last year really focusing on and nurturing that relationship to have that success there."

When asked what he thinks resellers should invest in to increase their contribution to driving British productivity, Brasher added:

"You've got to start with the end customer and every day we see that customers are changing how they want to buy. Look at people buying as a service, rather than transactionally. Not just in the printer space but also the PC space, just like with cloud and other technologies. The resellers we're working with now are figuring out how they go from their transactional model of selling to a contractional model. If you provide that extra value, that is real innovation that the channel can provide."

He also highlighted the opportunities of artificial intelligence analysing user data to better anticipate demand, as another trend that partners should focus on.

"You want to be able to take that broad swathe of data, characterise your users into different buckets and then make sure you have the right product for them.

"A lot of times our resellers are helping to service a broad range of products. If you have a view of how those computing devices are operating, then for customer A, instead of saying, 'I need to take him a new battery to him', wouldn't it be great if you could say instead 'I can see how many other users at that same site are going to have the same issues in the next two weeks'?

"Then you can send out eight batteries at once, and you have the ability to lower the service cost in a more productive way."

As a third suggestion, Brasher called on tech firms to get more actively involved in nurturing the pipeline of up-and-coming digital talent.

Earlier this year, HP announced the expansion of the number of its education vertical resellers involved in its Ripple Effect grant campaign.

The scheme gives resellers £20,000 to grant to schools that buy HP tech though them.

"We view STEM learning as critical because it's very clear that the skills gap is going to grow and we must stimulate a change to that. Our goal with the Ripple Effect campaign is to create a pull to talk about the great opportunities to work in the tech industry," said Brasher.

"And this was also a channel event, with us rewarding our partners [Softcat, XMA and Academia] who have also been driving it.

"We will have greater success as a company developing the next generation of both talent and technology with our partners in these ways in the mid-market and SME space and in the education vertical."

"The resellers we're working with now are figuring out how they go from their transactional model of selling to a contractional model"
George Brasher, HP Inc

Rate your chances

After November's interest rate rise, further hikes are being touted. ***Trevor Treharne*** *assesses how the channel will be affected by a higher interest rate environment*

It can be easy to fall into the trap of thinking that the business environment of the day — or at least of recent years — is the norm that will provide the backdrop for the near future too.

Hopefully the shock of the Brexit vote will have ended such complacency, but at the start of November, the Bank of England raised the interest rate for the first time in more than 10 years.

As the rate hoisted from 0.25 to 0.5 per cent, Bank of England governor Mark Carney said that was only the start. Carney explained that the bank expects the UK economy to grow at about 1.7 per cent for the next few years, a projection since confirmed in the autumn Budget, which he said would require "about two more interest rate increases over the next three years".

We had not seen an interest rate rise since July 2007. For context, you might work with a 31-year-old who has never seen an interest rate rise in their working career. Perhaps that person works in an area where an interest rate rise affects what they do. For such people, this is virgin territory.

The channel, already juggling margin pressures, Brexit uncertainties, disruptive technologies, the IT skills gap, changing partner programmes, staff retention issues, the transition to cloud and market consolidation, had yet another aspect to factor.

While a rise in the interest rate will be gradual, what will a higher interest rate environment mean for business in the channel?

"An interest rate rise will potentially have an impact on demand," said Paul Cubbage, managing director of distributor Target Components. "Starting with consumer demand, we are at a point where consumer credit levels are getting worrying again, we have Brexit to come and all the uncertainty that brings, and increased mortgage rates as interest rates go up. It could be the same with business demand, where there will be a general weakening in demand."

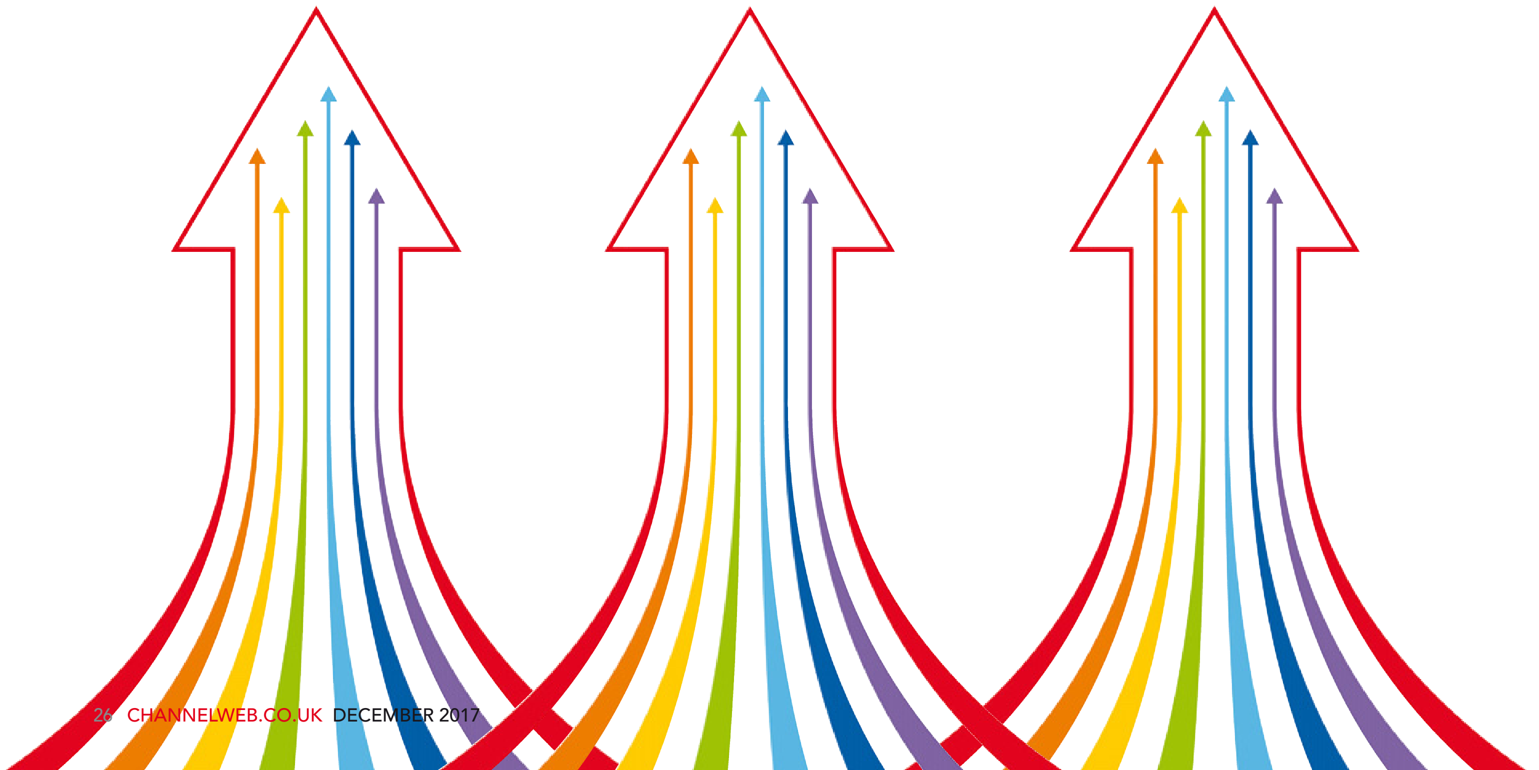
Cubbage added that there will be a disparity in how rising interest rates will affect various businesses in the channel.

"That will come down to how highly geared and well funded people are. There has been quite a lot of acquisitions, so a lot comes down to how those acquisitions are funded," he said.

"You are not in frightening territory when you have a 0.25 rise in interest rates, but as it goes up further it will depend on the gearing of different businesses. It throws an entirely different dynamic in there in terms of what it costs to fund the acquisitions. Anybody who funds the business on debt will obviously be paying a lot more to service it."

Cubbage said that if a channel business had been highly acquisitive over the last five or 10 years, the early part of that was probably done more sensibly because the mindset was linked to a low interest rate environment.

"People get sucked into thinking something is the norm the longer it goes on. When you have had as long as we



have had on near-zero interest rates, people can start to get carried away," he said.

"I wouldn't be surprised if some of the more recent acquisitions were done more optimistically looking at the interest rate. There is still a lot of optimism that they are not going to start shooting up. We have only had a 0.25 rise so far, so it is not dramatic at this stage.

"There is the danger that it builds that element of fear as they are only going to go in one direction, as there is not far to go in the other direction. There is then that fear factor of how to service that debt and I'm not sure there is a great deal that people can start doing differently."

Cubbage said the psychology of starting to believe a low interest rates environment was here to stay could be likened to the thinking before housing market or credit bubbles.

"While no-one sets off with the intention of doing stupid things, people just get in the habit of 'actually, we can just keep doing this'. It should be foreseen, but it becomes an unforeseen consequence when the playing field starts to shift and the interest rate starts to rise. If there are casualties from it, you can look back and say it was a bit naïve, but it is normal that people act in the business environment they are in and get a bit carried away," he said.

Jon Atherton, director at CI Distribution, said an interest rate rise of as much as one per cent will prove to be steep for those businesses wanting to make a sizeable investment in certain projects or expansion.

"It could affect what you are trying to do as a business. For those disties that borrow and rely on finance, it is potentially going to hurt them more than cash-rich global distribution companies."

However, Atherton did not feel the interest rate rise would halt channel consolidation overall.

"You are seeing bigger guys getting bigger as they still have the money. We are also seeing companies of a similar size pooling resources and skills together. We have seen larger disties buying up businesses for quite a bit of money. The likes of Exertis or CMS, for example, have seen something they have wanted and gone out and bought it."

Alastair Edwards, chief analyst at Canalys, said the impact of a higher interest rate on channel consolidation could go either way.

"It might slow down the decision to buy competitors, but it might also speed up those deals as smaller partners start to come under pressure because of a rising interest rate and they might be forced to look at exit plans more quickly than they intended," he said.

Atherton said that overall the fast-paced IT industry will continue to provide opportunities, regardless of the interest rate situation. "There are a lot of entrepreneurs in IT and it is still a growing sector in many ways. There are still opportunities out there for people with money to go out and invest. I don't think the interest rate is going to affect them too much," he added.

'Vicious cycle'

While tackling margin pressure is a big channel task at the best of times, Cubbage said that an interest rate rise might force the hand of some resellers and distributors.

"If margins are squeezed and people are paying a lot more to service debt, it puts them in a very tricky position. There is almost a need for people to start putting margins up to try to pay for the increased interest payments. I can say all this with a smug grin because we have never carried any debt in the business so we are immune to any cost impact, certainly in terms of an interest rate rise. But it will be very interesting to see what happens with other disties that are more highly geared," said Cubbage.

"If you are anticipating an increase in costs, you have to pay for that by making more profit which generally, means doing more business. Or raising margins, which is easier said than done. Or by cutting costs somewhere else and you can end up in a vicious cycle if you start cutting costs to accommodate an increase in interest payments. Unless you are running a lot of fat in the system in the first place — which nobody should be — what you would typically do is start to cut the things that are viewed as more peripheral."

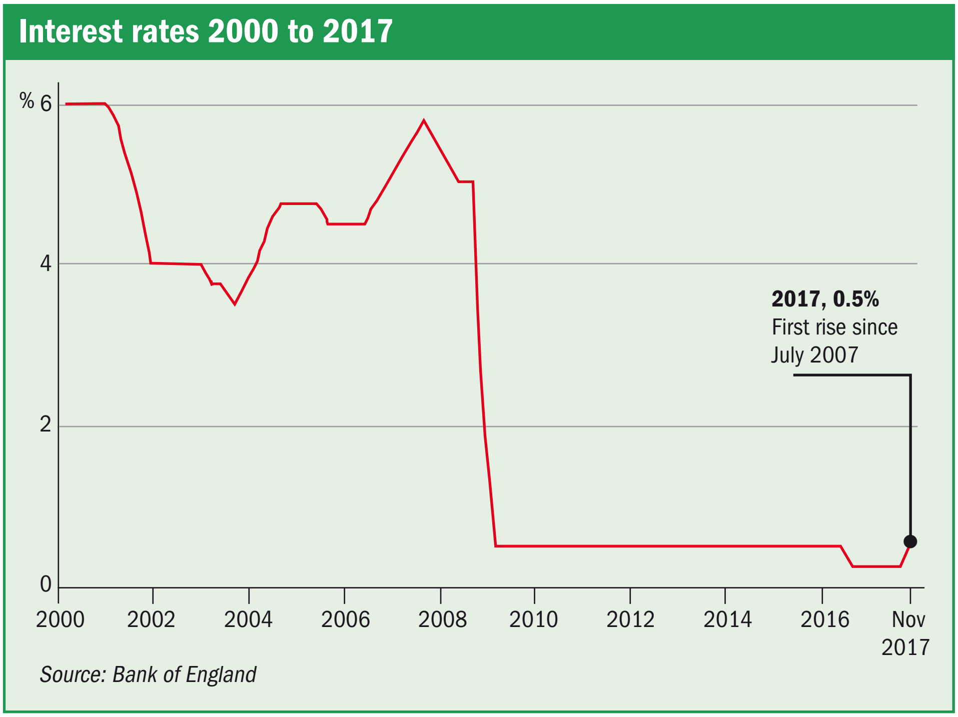
Cubbage said this creates a situation similar to a business desperately trying to avoid insolvency and starting to cut costs.

"They would typically cut things such as the marketing budget, or things that affect customer service or perhaps returns. What they actually do is become less visible and deliver a worse service. There is always a danger that if someone adopts a cost-cutting model that they just create a downward spiral for their business. At this point, one or two people are probably nervously looking ➔

> **"People get sucked into thinking something is the norm the longer it goes on. When you have had as long as we have had on near-zero interest rates, people can start to get carried away. I wouldn't be surprised if some of the more recent acquisitions were done more optimistically looking at the interest rate"**
> **Paul Cubbage, Target Components**

at the interest rate," added Cubbage.

Edwards said it will be interesting to see how distributors approach a higher interest rate because their role is still to provide an aspect of finance and they will need to look at how to manage their profit profile if the rate goes up, as it might affect how much credit that distributors can provide resellers.



Evolving end-user behaviour

While the focus might be on how the channel will react to a higher interest rate, it could be the shifting behaviours and demands of end users which shake the industry to a greater extent.

Atherton said that while higher interest rates will affect some channel parties over others, his main concern is the general public.

"A one per cent rise would be coming after a decade of very low rates, so it means there are a lot of young people used to a certain type of finance. They have enjoyed that type of finance. Prior to that, the interest rate was in double figures and people were literally days or weeks away from losing their home because you cannot budget for something like that. If there is a danger the interest rate will go to two or three per cent, then there are a lot of people out there who do not have a lot of money," added Atherton.

Edwards said that as a higher interest rate puts pressure on end-user customers, they too will start to look at alternative routes to capital.

"For example, it might start to accelerate the momentum behind the current subscription model that is starting to become increasingly important. This might also accelerate that managed service model, so the channel will also have more of a recurring revenue model as a result, which it is already focusing on," he said.

"Channel partners are trying to move more business in that direction as it increases their valuation and it creates more predictability in their revenue streams."

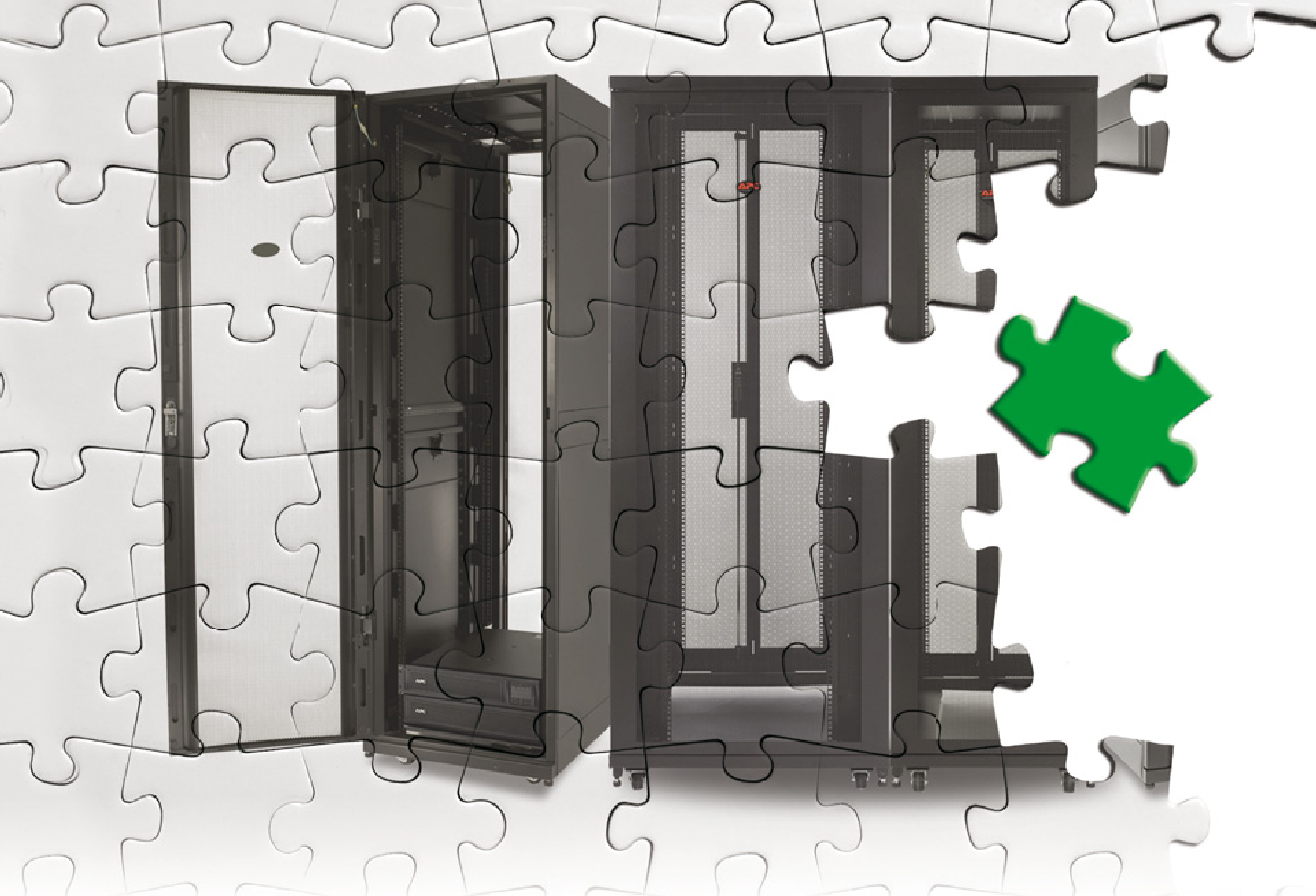
Edwards said that all discussion about the rising interest rate needs to be placed in the context that the interest rate has only moved from 0.25 to 0.50 per cent so far, so it can be easy to overstate the impact.

"Yes, there is a cost to that [0.25 per cent rise], but it is not as dramatic as going to five per cent, so there might be a narrowing on an already narrow profit margin, but is it really going to drive huge change in the market? End-user organisations are still generating cash, so they will still be spending that rather than looking towards bank loans," he added.

"The channel is doing pretty well at the moment and there is still investment going on out there, so a slight interest rate increase is unlikely to have a huge impact."

So while the channel has no reason to enter panic mode over interest rates just yet, it depends how exposed each channel firm is to the rate hikes. For those more heavily exposed channel firms, while the rate will creep up slowly, no reseller needs yet another obstacle bearing down on them as time progresses.

> **"It could affect what you are trying to do as a business. For those disties that borrow and rely on finance, it is potentially going to hurt them more than cash-rich global distribution companies"**
>
> **Jon Atherton, CI Distribution**



Rocking the boat

One pan-European VAR has plans to take on the world's most established SAP partners by moving in on the vendor's homeland. ***Nima Green*** *finds out more*

Earlier this summer, SAP welcomed a new partner into its inner circle. Joining the ranks of established and long-serving SAP partners All for One Steeb and itelligence, Belgian channel firm SOA People rose to become one of the software vendor's top five partners when it acquired German player Cometa.

The acquisition added 130 employees to the firm and bumped up annual sales by a considerable 20 per cent. Cometa turned over €20m in 2016, holding offices across Ettlingen in southwest Germany, as well as Berlin, Dusseldorf and Hamburg.

At the time of the acquisition, SOA People claimed the deal would offer a "springboard" into the German market, and talked up how gaining more scale will be of benefit to its customers.

5th
Largest SAP consultancy in the world

"This important move will offer all of our customers more services, more products and a much broader geographical coverage. In particular, customers with operations in our countries will find a unique and dedicated partner to build a stable and long-term relationship," said CEO Khalil Hodaibi.

With around 2,000 partners across EMEA, SAP has always been a friend to the channel and it is easy to see why. For the first six months of 2017, itelligence saw revenues rocket by 16 per cent year on year off the back of working with SAP, with EBITDA surging by 37.1 per cent, causing the firm to increase its forecast for fiscal 2017, expecting revenues to come in €20m to €30m higher.

Entering SAP's homeland will be no easy feat for SOA, with so many channel players opting to base their entire business around the software vendor, but its co-founder Vincent Simioni told *Channelnomics Europe* that he has bold plans to take on Germany's largest SAP partners.

€100m
SOA People's current annual revenue

Top Platinum SAP partner SOA People announced this month that it has received a €50m loan from Netherlands-based ING Bank, which it says will be spent on an aggressive European acquisition drive to hike revenues up to €250m.

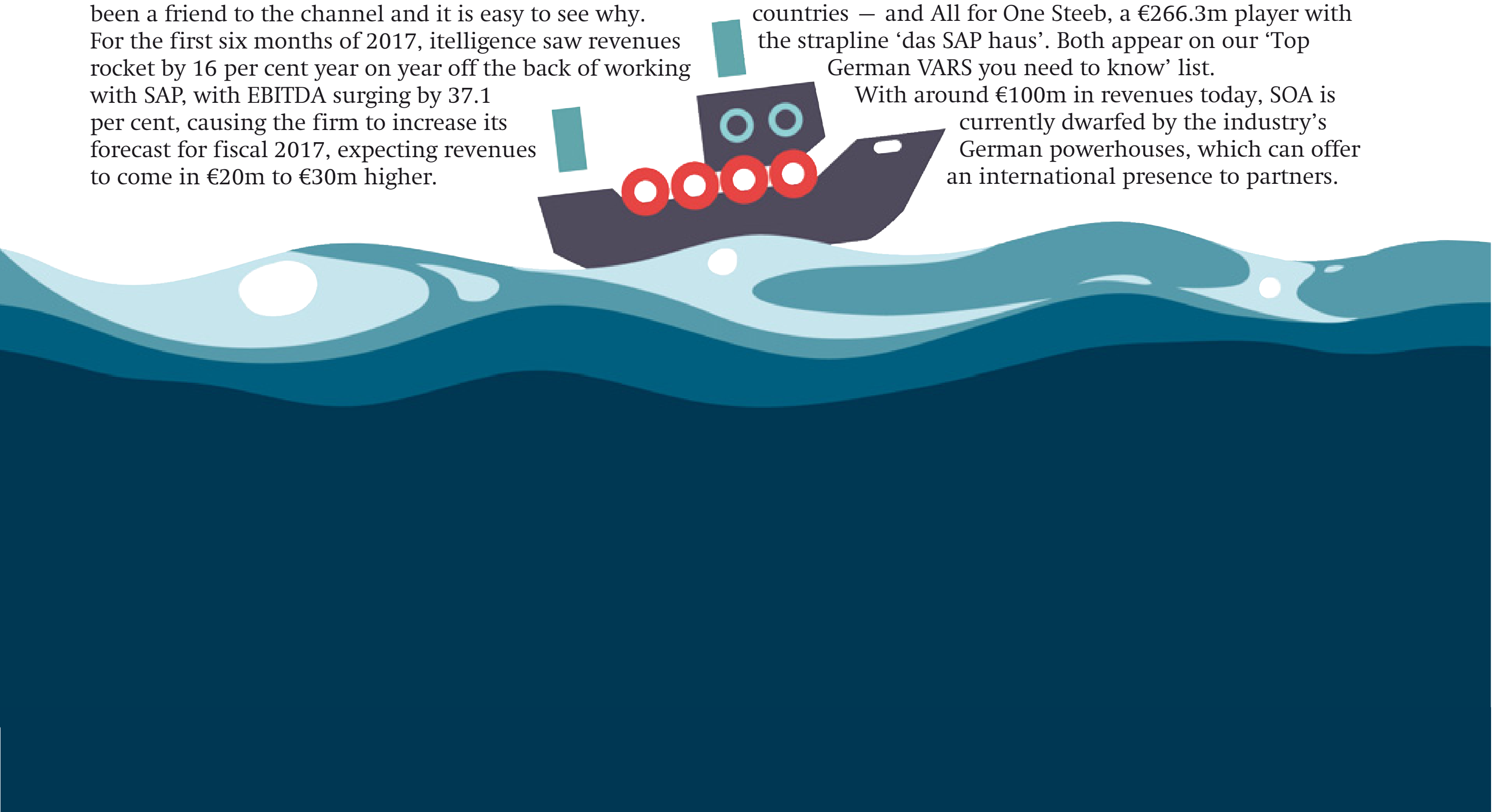
We spoke to Simioni, in an exclusive first interview with the British press, to ask him why he thinks he has a chance against Germany's SAP goliaths, why staying single-vendor is "an invaluable differentiator", and which European markets he will be targeting next.

Here are his top strategy priorities to upend the burgeoning SAP market in Europe.

1. Stick to our guns

Simioni recognised that his two big-gun rivals in Germany are itelligence — a €777.9m giant operational in 24 countries — and All for One Steeb, a €266.3m player with the strapline 'das SAP haus'. Both appear on our 'Top German VARS you need to know' list.

With around €100m in revenues today, SOA is currently dwarfed by the industry's German powerhouses, which can offer an international presence to partners.



€50m
Loan from ING Bank

The firm currently employs around 500 people across eight European offices in Belgium, the Netherlands, France and Luxembourg.

However, Simioni remains unfazed. He claims that SOA People will be able to stand out in the German market by sticking to single-vendor loyalty.

"The first differentiator we are going to keep is our 100 per cent dedication to SAP solutions. We see a lot of companies — and itelligence is a perfect example — when they get to a certain size they try to diversify, or they want to be a little bit more independent from one vendor," he said.

"However, it's a big change for companies to move from one single vendor, with the complete culture that it is around that vendor such as SAP. For us, all our investment and innovation is dedicated to SAP, which is by far the best solution on the market."

All For One Steeb and itelligence
SOA People's biggest competitors in the German market

In assessing other VARs with the same strategy, Simioni (*pictured*) said that SOA People's ambitions to replicate its strategy across multiple-language markets will also help it stand out.

"Of course there is All for One Steeb, which is more or less the largest 100 per cent dedicated SAP company in the world; our differentiator there is that they are 99 per cent active in only German-speaking countries. We want to have a really global pan-European penetration."

2. Size matters

To mark the Wavre-based firm's 10-year anniversary this year, SOA People commissioned analysis in order to detect a gap in their market:

"Our market analysis showed that there are almost no companies with our profile — 100 people being completely dedicated to innovative SAP solutions — also having a quarter of a billion euros in revenues," Simioni said.

"So, this is our challenge, to go from €100m to €250m... We saw a path for organic growth but also acquisition growth and discussed this with the banks."

He explained that he sees at least half of the firm's growth in the next five years being driven by multiple acquisitions.

3. Acquiring in new markets

"The most important criterion is that we want to penetrate two or three other large European countries in the next five years. Possibilities are the UK, Spain, Italy or Poland.

Simioni added: "The type of company we aim to acquire is profitable companies with a large customer base. Why? Because there are a lot of companies that have been doing traditional ERP for 20 years but their customer base just has the ERP from SAP but none of the innovation.

"For the last three years we have developed a position of focusing on innovation, cloud services and solutions, so having a large customer base is somewhere we can do a lot of upselling with new products. That is why this year we won the award for best innovation partner in EMEA from SAP.

SOA People's €50m loan will also be used to drive recruitment.

"This is also wonderful for everyone in the company. We think our employees love to participate in a company that wants to grow aggressively in the market...We intend to recruit more people based on this opportunity to join this adventure."

4. Greater input in application creation

Simioni ended by explaining that he also intends to reposition his company in the next five years, in terms of having greater input into SAP solutions themselves.

€250m
Revenue goal for 2022

"I think one of the biggest changes we will have is that we will embrace the SAP strategy that partners should also create some applications themselves on the SAP platform to complement the SAP digital curve," he said.

"We already have a few applications that are actually working with SAP and we are moving them to the cloud platform.

"And I think that in the coming five years the biggest strategy move for me is that we will also offer a catalogue of applications and add-ons with the SAP platform."

■ *Visit www.channelnomics.eu for daily analysis of the IT channel across Europe*

"Our market analysis showed there are almost no companies with our profile – 100 people completely dedicated to innovative SAP solutions – also having €250m in revenues. So, this is our challenge, to go from €100m to €250m...We saw a path for organic growth but also acquisition growth and discussed it with the banks"
Vincent Simioni

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Know your customer

*Credit veteran **Eddie Pacey** recalls how his efforts to get under the skin of one small reseller led him to visit a dairy in Leeds*

Eddie Pacey
Director, EP Credit Management and Consultancy

When you're involved in granting credit there will be occasions where setting a credit line based purely on reports and financial data or credit insurance availability is not enough. One has to move out of the office comfort zone and explore those often tougher opportunities that can so readily provide years of profitable trade.

In the mid-90s we traded with a reseller based in Leeds on a relatively low credit line of £10,000, but pressure in flow of orders and a desire to increase purchases via our company necessitated consideration of an increased £50,000 credit line. The company had only been established in 1993.

Payment was never an issue and while the required line fell below a non-qualifying insurance loss level, we had to fall back on the quality of financial information and references from other known suppliers.

The company at the time traded from the premises of a dairy company in northern Leeds and chose to use the first three letters of the dairy company name. Nothing wrong with that, but it led unfortunately to pressured credit support from other suppliers; one indeed somewhat fastidiously insisted they were a dairy company and refused to supply them.

The interim financial management data provided was a mess, so no credence could be placed on it. There was only one option: a long trip up the M1 to visit and get beneath the surface of the business, meeting the owners.

All phone conversations I had with the two directors pushed me to make this journey and I'm grateful that I did. They rented two small rooms at the dairy company, a pretty useful arrangement given their early activities, and employed just a couple more people. It was a case of getting to know them, their background, their plans and intentions, their history, their current performance and management of the business.

I was once told by an old colleague way back in the seventies that Yorkshiremen were "straight up" in terms of integrity and as the conversation flowed, I certainly began to feel these were people I could trust implicitly. They showed me their internal operating system and accounting package, an early bespoke piece of software and not perhaps the best on offer.

The system outlined and included everything at cut off and the trial balance figures were up to date and correct. The problem came when they hit the button to create the profit and loss and balance sheet for the period. The software simply refused to spit out the right figures or place them in the correct areas of either the P&L or balance sheet, hence the presence of gaps in interim management data and balance sheets that did not balance.

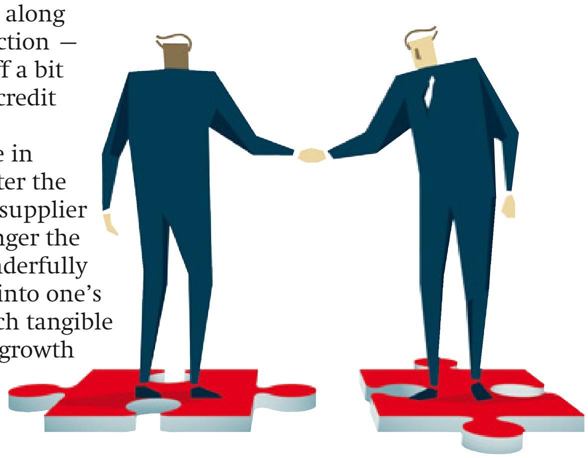
Three and a half hours later, armed with their trial balance, suitably loaded with donuts and coffee and with a promise they'd refrain from sending me further management data with gaps until they had fixed the bug, I left them with the £50,000 credit line they wanted.

It took them almost a year to start supplying interim management data that was accurate and complete, but the trial balance position was enough to convince me of their progress despite my having to manually create their profit and loss and balance sheet every month. Business boomed upwards and I visited them at least three to four times after this over the years, increasing the credit line as required.

Communication was regular, as was provision of interim management data. We even found the time to discuss their company restructure and intended business sale/investment along the way. This outcome in trading relationships, one that creates an environment of trust, allows almost unrestricted topic discussion and sharing of future plans.

The distributor that once refused them credit saying they were a dairy company relented. The business grew successfully over the years as fresh credit lines opened up. They are now into their 24th year, although I see ownership has changed in the last couple of years. Sadly, as their credit lines opened up elsewhere and people moved on within our own organisation and their buying teams — along with changes in their direction — business volumes tailed off a bit but the relationship with credit nonetheless held strong.

Credit must be proactive in touching clients. The greater the number of touch points a supplier has with a client, the stronger the relationship. Credit is wonderfully placed to act as a conduit into one's organisation through which tangible data can flow, enhancing growth and profitability for both client and supplier.



Have yourself a high-tech Xmas

Dave prepares for Christmas, robot politicians, and Facebook-induced Armageddon

Here at Dodgi Towers we're not yet convinced about the potential of artificial intelligence. Sure, it might free up overworked employees by taking over mundane roles and allowing them to focus on more important tasks, but we're not sure that's a good thing. Anyone who has seen *The Matrix*, *The Matrix Reloaded* or *The Matrix Revolution* will surely understand that it will not end well.

However, so-called millennials are apparently not so cautious. According to research by a media firm, one in three millennials would rather see an AI politician in power than an actual human being. This may be a valid example of getting computers to step into menial roles, but the usual danger associated with AI is still a legitimate risk — unemployment. As amusing as it would be to see Boris Johnson at the Job Centre, the introduction of AI into UK politics would lead to 650 redundancies.

Ironically, a man in New Zealand claims to have created the world's first AI politician, labelling it indiscriminate and free of geographic boundaries. SAM, which interacts through Facebook Messenger, says its goal is to "engage New Zealanders in constructive dialogue, working to better understand and represent your views, in order to achieve the things we all care about", but I'm not sure it'll catch on. When I personally spoke to SAM, it couldn't even tell me its own name…

Funnily enough, Labour MP Tom Watson (no connection to IBM's Watson AI) recently told the public that they need to stop being concerned about losing their jobs to AI and embrace its potential. Had he been aware that his own job could be under threat, he might have taken a different stance.

Two-facedbook

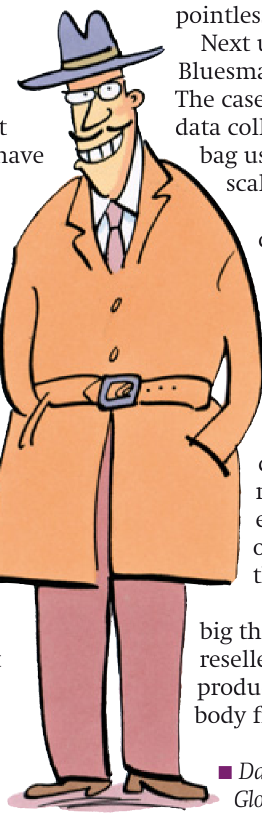
Programming robots to be like humans is one thing, but a former Facebook exec has accused the social media giant of programming humans to be like robots.

Chamath Palihapitiya, who worked at Facebook from 2007 to 2011, told an audience at Stamford University that Facebook is "programming" its users and expressed guilt for his part in its rise.

"We curate our lives around this perceived sense of perfection because we get rewarded in these short-term signals, hearts and likes and thumbs up," he said, rather ominously, to the *Guardian*. "We conflate that with value and we conflate that with truth, and instead what it really is, is fake, brittle popularity that's short term and leaves you even more vacant and empty."

He said Facebook is "ripping society apart". How something that connects people can be accused of ripping society seems contradictory. Perhaps Palihapitiya has some beef with founder Mark Zuckerberg.

We had a similar issue after becoming the first reseller to introduce Windows 95 to the Dagenham faithful back in the nineties. People said computers would break down communities, but Dagenham remains as warm and friendly as it always has been.



Christmas SOS

With Christmas just around the corner, we at Dodgi have decided to take on some zany hardware devices in the hope of upselling to IT buyers who have forgotten to buy wives, husbands, sons and daughters a present this year.

Up first is the the Quirky Egg Minder — an essential for any kitchen. The IoT egg tray connects to the home's WiFi and, via a smartphone app, can tell the homeowner at any time how many eggs they have and how long the eggs have been sitting there. The device retails for a bargain, at just £30 on Amazon, and averages the maximum five stars from the one customer who has reviewed it.

I for one often arrive home having purchased an 89p six-pack of eggs from the supermarket, only to realise I still have two left and have made a completely pointless purchase. I also forget to check the date stamp clearly readable on the eggs themselves, and throw eggs away pointlessly. It's the bane of my life.

Next up, at a slightly steeper price point, is the Bluesmart connected suitcase which retails at £349.99. The case's priceless features include location tracking, data collection, USB charging, and the ability to lock the bag using your smartphone. It also contains a built-in scale, to avoid over-packing when flying.

One potential hiccup that the bag's manufacturer doesn't seem to reference is what happens when you turn up to an airport with a GPS-tracking, power-packing, beeping box. Terror alerts have been triggered by far less.

Finally, essentially an anti-technology product but arguably the most important: Spartan Underwear. Spartan manufactures "high-tech boxers" which, by its own admission, are designed for "protecting your nuts" by blocking radiation from smartphones and other radiation-emitting devices. Importantly — as Spartan stresses on its website, and unlike the Bluesmart case — the boxers do not set off airport security alarms.

A steal at $320 for 10 pairs, we're expecting big things from Spartan and are considering seeking a reseller agreement. We envisage them expanding their product line to protect other vital parts of the human body from radiation, like the brain.

■ *Dave Diamond-Geezer, director of Digital Online Deals and Global Integration (Dodgi) of Dagenham Ltd*

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