CRN
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February 2019

Crunch time?

The channel firms that are putting plans into action for Brexit – and those that aren't **10**

HAS GDPR KILLED COLD CALLING? **14** ARTIFICIAL INTELLIGENCE AT THE FOREFRONT AT BETT **22**
PARTNERS REVEAL THE BLEEDING-EDGE TECHNOLOGY THEY'RE BACKING FOR THE YEAR AHEAD **24**

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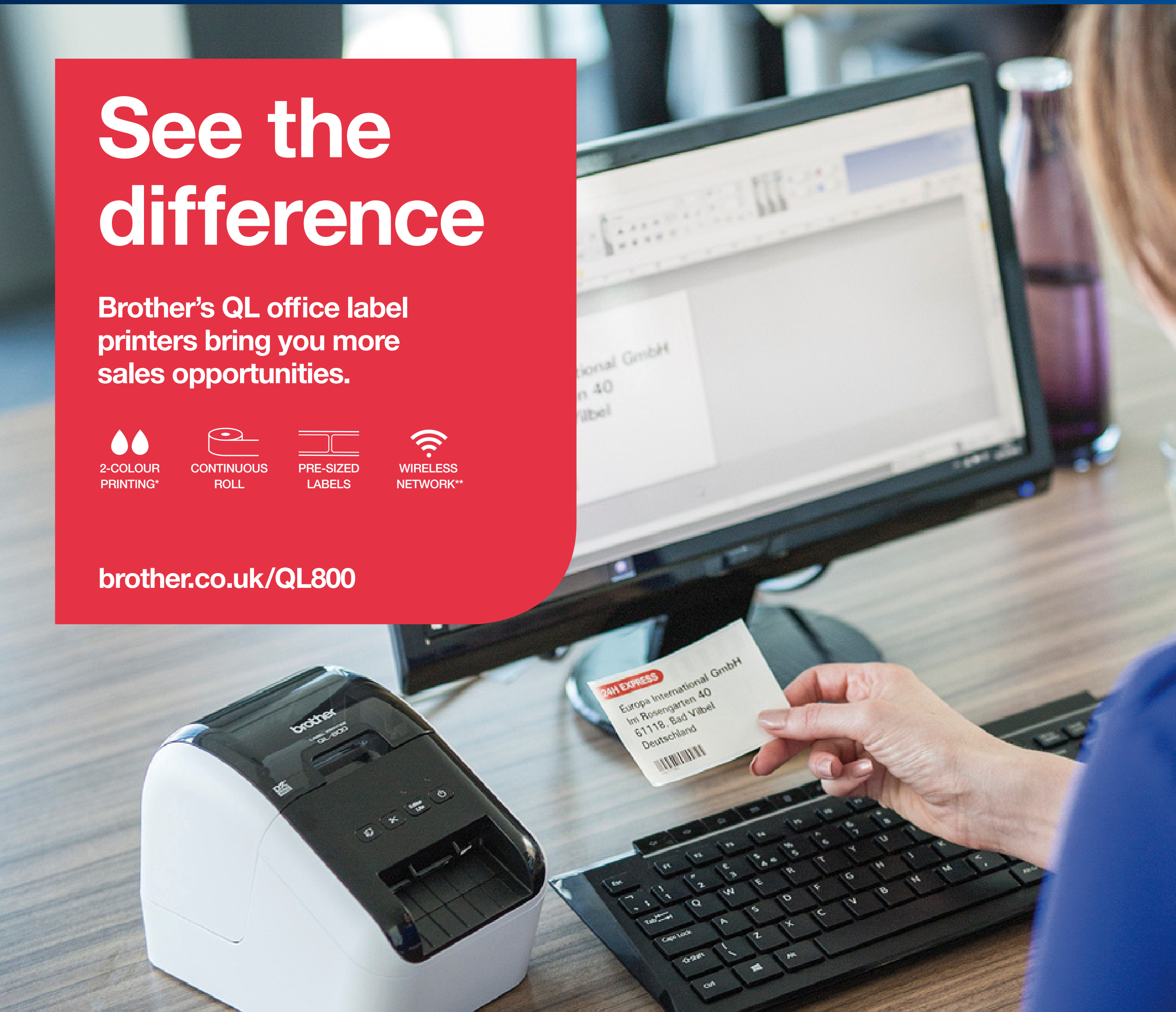

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A murky future

At *CRN* we've tried not to get too involved in the Brexit fearmongering since the referendum in 2016. After all, no-one really had a clue what was going on (and still doesn't, really).

But we can say for sure that we're reaching the point where plans need to be put in place, even if we're not sure what we're planning for.

The long-term impacts of Brexit are still to be determined, but perhaps the greatest short-term concern for the channel is hardware.

> **"We're reaching the point where plans need to be put in place, even if we're not sure what we're planning for. Perhaps the greatest short-term concern for the channel is hardware"**

With a deal scenario becoming less likely with every day that passes ahead of the 29 March leave date, the possibility of disruption at the border becomes more real.

This puts distributors front and centre of Brexit contingency plans. In this month's Spotlight we ask a host of disties how they are preparing for potential problems. The views we heard back were polarised, with some saying you'd be mad to stockpile kit, and some saying you'd be crazy not to.

Some of these plans are being spearheaded by vendors, with one *CRN* spoke to saying it was stashing stock in a new warehouse taken on by Exertis, and another saying it is planning to hedge its bets by using more ports than usual.

Our *Top VARs* research is already considered the most comprehensive view of the UK IT channel, but this year we have gone one step further. Last month we launched *VAR 300* which (as the name suggests) profiles the 300 biggest channel firms across the country. On p16 we give you a flavour of the report, which is available exclusively to *CRN* Essential subscribers.

This month's Big Interview sees Marian McHugh talk to Proact chief executive Jonas Hasselberg. The Swedish giant recently reported annual sales of nearly £280m, but its UK sales are just a fraction of this.

Hasselberg says that addressing markets where he feels Proact "doesn't have a fair share" is a priority for him – with the UK being one of these markets.

In February's *Channel Partner Insight* pages, Nima Green takes an in-depth look into the Benelux region, while in Emerging Tech we ask five resellers to pick out the bleeding-edge tech that they are investing in this year. The areas chosen include SD-WAN, virtual reality and digital twin.

As ever, please get in touch with your feedback via *ChannelWeb* or Twitter *@CRN_UK*.

■ *Tom Wright is managing editor of CRN*

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*Buyers Laboratory LLC (BLI) Brother Genuine toner cartridges for the HL-L6300DW vs. Ten compatible brands report March 2018.

Five things we've learned this month

1. MICROSOFT IS TAKING AZURE DIRECT

Despite regularly affirming how important partners are to its strategy, Microsoft raised some eyebrows when it quietly revealed that it would be taking Azure purchasing direct.

In a blog post the vendor introduced its Microsoft Customer Agreement, which it said will become "the primary way for small and mid-size customers to buy Azure services" from March this year – replacing the current agreements, giving Microsoft control of the customer.

Microsoft said the new set-up will provide a better experience for end users, and added that the channel will still play an important role with pre-sales and post-sales services.

Partners were however less than enthused, with one calling the move "sneaky". Bytes boss Neil Murphy questioned the change, reminding the firm that partners have worked hard to drive Azure adoption over its competitors.

Customers looking to go down the managed services route were nudged towards the Cloud Solution Provider programme by Microsoft.

2. PCM AND CDW ARE EYEING EUROPE

Less than two years after crossing the Atlantic into the UK, PCM is considering taking its first steps into mainland Europe.

The US-based reseller giant closed out its last financial year with sales of $2.2bn (£1.7bn), while its UK business (which launched in 2017) hit a revenue of £48.4m – around three per cent of the overall figure.

CEO Frank Khulusi said that PCM may move deeper into Europe, initially looking at Ireland as a precaution for any Brexit fallout.

Meanwhile, CDW chief exec Christine Leahy said the reseller has already set up a "presence on the continent", adding that a European expansion would have happened regardless after the CDW's success in the UK through its Kelway acquisition.

3. GDPR HAS TEETH

It was a bit of a wait to see GDPR in action, but the first big-name victim was finally named when Google was hit with a €50m fine from French regulator CNIL.

The search engine giant was accused of not "sufficiently" informing users of the process by which it gathers data to personalise adverts, and of burying the terms and conditions associated to these practices.

The two complaints filed, one of which came on the day GDPR came into force, also referred to the "pre-ticking" of boxes – which Google was found to have done when asking users if they gave consent for personalised ads.

Google is set to appeal the decision.

4. DELL EMC IS EASY

Dell EMC hammered home how easy it is to do business with after unveiling a host of partner programme changes for 2019. The vendor said the tweaks have been designed to help vendors monetise emerging technologies, across the full product portfolio of the Dell Technologies family.

Channel boss Joyce Mullen insisted that the changes are "all about simplification", claiming that certifications are now easier to attain and are recognised across all of Dell's vendors. Rebates will also be easier to claim, she said.

Dell said the channel made up £37.7bn of its sales in 2018.

5. SOFTWAREONE IS ON ONE

Fresh from completing its mammoth acquisition of Comparex, SoftwareONE is showing no signs of slowing down, revealing it is looking at further targets.

The Switzerland-based firm wrapped up its mega merger last month, with the combined business having 5,000 employees and managing £8.8bn worth of software sales.

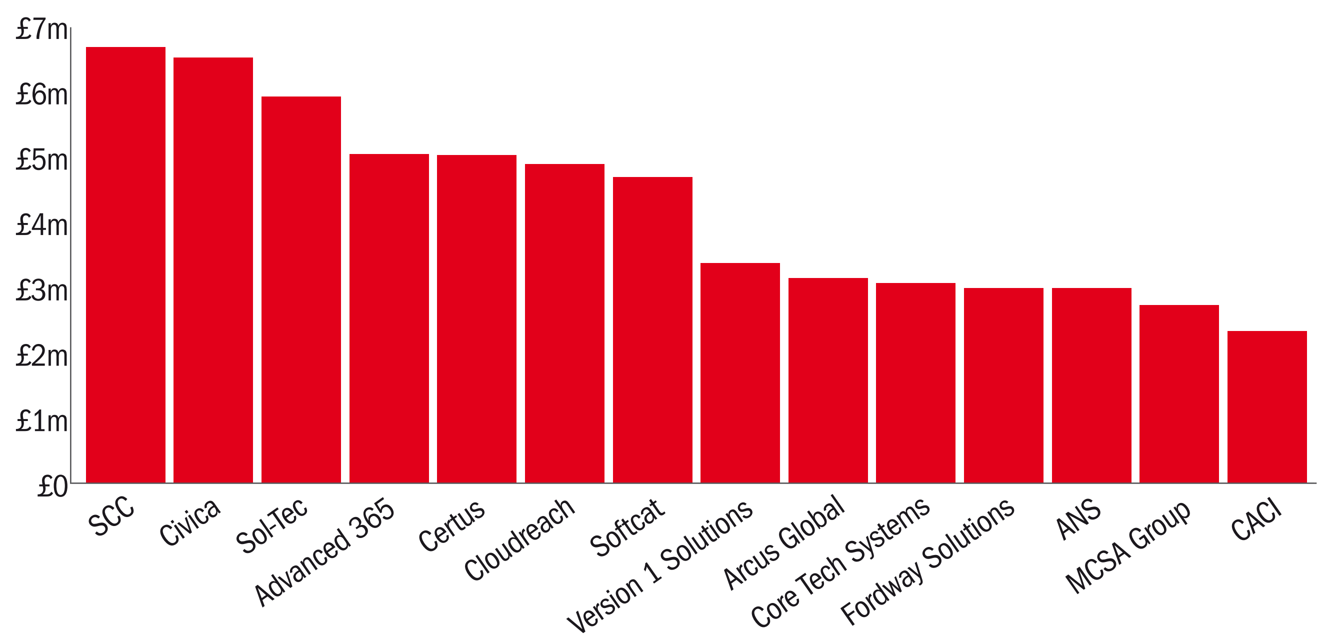
Chairman Daniel von Stockar said SoftwareONE "will continue to transform" through organic growth and additional acquisitions.

"As a private firm, we carefully review potential acquisitions to ensure we are best utilising our capital," he added.

Fellow licensing player Crayon also predicted further consolidation in the market, with the Norwegian firm on the hunt for M&A targets.

CRN_UK TWITTER FOLLOWERS POLL: Are you stocking up ahead of Brexit?

Selected VAR suppliers on G-Cloud in 2018



NOTABLE AND QUOTABLE

"When the board approached me about taking the chief executive role, I jumped at the opportunity to remove 'interim' from my title."

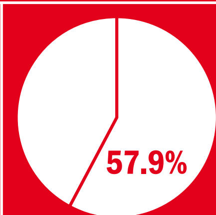
Intel's new chief exec Bob Swan, just days after claiming he didn't want the job

FACTS AND FIGURES

The revenue of SecureData, which was acquired by Orange this month

3

The number of UK resellers with £1bn annual sales



The amount of Amazon's quarterly operating income that AWS contributes

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Stock or not?

As Brexit looms,CRN asks key industry players how they are preparing for potential unrest and disruption

With the Brexit leave date creeping ever closer, and no resolution from Parliament forthcoming, many in the channel are implementing contingency plans to try to mitigate any disruption.

Last month Pure Technology Group published its strategy, claiming that a number of broadline distributors are increasing their stockholding in case UK ports become blocked – a problem that many expect to materialise if no Brexit deal is agreed.

Security vendor SonicWall told *CRN* that it is hoarding kit in a new Basingstoke warehouse taken on by Exertis, while HP Inc said it will use a number of different ports in the event of a "worst-case scenario exit". Meanwhile, the shape of the UK's departure from the EU still seems very much a mystery.

But while some channel firms have already initiated plans, others are reluctant to make their move. A number of distributors told *CRN* that they have no plans to stockpile hardware – at least not yet.

Frank Salmon, CEO at CMS Distribution, said he has plans ready to implement in the event of a no-deal exit, which he sees as an improbable outcome.

"We have our contingency plans but of course it is being reviewed almost day by day at the moment," he said.

"There is no panic – a lot of our product is on a 21-day or four-week cycle so there is no panic at the moment."

Salmon said that a large proportion of CMS' business is software based, and therefore would not be affected by border delays, but said that the distributor is capable of holding more stock if need be.

He explained that the firm has enough warehousing space in the UK and across mainland Europe to cater for an increase in stock, but is aware of problems that could arise from currency movements.

"We're conscious around currency fluctuations so we are hedging most of our international trade, especially our purchases in US dollars and euros," he said.

"Currency exposure is a realistic risk to our business but at the moment we have contingency plans in place for stock, which we'll start to trigger mid-February if there is a hard Brexit at the end of March, but that is looking more unlikely."

Paul Cubbage, managing director at Target Components, told *CRN* that it is too soon to stockpile kit while there is still a chance that the 29 March leave date could be pushed back.

"It is too speculative at the moment," he said.

"Anybody who is stockpiling is doing it on the assumption that it will be harder to acquire hardware, or there will be confusion or currency fluctuations.

"We're playing things by ear. I suspect that the leaving date will be put back. We will have to know that in the

"There is no panic – a lot of our product is on a 21-day or four-week cycle so there is no panic at the moment"
Frank Salm, CMS Distribution

"It is amazing how many vendors have not got their own Brexit strategy organised – they haven't woken up yet"
Alex Tatham, Westcoast

next two months. I suspect it will be put back and then it will be a case of building up to whatever final date is announced."

Cubbage said that the repercussions of stockpiling kit unnecessarily could have a more damaging effect on the channel than any border blockages would.

"If people stockpile, what happens if no-one wants the stock in inventory? If people stockpile and it's speculative, companies will release stock and it will drive prices down," he said.

"It might cost you money in that way. I'd say keep an eye on things until you have clarity. There is more risk in stockpiling than there is in inventory declines."

Dave Stevinson, managing director of QBS, said he is in early discussions with some vendors to increase the amount of packaged software the distie holds.

"It's a trade-off between foreign exchange risk, price differences, the costs of holding the goods and the opportunity of making extra margin," he said.

"The distributors I know holding extra hardware are having it funded by the vendor.

"I would say be conscious of the cost of holding extra hardware. There is extra insurance risk, currency exposure, the physical space of storing it. Is it an effective use of capital?

"For us, we are aware of the risk. We think we have sufficient inventory in stock at the moment. Hardware is less than five per cent of our business, but we do have a big packaged software business and we are having conversations with suppliers about increasing the amount we hold.

"However, packaged software is mainly held on consignment, so the risk there is the cost of insuring it."

Broadline preparations

But the UK's biggest distributors seem to be taking a different approach. As mentioned above, SonicWall is seeing its hardware stockpiled above normal levels by Exertis, in a new warehouse.

Westcoast, meanwhile, has taken on extra storage space in two warehouses to boost stock levels.

Managing director Alex Tatham told *CRN* that border disruption is a very real possibility – claiming that Westcoast's main courier, Europa, is braced for "significant delays".

Tatham also criticised the vast majority of vendors for failing to put a solid Brexit plan in place.

"It is amazing how many vendors have not got their own Brexit strategy organised – they haven't woken up yet," he said.

"If they come to me at the last minute asking if I want to buy extra stock, there are several challenges.

"One is that I might not have the capacity, another is that I might not have enough money and a third problem is negotiating the terms. There is some planning required here and lastminute.com is not going to work."

One vendor he praised was HP Inc, which had already told *CRN* it was planning to use extra ports to help mitigate disruption.

But this is not the case for a number of manufacturers, Tatham claimed.

"It is very interesting to look at the level of awareness and focus from each vendor because it varies dramatically," he said.

"I recently spoke with a significant vendor and asked if they would like us to buy extra stock from them and they said they haven't really done anything yet [re Brexit planning].

"However, stockpiling is not going to sort out the problem. A no-deal Brexit is going to be a disaster. It is going to cause significant delays and every one of our freight forwarders has said this."

Serial stockpiling

There is however a risk that serial stockpiling will have a more detrimental effect on the channel than doing nothing.

Rich Marsden, managing director at VIP Computers, said that he has opted not to bolster inventory, partly to avoid an issue where numerous distributors are all holding more stock than is necessary.

"I don't want to take stock up for a no-deal Brexit with five other distributors because all you'll create is less demand, but more product in the channel and that doesn't work well," he said.

"I don't think demand will be great and if you have four distributors stocking up on a product and demand goes down, dealing with that product is a bigger issue than being slightly down on product.

"If a vendor comes to us and says they're expecting one or two distributors to support a strategy, and they'll make sure there is a clear exit for that inventory, I'm more than happy to stock up. But I won't generally stock up on the off chance that there is a no deal – I'll take my chances."

Marsden said he is open to being involved in contingency plans with vendors if he is approached, but is against blanket overstocking.

"I'm telling our vendors that we need a unique approach," he explained.

"While I don't need to know the commercials of their deal with a different distributor, I think vendors need to take over and say if they need to hold more stock with one or two distributors.

"That way you don't risk overstocking the channel. If a vendor comes to us and says 'you're part of our plan,' then we are open to discuss that, but if it's every distributor overstocking then we won't be a part of that."

However, he said that most of the advice he has received from vendors suggests that any logistical issues will likely be resolved within a month.

"We have contracts with certain partners where we will make sure we have enough stock, but we carry four weeks' worth of inventory anyway," said Marsden.

"All the feedback we've had says there'll be some delay, but we expect it to right itself within three to four weeks – we are pretty much OK.

"I understand the commercial disties stocking up because schools [for example] will still want to buy, and firms will still have budgets, but in our industry I expect demand to remain flat or go down." ➔

Be prepared

Four channel firms describe the measures they are putting in place in light of the fast-changing landscape that is the UK's exit from the EU

SonicWall

The security vendor told *CRN* that it is bolstering its UK supplies with Exertis, in a new warehouse in Basingstoke.

UK&I director Helen Jackson said the vendor wants to make sure it has as much hardware in the region as possible, ahead of potential unrest at UK ports.

"We are working very closely with distribution to ensure that we have enough equipment," Jackson said.

"Through distribution we have planned ahead for the worst eventuality of Brexit."

CEO Bill Conner was however unconcerned by potential logistic issues, instead expressing his angst about how end users may be affected by distribution.

"SMBs and enterprises tend to get distracted when governments are dysfunctional and, in our industry, that means a lack of security and that is what I am worried about in terms of disruption," he explained.

"I am confident in our distributors, channel partners and our own ability to handle Brexit, but I'm more concerned about the implication in the market in terms of duties, taxes and unnatural acts that businesses are trying to figure out."

Pure Technology Group

Pure was one of the first channel firms to show its Brexit hand, revealing that a number of distributors were stocking up ahead of the end of March.

The firm said it was "working closely with its supply chain and global partners to suitably prepare and plan for different scenarios", but said that non-perishable goods may be bottom of the list when it comes to imports, with products such as food most likely to be prioritised.

Pure also raised the issue of EU citizens working for UK businesses, saying these people need to be directed to the EU Settlement Scheme.

HP Inc

HP channel boss Neil Sawyer said that the vendor is planning to utilise more ports than usual, in an effort to hedge its bets and avoid clogging at UK borders.

He said the plans were in place in case the UK ends up with a "worst-case scenario".

"We are looking at a number of different ports," he explained.

"I'm sure it will change over the coming weeks as events unfold, so I don't have names of any specific ports. But we are absolutely sure that we have a robust supply chain."

Sawyer however rebuffed channel rumours that HP had secured additional storage space in the Midlands, with a view to flying more kit into Birmingham Airport.

"From a global supply chain perspective, HP has made sure that we can give continuity of supply into our channel partners," he said.

"That comes through buying extra capacity in the supply chain so shipments can be made more readily."

Probrand

Birmingham-based VAR Probrand said it has been auditing its supply chain to mitigate Brexit, and has been working with advisers to model all potential outcomes.

It claimed that some of its distributors have been considering applying for Authorised Economic Operator customs status – an international standard which would reduce customs checks at UK ports.

"We are confident that Brexit is not going to have a negative effect on Probrand as a reseller and solutions provider and in turn we will be able to support our customers in the same way," said supply chain director Ian Nethercot.

Hanging up on cold calls?

As GDPR catches its first major rule breaker, ***Marian McHugh*** *asks to what extent the legislation has affected the channel*

The introduction of GDPR was one of the biggest talking points of last year, with businesses re-evaluating the manner in which they hold and process customer data in order to avoid falling foul of the regulation.

Eight months on, and Google became the first big-name casualty of GDPR, being slapped with a €50m (£44m) fine by French regulatory authority the CNIL.

The CNIL stated that Google made it difficult for users to access the information it had stored on them, and was not transparent in how it processed user data for ad personalisation.

However, the internet giant has come out swinging against the penalty and plans to appeal it, arguing that it "worked hard" to ensure that its processes were GDPR compliant and as transparent as possible.

"We're also concerned about the impact of this ruling on publishers, original content creators and tech companies in Europe and beyond," it said. "For all these reasons, we have now decided to appeal."

GDPR's introduction presented a lot of challenges to sales and marketing teams across the channel, with some experts believing that there would be a return to the old ways of marketing, such as snail mail and cold calling. Others predicted that social media tactics would dominate the landscape.

So with its first major fine and nearly a year in force, how has GDPR affected the sales landscape?

The old way

A post on LinkedIn by Jon Feldman, VP at governance software provider ACL, chastised those who claimed that the art of cold calling was a relic of a bygone era.

Though the post is two years old, it continues to cause a stir and attract streams of comments.

Of the 4,000 comments so far, there is a clear split between those who agree with Feldman's point, and those who effusively do not.

"Real sales professionals take matters into their own hands and use cold calling as an effective tool," he wrote, causing a frenzied debate in the comments section.

"Cold calling is dead in a sense. Now, it's transferring to connecting with clients through social media because many people have caller ID and will not answer if they do not recognise the phone number," wrote one contributor.

"Make a warm call! Keep it relevant with a personal touch," another wrote.

David Leyland, director of solutions at Bell Integration, was one who waded into the debate, proclaiming cold calling to be "useless".

He clarified to *CRN* that he was referring to cold calling as ringing through a list of random numbers, whether they are a relevant prospect or not.

Leyland believes the effects of cold calling by a slew

of companies and industries has led to a general fatigue from people towards the technique, if not outright hostility.

"Nowadays technology makes it so easy to avoid them that people expect, and deserve, a more sophisticated and customised approach to sales," he explained.

"The hit rate when I started 30 years ago was astonishingly low, and I think those days of cold calling are behind us.

"While the telephone is still an important means of communication, what is the legitimacy and purpose of cold calling, particularly in a post-GDPR world?"

Bell Integration uses social media and face-to-face meetings to speak to new customers, according to Leyland, and these methods have proved successful for the VAR, though he admits he doesn't know how it "stacks up" statistically.

"We tend to focus on targeted social media that explains a component part of our offering and if it is relevant, people tend to respond," he explained.

"We don't have hordes of people sitting at desks and banging it out on the phones – that's not our style. We work with networks and shows and meeting people there.

"I don't know how successful it is if you're in a business selling a commodity such as insurance, but when it is a professional services business, I would consider a cold call to be bordering on useless."

Comments on Feldman's LinkedIn post appear to back up Leyland's stance, with one commenter stating that "It's the social media age now. People are stuck in the past."

If it ain't broke...

Some in the channel, however, wholeheartedly refute the idea that the tried-and-tested tricks of the trade are falling out of favour.

Jonathan Lassman, MD of Epaton, is a staunch advocate of cold calling, claiming that it has a 95 per cent hit rate in his company compared to other sales and marketing methods it uses.

"Salespeople who are looking for excuses say cold calling is dead," he declared.

"Sales 101 hasn't changed. We know the demographic we are after and we know the types of organisations that we want to be involved with."

SEO marketing and social media are all well and good, according to Lassman, but they don't provide a concrete figure for the return on investment (ROI) that the "old-fashioned way" does.

"With cold calling I know what my ROI is; it is specific marketing and I am getting to the people I want to get to," he said.

"Don't get me wrong, out of 100 calls, you may reach three people, but those three are the right calibre of customer that you want to be talking to, whereas with SEO you can't be that specific."

The future of sales

Leyland and Lassman are unworried about the effects Google's GDPR fine will have on how the channel approaches sales and marketing, though Lassman said he has noticed an increased wariness among some firms to directly contact prospects.

"I see a lot of the competition hiding behind SEO marketing, email shots and social media and not doing the traditional methods," he said.

Glenn Robertson, MD of Pure Channels, a marketing agency that works primarily with vendors, said although GDPR has considerably heightened perceptions and understanding of data processing, he has not seen any fallout in the channel from Google's gargantuan penalty.

He suspects this is due to the fact that it is Google being fined, and many perhaps expected it to fall foul of the regulation based on the sheer volume of data it processes.

Robertson falls between the Lassman and Leyland camps.

He agrees cold calling is still an important and effective way to reach prospective customers, but thinks it should be done as part of a co-ordinated campaign, involving social media and other platforms.

Neither cold calling nor social media alone should be relied on as a main lead generator, he added.

Robertson agrees with Leyland's assertion that face to face is one of the most important aspects of dealing with clients and is vital to building rapport with them.

"Having conversations is the essence of doing business, it is unavoidably part of what we do and at the heart of sales and marketing," he said.

"Relationship-building can only come from a number of conversations, and those can start in a number of places but ultimately the face to face is what it's all about.

"We are seeing that quite a lot with our vendors. The scatter-gun approach to partner recruitment is being phased out slightly in favour of a more targeted approach, and it is very much around a quality-led relationship rather than a quantity one."

Bell Integration's Leyland believes that the progression of technology itself has changed the sales landscape, explaining how it used to be about selling name brands, but as resellers make centre services as core offerings, this has changed how they approach potential clients.

"That kind of subtle evolution has caused the reseller or service provider to have to take a different approach to selling," he explained.

"Now, it is often the blend of skills, knowledge, experience and competence rather than giving them the biggest, best and brightest kit and leaving it at that."

"Salespeople who are looking for excuses say cold calling is dead"
Jonathan Lassman, Epaton

VAR hotspots and notspots

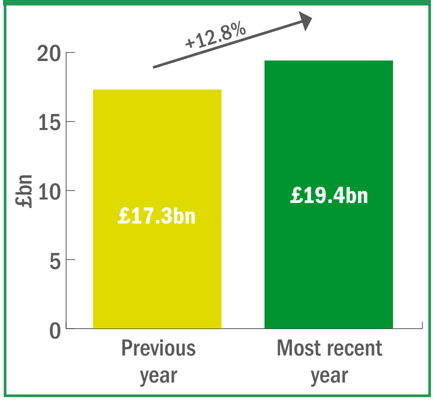
Is the so-called southern bias of the UK channel really as pronounced as people think? CRN's VAR 300 finds that 58 of the UK's largest frontline technology providers are based in the north of England, with a further 16 based in Scotland

It's often said that the channel has a southern bias, but according to *CRN* analysis, 58 of the UK's top 300 VARs on our radar are based in the north of England, with a further 16 situated in Scotland.

As part of *CRN*'s inaugural *VAR 300* report we tracked where each is headquartered, with northern cities such as Manchester and Leeds emerging as hotspots alongside the Home Counties.

Although *VAR 300* is available exclusively to *CRN* Essential subscribers or to be purchased for a one-off fee, here we preview some of its key findings.

Top 300's year-on-year revenue



It offers a panoramic view of the UK channel skyline, mapping the financial fortunes and focus areas of the largest UK resellers, MSPs and consultancies by revenue, from £1.5bn-revenue giant Computacenter to the £3m-revenue HP print reseller that tails the rankings.

While the South East (87) and London (60) play host to nearly half of our Top 300, northern hubs pull their weight, with 27 based in the North-West and Yorkshire and the Humber a piece (*see map, opposite*).

Some seven of the Top 300 are headquartered in Leeds alone.

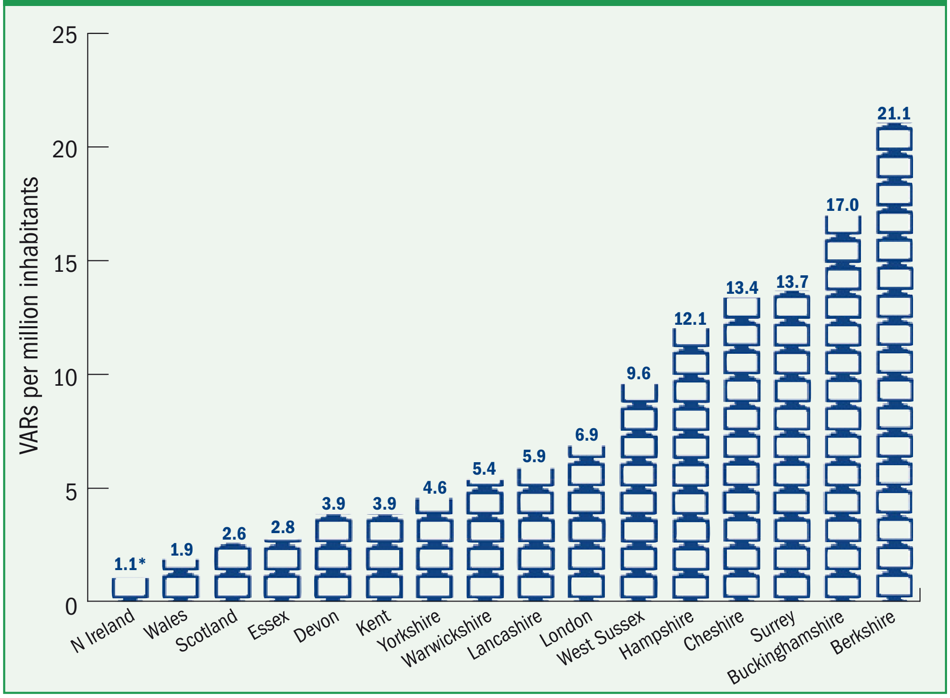
VAR density

Unsurprisingly, Berkshire and Buckinghamshire have the highest concentration of Top 300 VARs per million inhabitants of any county (21 and 17 respectively), based as they are in the heart of the Thames Valley where many of the world's largest technology vendors have their UK HQs (*see graph, below*).

Other popular home-county haunts include Hampshire, Surrey and West Sussex. Essex and Kent are much less favoured, boasting just 2.8 and 3.9 Top 300 VARs per million inhabitants, respectively.

Further north, Manchester and the wider North-West plays home to a thriving channel community, with Cheshire being the fourth most densely populated county when it comes to Top 300 VARs (13.4 per million inhabitants).

VARs per million inhabitants



Yorkshire has 4.6 Top 300 VARs per million inhabitants, meanwhile.

Cliff Fox, COO of Pure Technology Group, which was ranked 154th in the report, said Leeds could arguably rival Manchester as a jewel in the northern tech industry as Channel 4 relocates to the city this year and several other media companies relocate from London.

"Business is thriving and the M62 corridor is a fertile business growth area," he said adding that the north is no longer under-served by the channel.

"Historically it has been, but this has changed and is developing apace. It's two hours by train to London and technology itself has changed things," Fox said.

"While the Thames Valley is still techcentral, the reach nowadays is so much bigger. 'Leeds: Live it Love it' as the banner says."

As a rule, more rural areas tend to have fewer VARs per inhabitant, with Wales and Scotland boasting just 1.9 and 2.6 Top 300 firms per million inhabitants respectively.

Somerset, Cumbria, Northumberland and Cornwall are among the counties home to no Top 300 VARs at all. The latter lost its sole representative of the 300, £8.5m-revenue, Penryn-based Datasharp, because it was among the resellers that dropped down to small company accounts in its most recent fiscal year following a change in reporting rules by HMRC.

More densely populated counties without a VAR include Leicestershire, although it must be noted that in each of these counties there will be a thriving community of local heroes who are not large enough to report their revenues and therefore fly beneath the radar of this report.

Home is where the VAR is

Where all 100 Top VARs have their headquarters (or UK headquarters in the case of the 22 international VARs)

The UK channel, mapped

There is an almost dizzying abundance of market data available on all aspects of enterprise IT spending.

For anyone wanting to know the size and growth of the UK market for PCs, storage, business applications or video walls, the likes of Gartner, IDC, GfK or Futuresource Consulting will have the answers.

But it is a quirk of the industry that the UK IT channel that sells these technologies has not been nearly as well mapped. That is, until now. Our inaugural *VAR 300* report is – we believe – the most comprehensive attempt ever to map the key protagonists that comprise the UK enterprise and SMB IT channel, and the trends affecting them.

The 300 companies profiled in the report are the prime influencers of tech spending decisions among UK SMB and enterprise end users.

Any vendor wanting to crack the UK market must first win the hearts of the firms featured, from £1.5bn-revenue Computacenter to the sub-£10m revenue, 50-person firms that trail the rankings.

Together, they are the guardians of nearly £20bn of technology spending – equivalent to the GDP of Nepal – and no doubt influence an even greater value of purchasing decisions.

Analysis of their performance at a macro level reveals the UK's top 300 VARs enjoyed another solid year, with collective revenues up double digits and profit levels generally holding firm.

Researched over the course of several months by *CRN*'s editorial team, the full, 56-page report is available exclusively to *CRN* Essential subscribers. We hope it serves as the definitive guide for vendors, distributors, resellers and end users looking for the inside line on the firms that make up the front line of technology provision in the UK.

For details of how to purchase *VAR 300* or become a *CRN* Essential subscriber, please email Jessica Richards at *jessica.richards@incisivemedia.com* or visit *www.channelweb.co.uk/static/subscribe* for more information.

The Proactive CEO

*Jonas Hasselberg outlines his ambitions for the Sweden-based firm after taking the reins last year. **Marian McHugh** reports*

Jonas Hasselberg, CEO of Swedish storage integrator Proact, has a very precise manner. When asked when he officially started in the chief executive role, he says 1 September, before quickly correcting it to 3 September, because that was a Monday "and that's when I actually started in the office."

That unwavering accuracy and commitment to the details may be part of the reason he was drafted in to head up the Sweden-based storage integrator as it sets itself the task of hitting higher revenue targets in the next few years.

Hasselberg took over the position from interim chief executive Peter Javestad, who filled in after former chief exec Jason Clark stepped down early in 2018.

He transferred to Proact from Swedish telco Telia, where he headed the consumer business unit. What lessons did he learn at the consumer-facing telco that he plans to transfer to Proact?

"With Telia you are in the typical mass-market environment, and Proact is the extreme of that spectrum," he explained.

"Telia – like any other telco – is all about delivering a service to the customer and expecting them to be happy with your service every month so they will remain loyal to you.

"The way we design our ability to meet the customers in the services business is actually very similar and I'll bring that with me – how to build a professional services business, operationally and business-wise. I do have a lot to learn in terms of engaging with enterprise customers."

'Extra love' for storage

Late last year, the VAR raised its financial outlook by setting up a target of achieving 10 per cent year-on-year revenue growth for the next three years.

Proact stated that it would be developing its cloud services portfolio and improving its IT infrastructure offering in order to hit these newly established goals. Data storage, hybrid cloud, networking, security, applications and automation were also areas it cited as being of "increasing importance".

The newly minted CEO affirmed this strategy, adding that the opportunities around data are of particular interest to the company.

"We are in a very sweet spot in terms of data and information management," he said.

"There's a lot of things happening around the use of data – artificial intelligence (AI), machine learning, the Internet of Things (IoT), as well as the security and transport of data.

"Those are a few areas where we would be interested in expanding our services portfolio beyond those that we already have."

He adds that the development of its cloud services is due to the trends in the market as customers move to the public cloud. Proact is keen to embrace this move, but Hasselberg states that for the time being at least, most customers will be operating in a hybrid environment, utilising the cloud alongside their own legacy systems.

"Our role will continue to be to help our customers to be able to manage their infrastructure and data regardless of what platform they are using," he said.

"We want to give them the opportunity to run hybrid environments and put any application in where it makes the most sense. This is a good opportunity for us, and if we do it right, we will help them continue to focus on their business rather than focus on complex IT."

Hasselberg is keen to emphasise that this embrace of cloud will not affect the VAR's commitment to its

> **"Storage will always be a key part of our proposition, and I think it will continue to be an area where we put extra focus and extra love"**
> **Jonas Hasselberg, Proact**

traditional storage business, stating that it will have the opposite effect.

"Customer desire to use the data in more business-related ways is rapidly growing," he said.

"Data and storage will always be a key part of our proposition. It has been a key part of our past success and I think it will continue to be an area where we put extra focus and extra love."

Championing company culture

Settling into the chief exec role has been a pleasant experience for Hasselberg, who has already laid out plans for what he wants to contribute to Proact, on both a business and personal level.

The firm reported a two per cent growth for its overall group revenue of £279.6m for its full financial 2018. Hitting this target is one of Hasselberg's priorities as CEO, and he said it will be achieved through organic and inorganic routes.

Since stepping into his role at Proact, he has been most impressed by how the company culture adapts to the different geographies in which the firm has a presence, and he is keen to build on this.

"We operate in a very local manner specific to each country in which we operate – they are our primary commercial dimension," he explained.

"I think we've been good at creating a culture that is shared across our different countries. That would be one of the cornerstones on which to build the future, because that creates so much engagement and passion in our local teams for our customers."

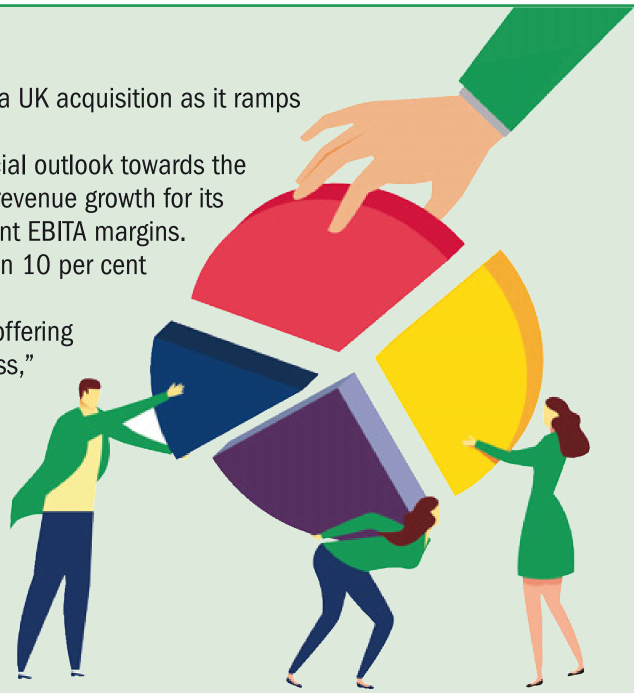
A happy workforce is another of Hasselberg's priorities, and he added that he wants every employee in the company to feel a sense of achievement when financial targets are hit, as well as developing a desirable culture in which to work.

"Above delivering on financial targets, that is where I will put my efforts – continue to grow the culture and build a place where our employees and team members enjoy going to work every day," he said.

"Frankly, if I can create an environment where employees enjoy [themselves]and have fun working in our company, then I will be happy."

"But I've only been here five months, so I'm not ready to speak about leaving a legacy just yet, quite the opposite, in fact!"

VAR sets sights on UK acquisition



Hasselberg also revealed to *CRN* that Proact is plotting a UK acquisition as it ramps up its M&A plans.

The Sweden-based storage integrator raised its financial outlook towards the end of last year, aiming to hit 10 per cent year-on-year revenue growth for its next three financial years, as well as hitting eight per cent EBITA margins.

Hasselberg said that Proact's strategy to hit the golden 10 per cent growth target comprises two parts.

"We think we have a strong position with our current offering and will have organic growth in the existing core business," he explained.

"The other half of the strategy involves accelerating our acquisition agenda and adding companies to the group."

Though he was coy on the specifics of any acquisitions, Hasselberg said that Proact is currently "executing" on its acquisitive strategy.

"In the next three years we need to make quite a few acquisitions but I don't know what the number will be," he said.

"A significant portion of revenue growth will come from acquisitions, so it will be more than one."

Proact ranked 72 in *CRN*'s *Top VARs 2018*, and Hasselberg stated that he is gunning for market share in the UK through inorganic growth.

"Proact UK is a big business unit for us. It has always been very much at the forefront of our service efforts, particularly in the cloud services offerings," he said.

"We are looking at markets where we don't feel we have our fair share, the UK being one of them.

"We have been successful in the UK for a number of years, but it is a big market and we want to have a bigger presence in it."

Push the full meal, not à la carte managed services

MSPs should be convincing 90 per cent of their customers to adopt identical technology, Service Leadership chief executive Paul Dippell tells CRN sister site Channel Partner Insight in this exclusive interview

What makes a high-quality, operationally mature MSP?

The answers to this question are the same the world over, and are also sometimes counter-intuitive, according to Paul Dippell, chief executive of Service Leadership, which claims to be the world's largest benchmarker of managed service providers.

Dippell revealed to *CRN* sister site *Channel Partner Insight* that the highest-performing MSPs that Service Leadership tracks have 90 per cent of their customers running the same technology stack. The same proportion of customers will also take their "full-meal" managed services offering.

Service Leadership has been benchmarking MSPs and solution providers for 10 years and scrutinises 80 metrics of financial and operational performance.

Operationally mature MSPs grow faster and make more money than their peers, with the top quartile achieving a bottom line of 18 per cent or more after the owner has taken a fair wage, Dippell said.

The bottom quartile of MSPs have a negative bottom line of 3.4 per cent, with those in the middle making around eight per cent margin.

"The best practices for running a top-performing MSP are the same in Manchester as they are in Pittsburgh or Melbourne," Dippell said.

"The blue screen of death occurs everywhere, and there are only a certain number of ways to fix that. Either you get on the phone to the user and show them how to reboot it, or the PC has an Intel VPro chip and from your NOC you can hard boot it out of band, or you can send someone in on-site. It doesn't matter where you are: the physics of doing these three things are identical."

Poorly performing MSPs have the choice of folding or selling up, but can also boost their bottom line by complying with simple best practices, some of which Dippell admitted often appear paradoxical.

Why identical is good

Dippell offered a flavour of the benchmarks elite MSPs should be striving for.

"I'll give you some of the tougher ones out of the 80," he said.

"The best in class have somewhere in the neighbourhood of 90 per cent of their customers running the same technology stack, meaning the equipment the customer has on site and the cloud choices the customer makes are identical from customer to customer to customer.

"That is one way you get to top profitability, top growth and top service quality, and it's fairly counter-intuitive because a less operationally mature MSP will say 'if I have to get all my customers onto all the same hardware and software, that will cost them money. They will object to that because they have equipment they've just bought that doesn't fit my standard, so I think I'll grow slower if I require customers to do that'.

"And paradoxically, you actually grow faster. The reason for that is you can deliver high-quality services less expensively. If you take that approach you get a better reputation, attract more customers, keep more customers and make more profit that you can share back into the business to grow. Low operational maturity MSPs just won't get that until they hit their heads up against the scalability problems and start losing customers about five times."

Full meal, not à la carte

Best-in-class performers will also have 90 per cent of their customers buying their "full-meal", fully managed services offering, according to Dippell.

"The low performers will either have a million à la carte offerings – 'I can monitor this, I can manage this, I can patch that' – and the customer selects which of those options they want. Only 20 per cent of the low performers' customers buy their fully managed offerings, where the MSP does everything," he said.

"If you look at the mid-performing MSPs, about 35 per cent of their customers buy their fully managed offering, and the way they do that is by going from à la carte to a precious metals plan, and 35 per cent of customers are on Gold.

"Eliminating à la carte options forces each sales transaction to at least buy the Bronze package and broaches the subject of the Gold package more frequently, and they can get 35 per cent of customers on the fullest, richest package, which is the biggest win for the customer and the MSP.

"If you look at the top quartile guys, they only offer the Gold package, and they don't call it Gold, they call it standard, and they get around 95 per cent of their customers on that. That's 95 per cent of the sales cycle resulting in the biggest possible sales with the most possible value to the customer. The customer is happier, revenue growth is better, and more and more customers look identical, which is cheaper to run, so there are multiple benefits."

Being an MSP is like learning to ride a bike

Service Leadership's operational maturity level is a one-to-five scale, where those in the bottom quartile of profitability typically score around 2.7 and mid-performers around 3.1.

"The bottom quartile guys really struggle to ride the bicycle. They're wobbly on the bicycle; they have a hard time steering; not much of their pedal motion results in forward motion. And when you're learning to ride a bike, all of a sudden the handlebars go sideways and you fall off, and that's their level of control of their business.

"They improve either the hard way, through trial and error and muscle, or they join something like HTG or make use of our assets so they learn how to ride the bike faster without falling off.

"The guys in that medium profitability – that eight per cent range – are less wobbly on the bike. They can stay on more consistently and they don't fall down as often, but are still kind of wobbly. They more or less go in the direction they want, and more of the pedal motion results in forward motion, but if there's any change in the terrain they normally have a pretty rough time and fall off.

"The guys in the top quartile, 95 per cent of their pedal motion results in forward motion. They're smooth, they're stable; it doesn't matter what the ground is like under them – they go where they want to go, and pretty fast and efficiently.

"This is all learned behaviour. If they want to get better and they want to acquire best practices they absolutely can do that, and the best practices are the same all the world around."

Walk away from MSP sceptics

Dippell said there are around 15,000 MSPs in North America, a figure that excludes those that may use the MSP tag but in reality draw 80 per cent of sales from hardware resell. Dippell estimated the number in Europe to be 10,000 or 12,000, pointing out that a portion of what is done by MSPs in the US is carried out by major telecoms companies on this side of the Atlantic.

Asked about how MSPs should pitch to end users that are averse to working with third parties because they want to keep IT functions in-house, Dippell had some sobering advice.

"Walk away," he said.

"Spend your time on the 25 per cent of customers that understand the value and can afford it. For the top-performing MSPs, the value proposition is never 'I'm a cheaper way to do this'. A high-performing MSP wont' be cheaper than Johnny ponytail, and if you did try to be cheaper you'd go broke. It's not that pitch.

"Here's the pitch of the top MSPs, whether SMB, mid-market or enterprise: 'Dear decision maker, get out of the IT business, shift that risk to us and focus on your core business.'"

> **"This is all learned behaviour. If they want to get better and they want to acquire best practices, they absolutely can do that, and the best practices are the same all the world around"**
> Paul Dippell, Service Leadership

Edtech places its Betts

***Marian McHugh** breaks down the trends and talking points from this year's edtech extravaganza in London*

Nostalgia was in vogue at this year's Bett, the annual edtech extravaganza in London's ExCel arena, with a fully kitted-out Delorean from *Back to the Future* and a walking, talking Transformer among the displays grabbing punters' attention.

Now in its 35th year, tech vendors competed to grab the attention of attendees – of which there there were more than 30,000,000 over the course of the three-day event – with light shows, flight simulators and juice bars powered by artificial intelligence (AI).

Underneath the visual extravaganza, it was clear that some trends were emerging, the most notable of which were accessible coding equipment for students and management software for their educators.

There was also a buzz around the education secretary's announcement of a £10m innovation fund for edtech and the creation of a single hub for education buyers to procure services and kit from trusted sources.

Here, *CRN* breaks down the key talking points from Bett 2019.

Robots not so much in disguise

Robots were impossible to avoid on the exhibition floor, especially the interactive Transformer walking around and talking to punters, but the area dedicated to primary education was dominated by automatons of all shapes and sizes.

Whether they were rudimentary Knex-like DIY creatures, or the more polished (and costly) sensory rabbits, the idea behind most of these machines was to teach children how to code and to see the results of their hard graft with a working, obedient robot.

Adam Harding, chief technologist for end-user technology at Softcat, expected to see a lot of coding and AI products at the event, but was surprised at the number of vendors competing in the space.

He believes that this trend comes from the increasing need for schools to link a pupil's cyber world to their own tangible environment, along with teaching them valuable skills they will need when they join the workforce.

"There's a huge amount of cool emerging technology, such as AI, machine learning and robots," he told *CRN* at the event.

"The student experience comes from connecting applications and data and devices. Every vendor is trying to make their solution intuitive, so that it interacts seamlessly with the cyber and physical worlds.

"The big vendors such as Microsoft, Google and Apple have put a huge amount of effort into this event so they are obviously all vying for a slice of the future workplace."

Management software is the hottest new trend

Robots may have been nabbing the attention of attendant students, but their teachers were probably more interested in the range of management software on display.

From classroom management to homework assessment and school administration, there seemed to be a product for every facet of administrative school life.

Ian Cunningham, sales director at XMA, said this was a new trend he was seeing at both the event and in his dealings with education customers.

"I'm seeing more technology related to virtual learning and more of what education transformation looks like this year," he explained at the XMA stand.

"It was pretty legacy in past years, where you would just have desktops and PCs and the likes of Insight and Misco here.

"There's still a lot of that, of course, but this year it's a lot more about learning outcomes, training, and how tech assists learning outcomes.

"What's really interesting is that I'm seeing changes in the partner representation at Bett. There are fewer traditional partners, or in some cases, some of them have reduced their footprint here."

Cunningham added that he thinks it is important for resellers to keep educational outcomes as the basis for any conversation with end users in that vertical, stating that it is about "changing the face of learning" rather than just selling some kit.

"The student experience comes from connecting applications and data and devices. Every vendor is trying to make their solution intuitive"
Adam Harding, Softcat

Government's 'education destination' for edtech

Education secretary Damian Hinds officially kicked off the event with the announcement that the government was investing £10m in an innovation fund to help tackle the problems that continue to plague schools, such as plagiarism, time spent on lesson preparations, and parental engagement.

Part of this initiative will include creating an "education destination" – a single marketplace that will allow education customers to buy from trusted companies.

Dan Bailey, director of Leeds-based cybersecurity MSP Altinet, expressed uncertainty at this news, saying that it sounded like an education version of G-Cloud.

"I'm not against the idea, but we should be wary of increasing the number of hoops a customer needs to jump through to make a purchase, and the ones a supplier needs to jump through to work with their customers," he said.

"Long and complex tendering processes take up so many resources for the customer to create and manage. It's also no secret that edtech IT teams are often strained for resources, so I think it needs to focus on simplicity and driving value for customers, which I'm not convinced G-Cloud always does."

XMA's Cunningham viewed the news in a more positive light, saying that schools across the UK are diverse in how they purchase and that the VAR is forging its own path in trying to cater to all types of educational institutes and end users.

"I think the procurement process is still fragmented and would benefit from some consolidation," he said.

"That is the way the market is going. We are trying to stay ahead of that, and trying to cater to it. Even if it takes the government a few years [to put the marketplace in motion] we will already be there because we are working on it now."

Can edtech thrive post-Brexit?

As attendees buzzed around the exhibition floor, eyeing up niche technology with prices that are probably larger than a school's annual budget, there was an overwhelming sense of optimism that edtech could still thrive in a post-Brexit Britain.

In fact, surprisingly little mention was made of the B-word by speakers or exhibitors.

Partners expressed differing opinions on the future of edtech should the UK and Northern Ireland depart the EU on the planned 29 March deadline.

Altinet's Bailey said the sector will see minimal impact from Brexit, and that edtech is facing more pressing concerns at the moment from another headline favourite.

"GDPR comes way higher on the list," he said.

"A lot of customers are talking to us about encryption to prevent data leaks, as well as solutions that have a powerful search capability, for example email archiving; so they can remain compliant but still address certain areas, such as the right to be forgotten."

Softcat's Harding holds a more solemn view and expressed concern about the effect it may have on school budgets and their ability to invest in necessary technology.

"The education sector has little surplus money to invest in trinkets and nice-to-haves," he said.

"After Brexit – if it happens – it's inevitable that money will be increasingly tight for a long while.

"I'd like to see protection on education expenditure because education leads to the quality of the skills we have in our country and those are what will allow us to compete with the rest of the world."

Bleeding-edge tech the channel backs for 2019

***Marian McHugh** asked a host of partners what new tech they are backing to take off this year*

Andy Barrow, CTO, ANS
Bleeding-edge tech: Digital twin

What is digital twin technology and why are you backing it?
Digital twins is connected to IoT, and it is where you build out a virtual representation of a physical asset, such as a hospital or city, and use the data generated to model certain scenarios.

The cloud vendors – Amazon, Microsoft and Google – have started to talk a lot about it and some have released early services of cloud computing technology that allows organisations to build digital twins.

It gives you a faster time to market, adds much more value to the customer and, in some ways, will accelerate the adoption of IoT due to the simplicity and value it can get out of an IoT solution.

How far along are you in the development phase?
It's a big push for us this year. We are currently working on a couple of customer pilots involving a real estate business and a university.

Microsoft has just released a brand new service, which is in preview, and we are using that state-of-the-art tech and building out our customers' solutions using digital twin tech.

Do you foresee it as a large revenue contributor to ANS?
Over the coming years, definitely. It allows the market to get some traction, brings down the cost, makes it simpler to deploy and makes the data easier to analyse. I expect that in the next two to three years it will be a contributor to our revenue.

How close is it to mainstream adoption?
You could argue that it is mainstream now because as soon as a cloud provider launches it, then it is mainstream, then it is just about adoption. For that adoption you need the services. The ecosystem and the prices need to come down. IoT has matured a hell of a lot over the last three years, and I would say it is mainstream now, but it's not mass adopted. Digital twin will massively mature over the next 24 to 36 months and you will start to see it become mainstream around that time frame.

Craig Lozinski, chief technologist of emerging technologies, Softcat
Bleeding-edge tech: Custom chips

Why are you backing custom chips?
Some of the custom chips coming out for specific use cases are blowing away the orthodoxy that we are used to. They can take problems that are mathematically very difficult and do them in a matter of seconds, which is something that would take years' worth of compute time on traditional infrastructure. Custom chips will become more significant in 2019, there's a lot of movement in the market that way.

Is Softcat investing in this technology?
We tend to keep a lot of the emerging tech on a standby scenario, so we don't actively go and build solutions to take to market, because it changes so quickly that once we've trained people and built the processes, the market has completely changed.

We try to stay on top of things and make sure we have the ability to work on it. When we find the right scenario we'll absolutely turn on the tap and scale it out quickly and have a great partner ecosystem that can help us with that.

How close is it to mainstream adoption?
Big organisations with big budgets will start to use this technology in anger this year, but it will initially be a small portion. I think we will then see a wider subset of the overall market take it on once it is available to purchase on the big cloud providers, for example Microsoft has its quantum development kit, offering the ability to take quantum computing as a service to Azure.

Unless you have a big business case it will remain niche until we see that democratising effect come into the cloud, and then we will see mainstream adoption increasing further down the line. A lot of it still depends on where organisations already are on their cycle – using a custom-designed A6 chip to do bleeding-edge artificial intelligence training at light speed is probably a bridge too far if you are still running Windows 7!

Cliff Fox, COO, Pure Technology Group
Bleeding-edge tech: VR

Why are you backing VR?
It's a multitasking tool. One operation of it is around field service and maintenance. For example, field engineers can touch the glass and dial back to base and have somebody look through the glasses at what they are doing and guide them in performing a function.

We are in dialogue with maintenance facilities management businesses that this will make a real difference to their operation. It's not a result of people banging on our door demanding it, we can just see how some of these apps can make a big difference to organisations. It almost feels like cloud did 10 years ago.

How much of a revenue driver do you foresee it being?
It echoes back to cloud. When I was first involved in a cloud launch in 2009, a lot of people weren't that familiar with cloud and it was a slow burn getting people attuned to it, and I think this may be similar. I think it is the right thing to lead rather than follow when it comes to doing leading edge.

We're investing in this right now. If you're going to do something, you need to be able to take it apart, see how it works, develop it and bring it to market so it's robust and gains some interest and that requires investment.

Rob Bardwell, CEO, Pinacl Holdings
Bleeding-edge tech: Internet of Things (IoT) (smart lighting)

Why are you investing in IoT?
Because it is going to be big. IoT is no longer people-to-people communications, but sensors to machines and therefore there are trillions of devices that will be connected.

We have been investing for two years in IoT and now have solutions for intelligent lighting, housing and for road temperature. We have just received our first major order of £3.5m for intelligent street lighting from Aberdeen council over the next couple of years.

How much do you predict this tech will drive revenue?
We've invested about £500,000 in the last two years in time and real money. In next year's budget, which starts in April, about 20 per cent of our business will come out of IoT or IoT-related projects. Like everything else, it depends on how fast it commodifies, but there's a good chance that within three years it could make up 50 per cent or more of our business.

Which vendors are dominant in this market?
It's a mixture of legacy and start-ups. The bigger companies are looking for dominance in terms of revenue and customer profiles. One of our sensors is sourced from a start-up company in New Zealand, so it's still very much two ends of the market.

Ultimately, the bigger manufacturers will buy out the smaller guys. But at the moment, we are still in the place where the start-ups are gaining equal momentum.

Paul Timms, group managing director, MCSA
Bleeding-edge tech: SD-WAN

Why are you backing SD-WAN?
We are getting curiosity around it. From a technical point of view, SD-WAN is probably the one that we are being asked about more than other things. We've heard a lot about it in the last 12 to18 months, but I think companies are now getting to grips with what it can deliver as a benefit.

Generally, large-scale adoption doesn't take place until there have been good case studies, and I think some of our partners are starting to see some good results. Twelve months is quite a long time in IT, so I think this time next year it will become like virtualisation – the questions of will it work or won't it work will disappear – and will become part of the background.

How prominent will this be in your offering?
I think cutting-edge stuff is more of an add-on. In my eyes there is no cutting-edge silver bullet that suddenly turns up and is prominent in your IT armoury. Talking about good outcomes and services, balancing the right technologies for customers, and understanding how your customers want to transform is still a better conversation than just focusing on one aspect of your offering.

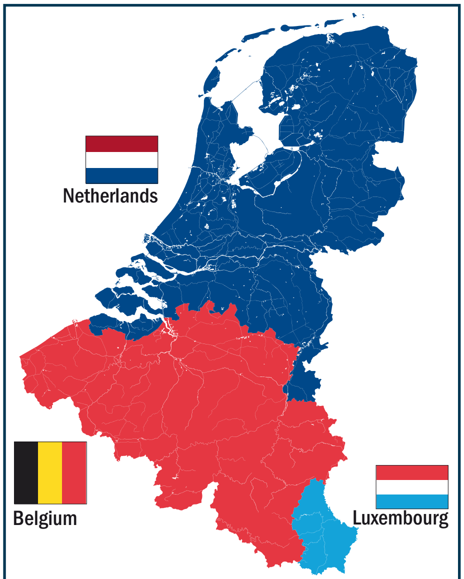
Which vendors are dominating in this space?
We work with Virtual1 and Convergence Group in this space, and they are our route into the likes of BT and Virgin.

It gives customers much more flexibility in how they set up their IT and is less financially restrictive than traditional WAN and the way that the big telcos control the market.

But the space is not at all controlled by legacy vendors. I imagine they are quite wary because SD-WAN can be delivered by smaller-scale connectivity partners, which may be where some of the innovation is being driven.

Spotlight on Benelux

*The Benelux is held up as one of Europe's more accessible markets for expanding US and UK firms. But does the region hold more complexity than commonly believed? **Nima Green** spoke to some of the region's top partners, as well as a UK incomer, to get their take on what works and what is 'doomed to fail'*



Population: 29.3 million people
Total GDP: $1.5tn
Languages spoken: Dutch, French, German, Luxembourgish
Main cities: Brussels, Luxembourg City, Amsterdam, Bruges, Antwerp, Rotterdam

"International vendors struggle to penetrate Europe… You can't just copy and paste your marketing material or even your sales pitches. [Otherwise], you're doomed to fail!"

Those are the blunt words of Frank Hoekstra, Benelux general manager for US-based VAR Insight.

Yet despite some newcomers struggling to make good on their business plans in the Benelux, it continues to be an attractive expansion play.

There is the pull factor of extremely large public sector tenders up for grabs thanks to the concentration of European institutions in Brussels and Luxembourg.

In the private sector, the Netherlands in particular boasts an impressive roster of large European companies headquartered there: WeTransfer, Office App, Interxion, ABN Amro and Philips, to name a few. Amid an atmosphere of Brexit jitters, that could look to increase as more UK firms follow Computacenter's recent Misco Netherlands purchase and expand into the Benelux via acquisition.

In terms of market value, in 2015, tech analyst Technavio forecast the region would grow to $51.8bn (€58.94bn) by 2019; broken down into 58.52 per cent in the Netherlands, 24.03 per cent in Belgium and 17.47 per cent in Luxembourg.

And for vendors and channel firms alike, the Benelux offers an ideal launching pad to take on the much larger neighbouring markets of Germany and France.

In this in-depth market overview, find out why newcomers struggle to hit the ground running in the Benelux, and what strategies they should employ instead.

'It's actually not one market'

At $1.3bn in revenues, Amsterdam-based Getronics is one of the biggest IT services firms in the region.

Its Benelux boss Irene Veldstra made clear the number-one misconception international businesses often make.

"When you think of the Benelux, it's only the closeness of the three countries that makes up the name, and that's where any comparisons end. It's three completely different markets, with completely different people, cultures and ways of doing business," she said.

"If any business thinks they can attack the Benelux in one way, I wouldn't be surprised if that didn't work at all."

It's a view that is strongly endorsed by the Benelux bosses of Dutch VAR giant BearingPoint, Eric Falque; and Insight's Hoekstra.

The Netherlands – Get to the point

"The Dutch market is a mature one, even though it suffered a lot two years ago when a lot of Dutch banks and retailers faced serious challenges. But all this being said, the Dutch market is fast paced and international," said BearingPoint's Eric Falque.

However, despite its international outlook, Falque said that he believes local leadership positions are still important in the Netherlands.

"Leader positions have to be tailored to local expectations…This is vital," he said. "Choosing a one-size-fits-all leadership role is setting up for failure. In my view it's the major mistake incomers make."

It's a lesson that was recently learned by the CEO of UK-based distributor Distology.

Hayley Roberts was candid that six months into her firm's expansion with Okta into Holland, her team needed to have a rethink.

"You need to be wary of assumption. Yes, in the Netherlands 90 per cent of people speak English; there are some similarities. But you can't assume that you can service it from the UK…We tried that, and we were told we had to change our approach," she said.

"We really listened to the local view, and were also told that we did actually need a Dutch speaker, for demos and pre-sales engagements…You need to build relationships A to B not A to Z.

"Six months further along the line and we have seen progress. It's not just been for better understanding technically, it's about giving a nod to their culture. That empathy will make an impact, and it has given us some gravitas in our operations in that market."

Roberts added that if you are in the business of emerging technology, it's worth assessing whether your target market is ready for adoption before making any hasty moves.

"I think cloud adoption is still on the up across Europe generally, so when it comes to some of the newer, disruptive technologies, some of the larger companies will eat them up but others perhaps won't," she said.

"And I think that's where you need the Dutch knowledge and representation so you're able to convince and evangelise a bit better."

In terms of management, Getronics' Veldstra said that you have to be prepared to be challenged perhaps more than you have been in the past.

"It's a very direct culture. They have a very direct way of communicating," she said. "It's also very non-hierarchical; if you are a manager in the Netherlands and make a decision, you'll often have your own team directly challenging it in a conversation with you…I think you have to be mindful that people will react differently when it comes to decisions or strategies that you set out, or contracts that you send out. It's because of their cultural background."

Belgium – Trust and multi-lingual business

While each exec agreed that English is the primary business language in the Netherlands, in Belgium language becomes a lot more complicated.

With Flemish, French and German being spoken, many customers have an expectation that companies address them in their own language.

"The Belgian market is a more challenging one," said BearingPoint's Eric Falque.

"You have the Walloon and the Flemish regions, which are actually two different cultures within the same country. And then you have a third market, which is the European Commission; that addresses European issues, not just Belgian issues.

"You also have to remember that [the European Commission] accepts bids from all over Europe, and the cost of services from a UK firm may be higher than from a Greek one, for example."

Getronics' Veldstra added that this changes the way channel firms interact with each other.

"Doing business in managed services with European institutions creates a very interesting dynamic with other players. You participate in very large public tenders for very large organisations covering a lot of services for a lot of countries. So you nearly always have to co-operate in a temporary consortium with other providers," she said.

"Sometimes you're leading the consortium, sometimes you're a partner, or you're subcontracting. It's not uncommon that you are each other's competitor, partner, customer and supplier all at the same time. This is something very specific to Belgium."

Culturally, all execs agreed that the speed of business across each of Belgium's regions is significantly slower than it is in the Netherlands.

Insight's Hoekstra added that, as a Dutch man, even he has to change his business style when meeting Belgian executives.

"For us Dutch, we're known more for our directness, or bluntness. After drinking a cup of coffee for one minute, I'd put it in black and white and get straight to business. I want to see facts and figures and then come to a deal," he said.

"In Belgium it may take a couple of meetings before you even start discussing facts and figures. For them, they really need to ask: 'do I trust you on a personal level? Are you the kind of person or company I want to do business with'?

"At my Belgium organisation, we have to approach the various language markets differently because of this difference in culture."

Another approach Hoekstra recommends is to make efficiencies in centralising back-of-house business operations.

"Your go-to-market has to be organised by country and region within countries. However, supporting functions, such as HR or finance…there's a benefit of having those

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> **Irene Veldstra, Getronics**

put together because the Benelux territory is a small one. Supporting roles can move around efficiently."

More broadly, across the country, BearingPoint's Falque said that Belgium's "particularly high usage of internet – more than a lot of other European countries" means e-commerce is more developed there than in the other Benelux markets.

He added: "The likes of SAP and Salesforce are also doing very well in Belgium…Especially in the context of the size of Belgium, I think their success is very significant."

Luxembourg – Europe's next ICT hub?

In the smallest of the Benelux countries, Getronics' Irene Veldstra described the Luxembourg market as open and international where language requirements are not as important as they are in Belgium. In other words, you can do business more easily in English.

"But it is very much a society of who knows whom. You must build relationships there to break through into that market," she said.

"It doesn't help if you come to Luxembourg with an established business, from the US for example, and expect that you can do your business in the same way just capitalising on the name you already have. The willingness of partners and customers to go with you has to be earned."

However, Insight manages its Luxembourg business from Belgium.

"From a scale of business perspective you really need to have critical mass to open up an office there. Most companies, such as ourselves, don't see that there's enough critical mass to set up a company there at this moment.

"On the other hand, customers do like to do business locally. So we have Insight people actually living in Luxembourg."

The draw for many firms willing to make that investment in Luxembourg may well be its "tax haven" status.

The corporate tax rate is 21 per cent, and Luxembourg also charges foreign corporations an extremely low tax rate of one per cent to send money into and out of the country.

Veldstra said this helps the country's attempts to brand itself as "Europe's next ICT hub".

Like Belgium, there are also European institutions based in Luxembourg, including the European Investment Bank, and EU parliament.

A launching pad to Germany and France

One of the key benefits of doing business in the Benelux has always been its easy access to neighbouring Germany and France.

BearingPoint's Benelux boss is unsurprised that some international firms use Benelux countries as a launching pad to expand elsewhere, calling it "a smart strategy".

"Look at the connections. In Luxembourg, from a banking perspective, there are many more links between France and Germany – Frankfurt and Paris – rather than with Belgium. The key clients are the Deutsche Banks and BNPs of this world, not Belgian banks," he said.

"Belgium is perceived as a good gateway to Europe as a test market...There are as many commonalities between Belgium and Holland as there are between Belgium and France. In a business sense, Amsterdam is as close to Düsseldorf as it is to Brussels."

Several execs also highlighted the Netherlands in particular as a safe bet for this kind of strategy, due to its maturity as an international market, the wide use of English, and the density of large international companies.

Finally...The B-word

International players appear to be using the Netherlands as a 'hedging-their-bets' base in Europe, as uncertainty over Brexit drifts on interminably.

In the past year, both Sony and Panasonic announced they will relocate their European headquarters from the UK to the Netherlands, citing the wish to avoid customs issues. Indeed, the Dutch government claims that more than 250 companies have been in contact regarding a move to the Netherlands because of Brexit.

However, in every conversation with local execs the response has been: "No. We're not really seeing any impact."

Like the UK, the Benelux channel appears to be in the dark about what impact the UK's departure from the EU will have.

However, Benelux channel players do have an opinion on the recent appearance of the UK's largest reseller in the region.

Computacenter entered the market in September with its acquisition of Misco Solutions in the Netherlands.

It joined Infotheek, SPIE and Gfi Informatique which have each snapped up Benelux resellers logging in excess of €100m in revenues – Scholten Awater, Centralpoint, Systemat, and Realdolmen – in the last 18 months.

"Of course it's going to change the dynamics…It's a major acquisition so they've put themselves in the market on an expanded scale," Irene Veldstra said.

"There is no hostility in the Netherlands from bigger companies entering the market. It's generally seen as a welcome development to have larger players investing in the economic region.

"We're happy to see more of that."

■ *Please visit www.channelpartnerinsight.com to get daily news and exclusive analysis of the IT channel across Europe and the US*

> **"The likes of SAP and Salesforce are also doing very well in Belgium...Especially in the context of the size of Belgium, I think their success is very significant"**
> **Eric Falque, BearingPoint**

Jason James, HellermannTyton

What does your company do, and what is your role there?

Founded in 1988, HellermannTyton Data is an established leader in the design, development and manufacture of innovative network infrastructure solutions for LAN and WAN environments. The company offers a broad range of quality, high-performance structured cabling products. It is based in Northampton, and is part of the global HellermannTyton with operations in 38 countries worldwide.

As HellermannTyton's technical director I wear several hats on a day-to-day basis. These are mostly forming our business direction on the introduction of new products and our company's IT systems and services. With a manufacturing workforce of 70 people and back-office operations of 30, the requirements are not enough for a dedicated role and with my background in software and all things "techie", my position here allows me to practise what I preach and preach what I practise.

What traits do you seek in your IT suppliers?

Given that I am not 100 per cent dedicated to a single role, one of the main traits I look for in any supplier of IT services is flexibility. This is key to helping the business join the dots between what we have, what we need and how we're going to get there. Our requirements span local and cloud infrastructure, wireless and wired connectivity, desktops and handheld devices.

We always strive to build a great relationship with IT suppliers who are versatile enough to fill the gaps we require, are highly knowledgeable of our products and have a broad understanding of our business requirements. Our IT suppliers must be patient and supportive with other third parties providing the physical infrastructure of our business, and be willing to be both a generalist and specialist in their area.

What are your main dos and don'ts for resellers and other IT suppliers when they are selling to you?

Building a mutually trusting and respectful relationship is essential for us. Once we have built a strong relationship with our suppliers who are familiar with the data, our processes and way of working, it becomes a much easier relationship to manage.

A big don't is to not over-promise and under-deliver on their offerings. This can be frustrating and damaging to the relationship we have built. Also, making sure that IT suppliers answer the questions I might have forgotten to ask is a big positive and can cement my decision in purchasing their services.

We are keen for suppliers not to treat us as guinea pigs for their new systems or procedures, but rather offer a personal experience with services tailored to our needs.

How can IT suppliers best influence you early in the sales cycle?

Of course, price does have a part to play in the sales cycle, but suppliers must be willing to sell us what we need, rather than what they think we need. Having a clear understanding of what we do is essential, as well as how and why. Also demonstrating that you have the flexibility and capability to react to our requirements.

Can you give an example of a project where an IT supplier has really impressed you? What did they get right?

We have been very impressed by Datel, which supplies our Sage 100C ERP system. From the beginning, Datel didn't treat us as guinea pigs for some else's unproven solution. Datel waited for us to get our prerequisites in a row first. We implemented Datel's ERP system as part of a new project. Datel staff were present at all our planning sessions, and fitted in nicely with other existing and new IT solutions to ensure a seamless transition between the hardware and software.

Our relationship with Datel is built on a mutual understanding of our business requirements and their complete dedication to supporting us from initial installation through to this day.

Do you generally prefer to procure as many IT goods and services as possible from a single supplier, or work with multiple specialists?

My ultimate preference would be to have one supplier for everything who understands the interactions of all our systems. This means I would only have one number to call if any issues arise. But given that this sadly doesn't exist at the moment, my preference is to keep the pool of suppliers as small as practically possible.

Some requirements are broad and fairly generic while others are very specialised and mission-critical. The business-critical and specialised function of our ERP system, including our bespoke requirements, are a perfect example of where all our eggs are in one basket; or at least a basket that is managed by a single point of contact.

We have other specialists that look after our datacentre as well as others providing building services, connectivity and security. If we can find the right partner that can work with our in-house team as well as our other service providers, then I feel that the best of both worlds is possible.

Animal magic

This month Dave is inspired by what the animal kingdom can teach us through biomimicry, and ponders the nature of helpdesks, divorce rates and drones

As a visionary and forward-thinking CEO, I've always taught Dodgi's staff to mimic the nature of various animals. I hold seminars on how my salespeople should be like blood-thirsty jackals, and regularly drill my technical team on how to operate like a well-organised ant colony.

So imagine my delight when into my inbox popped an email alerting me to the fact that many technologies have also been inspired by nature.

Who knew, for instance, that the US Navy has invested in coatings similar to that of a shark's skin, whose scales are like tiny teeth that can create vortices in the water that cut drag while also preventing the attachment of barnacles?

Meanwhile, engineers at Cornell University have developed camouflaging material inspired by octopus skin, while a US firm has adapted the swarm logic of beehives to improve the efficiency of energy grids (thanks to RS Components for the tip!).

Apparently there's a whole field devoted to technologies that have been inspired by our furry and scaly friends, namely "biomimicry".

I can only imagine that the inventors behind Dodgi's fleet of creaking desktops took their lead from the behavioural patterns of a particularly dazed three-toed sloth.

What's in a name?

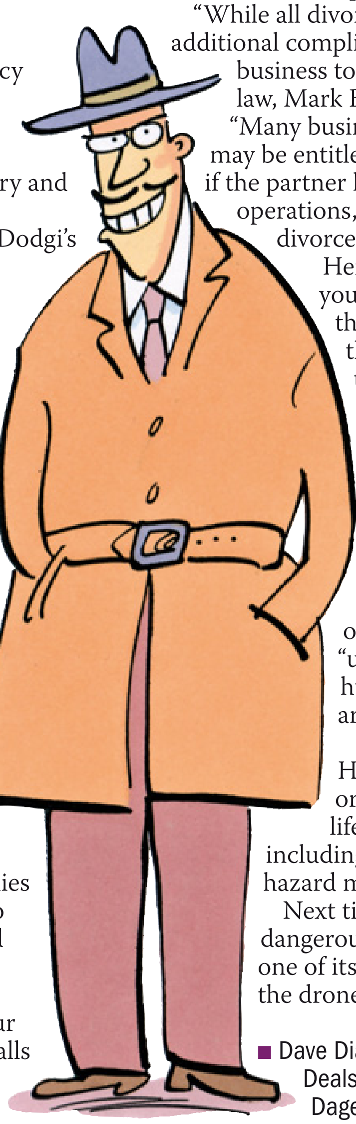
The Venn diagram overlap between people who are interested both in mild social media spats on the one hand and IT helpdesks on the other may be miniscule, but I'm proud to be in that exclusive club.

I was therefore happier than a swine smeared in its own faecal matter when a minor disagreement flared up between two MSP aficionados on LinkedIn the other day.

The first was promoting the launch of his book, entitled *Helpdesk Habits*.

But the tome's title earned the ire of one MSP boss tuning in, who questioned why the industry continues to employ the term 'helpdesk'. 'Service desk' is now the preferred nomenclature, the head honcho argued, because mature MSPs "are a value proposition not a cost centre" with "skilled techies not call centre operators" (although to be fair to the author of *Helpdesk Habits*, the book's stated aim is to help eradicate helpdesks from being an overhead).

Dodgi's own external 'helpdesk' consists of our graduate trainee Paul advising any client who calls to turn their computer off and on again. What do they expect for £9.99 a month?



In sickness and in wealth

Unpaid debts, the collapse of a large client, cut-throat competition, squeezed margins.

These are all common reasons why a reseller might go under, but to this list we might now have to add 'Divorce January', if a press communication I received from Ansons Solicitors is anything to go by.

It's sad enough on its own that divorce enquiries spike threefold in the year's opening month, according to the law firm.

But this matrimonial carnage also has a knock-on effect on family-run businesses, of which there are 1.4 million in the UK, Ansons points out.

"While all divorces are difficult, there can be a lot of additional complications for those couples who are in business together," burbled Ansons' head of family law, Mark Buttery.

"Many business owners remain unaware their partner may be entitled to some share in their company, even if the partner has never been involved in the day-to-day operations, and this can lead to bigger issues should a divorce occur."

Her Indoors is a silent partner in Dodgi, but you wouldn't know it from the loud cackle that can be heard reverberating through the building every time she pays a visit to the office.

Game of drones

Drones may have had something of a bad rap in recent months, but I was intrigued to read that these flying, unmanned robots appear to be mounting something of a PR counter-offensive.

An awards ceremony honouring organisations and individuals that have "used unmanned technology to serve in humanitarian or philanthropic efforts around the world" will be held in late April.

Last year, the inaugural AUVSI Xcellence Humanitarian Awards went to five organisations that flew drones on critical, life-saving missions around the world, including hurricane recovery, search and rescue, hazard mapping and medical deliveries.

Next time you spot a shiny metal object hovering dangerously near an airport, just remember that one of its cousins is out saving lives. More power to the drones!

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

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