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Stabilise and build

How Misco's new management team plan to breathe new life into an unloved asset 16

RESEARCH INDICATES END USERS ARE NOT CHANNEL-LOYAL 10 IS THE DATACENTRE DREAM NOW DYING? 13 ORACLE UK BOSS TALKS UP THE NEED TO STAND OUT IN A CROWDED MARKET 20

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Rule by the few

Power continues to concentrate into the hands of fewer, mainly global IT distributors, but what is the impact for the wider channel?

This is the question being asked following the latest bout of consolidation in the market. The bankruptcy of Steljes and sale of Avnet, Hammer and Widget last year have been followed this year by the potential sale of Westcon and the demise of Entatech.

According to our estimates, nine of the top 20 UK distributors of 2010 have gone out of business or been subsumed through acquisition.

With one or two exceptions, neither has a new wave of £100m-plus distributors emerged to replace those that have fallen or been bought.

Credit management consultant Eddie Pacey has analysed the market share and gross margins of the distributors that report UK numbers. He told us the share of the top 10 rose from 73.5 per cent to 87.7 per cent between 2011 and 2016.

Proponents of the mega disties would argue that such market consolidation was badly needed. Scale offers genuine advantages, particularly to resellers operating across borders.

But onlookers I speak to also harbour concerns that the recent thinning of the skyline has left resellers with less opportunity to play distributors off against each other, and access to fewer lines of credit.

"For resellers, the fewer distributors there are, the less choice there is, and therefore the less flexibility in the pricing structure there will be from those distributors," Pacey told me. "If a reseller has to buy from five distributors where they used to buy from 20, the likelihood of that reseller being able to get a better deal price-wise is narrowing."

> "The thinning of the skyline has left resellers with less opportunity to play distributors off against each other, and access to fewer lines of credit"

If you have any thoughts on this, let us know.

In this month's packed issue, our Spotlight feature (p10) explores exclusive *CRN/Computing* research suggesting that resellers are over-estimating the loyalty of their customers and that end users actually prefer to purchase direct.

Troubled reseller Misco hasn't engaged at all with the press in recent years but that has all changed now that new management and ownership have taken charge. We catch up with its CEO Alan Kantwell in our Big Interview on p16.

Also, don't miss our Q&A with Oracle UK partner boss Simon Hill (p20) and our Emerging Technology feature on the resellers that are operating successfully without a sales force (p26).

As ever, please leave us your feedback on *ChannelWeb* or Twitter *@CRN_UK*.

Doug Woodburn is editor of CRN.


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Five things we've learned this month

1. MICHAEL DELL IS A PUBLIC CLOUD SCEPTIC

While many other mainstream IT vendors, including Oracle and Microsoft, have attempted to co-opt the rise of public cloud by going all-in on the fluffy form of IT, Dell is not for turning.

At Dell EMC World last week, Michael Dell fired a shot across the bows of AWS, Microsoft, and Google by claiming that for many, "public cloud is twice as expensive as on-premise".

"If you have a public cloud-first and -only strategy, you will find yourself uncompetitive in the long term. On-premise offers automation capabilities on an unprecedented scale," he said, as he talked up the importance of the "multi-cloud" world.

However, Simon Hansford, CEO of UK public cloud player UKCloud, begged to differ.

"I totally agree that there will be use cases where public cloud is more expensive, but I think they're relatively small in number," he told *CRN*.

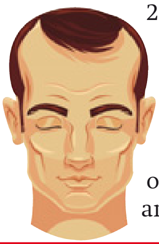
"You've got to be rather sceptical — Michael Dell has got storage and hardware to sell. In most use cases we believe cloud is cheaper, and there is a whole swell of TCO whitepapers which demonstrate that."

2. THE DISTRIBUTION SKYLINE IS THINNING

The shrinking of the UK distribution landscape continued last week with the sad news that Entatech has gone to the wall after more than 25 years in business.

The Telford-based distributor's demise comes amid a period of dramatic market consolidation that has seen Avnet and Hammer sell up, Westcon conduct a search for a buyer, and Steljes go bust.

By our calculations, just 11 of the top 20 UK disties of 2010 have vanished through acquisition or consolidation, or will do shortly.



Entatech's fate was sealed after rival Beta withdrew from advanced talks to buy some of its assets in a rumoured pre-pack deal. A skeleton team has been kept on to help maximise returns for creditors and we wish all involved the best.

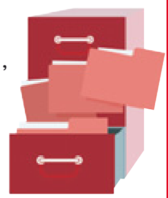
3. DATACENTRES ARE SO LAST DECADE

The craze for owning datacentres seems to have completely reversed, with IT and telco providers now seemingly not able to offload them quickly enough.

As we explore on p13, Verizon and CenturyLink have become the latest in a growing line of providers to make datacentre divestments in recent months.

This is despite the duo only leaping into the datacentre space in 2011 through the acquisitions of Teeremark and Savvis, respectively.

Colin Brown, managing director of Softcat, said: "A few years ago, everyone was saying 'let's build our own datacentre', but now people are realising it's hard work. Our approach has always been 'let's get someone else to do that', and now it seems more people are going that way."



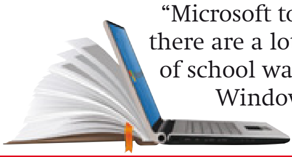
4. MICROSOFT IS GUNNING FOR EDUCATION

Microsoft is aiming to take the fight to Google Chrome and Apple in the schools market with the launch of a stripped-back version of Windows 10, and a new 'Surface Laptop'.

'Windows 10 S' will run on devices from Acer, ASUS, Dell, Fujitsu, HP, Samsung and Toshiba priced as low as $189, as well as its new Surface Laptop, which starts at $999 (£979 in the UK). For better security and performance, the OS can run apps only from the Windows Store.

Chris McQuade, operations manager at Microsoft partner PCS Business Systems, welcomed the move.

"Microsoft took their foot off the gas — there are a lot of millennials coming out of school wanting Apple rather than Windows and I'm sure they were feeling the pain," he said.



5. SOUTH AFRICA IS AN OFFSHORE CONTENDER

IT suppliers picking an offshore destination have typically restricted their search to India and Eastern Europe.

But Logicalis has become the latest outfit to choose South Africa to house some of the services it provides to its UK clients. After launching an operation in Cape Town in March, the Cisco Gold partner is proposing to move 40 of its 65 UK helpdesk roles to the South African capital, *CRN* learned. A consultation period with affected staff began on 25 April, and will last until 4 June.

The African nation's standing as an offshore destination has been boosted by the recent dramatic fall in the rand, as well as favourable immigration laws.

But in a potential boost for jobs here, Logicalis also wants the UK to become a centre of excellence for Europe for higher-end managed services.

POLL: Will a 2017 general election cause a slowdown in your business?

Ensuring stability as the UK negotiates its way out of Europe may have been Theresa May's stated objective for calling a general election, but many *CRN* readers fear the decision will create instability for them and their customers – at least in the short term.

In the six to eight weeks leading up to a general election, public sector bodies enter what is known as "purdah", a kind of stasis where they can't make any decisions lest there is a change in government.

May's snap decision to take Britain to the polls means IT suppliers are enduring their second purdah in just over two years, with the latest shutdown beginning at midnight on 21 April.

So it's hardly surprising that 41 per cent of readers feared it will cause a slowdown in their business, at least in the short term. For the full channel reaction, see page 18.

Phrase of the month

"Drinking one's own champagne"

Scott Dodds, chief executive of Ultima, employed the above metaphor as he talked through how an £18m upgrade to Ultima's HQ will serve as a template for mid-market customers embarking on digital transformation projects.

"We're modernising all the infrastructure and facilities, we're using more cloud services and SaaS so we can be more mobile, and we are automating a lot more things through software robotics," he told *CRN*.

"And we are spending a lot more time on the people bit. We call it M³H – modernised, mobilised, mechanised and humanised."

NOTABLE AND QUOTABLE: Orion Hindawi, Tanium

"It is true that I personally can be hard-edged, and that I've had to apologise to people at Tanium when I've gotten too sharp at times. What is not true is that we have a toxic culture. [It is] mission-oriented, hard-charging, disciplined, even intense, but not toxic. We do not belittle each other at work, and it is completely untrue that we fire people to save a few shares of stock."

The CEO of end-point security start-up Tanium, Orion Hindawi, responded to a torrent of bad press via an open letter to customers. Despite recently being valued at $3.5bn, the California-based outfit's reputation has been battered recently, first by allegations that Hindawi mistreats staff, and then by a *Wall Street Journal* report claiming that the company exposed a hospital's network in demonstrations without its permission.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Vendors land blow in direct versus channel debate

End users prefer to buy from vendors and are more loyal to them than resellers, CRN/ Computing research finds. But all is not lost for the channel, according to ***Doug Woodburn***

One of the first questions anyone who works in the channel faces when asked to explain it to a family member, friend or new colleague is: why does it exist?

Everybody has heard of HP, Dell, IBM and Microsoft. But most people would assume that businesses buy their hardware and software directly.

As we all know, the answer is fairly simple: no single vendor can offer every piece of the IT puzzle, or hope to reach every target customer without the help of a network of partners. Their specialism lies in designing and manufacturing the technology, and the channel's in selling, integrating and servicing it.

What your friend or relative also won't know is that for decades an awkward tension has existed in our industry between direct and indirect sales.

Despite the basic division of functions described above, vendors are often tempted to sell direct when they can, throwing them into co-opetition with their partners.

And neither can the channel take its existence for granted.

For every occasion when the indirect route seems to have won the day – as when Dell ditched its 'direct-only' mantra in 2007 – we're told the channel is facing a new existential threat, be that from direct-selling SaaS vendors or from the commoditisation of IT, or some other frightening spectre.

Even in 2017, market commentators can't agree on whether the channel has never been in ruder health, or is in decline.

Advantage vendors

It's an argument that may never be settled, but recent research by *CRN* and sister publication *Computing* – unfortunately – adds weight to the latter school of thought.

Indeed, the further one reads into the research, the more one must shield one's eyes from its findings.

The report makes fairly sobering reading for the channel, although a few mitigating points can be made in response.

End-user respondents were asked whether direct or channel relationships leave them happiest.

Sadly for the channel, direct sales scored an average of five out of seven on the satisfaction front, compared with only four out of seven for channel sales (*see figure 1, above right*).

The research also asked both end users and channel sellers about the first port of call for end users when researching new technology and services. Some 64 per cent of VAR and MSP respondents believed that they were the first port of call.

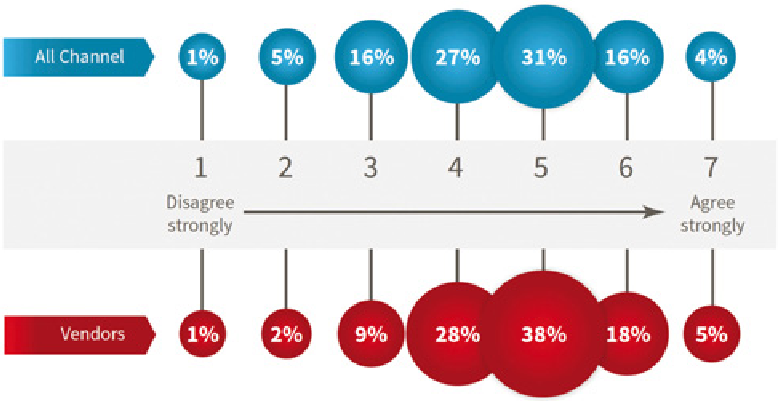
But the reality is that 53 per cent of end users prefer to go to the vendor directly in the first instance, and only 35 per cent the VAR (*see figure 2, right*).

And neither are customers as loyal as the channel think they are.

Some 66 per cent of VARs and MSPs believed that end users were more loyal to them than to vendors. The opposite is true. Only 36 per cent of respondents considered themselves loyal to VARs, yet 48 per cent considered themselves loyal to a brand and/or vendor.

The research also questioned why end users use the channel. Only 30 per cent of end users rated relationship as an important factor. However, when asked about why they thought end users favoured them,

1. Rate your satisfaction when dealing with the channel and vendors (buyers)



channel players believed that relationship was the key factor – some 61 per cent of VARs and MSPs made this the number-one reason.

Resellers are also massively underestimating the importance of cost. This factor came tenth on the list of sellers' reasons for buyers using them, with only 19 per cent rating it as important. But cost was first on the list for buyers.

In defence of the channel

So end users prefer to deal with vendors directly and are more loyal to them than resellers?

While this might come as a blow to the channel, there are a couple of points that could be made in mitigation.

Firstly, while it's true that an end user may have a better experience dealing with a vendor individually than with a reseller, generally speaking they would only ever be able to get part of an IT solution from any one vendor.

If an end user were procuring only a fleet of servers, buying them direct would almost certainly be cheaper, and they may even get a better service if they are a big customer. But then they'd have to do the same for storage, networking, voice, printers, software and security etc. Who would integrate it all together, and who would wrap a service around it?

With very few exceptions, only resellers are in a position to stitch a total solution together.

The question also assumes that end users know exactly what technology they want to buy. But in the event that an end user didn't know which technology best suited their needs and approached a vendor for guidance, they would certainly get a biased answer. Only a reseller could give an impartial viewpoint.

Take these factors into consideration and there are good reasons why end users would favour partners over vendors which may not have been exposed in the research.

That said, the research certainly suggests that resellers and MSPs can be over-confident about their standing with customers.

Resellers that are happily convinced that they "hold the relationship" with end users and effectively act as gate keepers for the vendors should take stock. It might be true, but in most cases probably isn't.

If anything, the advent of cloud appears to have stacked the odds further in the favour of vendors, with many customers not seeing the point of buying cloud services from resellers, the research found.

When asked who they were likely to favour for cloud services, 62 per cent of end users would buy directly with only 24 per cent going via a VAR and 12 per cent through an SI.

The quotation below, from the head of technology at a services company questioned in the research, illustrates the weight of the problems the channel as a whole faces.

"We would go direct at every opportunity and only to a VAR if we had to because we don't get any additional value from VARs.

"By and large when you are buying cloud services, we generally find that the relationship is much better with the cloud providers than with the VARs, you don't need to go through someone else."

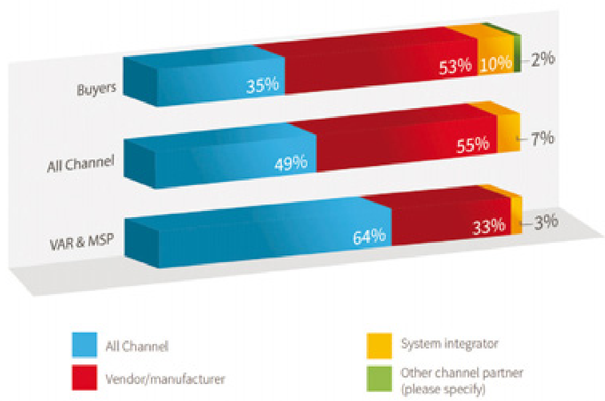
The COO of one reseller questioned in the research acknowledged that cloud has deprived the reseller of the customer ownership and control they have traditionally enjoyed.

"Now it's not so easy because all the stuff's moved into the cloud – you've got to export it all out and import it back in to a new environment, it becomes difficult to change," they said. "When it becomes a billing relationship and you're not adding any value, then I think the customer ownership shifts."

Nevertheless, the research concludes on a hopeful note, arguing that there is strong demand for resellers who can evolve into cloud brokerage businesses who aggregate, integrate and customise cloud services.

That's just one of a number of key topics discussed in the research, which looks at how buying and selling enterprise technology in the era of cloud and digital transformation has changed. To request the full report, visit: *http://btgmarketingsolutions.incisivemedia.com/2016-2017-it-buyers-report/*.

2. Generally when dealing with the channel when looking to purchase products and services, who is your first port of call?



The great datacentre sell-off

Five years ago, everyone wanted to own a datacentre, but – as this month's Verizon and CenturyLink divestments show – that trend is now in reverse, writes ***Doug Woodburn***

More and more IT and telco providers are concluding that owning datacentres is too much of a headache to endure, with Verizon and CenturyLink the latest to make divestments in this area.

Verizon earlier this month completed the sale of 29 datacentres to Equinix for $3.6bn (£2.8bn) in a deal involving the transfer of 250 staff.

On the same day, CenturyLink closed the sale of its datacentre and co-location business, which has 700 staff, to a consortium of private equity investors.

The divestments underline the fact that IT and telco providers are scrambling to offload the datacentre assets they were only five years ago intent on building, according to Philip Carse, principal analyst at Megabuyte.

IO and Vancis are among the other providers that have divested datacentre assets this year — to Equnix and Interxion, respectively — in order to release capital into their businesses, Carse told *CRN*.

"The fact both [Verizon and CenturyLink] deals closed on the same day nicely illustrates that these two firms — which are both telcos at heart — decided they are better off releasing capital to invest into things like networks, instead of trying to support datacentres, particularly when there might be companies out there better suited to it," he said.

The divestments mark a U-turn for Verizon and CenturyLink, which leapt into the datacentre space in 2011 through the acquisitions of Terremark and Savvis, respectively.

"They both decided they needed to be in the whole hosting space, but with it came a lot of datacentres," Carse said. "They've realised that managing datacentres is not their core capability. Effectively it's a property play. They're much better off focusing on services — they will continue to resell co-location and hosting based in those datacentres, but no longer have to worry about maintaining and investing in the capacity in those datacentres."

UK-based resellers and hosting players are also having to reassess their datacentre strategies, Carse added.

"If you look at someone like Six Degrees or iomart, they've always wanted to own their datacentres, but the DNA of other businesses, such as Softcat or Adapt, has been the opposite. But with more use of cloud happening, even companies that own their own datacentres are having to become increasingly technology-agnostic. A customer might want to put a bit of their infrastructure in iomart's datacentre, but they might also want to use AWS or Azure, and those firms are having to realign their businesses."

Colin Brown, managing director of Softcat, has also noticed the trend flagged up by Megabuyte.

"A few years ago, everyone was saying 'let's build our own datacentre', but now people are realising it's hard work," he said. "We've always been in Telecity, which is now Equinix. Our approach has always been 'let's get someone else to do that', and it seems more people are going that way too."

Clive Longbottom, founder of analyst Quocirca, agreed, saying that many telcos had come to the conclusion that they had bitten off more than they could chew.

"It's a case of the telcos saying 'why the hell are we trying to run these facilities? We should be looking at how we can maximise revenue and profits by providing services," he said. "Rather than paying variable costs by employing base-level skills for managing a facility, it's far easier to pay a known cost to a service provider like Equinix. It allows the telcos to concentrate on developing new services they can get margin from. Maintaining datacentres they need to update on a regular basis doesn't make sense anymore."

The trend will affect resellers, Longbottom agreed.

"They should be looking at how they can deal better with the Equinixes and everyone else that is providing these services," he said. "Rather than just going into a telco environment and saying 'you need a big switch, you need really good cabling' it's now far more a case of how they can provide more services into a broad-scale facility or service provider, and I think that opens up more opportunities for the channel than just talking to BT."

A sustainable future

UK resellers have an opportunity to take a leaf from their Nordic counterparts and win more business on a sustainability agenda, the CEO of sustainability certification body TCO Development tells ***Doug Woodburn***

Nordic reseller Atea could serve as a model for UK resellers and MSPs looking to boost their sales and reputation among customers by leading on a sustainability agenda.

That's according to the chief executive of TCO Development, a Swedish not-for-profit body whose TCO Certified sustainability certification has recently been embraced by Lenovo, HP and Dell for PCs.

TCO Certified only qualifies displays, PCs, smartphones, projectors and headsets that have been independently verified to meet all criteria at the product, factory and brand level. Key criteria cover hazardous content, energy efficiency, product lifetime, conflict minerals and social responsibility in the manufacturing supply chain, which has been an issue for the likes of Apple in recent years.

HP this week became the last of the big three global PC manufacturers to achieve the stamp on a range of its notebooks, following in the footsteps of Dell last year and Lenovo in 2014.

"Lots of Nordic resellers have started differentiating their products into standard and more sustainable choices in their web shops and product catalogues"
Sören Enholm, TCO Development

'All in' on sustainability

TCO CEO Sören Enholm told *CRN* that some Nordic resellers are leading on a sustainability agenda to win business, and predicted that their counterparts across Europe, including in the UK, could follow suit.

"The Nordic market is quite early in adopting things going on in the sustainability field, both environmental and social," he said.

Sweden's largest reseller and SI, Atea, has gone "all in" on sustainability, Enholm explained.

"The other Nordic resellers are looking at what Atea is doing and [they] want to do [similar] things," he said. "Lots of them have started differentiating their products into standard and more sustainable choices in their web shops and product catalogues. This is quite common, and in this case they can use TCO Certified as a tool to choose the products they put on these 'sustainable shelves'.

"This is quite a simple way for a reseller to start, and see that it makes sense from a business perspective. Otherwise they would have to invest a lot of knowledge and processes to do it themselves."

Resellers can take things a step further by offering more sustainable IT services to end customers such as better logistics, packaging handling, introducing initiatives around systems and components re-use, and equipment return, Enholm added.

"The resellers in Sweden that are out in front offer lots of local sustainability services alongside the products they sell," he said.

Human rights and hazardous chemicals

TCO Certified started life 25 years ago, focusing purely on computer displays.

Enholm claimed that most professional monitors sold in Europe are now TCO Certified, but admitted that the certification has enjoyed more limited success in other hardware categories – until recently.

"Now that we have the three global players – Dell, HP and Lenovo – certifying their computers, it makes it easier for the purchasers to require TCO Certified," he said.

"The more purchasing power we have, the tougher we can make the criteria in the coming generations."

TCO Certified focuses on both environmental and social criteria, covering the whole life cycle of the products it certifies, from the manufacturing phase, to the use phase, through to the end-of-life phase.

This sets it apart from other standards and certifications that focus on only one area, Enholm said.

"Every time we release a new generation of criteria we choose where to tighten the thresholds," he said. "Right now, we believe the two areas that are most urgent to address are human rights issues in the supply chain and hazardous chemicals, so that is where we have the most development efforts right now regarding the criteria."

Enholm claimed that sustainability is rising up the agenda in the UK, and he urged UK resellers interested in learning more to contact him.

"In the UK, there has been lots of focus on climate. In general, everyone has been working with climate and CO2 emissions, and therefore lots of focus has been on energy efficiency – but not as much outside that," he said.

"But I think what's happening now is that it's starting to move outside climate, and all this is becoming much more interesting and relevant."

High stakes

The new management team at Misco have invested every spare penny they have in the struggling reseller juggernaut, according to its CEO Alan Cantwell. Talking to CRN, Cantwell says the objective is to stabilise and build the firm, whose UK operation is loss-making, stressing that he and the rest of the management buy-in (MBI) team have a huge amount to lose financially if their plans don't come off. Despite its background in restructuring distressed business, the team's financial backer, Hilco, sees Misco as a growth investment, Cantwell explained during the interview, edited highlights of which are below.

One of your first moves was to close the Watford office, despite its opening only 10 months ago. To what extent are this and other cost-cutting decisions being driven by Hilco, given its background as a restructuring specialist?

Financially it just didn't make sense to have a satellite office in Watford. It just wasn't making any money and it wasn't well thought out.

The decision was really nothing to do with Hilco — they are a financial backer of the business. Hilco has two sides to its business: its traditional business, which is a restructuring company, and then its private equity side, which is the part of the business I have been working with for the last few months to arrange financing for this. They've pretty much seen the opportunity here as a stabilise-and-build.

Harvey [Misco CFO Harvey Downer], Colin [Misco group sales director Colin Robinson], Paul [Misco chief information officer Paul Baldwin] and I have visited every office, and one of the key messages is we are open for business. My view of Misco is that it has very much been an orphaned family member. I've been watching it for the last two and a half years, and have been trying to buy the business. I was desperate to get hold of it, because I can see the opportunity.

L-R: Harvey Downer, Alan Cantwell, Colin Robinson

Your background, and that of the MBI team, lies in services and solutions [they ran Selection Services until 2011]. Misco's attempts to build a services and solutions business, at least in the UK, haven't taken off to date, so are you planning to do anything differently?

I wouldn't necessarily say differently, but in the UK over the last 10 months a solutions team has been built consisting of about 60-plus people, and they haven't necessarily been given the opportunity to develop a revenue stream yet. So we are going to focus more on the sales side, rather than 'build it and they will come'. We're going to start developing a revenue stream off the back of the skills set that has been developed here, very similar to the Dutch operation.

Misco has three components to its business. Misco core is what it

has always done, and what it's good at. Misco services and solutions are the growth components of this story. If we can mirror the Dutch business — which has a turnover of about £200m and has the three components working together — in the UK, the UK will be very successful.

We will have a more dedicated focus on the services and solutions component. The Watford office was only core product — it had no solutions and services people.

Is there any truth to the rumour that the credit insurers withdrew cover in the wake of the ownership change?

One of the first actions of our CFO, Harvey, on day one was to contact all the suppliers, and Euler and Atradius, to bring them up to speed on the transaction and the new financial package that was in place. Neither insurance company has withdrawn cover and none of the suppliers have withdrawn credit limits.

We have spent a lot of time with all of them, making sure they have full visibility on the new financial models of the business moving forwards. As you say, the business was loss-making for 2015 and 2016 and would be predicted to lose money in 2017. Our job is to stop it losing money and turn it into a profit-making position, and Atradius and Euler are supportive of that. But there's no smoke without fire — everyone was caught unawares by this.

> "The management team – the four of us – have put every spare penny we have into Misco, alongside Hilco. There's a huge amount at stake. We are very heavily committed to this financially"

Your Budapest shared services centre has had mixed reviews since it was launched in 2013. Is it true that you are planning to close it, or at least return some of its functions to the countries?

No, I don't know where that has come from. When the Budapest facility was originally set up by [former European boss] Pim Dale three and a half years ago, his vision was for Misco to be a much larger business than it currently is. But a lot of the work that's done in Budapest works really well and it's very cost effective to run a centralised shared service centre, so we are 100 per cent committed to retaining it. Naturally there are certain services that have come back to the local countries because they just make sense: the UK, for argument's sake, does its purchasing and customer services.

Part of the reason why the Budapest facility has been frustrated is it has been utilising some old ERP software, which was a legacy application from Systemax. As part of the transaction, we have a nine-month agreement to replace that with a tier-one, either Netsuite or Dynamics.

Misco France wasn't included in the deal. How large is Misco's geographic footprint, and are there any plans to expand or, equally, contract that footprint?

There are 1,100 staff in the group — about 300 in Hungary, 350 in the UK, 300 in Holland and the rest split between Spain, Italy and Sweden. The only thing we have planned is that Hungary is a shared services centre and we plan to start a sales focus in Hungary. Over £10m has been invested in the shared services centre over the last four years, and I'm amazed that it's not actually a profit centre, rather than a cost centre. They have inbound sales there, and customer services: all the components exist, apart from a website.

What will the change of ownership mean for staff, particularly in the UK where the business has been struggling financially?

The management team — the four of us — have put every spare penny we have into Misco, alongside Hilco. There's a huge amount at stake. We are very heavily committed to this financially. Being a public company made it difficult for Systemax to be flexible and experimental. Having four new members coming on board, who understand the industry, and who are local — and therefore can be in the office to make decisions and motivate the team — has hopefully had a positive effect in the last few weeks. It will breathe new life into an unloved asset.

Keep calm and carry on

*News of the imminent general election came as a surprise to many, but despite this, the public sector IT channel appears to be remaining calm. **Hannah Breeze** reports*

Few people anticipated that a general election would take place next month — in what, at the time of the announcement, was just seven weeks away. Such surprising news understandably caused some concern and nervousness in the channel, with many at the time worrying that the period of uncertainty leading up to the vote would slow down business, like many said happened in the last election just two years ago, and the Brexit referendum last summer.

As with all general elections, a period of so-called purdah is needed in the run-up to the vote, and this year it began on 22 April. During this time, big-ticket projects, or ones which may be deemed controversial, must be put on hold, in case the incoming government decides that public funds should be directed elsewhere.

Government documents state that "it is customary for ministers to observe discretion in initiating any action of a continuing or long-term character", adding that "decisions on matters of policy, and other issues such as large and or contentious commercial contracts, on which a new government might be expected to want the opportunity to take a different view from the present government, should be postponed until after the election, provided that such postponement would not be detrimental to the national interest or wasteful of public money."

This process can often cause a headache for the IT channel as big technology frameworks — which have been months or years in the making — can be paused, causing costly delays.

Costly delays

But with this in mind, one source — who has experience within government IT procurement, as well as on the reseller side — told *CRN* that the snap election couldn't have come at a better time, regardless of whether it was by luck or judgement. They chose to remain anonymous so as not to compromise their current firm's position in the sector.

"I think [the government] have got the timing right," said the source. "From a procurement perspective, it's — in my opinion — the best time they could have done it, by luck more than anything. There are more frameworks out already, and customers have just spent a load of money getting rid of their old budgets [from the previous financial year]. The new budgets are probably in discussion now, so April and May is usually a quiet time in public sector spending anyway. So whether it was strategic or not, it's the best time."

The source added that civil servants working in IT procurement are often extremely highly experienced, meaning they know how to handle an election well, having been through many before. However, the fact that this one is out of step with the normal schedule could cause a few hiccups, they said.

"Being a snap election, it would have been a surprise to everyone and they would have had no time to prepare," they said. But the source added that smaller, non-contentious IT deals will be unaffected by the news.

G-Cloud 9 has already been awarded, and the Technology Services 2 framework is in motion. *CRN* understands that these big-ticket deals have not, and likely will not be affected by the election, because they are well under way. Further, the source told *CRN* that there are no big IT deals which were

due to pop up during this period, meaning the timing worked out well for the channel.

Speaking to *CRN* as soon as purdah set in, Chris Swani, public sector director at Bytes, said he believes the period won't cause problems, and said the last general election caused the firm very few issues.

"I am fairly relaxed about it," he said. "We are proactively going out to customers and asking them about the general election, but there are also local elections too. There is an assumption [Theresa May] is ahead in the polls, and therefore there will not be much change. When Labour got in the last time years ago… there was an efficiency reform group and public sector spending stopped – we are not anticipating anything like that."

Swani said the firm takes comfort in the fact that purdah is unlikely to affect smaller IT deals, so it will be business as usual for the most part.

"There will be people moaning and groaning because they've got to hold fire on some stuff, but there will be lots of other stuff to be getting on with," he said.

> **"I think [the government] have got the timing right. From a procurement perspective, it's the best time they could have done it, more by luck than anything. There are more frameworks out already, and customers have just spent a load of money getting rid of their old budgets [from the previous financial year]"**
> Anonymous source

Uncertain terms

Regardless of whether big-ticket IT deals will be put on hold or not, many IT resellers fear that the general uncertainty about the future of the UK government, and possible implications for Brexit, could cause customers across the board – not just in the public sector – to cool off on spending too much.

Lawrence Jones, CEO of UKFast, told *CRN* that uncertainty is always bad news.

"Uncertainty is not good for business; businesses need stability and to know where they are going," he said.

He added that when it came to the Brexit vote, customers slowed down their purchasing plans in the build-up.

"It was almost irrelevant if we were in or out with Brexit," he said. "The moment the decision was announced, UKFast figures were flying in the right direction. Everyone had been sitting on their hands and afterwards they were all saying the same thing: 'as soon as we knew, we had confidence'. So I think it is good that it's a snap election and it will be done and dusted by June."

In a poll conducted by *CRN* about the snap election soon after it was announced, 36 per cent of respondents said the election will definitely slow things down, with another fifth (21 per cent) claiming that although they think it will cause problems, it will be worth it to secure a good Brexit deal. Some 40 per cent said it will be business as usual, and just three per cent said the election will have no impact on business.

Julian David, CEO of TechUK, urged the technology industry to ensure that the digital economy stays at the top of the new government's agenda, whichever party or coalition is in power.

"This election comes at an extraordinarily important time for the UK's digital economy," he said. "Tech businesses will be looking to the UK's political parties to set out clear plans for how they intend to support economic stability and to keep the UK at the forefront of global technological innovation and digitisation.

"Global technological innovation will bring huge changes over the next five years. The UK has the opportunity to be at the forefront of that change, driving and shaping the future in a way that works for all its citizens right across the UK. The next government must harness the positive potential that tech can bring to people and communities across the UK."

Q&A: Simon Hill, Oracle's UK channel chief

Hill opens up about public cloud, the skills gap, and competing with AWS

The public cloud market is extremely crowded, with tech giants lining up to lure partners into working with them to take their technology to customers.

AWS, Microsoft and Google are among the biggest names in the space, but Oracle is keen to ensure its brand is in the mix too.

Against this backdrop, Oracle's UK channel boss Simon Hill sat down with *CRN* to appraise the market, and explain how his firm is trying to stand out.

What's new in the Oracle partner channel? Can you sum up the partner strategy and where you are going with your channel?

Our statement of intent is absolutely about taking our customers — via partners — to the public cloud. Our public cloud offering is extremely strong. Look at SaaS, PaaS and IaaS — it's very much the market leader, and we also have the differentiation of being the only organisation with that full, integrated stack from a public cloud perspective. We've been working on it for 10 years.

The install base is massive in terms of our product portfolio. That's applications, middleware, database, infrastructure, systems and storage. The base is absolutely huge. Look at our base at the moment, it offers massive opportunity. We're all about the base. I am reliably informed that is a song. It's all about that base.

What does your partner model look like? How do you pay them, and how is this changing in light of your move towards the cloud?

One of the key differences is the ability for the partners to renew those contracts. Before, in the on-premise world, a lot of the support contracts were renewed direct with Oracle. We had small partner programmes, but not a comprehensive one. With cloud, the partner has the opportunity to take the ARR [annual recurring revenue] and to go and renew those contracts. We want those partners to be actively working with them and getting that customer live, getting them to reflect a use case, and make sure the renewal is a non-event. That annuity stream is something partners haven't typically had from an Oracle perspective. That's probably the key thing that has changed. It's a lucrative model for partners to take advantage of.

So does this mean partners own their own customers? They are presumably in favour of this?

When they've got those annuity streams, they've got account control. We want them to have that kind of control because from a public cloud perspective, we are lining up the use cases because that gives us the renewals. We want partners to be doing that because we can't do everything. We have myriad customers in the UK, so we need partners to make sure we get those renewals.

Although you're encouraging your partners to the cloud financially, do you find that there is an issue in changing their mindsets to start thinking about the cloud? How are you addressing this?

There are emotional levels, financial levels and strategic levels. We are seeing that early-adopter partners are working with early-adopter partners from a public cloud perspective, which is great. We have loads of examples of that. It's about how we take it out of the early adopters and get it into the small and medium-sized customers and the start-ups. How do I enable the rest of those partners to become the second wave? I have a lot of activity from early adopter to early adopters. But how can we get those in that next layer down? How do we actually do that?

We're very much focused on what we can do from an enablement point of view — specialisation, upskilling and training. That's there and that works well. But there are other factors at play. There might be cashflow implications for partners, there may well be strategic directions, and [lack of] willingness to invest. We are seeing a lot of M&A activity, and a lot of marriages between Oracle ecosystem partners. The biggest thing that will help the Oracle ecosystem is the customer desire to do something.

> **"The install base is massive in terms of our product portfolio. The base is absolutely huge. Look at our base at the moment, it offers massive opportunity. We're all about the base. I am reliably informed that is a song. It's all about that base"**

You mentioned there is a lot of M&A activity going on among partners. Why do you think this is, and will it continue?

It's happening at such a fast pace, so it makes sense so that they can meet those customers' demands. I think we will see more of it and the pace will not slow down. From an Oracle point of view, look at customers — they might have databases, but not applications, so they can't service that. But when a customer talks about cloud, they're not talking about the context of Oracle. To meet customers' demands from a cloud perspective, they need to be able to talk about the integrated cloud. There are lots of informal relationships going on too. I would actively encourage that and try to broker more of that, so that we can address those customer needs.

The public cloud space is a crowded market, with players such as AWS, Microsoft and Google all involved. What is your unique offering to the channel with this in mind?

It's simple: it's the integrated stack. Look at AWS, it's IaaS — it's just one part of the integrated stack. We could say we are faster and cheaper than AWS, but it's not just about that. Think about the journey to cloud — you could just host a particular application on IaaS, or you might want to get that to SaaS, and then you might want to add the middleware. Oracle provides the option to have that full integrated stack and that option to migrate over time to accommodate customer needs over time. You could go into the features and benefits, but customers and partners are recognising it's not just about IaaS or about Azure-as-a-service. It's about the full stack being integrated, and that's our unique proposition.

You're talking a lot about cloud. What is your view on your partners that are reluctant to make the move? How tolerant are you of those that have no intention to move towards the cloud any time soon?

It's exciting times and our statement of intent is Oracle public cloud — and there is a huge opportunity with the base. But we're also realistic. We know not all customers are going to go to public cloud tomorrow. We would like to have an enabled vehicle to provide customers with the option to go to cloud. That's what we want. It's about enabling our partners to offer the right thing at the right time to get the customer on that journey to public cloud. We're all about making sure partners can see the art of the possible. But if it's not in their DNA, that's OK too. There will still be a requirement over the next 10 years for on-premise stuff.

Many IT vendors talk about the skills gap, specifically on cloud. What's your view about how the issue can be solved?

We're focusing on enabling partners and there are challenges, such as skills. We're seeing some unique solutions to this issue. Some partners, because of the lack of skills around cloud, are taking on swathes of graduates and educating them from scratch. They have no legacy thinking or on-premise background. It's really interesting how a lot of the partners are seeing that skills are the key to a lot of this stuff. The profile of person you need for the public cloud advisory is much less technical — it's more consultancy and about the bigger picture. There is a skills shortage, and it's interesting to see how partners solve it. M&A is one, skills training is one, and investing in born-in-cloud consultants and training them up themselves is another.

The magic marker

*StorageCraft CEO Matt Medeiros aims to grow the storage vendor into a $500m firm. Making its products easier for resellers to deploy is integral to growth, he tells **Doug Woodburn***

Vendors become truly sustainable only once they cross the $500m revenue marker, the chief executive of StorageCraft asserted as he shared his growth plans with *CRN*.

Matt Medeiros was installed as CEO of the storage outfit when private equity house TA Associates bought a majority stake in it last January for $187m (£144.6m).

Medeiros is in the process of rapidly scaling the image-based backup specialist through acquisitive and organic growth, and claims its recent purchases of Gillware Online Backup and Exablox have expanded the total addressable market (TAM) open to its partners by up to tenfold.

The goal is to scale to a $500m company, but Medeiros said that in order to get there StorageCraft will now focus on making its enlarged portfolio easier for partners to engage with.

"Having been in tech for the last 36 years, my belief is that a company becomes truly sustainable when it crosses over that $500m revenue point," said Medeiros, who previously headed up SonicWall ahead of its sale to Dell.

"I don't think it will happen next year, or even the year after. Getting to $350m requires a different set of skills and approach to the channel. One of the most important things we can consider from a partner's perspective is to make these products easy to manage and deploy," he said.

Medeiros said StorageCraft was a "great one-product company" at the time he took the reins, adding that its flagship ShadowProtect software only enabled it and its partners to play in a backup and recovery market worth $1.5bn, or just $500m if the number is restricted to its SME stronghold.

"If you look at our total available market now, it's in the high teens, and our responsible addressable market is between $5bn and $8bn. We're clearly five to 10 times the ratio compared with what it was with ShadowProtect," he said.

"Not only did the TAM go up, but now for the first time we're also having meaningful conversations with enterprise customers."

The Gillware acquisition moved StorageCraft into the adjacent file-based backup market, while Gillware's Backup Analyzer software offering also catapulted it into data analytics.

Backup Analyzer enables firms to identify their most and least important data, Medeiros said, explaining that the principles behind it now form one of StorageCraft's key messages.

"We looked at the world and said 'hold on, not all data is equal'; 60 per cent of the data that's stored by our customers is junk, but if you're an IT professional today, without the tool of analytics you have to store everything and treat it all equally," he said.

"While we were talking to Gillware, I realised quickly that if I could find an appliance, I could clearly create the entire solution for a company. So we started looking at standard appliance companies, but quickly ran into Exablox."

The fact that StorageCraft now competes in file-based backup, data analytics, and primary and secondary storage has thrown it into competition with Rubrik, Cohesity and EMC, adding to its traditional rivalry with Veeam, Medeiros said.

The focus will now shift to organic product development, with Medeiros pointing out that StorageCraft has already broadened its portfolio organically by introducing its Virtual Boot offering for virtual machines, as well as services for Amazon, Office 365 and Google Docs.

Dave Southern, managing director of managed services provider Concise Technologies, which has been a partner of StorageCraft for four years, welcomed the vendor's recent diversification.

"On the surface, it looks like they are putting together a powerful solution once those three products are integrated," he said.

"The file and folder-based backup solution is great for mobile users – we were using one of their other solutions to do that before and it was completely unreliable because it was image-based and didn't work remotely to the cloud.

"I'm less familiar with Exablox, as they've not made as much noise about it in the partner channel. But it looks on the surface like a missing piece of the puzzle. It's disc agnostic, so you can put in whatever discs you want. From a partner perspective, one of our biggest costs when we put storage in is manufacturer-certified hard drives, so this looks like it could disrupt the market."

"One of the most important things we can consider from a partner's perspective is to make these products easy to manage and deploy"
Matt Medeiros

Elite force

***Sam Trendall** offers a sneak peek at a major new report profiling the European channel's biggest and brightest players*

Our belief when we launched the *Channelnomics Europe* brand in 2014 was that channel firms need to start operating with far more consideration for the world beyond their national borders. For resellers and MSPs, both their end-user customers and their vendor partners wish to work with companies that can offer a consistent service across a range of territories and markets.

It is that same conviction that, later this month, will see us launch the first iteration of *The European Elite*, a major new report dedicated to defining and mapping the most important channel firms from across the breadth of Europe — covering everything from Svalbard to Seville, and from Tblisi to Tipperary. This report will contain detailed profiles of 200 Elite players, as well as 125 Ones to Watch and, in addition, summary information on the Best of the Rest — covering a further 575 firms. This means that a total of 900 companies will be featured.

The internet and cloud computing models have made expanding an enterprise internationally easier than ever, and moving into overseas markets is now a realistic prospect even for small businesses. And those companies — especially the smaller ones — would rather work with a single trusted partner than with a ragbag of differing IT providers across the world.

Similarly, many vendors would prefer to focus on core channel partnerships that allow them to cover as many geographic and vertical markets as possible. If they want to prosper in today's market, VARs would do well to consider how they can take what they are best at and recreate it on a bigger stage.

Which does not necessarily mean they need to invest tens of millions of euros (or pounds, or koruna, or złoty) in staffing an office in every major city across the continent — although that is certainly one way to do it. Many resellers have forged relationships — formally or informally — with peers in other territories. Others work with a squad of trusted local fulfilment providers. Some may consider merging with or acquiring a rival in another country, and then using the increased scale and cashflow as a beachhead for further expansion and growth.

Methodology

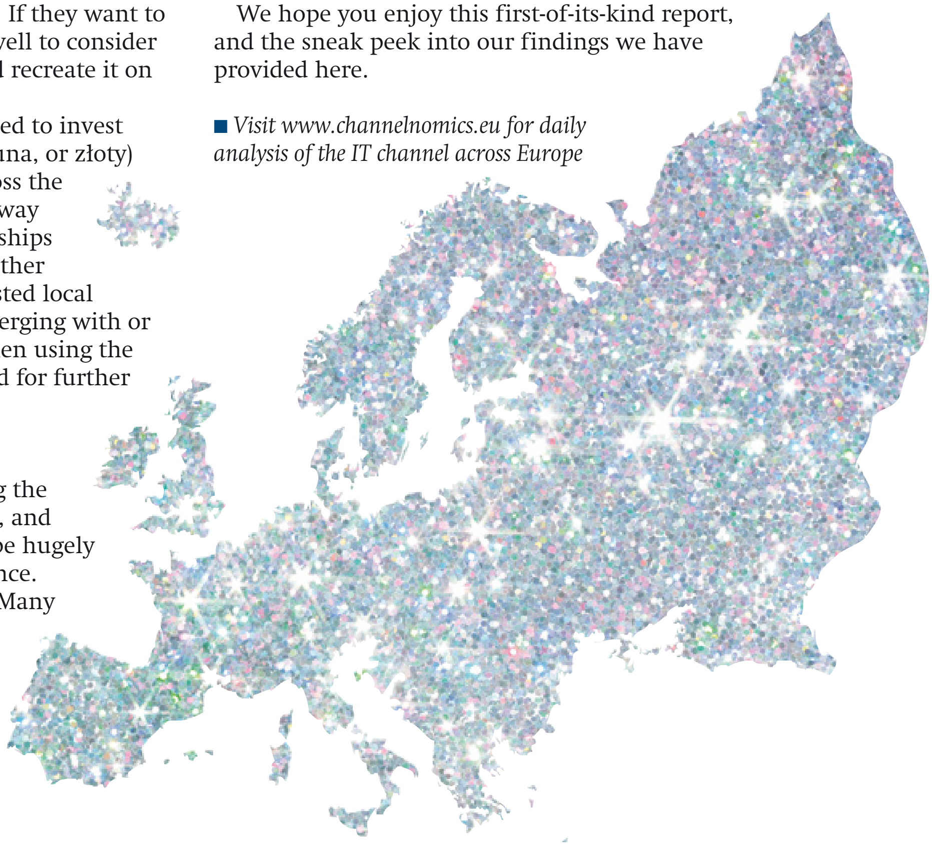
We considered a range of factors in defining the Elite. Of course, size and scale played a part, and a number of those among the top 200 will be hugely familiar names with a massive global presence. But it was far from our only consideration. Many companies have been included based on their outstanding and unmatched level of technical certification with major vendors. Others have led the way in their markets in recent years in terms of organic growth or M&A. Some are among the first and fastest movers in new and emerging technology areas. While others are simply key components of a relatively small ecosystem; a €30m VAR in Cyprus, for example, wields much more influence than a French company of the same size.

But we do not wish to pretend that the findings of our research are anything other than inherently subjective. This is not intended to be a definitive rundown of Europe's biggest resellers, systems integrators, and MSPs. But rather a wide-ranging overview of the companies that currently define the channel across Europe, as well as those that will do so in the years to come. Our list has divided the continent into six major regions: Benelux; Central and Eastern Europe; DACH; France and Southern Europe; the Nordics; and the UK and Ireland.

There are many ways in which a channel firm can explore opportunities beyond its borders, and no single strategy is better than another. Included in this report are profiles of small, local players that have embarked on a pan-European shopping spree, as well as multibillion euro-revenue megaliths that have opted, instead, to partner with counterparts on the ground in other territories. However they do so, it is crucial that channel players begin to think about the market and the opportunities therein in the same borderless way as do their customers and suppliers. At least if they wish to stay part of the elite.

We hope you enjoy this first-of-its-kind report, and the sneak peek into our findings we have provided here.

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



NORDICS
Crayon

This Norwegian licensing and cloud specialist grew sales by almost a third to NOK 6bn (€630m) in 2016. In recent years it has grown via acquisition, in its native country, as well as Denmark and, most significantly, in the US. Another key growth engine has been the development of its channel business, providing cloud licensing and related services to other resellers. It currently generates around a quarter of its business indirectly, with the mid-term goal to grow this figure to 50 per cent.

"We are really starting to get traction in the distribution business and developing services in the cloud. We have also seen strong growth on the Microsoft side, particularly on the Azure platform which was the starting point of our rollout of our own provisioning and self-service platform."

Rune Syversen, Crayon

BENELUX
SecureLink

With the backing of investor InvestCorp this Belgian-headquartered security specialist went on something of a shopping spree in 2016, acquiring three business – the UK's Nebulas, Swedish outfit CoreSec, and German player iT-CUBE – in the space of six months. The focus will seemingly be more on organic expansion in the coming months, with a plan to hire 150 cybersecurity professionals this year, to add to its existing employee roster of 625. Following its acquisition splurge, run-rate revenues are around the €250m mark.

DACH
Bechtle

A true European powerhouse, Bechtle is one of the world's biggest VARs. Headquartered in the small city of Neckarsulm, between Frankfurt and Stuttgart, is a giant of the DACH market, with more than 60 local 'system houses' spread across the region. In 2016 the company grew revenues 9.3 per cent to a total of €3.09bn, and its stated goal is to grow its top line past the €5bn mark by 2020. During that time the business will also embark on a hiring spree, with headcount predicted to rise from 7,667 to 10,000. In recent years the firm has instigated its Global IT Alliance programme, in which it works with a range of other major resellers across the globe.

CENTRAL AND EASTERN EUROPE
Comarch

Headquartered in Poland's second city Krakow, this systems integrator has 5,000 employees and a strong focus on technical skills, including a dedicated R&D department, staffed by top-end engineers. The firm operates from 84 offices in 23 countries, covering large parts of Europe, as well as North, Central, and South America, and Asia. The company turns over close to €250m and its client roster includes major global names such as BP, Diageo, and Aegon.

FRANCE AND SOUTHERN EUROPE
Unisystems

Few companies profiled here typify the channel's resilience and adaptability better than this Athens-headquartered integrator. Unisystems celebrated its 50th birthday in 2014, having lived through and been a close witness to one of the worst economic crises ever. To offset the difficulties in its domestic market – in which it is has long been one of the biggest players – the company has focused in recent years in growing its international operations. In 2016 about 30 per cent of its €80m-plus revenue was generated overseas, with the goal being to grow this figure to 50 per cent by 2020.

UK AND IRELAND
Softcat

A year and a half on from floating publicly on the London Stock Exchange, one of the UK's biggest VARs shows no sign of slowing down; in its FY17 first-half sales leapt 29 per cent to £378.5m. And, all the while, the company's management insist that the secret of its success is no more complicated than "sticking to the knitting", and following its tried-and-trusted model of building out its graduate sales force and expanding gradually into new areas while continuing to do what it has always been best at. Unusually in this day age, it does not shy away from the term 'reseller', nor the business that comes with it.

"It is exactly the same model: lots and lots of graduates coming in, and a lot of them growing to become team leaders, or setting up new offices. We keep adding on bits and bobs – in the last 18 months we have grown the managed print business, and we are adding more and more on the contractual services side."

Martin Hellawell, Softcat

The tech guys

A number of emerging technology resellers are breaking from the norm by employing only technical staff. ***Tom Wright*** *asks what's behind the trend, and how it is possible for a reseller to function without any salespeople*

Running a firm with no sales staff in an industry as sales-driven as the channel may appear to be business suicide.

But a number of companies are turning the traditional reseller model on its head and operating businesses that are 100 per cent led by the technical side.

The boom in emerging technology vendors and product areas means that traditional sales staff no longer possess the skills to sound credible in front of clients, these firms argue.

Newer technologies such as software-defined solutions and hyperconvergence require the touch of a technician, not a salesperson, according to Carl Gottlieb, whose reseller Cognition currently employs eight staff, all of whom are technical.

Gottlieb, who founded the Cylance and Palo Alto partner in 2014, claimed that the recent proliferation in vendors and products means salespeople are struggling more than ever to get to grips with the technology.

"The landscape has become a lot wider and a lot deeper," he said. "If you think about the number of vendors you come across now, there are still the really big ones such as Check Point, Cisco, Juniper and so on, but there's a huge long tail of all the other ones.

"And where the big vendors used to have one product such as a firewall, they now have 20."

Cut out the middleman

With this in mind, a reseller with an all-technical approach often comes up trumps with customers, Gottlieb argued.

Where traditional end-user meetings would see the customer sit down with both a member of the reseller's sales team and the technical team, end users are now seeing an opportunity to cut out the middleman and go straight for the technical support, he claimed.

"From the very first meeting they want to discuss their problems and requirements, and get an intelligent opinion immediately," Gottlieb said. "They don't want that middleman salesperson trying to translate it into something to their techie who sits alongside them.

"The traditional model at pretty much every reseller and vendor in the world is to have every meeting with a technical person and a salesperson present – it's always two people in the room. If you ask any customer they'll say 'I don't like it, I'd rather just talk to the person who knows', but the sales guys don't want to leave the tech person alone."

Although the downside to having no sales staff is that there is no one on the phone bringing in leads, this is offset by referrals, Gottlieb said.

The dream for all resellers, he explained, is to have people who are trained in both the sales side and the technical side – putting anyone who already meets these criteria in high demand among vendors at the moment.

"One of the reasons hardly anyone does it is because there are so few people who are very technically aware, have expertise in the field, and are also commercially astute," he said.

"It's one of the reasons that presales engineers – these half-sales, half-technical people – are in such high demand in the UK and are paid so well for what they do.

"If you talk to any of the vendors and ask them if they are looking

for presales people, they'll say yes and they'll be paying probably £100,000 basic plus £50,000 commission. It's very hard to find these people."

No sales needed

VMware, Citrix, Veeam and Microsoft partner Cutter Group is another emerging technology consultancy that employs only technical staff.

Despite having just 12 employees – none of whom work in sales – Cutter is able to service around 1,000 servers, 50,000 desktops and 300,000 users in 19 countries through its virtualisation expertise.

"From day one we've never had a sales team," managing director Andy Trevor said. "We've always been lucky that work comes hunting for us."

Cutter does provide its services direct to end users, but has found that its business into resellers has increased over recent years, now making up around 70 per cent of its £1.75m revenue.

Trevor explained that resellers are finding it increasingly difficult to offer the necessary services around more complex areas of IT, such as virtualisation.

When situations like this arise, channel firms will contact Cutter, asking them to provide white-labelled services; Cutter itself does not have to generate its own leads because the reseller is doing it for them.

"They get paid for doing nothing, basically," he explained.

"We take the majority of the risk, they take all the tin sale, they take all the software sale, but they make good margin on our professional services – and on a support basis they make recurring revenue on their customer maintaining the support contract.

"I've got a fleet of 300 people [in the reseller sector] that I don't pay a penny. We need them generating business for us. I'm sure we could go and generate more of our own business but we don't need to. Everybody wins."

Getting technical

With the rate at which new vendors and products emerge tipped to continue accelerating, sales staff will have to become more technically aware of the products they are selling, according to Sam Murdoch, director at distributor Securicom.

He claimed that resellers working in areas of IT such as virtualisation and software-defined infrastructure are already preparing for the shift to a greater technical focus.

"Everyone is moving that way because there is less and less tin getting sold as people move to virtualised environments," he said. "On the networking side you've got people like Cato Networks who are ripping out boxes left, right and centre and just putting in software.

"Salespeople will always be required but they need to know more about the product. You can't say [to a customer] 'you've asked for HP storage, we do EMC – this one is better and here's your price'. Cato Networks [for example] is completely different so they need to know about the products and how they'll fit in in the next five years, so obviously they need to be more technical."

Murdoch drew the line at saying that sales staff will become obsolete in the future, pointing out that new customers will also need to be sought at some stage in a reseller's life.

"One of our partners was started by five engineers – the only problem is, technical people don't sell and sales people aren't technical. Once you've gone through your referrals and customers, how do you grow the business past your own knowledge?

"They might have no salespeople at the moment because they're exhausting all their current relationships, but unless a vendor or someone is going to be handing you leads, you still need someone sitting there making calls and setting up meetings."

Cognition's Gottlieb said that the channel will struggle to build entire technology-led sales teams because of the huge lack of skilled IT professionals in the UK. With this in mind, he claimed it is more likely that technicians will be taught how to sell, not the other way around.

"I think sales skills are easier to develop than technical understanding, because good selling is not magic; it's more of an art [combined with] personality skills," he said.

"[Sales skills] are much easier to develop than someone who can fully understand GDPR (General Data Protection Regulation), for example.

"The kind of people we look for are solid experts in their field who are great with people."

Cutter's Trevor said that while the firm itself does not directly employ any sales staff, it would not be able to operate as successfully without the lead-generation employees at the resellers it services.

"I think [salespeople] will always be needed because technical people, and I'd count ourselves among this, are rubbish at doing that kind of thing. We're not good at picking up the phone and generating leads."

"The traditional model at pretty much every reseller and vendor in the world is to have every meeting with a technical person and a salesperson – it's always two people in the room and if you ask any customer they'll say 'I don't like it, I'd rather just talk to the person who knows'"

Carl Gottlieb, Cognition

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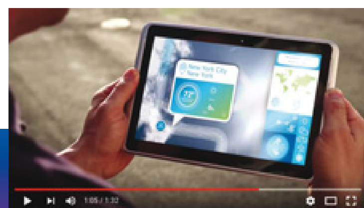


See the video that shows how: **pbi.bz/PBILC**

Update your marketing mindset

***Paul Green** offers three top tips on how to be a marketing master in the digital era*

Paul Green
Founder, IT Support Marketing

Marketing an MSP is harder than ever. There's more competition than ever before – and digital marketing has levelled the playing field. Size is no longer an automatic advantage. It's no longer big beats small; it's fast beats slow.

On top of increased competition, advertising is no longer as effective as it was. An advert in the local paper or sponsoring a roundabout will give you a significantly lower return than it did years ago. Most MSPs have seen this, but have never figured out why it's happening.

The problem is that this kind of advertising is what's known as "interruption marketing". You are interrupting someone who has picked up a newspaper for the news, or is listening to the radio for the travel, information or music.

That was the only way of marketing for 100 years or more. And it worked just fine. But these days it's no longer cost effective.

Instead, online marketing has made it simple to put your MSP in front of the small group of people who are looking for a business like yours right now.

Why attempt to interrupt everyone with an advert blasting out your message in the media, when you can invest small amounts of resource into targeting people who type "IT support" and "your town" into Google, and then remarket to them via Facebook?

All these changes mean if you've owned a business for over a decade, it's time to update your marketing mindset to the 21st century.

Here are three things I suggest you do.

■ **1) Throw all your old marketing knowledge in the bin.** What you learned about MSP marketing 20, even, 10 years ago will have changed. Sure, the fundamentals are the same. Most people still pick an MSP with their heart rather than their brain. They want someone they can trust; many want a deal; and most have very little awareness of IT issues.

But these days the mechanism that allows them to compare businesses is different.

Most people use Google, and they make their decision whether to use your business or another based on your website and your social media presence.

Even word of mouth is affected by your website. In the past a personal recommendation would drive someone to your doors; these days it drives them to your website or Facebook page. And if your site is like most, it has no real differentiation. It's too focused on the building rather than the people. It talks about partnerships and expertise, when it should be communicating passion and trust.

This means that for the first time in history, a small business can significantly outperform a bigger rival. Size is no longer an advantage. The ability to communicate effectively online is more important.

■ **2) Start taking your online presence more seriously.** It's not just about your website, it's about your Google and social media profiles. It's about who's following your firm online; and what is said about you on review sites.

This is your online presence. It's more important than ever before and will continue to become even more critical. What is said about your business online is your reputation. Yet so few MSP owners put significant resource into this. Done well, the more resource you invest into your online presence, the higher the return for your business.

That means constantly adding new content to your website; enhancing your Google My Business profile; truly interacting with people on Facebook, not just uploading a few pictures of new devices every week.

There's a final part of your mindset that must change…

■ **3) Communicate with clients and prospects the way that suits them, not you.** The way people communicate has changed dramatically in just a few years. There are dozens of different ways of communicating with people, and most of them are not used by MSPs.

If a client wants to email, let them. If they're happier on the phone, great. If they prefer to talk through Facebook or Messenger, make it happen.

Best of all, use a mix of methods. Our business-owner clients who are seeing the highest levels of return for prospect communications are those who use a mix of letters, emails, social media and phone calls, all within a short timeframe. So instead of communicating with a prospect three times over six months, they communicate three times in a single week.

Is that too much? Maybe for you personally, but it's not too much for everyone. You can't judge good marketing by your own preferences; you have to judge it by what works these days, and what gives you the best return.

That's an important part of your new 21st century marketing mindset.

The evolving storage market

A decline in an established sector of the IT market means adaptation, not giving up, is the order of the day, says Context's ***Gurvan Meyer***

When a mature market declines, alarms ring and bells are tolled, but more often than not it is an indicator of evolution and optimisation rather than the death of a category. It is fair to state that the enterprise storage market has had better days for the channel recently; with a -26 per cent year-on-year decline in revenues, and a -30 per cent year-on-year fall in units, the storage system market in Q4-16 compares poorly with Q4-15 in Context's European Distribution data.

Gurvan Meyer
Senior research analyst, Context

The same decline has also been noted for servers from the big players, and it seems to not be a phenomenon unique to distribution as a route to market. Some commentators have suggested that enterprise vendors such as Dell and HPE are increasingly selling direct, and although this could be true, it does not explain why manufacturers are also reporting volatile trading overall in their shipments.

When we look at geopolitical events, the uncertainty caused by the Brexit factor (and now a snap general election) is certainly playing its part, dragging down sales in Europe's second-largest economy, as businesses prove reluctant to invest in infrastructure until they have a clearer view of the future situation in the UK. Brexit aside, the macroeconomic effect from cloud computing and outsourcing continues to depress traditional storage system sales, with both SMBs and larger corporate entities increasingly fulfilling their IT requirements in the cloud — drawn in by the promise of reduced costs and simplified in-house technical infrastructure.

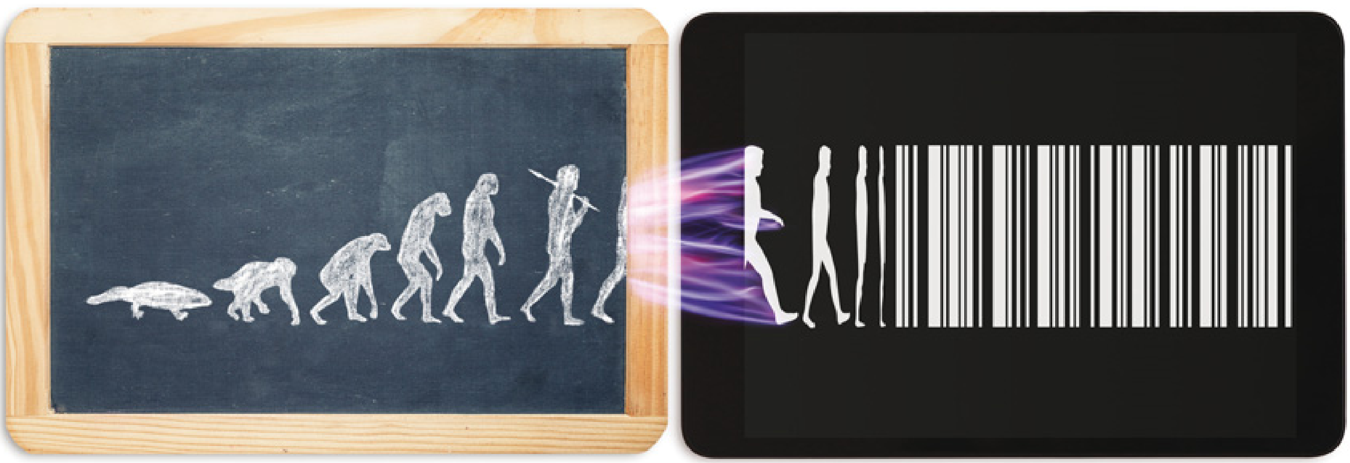
The Amazon Web Services (AWS) success story is an indication of the current state of affairs. Today, AWS represents some 12 per cent of total Amazon revenues but is planned to account for at least 30 per cent of revenues by 2020. Tech and industry journalists have been suggesting that Amazon's stock is currently over-valued and its figures based on over-optimistic future revenues, but these may very well come to fruition, with revenue growth of 50 per cent between 2015 and 2016.

Likewise, Microsoft has been successful in trading off existing customer relationships to drive the uptake of Azure. When we dig deeper into the market data, we find a more complex story. While storage systems overall experienced a year-on-year decline in revenues in Q4-16, storage system components and upgrades such as HDDs and SSDs saw much smaller revenue drops.

These figures suggest that while companies are buying fewer complete storage systems, they are choosing to invest in newer technologies and higher capacity components. Indeed, despite a year-on-year dip in sales of HDD/SSD components and upgrades for storage system units, the overall sum total storage system capacity bought in Q4 2016 has increased by 10 per cent year on year. The ascendancy of SSD over HDD, and the strong demand for higher-capacity SSDs is highlighted by the fact that total SSD storage capacity increased by a full 100 per cent, with a 30 per cent growth in units.

Although politics and the broader economic situation will have a direct impact on all markets, the enterprise category is changing, with evolving patterns of consumption, as cloud-hosting organisations optimise their existing in-house infrastructure, choosing newer technologies in order to fulfil their client needs, and SMBs/larger corporates invest in cloud-based solutions to reduce their IT infrastructure costs.

This means there is still plenty of life and opportunity in the morphing enterprise market; and as Charles Darwin is reported to have once said: "It is not the strongest of the species that survives, but rather, that which is most adaptable to change."



Ann Keefe, Kingston Technology

How does the UK&I regional director of this memory giant spend her day?

How do you typically start a working day?

While I'm not particularly a morning person I find that it's a good time for thinking about things I need to do — the business, my team, work in general and personal stuff — before the day starts. I usually wake up around 6.30am, listen to the *Today* programme, look at Twitter and my emails and occasionally do some yoga. I have some of my best thoughts and ideas at this time and often end up making notes of ideas and things to remember for later.

How long is your commute and what do you do during it?

It's a short commute, and I usually drive and listen to Radio 4. I have recently started to cycle to work and plan to do more of that over the summer.

What is your attitude to flexible working in your company?

A year ago we moved to a shorter working day on Fridays which means that we finish mid-afternoon. A shorter day forces you to be super focused to get everything done and then it's great to have that extra couple of hours to get personal chores out of the way before the weekend starts. Initiatives like this contribute towards staff retention and recruitment and offer our people a nice work/life balance.

What would your colleagues say is your worst habit?

Probably that I'm a bit over-ambitious time-wise and am often guilty of trying to fit too many things into a day!

If there was one thing you could change about your business, what would it be?

I would like to have more time in a day to fit in everything that I want to achieve.

What do you do for the bulk of a typical day?

Being the regional director for the UK and Ireland, I like to be really involved in the business. I enjoy meeting our channel partners and customers to ensure that our growth plans are aligned, that we are giving them the support they need, and to come up with fresh ideas. I'm in touch with my team regularly by phone or IM and a typical day will also have internal meetings or conference calls — our business is dynamic and we often have to make quick decisions to make the most of an opportunity. Every couple of months the EMEA management team meets to review the business and it's good to see my fellow regional directors to share ideas and best practice.

How do you unwind in the evening?

Enjoying good food and wine with friends is always a good way to end a day. I love being outdoors so I go running and cycling a couple of times a week and I particularly enjoy my weekly evening with the Hash House Harriers as that combines two of my favourite hobbies: running and drinking beer! I try to stay in on Mondays and cook a few meals for the week and then sit down to enjoy some nice easy-viewing TV.

Where do you sit in the office?

Our offices are all open plan and I sit on a big floor with the inside sales team, the business managers, the planning team and part of the technical team. I'm based in our EMEA HQ and I'm surrounded by people of many different nationalities and I love the cultural diversity that this brings to the business and to my working day.

What's the quotation that best sums up your approach to business?

"Will it make the boat go faster?" In 1998, consistently failing to even make the final of major regattas, the GB Men's Rowing Eight decided to fundamentally change the way they worked and how they worked with each other. Their focus became purely about performance, the results they hoped would follow. They approached things differently, asking the same question with every action they took: will it make the boat go faster? And 18 months later they won an Olympic gold medal in Sydney. Our VP for EMEA told us this story in a meeting a few years back and ever since then I have asked myself this question when making a business decision.

What do you enjoy most and least about your job?

I love that my job is so varied and every day is different and that our business is dynamic and fast moving — there's always something new to learn. I least enjoy doing my monthly expenses claim!

Mars attacks

Dave mulls a poor choice of exit music, another hack targeting online love-seekers, and an emotional development in the world of AI

If you have been to as many channel vendor get-togethers as I have, you've probably heard *I Gotta Feeling* by The Black Eyed Peas roughly 10 million times and U2's *Elevation* at least three million.

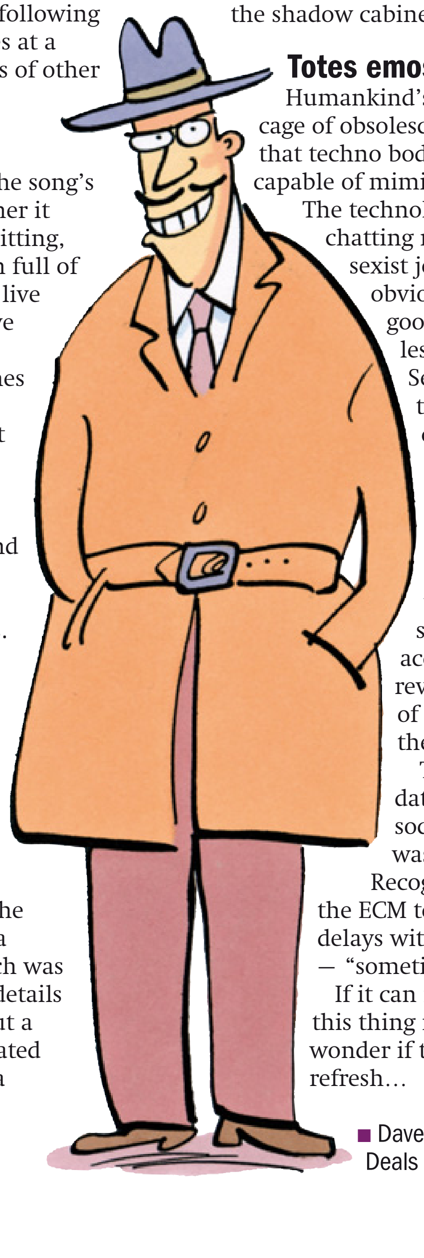
Apart from being two of the most objectively terrible pieces of music to ever exist, both tunes have been around for quite a few years now, so some new chart smashers to liven up a business unit director's keynote are probably somewhat overdue.

In the last half-decade or so few artists have smashed the charts so reliably and with such nauseatingly catchy hooks as Bruno Mars. So it was no surprise that, following a morning of listening to rousing addresses at a vendor shindig last month, I and hundreds of other channel types exited the arena to the pop heavyweight's recent hit *24K Magic*.

I have no doubt that it will prove to be another big hit for Mr Mars, but some of the song's racier content did make me wonder whether it was the best choice to pump out at ear-splitting, conversation-precluding volume to a room full of British reseller execs. We could just about live with the frequent four-letter words, and we managed to grit our teeth and stare at the floor following the reference to "bad bitches and ya ugly ass friends".

But when Mars suggestively cooed about pretty girls waking up his rocket, I think I speak for all of us when I say that, at that point, we would have been happy for the earth to be torn asunder and for the ground to swallow us whole.

And what's worse: we wouldn't have minded going back to The Black Eyed Peas.



Unguarded

Dating websites are a perennially popular target for the cybercriminals of this world, so it was only a matter of time before Harry and Henrietta Hacker took aim at the online romance tool of choice for the metropolitan media elite: *Guardian* Soulmates.

The recent breach saw the exposure of the email addresses and online usernames of a number of subscribers to the service, which was launched by the newspaper in 2004. Full details were yet to emerge as we went to press, but a statement by the publication's brass indicated that "our ongoing investigations point to a human error by one of our third-party technology providers".

"We take matters of data security extremely seriously and have conducted thorough audits and are confident that no outside party breached any of these systems," the statement added.

"We have taken appropriate measures to ensure this does not happen again."

The *Guardian* took pains to outline that the problem has been fixed and that no highly sensitive information — such as birthdates or credit card details — was compromised by the breach. Although a number of users' private messages concerning favourite quinoa recipes, critical assessments of the films of François Truffaut, and what is to be done about the shadow cabinet were leaked. Probably.

Totes emosh

Humankind's eternal enslavement in a self-created cage of obsolescence inched closer this week, with news that techno bods in China have developed a chatbot capable of mimicking human emotions.

The technology is known as an ECM — emotional chatting machine. (And if you're expecting a cheap sexist joke on the back of that name, then you're obviously the kind of boorish, unenlightened goon who hasn't learned the valuable life lessons of several employment tribunals, a Sensitivity in the Workplace course, and the court-mandated appointment of a chief inclusion officer.)

The ECM represents a step change in sophistication levels from other chatbots, as it can not only respond to users with factually and contextually appropriate answers, but can also inject its comments with emotional reactions, including sadness, happiness, or disgust. A paper accompanying the technology's release revealed that, in a study, some 61 per cent of users claimed they preferred talking to the ECM than to a neutral chatbot.

The development came after processing data from 23,000 posts on Chinese social media site Weibo, each of which was classified by its primary emotion. Recognising these differing feelings allowed the ECM to respond to a human's gripe about traffic delays with support, encouragement, or sympathy — "sometimes life just sucks!".

If it can recognise basic human emotions, then this thing is one up on most of my sales team. I wonder if they can teach it to quote on a server refresh…

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