

Top
VARs

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Facing the future



*With the UK IT channel at a crossroads, **Sam Trendall** asks where the industry goes from here, while examining how this list works, and explaining why and how it was constructed*

My colleagues and I have been asked many times if we can provide reliable data on the UK's biggest and best VARs. The idea of publishing a rundown of the country's largest resellers is one that has been battled around the CRN newsdesk frequently over the years.

So, you may ask, what makes this the right time to compile such a list?

This industry has always moved with an accelerated speed of change. However, it seems to stand at many different crossroads now — and more so than ever. The need for VARs to evolve their business models, in a variety of ways, has never been more evident.

If you believe everything you read in the press, it would be easy to conclude that there has never been a worse time to be a VAR. Resellers have to contend with swingeing cuts in public spending, with an impetus on the government to go direct to save costs, and with the seemingly unstoppable rise of cloud computing, which might seem to eradicate the need for indirect sales channels and hands-on integration skills.

Defying doom

But VARs have been defying the doom-mongers for years and they will continue to do so. There are few, if any, resellers on our list that do not accrue at least a decent proportion of their revenue from services. And this trend will surely only increase in the coming years, particularly as so many resellers are now actively embracing cloud computing, and pursuing the sales opportunities that this technology is creating.

Indeed, it is perhaps the greatest irony of this list that most of the featured companies would probably wince at even being termed a VAR. But as far as we are concerned, the word, and all the qualities that it represents, has always been a badge of honour.

The 1 to 100 rankings of the list are based on annual revenue, which must be generated in this country and by UK trading entities. We accept that basing the rundown solely on sales may be seen by some as reductive, but we have also tried to shine a light on the fastest growers, the most impressive profit generators and the biggest innovators.



The second half of this study is based on our survey of more than 500 senior IT decision makers at end users of all shapes and sizes. For the research, we grilled them on what they want and expect from their IT suppliers, whether they are currently being adequately catered for, and what they would like to change about that relationship.

Real value

The results make for fascinating reading, and we believe that they provide real value to all corners of the channel.

We owe a debt of gratitude to our data partner, Graydon, which provided the source data on which the top 100 list is based. In those cases where we have deviated from the Graydon figures — perhaps to account for acquisitions or give a divisional breakdown, where appropriate — we have clearly marked their ranking with an asterisk.

Of course, we believe the document you are holding in your hands is a fair

and accurate reflection of the UK's 100 biggest resellers. All companies on our list have some background as a technology reseller, and operate, to some extent, in the B2B market.

However, it would be naive of us to think that there will be no quibbles with our methodology or with our final data. We are confident in our research methods, and more than happy to explain them, so we urge you to get in touch with any queries.

It would be fair to say that the top 100 have enjoyed mixed fortunes over the last couple of years, and a quick leaf through the data finds that many have felt a squeeze on their top and bottom lines. But, time and again, we see channel players remodelling their businesses, branching into new areas, and bringing the good times back.

We believe that *Top VARs* reflects the resilience, the strength and the adaptability of a great industry at a time of even greater change.

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Lean on your partners

*CRN Top VARs has been produced in association with Avnet, and the distributor's UK and Ireland boss **John Toal** believes that the most successful resellers focus on core skills and customer satisfaction*

How can resellers run a lean business while still delivering great service and remaining profitable? A simple question – and if only the answer were as straightforward. Avnet Technology Solutions recently spoke to several of its business partners to discover if there were any common traits to their success.

It soon became clear that the organisations that are in the strongest position are those that focus on customers and have engaged employees, a clear strategy and defined value proposition, as well as an ability to deliver solutions and services.

Organisations are looking for more than just technical expertise, and strong customer relationships provide partners with the opportunity to introduce practical solutions that deliver tangible business benefits to existing customers.

For example, one security specialist repositioned itself to reflect the fact that its customers were looking for solutions beyond security. It invested in skills including virtualisation and acceleration to take advantage of these opportunities, which resulted in 20 per cent growth last year.

It was also apparent that loyal customers and employee engagement are critical to success. An organisation's employees influence the behaviour and attitudes of customers, and customers drive an organisation's profitability through the purchase of its products and services – get this link right and another part of the puzzle is in place.

Even the most motivated workforce requires direction and set objectives. Another of our business partners transformed itself from a business selling "all sorts" across 70 vendors to focus on just three vendors, delivering servers, storage and virtualisation. By promoting the Infrastructure 3.0 message and training staff to ensure a new focus, this partner quadrupled its revenue in two years.

More with less

The need for focus, customer service, employee engagement and a strong message is evident, but how can these be delivered while running a profitable company?

One answer is to look towards distribution as an additional resource. By building partnerships and alliances, organisations can spread their expertise, plug gaps in

knowledge, and secure their financial position during times of change.

Running a lean business involves operational efficiency. While there is always a need to listen to the market and react to new trends, there is an equivalent requirement to ensure outstanding business basics, such as logistics, technical and financial expertise, are aligned with marketing and sales skills.

However, it may not be financially viable for resellers to invest heavily in new areas of technology in order to grow new markets while keeping their traditional bases covered. And in periods of transition, people changes may occur, creating gaps in knowledge and expertise.

This is where a solutions distributor can help. Additional expertise is typically acquired in two ways: by training existing personnel or by buying additional knowledge in both sales and technical disciplines. But working with a solutions distributor offers a third method, which allows an organisation to draw on its knowledge and expertise as and when required. Quality staff are expensive, and skilled technical people must be fully utilised as activity gears up – even once the new business model is operational. So keeping close to distribution can pay dividends by supplementing skills.

Having options available is an ideal way of making change. Avnet believes it is vital to support business partners' transition and help them evolve their businesses while finding differentiation in a competitive market. Making additional resources available is just one method of support, while another is to work with other complementary organisations.

Customers often require complex solutions, which are difficult to source from just one supplier. Avnet has more than 32 significant supplier partnerships and relationships with a considerable number of business partners. We believe this is the best way of matching the right people to provide solutions, and this partnering allows resellers to remain lean while reacting swiftly to opportunities as they arise.

Profitability through added value

The ability for resellers to understand the business challenges IT managers and CIOs are facing is central to delivering great



John Toal is vice president for UK and Ireland at Avnet Technology Solutions

service, and they must know how to create complete solutions to meet their IT and business objectives.

Using a consultancy sales approach and tapping into initiatives such as Avnet's SolutionsPath mean that business partners can deliver practical complete solutions and immediate cost savings to their customers. SolutionsPath features a dedicated technology team to help business partners target specialised, high-growth markets, which include four areas: storage and data management; datacentre and virtualisation; cloud computing; and unified communications, collaboration and mobility.

Having the resources available from a supportive solutions distributor means that resellers should be well positioned to run lean businesses while delivering great service and remaining profitable.

100**Comcen Computer Supplies**

£12.4m*

The Swansea firm shed nearly £1m from its top line in FY10, and operating profit dropped almost 30 per cent to £225,000. But it remains strong in the public sector, boasting a dedicated education division, and also sells online.

99**Tracline**

£12.4m

Revenue was up marginally for the Edgware-based firm, but operating profit slumped 28.9 per cent to a little more than £150,000. Healthcare and education are still key markets for the company, which partners with vendors including Fujitsu, Panasonic and Motion.

98**Maindec Computer Solutions**

£12.5m

Annual sales growth of 10.5 per cent and operating margins of 5.8 per cent during FY11 for the Buckinghamshire-based reseller. Having operated in Scotland for more than 20 years, the HP and IBM partner is on the Scottish Procurement IT managed services framework.

97**Cancom**

£12.8m

The Apple Premium Reseller felt the margin squeeze last year, with an operating loss of more than £160,000. Sales fell about two per cent year on year. In addition to its business support and volume licensing business, the firm has stores in Brighton, Guildford, Edinburgh and west London.

96**Actimax**

£13m-plus*

Private equity outfit Synova Capital invested in the Basil-

don-based comms reseller earlier this year, creating two new entities: Actimax Acquisitions and Actimax Holdings, in which founder and boss John Massey will remain a major shareholder.

It began its M&A quest with the acquisition of rival Universal Office Automation, a deal that has allowed it to more or less double in size. The plan is to scale the business through organic growth and a buy-and-build play.

Massey's stated goal is to grow sales to £40m in the next two years. The Actimax man has earlier indicated that he could look to add volume with deals similar to the Universal buyout, or may consider acquiring strategic skill sets.

The reseller's leading vendor partners include Mitel and Alcatel-Lucent, and London theatre operator Delfont Mackintosh, as well as the London Borough of Enfield are among the company's big-name customers.

95**Lanway**

£13.1m

Sales and operating profit dropped in FY11, but the firm is optimistic after overhauling the business to focus on services. The Dell Premier partner prides itself on being one of the vendor's top UK VARs for its EqualLogic storage wares.

94**Pugh Computers**

£13.4m

Another reseller to feel price pressure as operating profits dropped 6.5 per cent to just under £600,000, despite a five per cent sales spike. The Aberystwyth-based licensing player aims to provide affordable software to education bodies, students and charities.

93**Keltec**

£13.8m

Revenue was not quite back to pre-recession highs, but operating profit doubled to £331,000 during a robust FY10. Top partnerships include HP, Oracle, IBM, Microsoft, Citrix and VMware.



Actimax's John Massey

92**Millgate Computer Systems**

£13.9m

Sales were up 17.6 per cent on operating margins of three per cent during the Sheffield VAR's 2010 fiscal year. Founded in 1996, the telecoms specialist predominantly serves businesses in South Yorkshire.

91**Datel**

£14m

Operating profit soared more than 50 per cent, with margins of 6.7 per cent. The Warrington outfit is Sage's largest UK partner and last year topped its 15-strong VAR elite, the Circle of Excellence.

90**SecureData**

£14m*

The security firm is hoping to hit the M&A trail after re-branding from MIS Corporate Defence Solutions. Top customers include *Financial Times*, Virgin Games, Oxfam and the London Borough of Hackney.

89**Square Group**

£14.1m*

Turnover was up by more than a fifth, but this reseller's

operating margins were below the one per cent mark. The Apple Premium Reseller recently opened its second Central London store in the technology hall of the Selfridges department store on Oxford Street.

88**Information and Data Network Supplies**

£14.4m

Sales grew 4.5 per cent in FY10, having stayed flat the previous year. The Bolton audiovisual and printing outfit also boosted operating profits by almost a fifth to £300,000. Education remains the key market for this HP, Promethean, Samsung and Hitachi partner.

87**Total Computer Networks**

£14.5m*

Total Computer Networks is one of this list's fastest-growing resellers, having more than doubled the size of the company in the last couple of years. Sales for its 2008 fiscal year stood at £6.2m, a number that rose by almost 60 per cent to £9.9m in FY09. Last year, the reseller enjoyed a healthy 46.5 per cent sales spike, and saw its top line expand to £14.5m.

The Kettering-based VAR is now on track for another year of impressive growth, as FY11 sales are currently projected to

reach £18.2m. Earlier this year, the firm brought in finance manager Jeremy Attwood from vendor Belkin to help drive continued growth plans.

Total Computer Networks' hardware partners include Lenovo, HP, Dell and IBM, while its software portfolio boasts the ubiquitous Microsoft, as well as vendors such as Citrix and CA. Security manufacturers include RSA, Sophos and Kaspersky, and the reseller also sells networking kit from the likes of Cisco and Netgear.

86**Comm-Tech Voice and Data**

£14.6m

The Norfolk-based mobile specialist grew sales by an impressive 77.1 per cent in FY10, with operating profit rising about 10 per cent to £231,000. Two months ago, the company also moved from its long-time village base in Martham to a city centre location in Norwich.

85**Business and Scientific Services**

£14.8m*

Declining sales and a £340,000 loss for the Belfast integrator. The company is a Microsoft Large Account Reseller, and also works with A-brand vendors such as HP, IBM

and Dell. Secondary vendors include ShoreTel, Juniper, Cryptocard and Ironkey.

84**Dacoll Group**

£14.8m

The managed services and infrastructure VAR boosted its sales in the fiscal year of 2010 by more than £2.5m, but it also saw a £1.4m operating profit turn into a £275,000 loss. The company supplies kit from a handful of big storage vendors, including EMC, Dell EqualLogic, Nexsan, Commvault and NetApp.

83**Albion Computers**

£14.9m

Another Apple specialist, the central London-headquartered VAR added stores in Woking, Crawley, Colchester and Ipswich during 2010. Its newest outlet, in Northampton, opened last month.

82**Cisilion**

£15.6m*

Sales were down 20 per cent and operating losses stood at £95,000 during a tricky FY10 for this integrator. However, the Cisco Gold partner recently gained Authorised Technology Provider status for the vendor's Unified Comput-

ing System range of servers and related technologies.

81**Datapoint**

circa £15.7m*

This comms player has reshuffled its senior management and strategy as it seeks to drive more services revenue. The London-headquartered Avaya partner also operates in Barcelona, Dublin, Madrid, Paris and Utrecht.

80**Viadex**

£16m

Sales and operating profits were flat at this Surbiton VAR, with revenue still some way short of its pre-recession heights. However, the company's engineers do hold almost 60 badges across the following vendors: Cisco, HP, Microsoft, VMware, NetApp and Hitachi Data Systems.

79**Prolinx**

£16.5m*

Sales were up and operating profits almost doubled to £3.6m, giving the VAR operating margins of a hefty 22 per cent. The Oxfordshire firm closed its third acquisition inside a year when it bought virtualisation consultancy Five IT in summer 2010.

78**Caretower**

£16.6m*

This reseller's sales grew more than £2m, but operational margins slipped by three-tenths of a point to 2.6 per cent. In July, the VAR became vendor Sourcefire's first UK partner for its SMB-targeted offering IPSx.

77**Orange IS**

£16.8m*

The south London-based VAR recently launched its new reseller arm, Orange Security Solutions. It also placed 84th on the *Sunday Times* Tech Track 100 list, which includes the UK's fastest-growing privately owned technology companies.

76**Aria Technology**

£16.9m

Founder Aria Taheri appeared on television show *The Secret Millionaire*, but sales at his firm fell 12 per cent as operating margins stood at a skinny 0.5 per cent. However, "large reductions were made to the cost base" of the Mancunian reseller during the year.

75**Grey Matter**

£17.5m

Sales were up 6.8 per cent and operating profit grew 5.3 per cent to £511,000 during the 2010 fiscal year. The Devon-based software firm has been in business since 1983 and possesses accreditations from vendors including Microsoft, Oracle, VMware, Symantec, Adobe and SAP.

74**NE Computing**

£17.8m

The HP and VMware partner slumped to a £70,000 operating loss during a tricky 2010. Trading as Richardson Eyres, big contracts won recently include a deal with professional services firm Mourant and

Some VARs are feeling the margin squeeze



beauty products specialist Molton Brown.

73

Bechtle

£17.9m*

Revenue was up more than 50 per cent in 2010 for the reseller, while operating profit more than doubled to almost £700,000. The Wiltshire-based firm is part of a pan-European resale group, whose parent company is German outfit Bechtle AG.

72

acs Systems

£18.2m

This Northampton-based VAR turned 2009's losses into a £477,000 operating profit in 2010. The reseller, which also provides office furniture, achieved Authorised Reseller status with vendor Apple earlier this year.

71

Axial Systems

£18.3m

Sales and profits were down during the 2010 fiscal year, but this security specialist still put a healthy £1.5m on its operational bottom line. The company, which is backed by private equity firm NVM, indicated earlier this year that it intends to hit the acquisition trail and it is currently on the

lookout for businesses in the security and performance management space.

70

Sabio

£18.5m*

The Avaya partner's revenue grew £1.4m but operating profit stood at a meagre £77,000 in 2010's fiscal year. Recent contract wins include Leeds City Council and Greater Manchester Police. A service centre was also recently opened in Singapore.

69

TET Limited

£18.7m*

The London-based reseller has bagged both Oracle Gold and Cisco Premier partner status in the last year. And after enduring a six-figure loss in 2009, operating profit for FY10 stood at almost £250,000, which equates to margins of about 1.3 per cent.

68

Trams

£19.1m

Sales rose 8.5 per cent and operating profits were up 16.8 per cent to £448,000 for this reseller during a very solid FY10. The Apple Authorised reseller also partners with hardware giants HP and Lenovo, while its key software

brands include Adobe, Microsoft and Oracle.

67

Transputec

£19.8m

The Wembley-based reseller reversed 2009's high-on £500,000 loss by putting almost £300,000 on its bottom line in FY10. Earlier this year, former Royal Navy engineering officer Mike Manisty joined the VAR as chief technology officer.

66

ONI

£20m*

The Luton-based Cisco VAR has nearly doubled in size from being a £10.9m operation in 2009. In FY10, sales grew almost £2m to £12.8m, while revenue soared 56.2 per cent in its most recent fiscal year. The £20m top line is some way ahead of its initial target of £18m. FY11 operating profit was also up 53.9 per cent to almost £970,000.

During this year, the company has also opened the doors on a £3m purpose-built datacentre to help facilitate further growth. The new facility contains more than 300 managed racks, as well as business continuity managed services suites.

Ultimately, the firm aims to become a £50m operation in the not-too-distant future. In FY11, the company's average

number of employees stood at 77, up from 69 the previous year and 64 in 2009. And ONI began FY12 with an assurance that it intends to carry on growing staff numbers and a call for capable candidates to get in touch.

65

Apasu

circa £20.4m*

This services and infrastructure player came into being this year through the merger of IBM VAR Apex Computers and managed services player AssurIT. The combined entity aims to give bigger players a run for their money in the mid-market.

64

Computer Systems Integrations

£20.5m

Sales were down by more than £1m, but operating profit rose more than a quarter to £582,000. This summer, the Leeds-based firm launched its AffordableERP product, which is designed to help mid-market businesses make the right investments in enterprise resource-planning technology.

63

Maintel

£22m*

Revenue for 2010 rose 13.5 per cent, while operating profit grew 11.6 per cent to more than £2.6m. The PBX specialist's leading vendor partners include Avaya, Mitel, Siemens, Gamma and Enterasys. The Southwark-based firm also works with manufacturers including HP, VMware and Polycom.

62

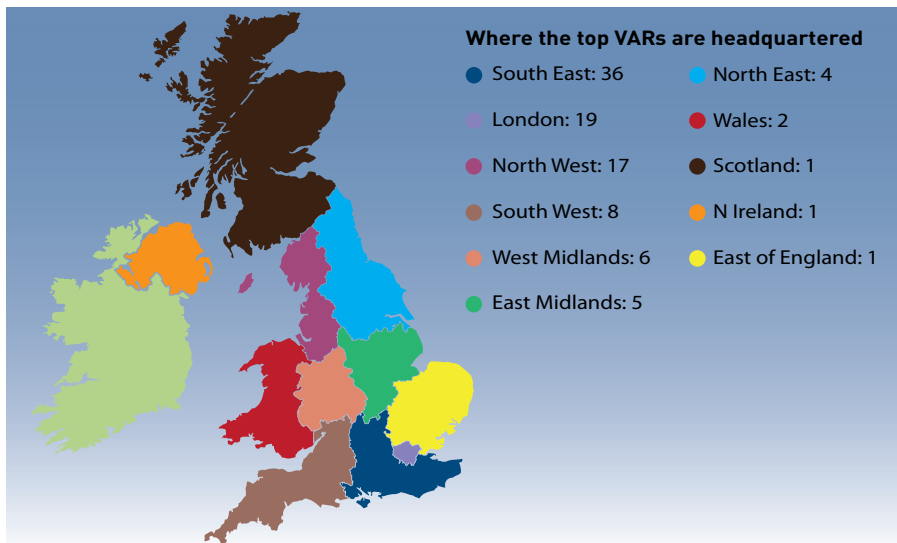
Comparex

£22.3m*

Formerly PC-Ware, this reseller recently changed its name as it brought together hardware, software and services operations. UK sales at the central London-based VAR increased by £2m in FY11, while operational profit was up almost 50 per cent to £386,000.

Where the top VARs are headquartered

- South East: 36
- North East: 4
- London: 19
- Wales: 2
- North West: 17
- Scotland: 1
- South West: 8
- N Ireland: 1
- West Midlands: 6
- East of England: 1
- East Midlands: 5



61

MTI Technology

circa £23m*

The virtualisation and storage player bought security reseller GSS this summer. Earlier in the year, Philip Brown was brought in as chief finance officer to oversee the VAR's ongoing buy-and-build plans, in which cloud is a key focus.

60

Selection Services

£23.2m

Sales grew by £500,000 and operating income more than trebled to more than £1.6m during the fiscal year of 2011. Big-ticket customers for the Bromley-based reseller include leisure centre group David Lloyd, financial services player J O Hambro and Langley Grammar School.

59

Blue Chip

£23.8m*

Sales grew more than 15.7 per cent in FY11, but operating profit declined marginally to £1.9m, equating to margins of more than eight per cent. The Bedford-based IBM partner's biggest clients include Gala Bingo and Greggs.

58

Vohkus

£26.8m

Revenue was up £5m and a £150,000 loss was turned into a £450,000 operating profit during a robust FY10. In the last three years, the Southampton-based reseller has worked hard to reduce its cost base, including reducing its workforce by about a quarter to its current level of 63.

57

Intrinsic Technology

£27.4m

The Merseyside VAR recently underwent a £30m management buyout with the backing of private equity house RJD Partners. Chief executive Mike Mason, who has previously

Q&A: ANS Group's Scott Fletcher, chief executive**What's the secret to doubling your business in one year?**

Focusing on private cloud offerings and infrastructure 3.0 – NetApp, VMware and Cisco. They are calling it FlexPod now, but we were doing it way before FlexPod was even invented. With that referenceability, we have seen growth. Including Microsoft, we have been focusing on four key partners.

Have there been any key verticals?

Because our offering is an infrastructure offering, it crosses all verticals. Our sales are about 50 per cent public, 50 per cent private. We did an acquisition, but that is not the main reason for the growth – we still grew about 60 per cent organically.

Where do you go from here?

We think that we will be at least £40m this



year – all of it through organic growth. We are consistently recruiting three or four people every month. We are now up to about 130 people on staff.

stated his desire to turn Intrinsic into a £100m outfit, headed the deal.

copies the Platinum tier of Symantec's channel scheme.

last summer of VARs Midas IT and Sirvis.

56

Tectrade Computers

£29.1m

The reseller's annual report reveals the "loss of a major account" as turnover declined by £7m. However, IBM last month picked the Surrey-based firm as a delivery partner for the National Server and Storage framework, which is used by higher education establishments.

53

M2 Digital

£30.4m*

Operating profit increased almost tenfold to £2.5m in a stellar FY10 for the managed print specialist. The company, which has offices in Manchester, London and Glasgow, recently secured a five-year contract with a big financial services company, which is worth more than £8.5m.

50

OCSL

£34.3m

Double-digit sales and profit growth for Sussex-based company, with an operating profit of almost £1.5m which provided margins of 4.2 per cent. The integrator claims that it was recently picked as HP's sole Cloud Centre of Excellence in the UK.

55

ANS Group

£29.4m*

Revenue more than doubled after the Mancunian firm's buyout of storage specialist Alpha. The VAR also recently rejigged its boardroom setup, with Alpha exec Howard Johnson becoming its new professional services director, and Richard Gascoigne promoted to managed services director.

52

Technology Services Group

£30.7m

The recession bit hard as this Geordie reseller's operating losses grew to £467,000. But the company, which is bankrolled by Sage co-founder Graham Wylie, recently kicked off an acquisition spree with deals to buy Concentrix and Rocket Solutions.

49

ACS

circa £35m*

US IT services giant arrived in the UK in 2008 with its acquisition of IBM VAR Syan, which was followed up a year later when it snapped up Anix, another Big Blue partner. ACS claims the buyouts made it IBM's biggest SMB reseller in the UK and has pledged to buy further European targets.

54

Bell Microsystems

£29.4m

Sales were up 22.7 per cent, but a £884,000 profit turned into a £36,000 loss for this Portsmouth VAR. It holds Gold partner certifications from HP and Oracle, and is an IBM Premier Business Partner and oc-

51

Esteem Systems

circa £31.5m*

The Wetherby-based VAR grew sales by 8.5 per cent to £29.5m in the fiscal year of 2010, with operating profit rising more than 16 per cent to £2.8m. Esteem will also add a chunk of change to its top line through its acquisition

48

NextiraOne

£36m

Last year was a tough one for the comms integrator, with sales and pre-tax profits both enduring double-digit declines. Public sector sales felt the pinch and now represent 13 per cent of the Alcatel-Lucent partner's turnover, down from 40 per cent in 2009.

47**Altodigital**

£36.4m

Turnover was up 13.4 per cent for this print reseller during FY10, but operating profit fell from £1.8m to £1m. Landmark customers include Birmingham City Council, Lincoln College and Arsenal Football Club, while the firm operates offices in Leighton Buzzard, Bristol, Cardiff, Leeds, London, Belfast, Dublin, Southampton and the West Midlands.

46**Novatech**

£36.6m

Revenue dropped by £5m on 2009, but profit was up a little to £750,000. The Portsmouth firm sells systems, peripherals, networking and servers. It trades online and operates stores in Reading, Cardiff, Bristol and Portsmouth.

45**Storm Technologies**

£37.5m

Sales rose 27 per cent during 2010, but operating profit was up only marginally and stood at £1.1m. In July, the Watford firm, whose key vendors include HP, VMware, IBM, Net-App and Dell, launched a cloud-based replication and recovery offering.

44**B2net**

£40.4m

A year ago, the Chesterfield-based storage integrator acquired Cisco partner Essant and claimed the addition had a "very similar" methodology to its own. In April, B2Net was itself acquired, when Swedish storage powerhouse Proact IT Group bought a 75 per cent stake for £12m.

43**Telindus**

£40.8m*

The integrator is owned by Belgian carrier Belgacom Group. Key verticals include

defence, education and retail and the firm also specialises in physical security technology. Top partnerships include Cisco, Alcatel-Lucent, Extreme Networks and Juniper.

42**Audio Visual Machines**

circa £41.4m

The Twickenham company, which claims that it is the UK's biggest audiovisual integrator, closed its seventh acquisition in six years in April when it bought video services outfit VC-Net. Two months ago, the VAR also opened its doors at its second Scottish location, in Glasgow.

41**CAE Technology Services**

£42.4m

The Watford-based reseller has enjoyed a stellar year with its vendors, beginning with attaining NetApp Gold partner status. Later in the year, it became the 19th UK partner to be awarded Gold Volume Licensing status with Microsoft.

40**Q Associates**

£43m

The Newbury-based VAR endured a 5.8 per cent sales decline in FY10, while operating profit before exceptional

items was more than cut in half, and stood at just over £400,000. This figure was eroded to a miserly £62,000 by one-off charges relating to the setting up of a US subsidiary.

39**Trinity Expert Systems**

circa £43.8m*

The Coventry-based firm nearly doubled in size earlier this year when it bought rival Eurodata Systems. The two firms claim that, together, they will be one of the UK's leading Microsoft consultancies. Trinity also works with SAP, Citrix and IBM.

38**Damovo**

circa £44.6m*

The Avaya integrator recently promoted Simon Payne, formerly managing director of Damovo Global Services, to deputy managing director. He will assume overall strategic responsibility for the company's sales and marketing. In the last few years, Damovo has bet big on fixed-mobile convergence technology.

37**Bailey Teswaine**

£44.8m*

The IT integration arm of construction outfit NG Bailey endured a sales decline of 2.8

36**Maxima**

£45.7m*

per cent in FY11, following a revenue slump of 16 per cent the previous year. In May, Gary Pickering and Paul Morgan were brought in as sales director and national sales manager, respectively.

35**Ultima Business Solutions**

£48.5m

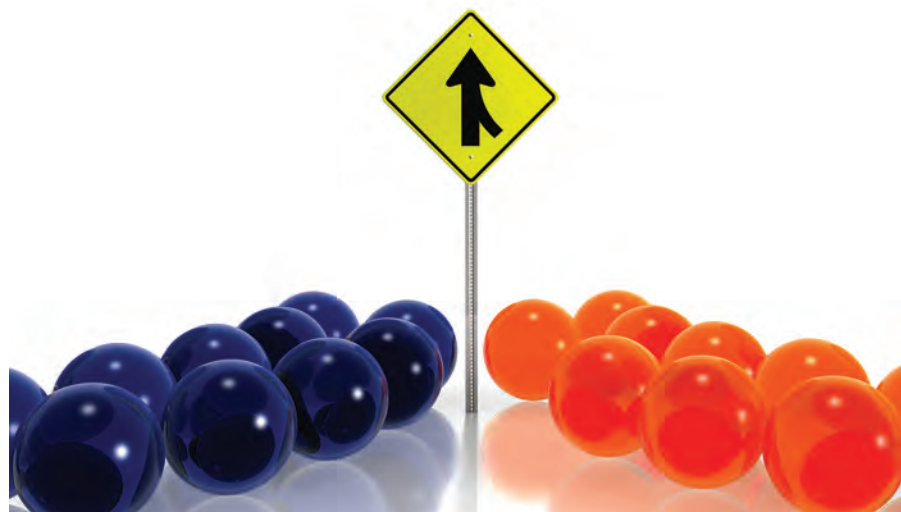
The Reading-based Microsoft Large Account Reseller also works with vendors including Citrix, VMware, Cisco, HP, Check Point and Symantec. The company, which was founded in 1990, claims that more than half of its employees work in technical roles.

34**European Electronic**

£48.8m*

In its 2011 fiscal year, which closed at the end of March,

Mergers are a common feature of the top 100





European Electronique's Yolanta Gill

European Electronique showed, in spades, a quality that all firms on our top 100 have required in the last few years: resilience.

Sales for the year were up by more than 50 per cent, while the company's operating profit soared 83.4 per cent to more than £1.1m. And all of this came after a 2010 in which sales shrunk 12 per cent and operating profit declined by a third.

The directors' report for FY11 explains that the company has benefited greatly from the conclusion of the Building Schools for the Future programme and the coalition government's increased focus on free schools and academies.

Indeed, the Oxfordshire-based VAR, led by chief executive Yolanta Gill, worked closely with the West London Free School, which opened in September of this year as the first such establishment to be awarded funding by education secretary Michael Gove. During 2011, European Electronique also tied down a deal with the Woodard Schools Trust to provide both ICT equipment and services to 15 academies.

Managed services sales were up 60 per cent in the fiscal year of 2011, and contracts with 17 primary schools were also secured.

33**Probrand**

£51.4m

Between 2007 and 2010, the Birmingham-based reseller more than trebled in size to reach an annual turnover of almost £58m, before the growth dried up in 2010. Probrand is a Microsoft Authorised Education Reseller, and other key partners include IBM and HP.

32**NSC Global**

£52.1m

The London-based Cisco Gold partner's FY10 sales were more or less flat, but operating profit slumped almost a third to £2m. But the firm is projecting top-line growth of 20 per cent and a rise in operational profits of 50 per cent in FY11, after its order-book worth more than doubled over the course of the year.

31**K3**

£52.8m

The Sage and Microsoft Dynamics provider grew sales 20

per cent, while operating profit was up six per cent to £5.8m, which equates to margins of a hefty 10.8 per cent. This summer, the company also acquired fellow Sage partner FD Systems.

30**Centerprise**

£54.9m*

The system builder and integrator has bagged a spot on a number of different major public sector frameworks over the last two years. Earlier this year, it appeared on three out of six lots on the Desktop Hardware and Peripherals Framework in the further education space.

29**CCS Media**

£60m

The storage-focused VAR looks all set for further growth in 2011, after first-quarter sales spiked 23 per cent to £18.9m. The Chesterfield-headquartered company runs sales offices in 16 UK locations and its key vendor partners include Dell, Microsoft and VMware.

28**Redstone**

circa £67.1m*

The integrator is a considerably different beast to the bloated £200m monolith of several years ago, after the sale of several businesses and a wide-scale restructuring of the firm. Operating losses narrowed by more than £1m in FY11, but still stood at a painful £5.3m.

27**Viglen**

£68.7m

The St Albans-based system builder increased sales by more than a quarter in its 2010 fiscal year, but operational profit fell by almost 50 per cent to a little more than £500,000. A year ago, Stella English, winner of *The Apprentice*, joined the firm, but she and the VAR parted company acrimoniously.

26**Stone**

£69.7m

The Staffordshire system builder has remodelled itself in recent months as a "manufacturing added reseller", after tying up partnerships with a number of big-name manufacturers. A year ago, the company also teamed up with Microsoft to enter the refurbished market.

25**Integralis**

circa £71.4m*

The security specialist, which is majority-owned by Japanese telco NTT, recently promoted Neal Lillywhite to the post of UK managing director. During 2010, UK sales rose more than a fifth, and amounted to 43 per cent of the firm's worldwide total.

24**Software Box**

£73.2m

The York reseller celebrates its 25th birthday this year and it can also celebrate tying up a £30m, five-year contract with the Ministry of Defence this summer. The company styles itself as the UK's top provider of information security. Its leading vendor partners include Microsoft and Dell.

23**Buy IT Direct**

£74m*

The online VAR, which trades as Laptops Direct, among other things, recently revealed that it hopes to add £50m to its top line with the implementation of conversion rate optimisation technology. On top of direct sales, the company also sells through white-label agreements with big-name retailers.

22**Civica UK**

£87.7m*

The software and services outfit continues to land big-ticket

public sector deals, as it saw a string of significant successes this summer. Among these was the company's inclusion on eight out of nine lots on the Local Government Software Applications Solutions Framework, which could have up to £1bn in its budget.

21**Capita IT Services**

£93.2m*

This IT services outfit is part of the £2.7bn outsourcing giant Capita Group, which spent more than £300m on acquisitions last year. The company's recent channel-related buyouts include the £40m which it spent on reseller and managed print services provider Right Document Solutions in April.

20**SHI International**

circa £100m*

The UK is a still relatively small but fast-growing territory for one of the US' largest resellers. With headquarters in Milton Keynes, this VAR is one of only a handful of Microsoft Large Account Resellers in the UK and it also works with all the major hardware manufacturers.

19**Trustmarque Solutions**

£107.7m

The York-based firm underwent a year of refocusing in 2010, a process that included bowing out of pass-through business for key vendor partner Microsoft. This led to a 12.3 per cent drop in both sales and pre-tax profit, which stood at £3.4m. But the VAR asserts it is "in control of its own destiny" after the rejig.

18**Alternative Networks**

circa £111m*

Just over a year ago, the London-listed company bought fellow top-level Mitel partner Scalable Communications for an upfront consideration of £7.5m. The deal should take

17**XMA**

£140.5m

The Nottingham-based reseller, which is owned by Westcoast parent Kelido, increased sales by 38 per cent in 2010, while its operating profit more than doubled to £3.3m. Being picked as a supplier on the Home Access scheme and various other frameworks was instrumental in growing sales.

16**Azzurri**

£141.1m*

The West Midlands-based firm increased pre-tax profits by more than a quarter to £11.5m in FY10, despite a six per cent revenue fall. Big wins in FY11 included a three-year, £5m installation of unified communications technology for facilities titan OCS.

15**Bytes**

circa £158m*

The licensing player added about £10m to its top line with its acquisition of Check Point VAR Security Partnerships for an undisclosed sum.

14**Kcom**

circa £184m*

The Surrey-headquartered firm was quick to pledge that it would double the security reseller's revenue.

Two years ago, KCOM Group merged its national telecoms division with VAR Affiniti, while it was decided that systems integrator Smart 421 would sit alongside the newly created division. Affiniti still files its own trading accounts, which peg sales for the fiscal year of 2011 at a little over £170m. Meanwhile, Smart 421 would be big enough to make this list on its own merit, and it enjoyed sales of more than £13m last year.

13**DSGi Business**

£200m-plus*

The B2B arm of the UK's biggest technology retailer is something of a mysterious beast. Dixons has not broken out sales figures for the unit for several years, and also declined to do so for this table, but market sources suggest its current turnover is hovering above the £200m mark. However, Dixons' group accounts have made it plain that B2B sales have been hurting, and VAR Equanet has had to endure the closing of its former headquarters in Surbiton, as well as several changes of leadership in recent years.

12**Logicialis**

circa £206m*

The Slough-based integrator has been in an acquisitive mood this year, snapping up IBM VAR Inca and videoconferencing specialist Direct Visual. In the last two years, the firm has bought into the cloud in a big way, and it opened a £7.5m, purpose-built datacentre last year.

11**Dimension Data**

£216.2m*

Last year, South Africa-based Didata, which enjoys global sales of almost \$5bn, was acquired for more than £2bn by Japanese telco NTT. The integrator makes no secret of its desire to offer a wider range of managed services and increase sales of high-end technologies, such as virtualisation and unified communications.

10**Danwood Group**

£220m*

The UK's biggest print specialist enjoyed a stellar FY10, with sales up 13.4 per cent. Operating profit was also on an upward curve, rising about a third to £15.1m, equating to margins of 6.9 per cent.

In recent years, the print services giant has bought up a number of print resellers, in-



The biggest resellers continue to bulk up

cluding Printware and the copier resale arm of Admiral Group. Earlier this year, the company made the cut on the Buyout Track 100 rundown of the UK private equity-backed firms with the quickest-growing profits.

9

Softcat

circa £220m*

The Marlow-based VAR closed its most recent year several months ago and enjoyed another 12 months of stellar growth. Sales were up more than 50 per cent on 2010's figure of £146m and the firm has nearly doubled in size in the last two years, all through organic growth. Pre-tax profit in 2010 stood at £16.5m, equating to margins of a healthy-looking 7.5 per cent.

8

2e2

circa £245.6m*

Group sales in 2010 rose from £200m to £327m, with organic growth coming in at about seven per cent and sales from acquisitions contributing well over £100m to the top line. The biggest deal was the Newbury-based company's £70m buyout of integrator Morse in June 2010.

During last year, 2e2's UK turnover grew from £169m to £245.6m, while its global footprint increased even more rapidly. Earlier in 2011, the

integrator also announced a tie-up with mobile network operator O2, which will see the two companies jointly offering outsourced IT and comms services.

7

Misco

circa £272m*

The online reseller, owned by US resale giant Systemax, grew sales 11.4 per cent to almost £250m during 2010. Operating profit rose 12.6 per cent to £9.8m.

During the year, fellow online VAR WStore, which was bought by Systemax in the summer of 2009, was integrated into the Buckinghamshire-based firm's operations. Late last year, Misco was singled out by HP as one of seven resellers that it felt are instrumental to gaining a greater share of the UK mid-market PC space.

6

Kelway

circa £299m*

The London-based reseller began its new fiscal year by adding £50m-plus acquisition ISC Computers to its books, having bought the firm for an undisclosed sum at the tail end of 2010.

Sales from existing operations spiked almost 50 per cent in FY11 to £244.4m, while operating profit grew 17.1 per cent to £8.5m.

5

RM

circa £330m*

The education-focused system builder enjoyed a robust 2010, with group sales up 10 per cent to more than £380m and adjusted operating profit rising 12 per cent to £19.9m. However, the Oxfordshire-based firm always knew that FY11 was going to be a tougher proposition, as the Building Schools for the Future programme was consigned to the scrapheap and public spending cuts began eating into revenue.

Full-year numbers are due out in a couple of weeks, and RM is already planning to remodel its entire business in the coming year. Several non-core divisions will be up for sale, while 13 per cent of the workforce will be axed.

4

BT

circa £400m*

The telecoms leviathan recently announced that all its VAR operations — comprising BT Engage IT, BT Business Direct and dabs — are to be inte-

grated into one entity. The goal is ultimately to create a £1bn turnover IT product and services juggernaut.

BT Engage IT, which was formed through the acquisition and merger of mid-market VARs Basilica and Lynx, is the largest individual operation, posting sales of almost £180m in FY10. Business Direct is a £120m operation, with online reseller dabs chipping in around £80m. The trio of brand names are likely to remain in place until sometime next year.

3

Insight

£412.9m

Sales grew 14.5 per cent during a robust 2010 for the NASDAQ-listed, US-based VAR, while operating profit rose 28.6 per cent to £8.9m. This equates to operating margins of more than two per cent.

Mobility has been the watchword for the reseller so far in 2011, with a range of Apple support services for businesses launched recently. Insight aims to become the Mac-maker's top UK partner in the enterprise space.

Earlier this year, the VAR was appointed as the exclusive B2B stockist of RIM's PlayBook tablet for all of the product's 90-day launch period.

2

SCC

circa £580m*

Sir Peter Rigby's resale powerhouse enjoyed an upbeat year in FY11, with turnover from existing operations spiking 13.1 per cent year on year to more than £553m. This follows a 4.3 per cent sales decline in 2010.

Revenue growth was largely fuelled by a hike in product sales, but services sales also rose and still represent more than a fifth of total turnover. During the year, SCC bought infrastructure VAR Kavanagh, a high-on £25m operation. Print services firm TSG was also acquired this year.

However, like so many of its smaller rivals, the Birmingham-based giant felt the squeeze on margins last year, with operating profit (excluding Kavanagh) falling from £6.9m to £5m.

Q&A: Softcat's Martin Hellawell, managing director

What's the trick to doubling your business inside two years?

It is all about getting the basics right, and recruiting the right people. When the recession started, we took a very conscious decision to invest more than ever. We looked at the recession as an opportunity to take market share, rather than a threat.

Have you focused on any key verticals?

The only particular vertical we have homed in on has been the public sector. We were not in it at all until we won the (Buying Solutions) CITHs accreditation — that gave us the impetus to go off and create a public sector business. We are now up to 35 salespeople just doing public sector.

Has the economic climate put the squeeze on margins?

Our margins have not fallen in the last two



years — in fact, they have gone up. We are very happy to supply customers with PCs and printers if they want it, but it has never been a focus. We are into the solutions side. It would be difficult to continue to double the company every two years, but we are still looking for strong double-digit growth.

Computacenter

With sales at £1.23bn, the UK's biggest VAR remains a long way in front, writes Sam Trendall

A number of the company's top competitors have made noises in recent years about threatening Computacenter's dominance, but the reality is that the Hatfield-based VAR is still the UK's biggest by a long stretch.

The company is more than twice the size of its nearest competitor, it is three times the size of the UK's third biggest reseller, and it is more than four times as big as everyone outside the top five. It has been the country's only £1bn reseller for almost 15 years.

In 2010, Computacenter UK Ltd posted sales of £1.23bn, up 4.2 per cent on last year. Operating profit was up 58 per cent to £24.2m, equating to operating margins of two per cent. The firm's annual report reveals that 21 per cent of UK revenue in 2010 came from sales of PCs, printers, peripherals and consumables. Some 29 per cent was generated by servers, storage, networking and security, while 15 per cent came from software products. Third-party services chipped in four per cent of total turnover.

Professional and managed services operations were a key growth engine for Computacenter last year, with sales growing at 13.9 per cent, almost three times the overall revenue growth rate. The reseller's UK services sales stood at £380.5m last year. Support and man-

aged services now account for 23 per cent of overall turnover, while professional services chip in eight per cent, bringing services sales to almost a third of the total.

In his operating review of the year, Computacenter chief executive Mike Norris indicated that his firm's future success hinges on differentiation, rather than pure volume.

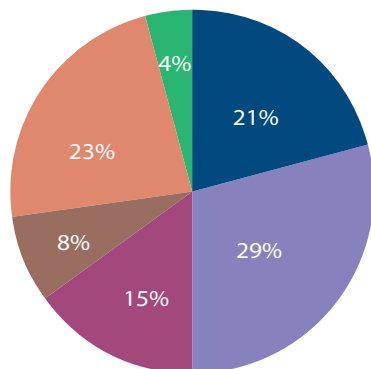
"Over the last two years, we have done much to identify those Computacenter offerings where we have competitive advantage and for which there is market appetite," he writes. "We believe that this is where our future success lies and our focus is on repeating delivery of these offerings, in an efficient and high-quality manner. We are investing in tools and processes which support repetitive delivery of these services, whilst ensuring efficiency and quality."

After the successes of 2010, the first half of 2011 was a very different story for Computacenter. The company's UK revenues plummeted 16 per cent, a fall that was largely fuelled by a 23 per cent decline in product sales. This allowed Germany to become the VAR's biggest sales territory for the first time.

However, chief Norris remained unfazed, telling CRN that he is investing heavily in the reseller's services business in the UK, as well as in datacentres and call centres. He also stressed that more acquisitions in the VAR's home country are a distinct possibility. The UK's biggest VAR is unlikely to be toppled any time soon.



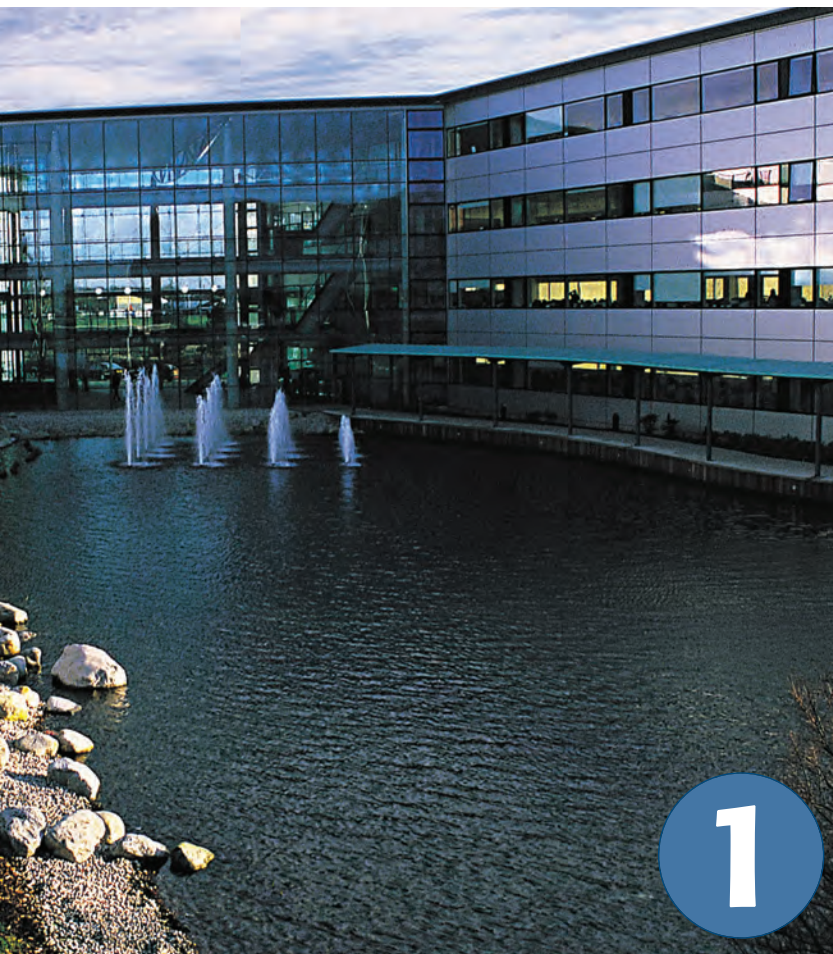
Computacenter's UK revenue by area



- Systems and printers
- Infrastructure & security
- Software
- Professional services
- Support and managed services
- Third-party services

Source: Computacenter





Hatfield globetrotter

Computacenter was founded in 1981 by entrepreneurs Philip Hulme and Peter Ogden, and sales had grown to £1.5m by 1983. The following year, recent graduate Mike Norris joined the company in a sales role at the firm's City office.

In 1990, the company moved into new headquarters on London's Blackfriars Road, a venue which it claimed was also Europe's biggest PC outlet. Four years later, Norris was appointed chief executive, and he led the company to become the UK's biggest IT supplier prior to its flotation on the London Stock Exchange in 1998.

Over the next 10 years, a host of acquisitions in both the UK and across Europe helped Computacenter grow its global revenue to £2.7bn. In recent years, it has ramped up its services operations and it launched C³ Mail, its first cloud-based offering, last year.

Computacenter now employs more than 10,000 people across all of Europe, and it has offices located in seven different countries.

In 2010, the UK provided 47 per cent of total sales, and the reseller's corporate headquarters are now located in Hat-

field. It serves the UK through an additional 10 offices in Belfast, Birmingham, Bristol, Cardiff, Edinburgh, London, Manchester, Milton Keynes, Nottingham and Reading.

Germany, which provided 38 per cent of overall revenue last year, recently became the VAR's biggest region by sales volume. German operations are run out of the national head office in Kerpen, with a further 24 locations in use throughout the country.

France, which provided 13 per cent of Computacenter's revenue in 2010, is a fast-growing region for the VAR. In the first quarter of 2011, French services and product sales rose 10 and 22 per cent respectively.

In February, the VAR's standing across the channel was boosted by its €21m (£17.7m) acquisition of reseller Top Info. Sales are run from Paris, with a further 15 offices in operation.

The Benelux region, where Computacenter runs offices in Luxembourg and Zaventem, in Belgium, currently provides two per cent of the VAR's turnover. The firm also operates from locations in Cape Town and Barcelona.

CC through the years

- **1981** – Computacenter is founded by Philip Hulme and Peter Ogden
- **1984** – Sixth UK branch opened
- **1989** – International Computer Group founded, including operations in Ireland and Germany
- **1990** – UK headquarters, including Europe's largest PC outlet, opened in south London
- **1994** – Mike Norris appointed as chief executive; Computacenter becomes biggest UK-owned IT company
- **1997** – The VAR's UK revenues exceed £1bn
- **1998** – Computacenter floats on the London Stock Exchange
- **1999** – Operations founded in Belgium; UK IT disposal company RDC is acquired
- **2001** – Computacenter Germany acquired by GECITS, which sells its UK and French businesses to the UK's top reseller
- **2003** – GE CompuNet in Germany and GE Capital IT Solutions in Austria are both acquired
- **2005** – Service desk functionality added in Barcelona and, through the buyout of Digica, in Cape Town
- **2007** – £299m five-year outsourcing contract win with BT
- **2009** – A year of comings and goings, with the acquisitions of Thesaurus in the UK and Becom in Germany. Distribution arm CCD sold off to Ingram
- **2010** – Cloud offering C³ Mail launched
- **2011** – French VAR Top Info acquired; Germany overtakes the UK to become the VAR's biggest sales territory



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Great expectations

*CRN quizzed 500-plus IT chiefs about what they want from their IT suppliers. **Sam Trendall** examines the results*

Vendors, distributors and resellers have long been promising that their technology or service will allow customers to achieve that holy grail of IT management: doing more with less.

It is, of course, a bold claim and should, no doubt, be taken with a pinch of salt when emanating from some corners. But at its best, the channel, and the technology it develops and delivers, can help make businesses smarter, leaner and more efficient.

And the results of our survey of end users shine a light on just how crucial it is — especially in the current economic

climate — that resellers help customers deliver on their IT and business objectives, while still driving value and providing demonstrable cost savings.

CRN quizzed more than 500 senior IT decision makers at a wide range of end users, from micro-businesses to the biggest enterprises, for the survey. And, perhaps unsurprisingly, it quickly becomes apparent that cost is the watchword for many IT chiefs.

Respondents were asked to rank a variety of issues in order of how big a consideration those issues are likely to be over the next couple of years, with five being

Spending time

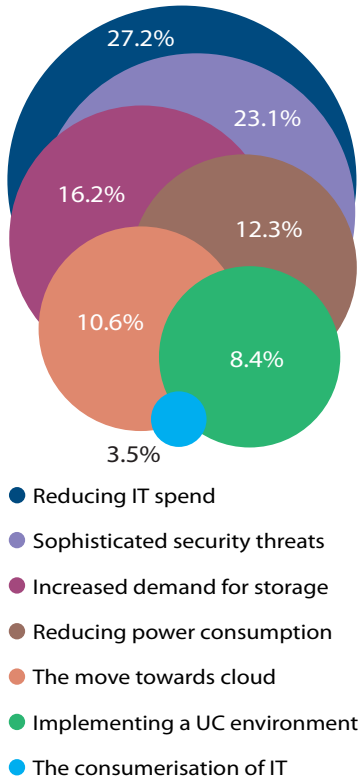
In the current economic climate, it was perhaps inevitable to see that reducing IT spend emerged as the biggest concern for UK IT chiefs in our research.

But more research from Gartner finds that global IT spending is actually set for a healthy rise this year. The analyst forecasts that total technology spending will grow 7.1 per cent to more than \$3.4tn in 2011.

And, despite all the cloud buzz, computing hardware sales will enjoy the biggest growth, increasing by 11.7 per cent to \$375bn. Enterprise software revenue is projected to grow 9.5 per cent to \$244bn, with services sales set to rise 6.6 per cent to \$793bn.

Telecoms spending growth is pegged at 6.9 per cent, with market worth set to top \$2tn this year, according to Gartner.

Percentage of end users who consider the following issues to be very important



very important and one being not important at all.

Some 27.2 per cent of IT chiefs gave reducing IT spend a rating of five, putting it at the top of the importance scale – a higher percentage than for any other issue. A further 32.8 per cent indicated that cutting costs was quite important by giving it a rating of four.

But in spite of the need to reduce CapEx, the demand for more effective storage and security technologies remains very clear, with 23.1 per cent of respondents citing the increased sophistication of threats as a consideration of the utmost importance. A further 36.1 per cent gave the evolving security landscape a rating of four, while some 59.6 per cent placed the increased demand for storage in the top two rungs of importance.

Don't believe the hype

Implementing a unified communications strategy and reducing power consumption were also issues to be rated fairly highly in the survey, as each was given a four or five rating by more than two-fifths of respondents.

And despite all the hype, the move towards cloud and the consumerisation of IT were two trends that were considered less important by the survey's respondents. A little more than 10 per cent of technology decision makers believe that cloud will be an issue of great importance over the next two years, with about 20 per cent claiming the rise of cloud will be quite an important issue.

A mere 3.5 per cent think that the growing proliferation of consumer devices in the enterprise is a major concern, with 16 per cent more citing it as an issue of some importance.

Other issues that were singled out by respondents include tasks such as keeping up-to-date with various software industry standards as well as the implementation of the new internet protocol, IPv6. Updating systems, maintaining network per-

Never-ending storage

For IT chiefs, managing data storage must be a task akin to painting the Forth Bridge: a job that has to begin again even before it is finished, and must seem to get bigger and more unlikely all the time.

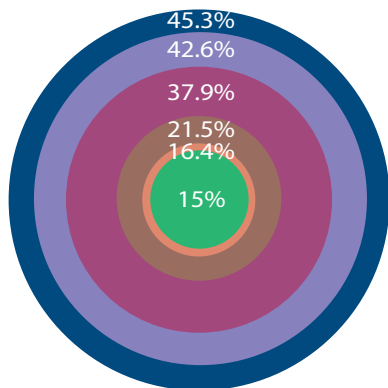
The rise of virtualised computing platforms continues to fuel demand for storage, as do the rigours of effective backup and business continuity policies. Indeed, recent research from Gartner shows that the external controller-based [ECB] disk storage market continues to enjoy stellar growth, notwithstanding the harsh macroeconomic climate.

Worldwide ECB revenue in the second quarter of 2011 soared to \$5.1bn, an 11.6 per cent rise on the corresponding period last year. EMEA outpaced the wider market's growth, with sales rising 12.2 per cent.



“ The need is for VARs to provide more for less ”

Percentage of end users who consider the following attributes to be very important



- Cost/value
- Responsiveness
- Technical expertise
- Financial stability
- Personal relationships
- Familiarity with emerging technologies

Maximum security

Security, it seems, is a bit like bass guitarists or football referees: the definition of doing its job effectively is to go unnoticed, and the only time anyone pays it any mind is when it all goes wrong or disappears completely.

Considering how often high-profile security breaches have hit the headlines over the last few years, it is hardly surprising to see the increased sophistication of IT threats is an issue that is on the minds of CIOs and IT managers. The potential financial and reputational damage of suffering a breach is huge.

And it seems no one is impervious to attack; a series of government data breaches have hit the headlines over the last few years, while the world's leading enterprise security vendor, RSA, has been plastered over the press for all the wrong reasons this year, after succumbing to an advanced persistent threat in March.

The consequences for end users of having ineffective security got even scarier last year, when the Information Commissioner's Office was handed the power to dish out fines of up to £500,000 for those found in serious breach of the Data Protection Act.

formance and managing growth were also issues to be picked out in the survey, as were virtualisation, business continuity, upgrading from Windows XP and maintaining legacy systems.

Counting the costs

When it comes to what end users expect and demand from their IT suppliers, cost and value for money again emerge as the topmost consideration.

Some 45.3 per cent of the survey's respondents ranked cost/value at five, the very top of the importance scale, while a further 37.7 per cent cited this issue as quite important. Less than one per cent of those quizzed claimed that cost is not at all important.

However, the need for VARs to provide more for less becomes even more apparent when examining what other issues are considered important. Responsiveness is another big scorer, having been given a score of five by 42.6 per cent of IT chiefs, and a four rating by a further 43.9 per cent. Technical expertise is also highly valued, being rated top of the importance

tree by 37.9 per cent, and quite important by 44.6 per cent.

The survey also highlights resellers' need to balance their own books, with financial stability proving to be another big consideration in choosing your IT supplier. More than a fifth of IT decision makers cited this as being vitally important, and about 45 per cent claimed that this was quite important.

Keeping up with emerging technologies was also ranked highly, being given a rating of five by 15 per cent of respondents, while a further 54 per cent indicated that this was quite important.

Our research provides plenty of cheer for smaller players, with personal relationships, key vendor partnerships and in-depth knowledge of specific technologies all emerging as major considerations for a decent proportion of IT chiefs.

Some 16.4 per cent of respondents consider personal relationships to be of the highest importance, with 38.3 per cent citing this as quite important. A reseller's strong relationship with a key vendor was given a rating of five by 14.1 per cent of



respondents, and a score of four by a further 41.7 per cent. Specialised knowledge of a particular technology received top marks from almost 15 per cent of respondents, with 28 per cent considering this quite important.

Broadly speaking

Another piece of good news for SMB VARs is that breadth of product portfolio is ranked as the least important consideration on our list. This was considered as being of importance by 39 per cent of respondents, with just 8.3 per cent giving this a top-level mark of five.

A consultative approach from IT suppliers is also not that highly prized by our research respondents, just 9.4 per cent of whom gave this consideration top marks. Meanwhile, proactiveness and referrals and reputation come somewhere in the middle of the importance stakes.

A proactive reseller is strongly desired by 13.7 per cent of IT bosses, with a further 43.7 per cent considering this quite important. Some 12.3 per cent place the utmost importance on referrals and existing reputation, with another 44.4 per cent giving this a ranking of four.

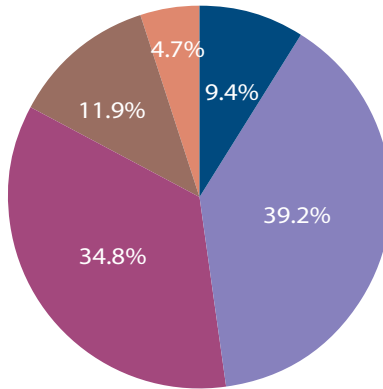
Room for improvement

Our survey also looks at where resellers are doing well, and where clients want them to make improvements. Respondents were again asked to rank their IT supplier's performance on a scale of one to five, with five representing excellent, and one denoting very poor.

Reassuringly, VARs were given high marks in four areas considered vital by end users: personal relationships, financial stability, responsiveness and technical expertise. A third of respondents gave their reseller a top score of five for their

“More than one in ten VARs is considered poor value”

How important is it that IT providers take a consultative approach?



5 ● 2 5 very important
 4 ● 1 1 not important
 3 ● at all

The cost of low cost

With end users having a strong focus on cost in the current climate, market watchers have reported a worrying drop in average selling prices (ASPs) on some core technologies.

Recent figures from Context found that, in the three months to the end of September, the European PC market had suffered a 10 per cent decline in ASPs. This problem was largely fuelled by vendors' aggressive pricing strategy, as they attempted to flush out excess inventory in distribution channels.

Networking is another market to have felt the margin squeeze, with the ongoing tussle between Cisco and HP Networking being the main driver for a drop in ASPs in 2011's second quarter. Infonetics Research reports that global switching revenue in Q2 fell three per cent to \$4.4bn, despite an 11 per cent hike in shipment volumes.

financial stability, with less than two per cent rating their IT provider as poor or very poor on this front.

Just under a third of IT chiefs rate their supplier as excellent in the fields of responsiveness and personal relationships, respectively. Some 30.6 per cent gave their reseller a top ranking of five for their technical expertise.

Our research finds that end users are relatively content with the prices charged by their IT partner of choice, with more than one in five giving theirs a rating of excellent for cost/value. A further 43.4 per cent rated their IT provider as good in this regard. However, more than one in ten of those quizzed indicated that they consider

Specialist interests

It is surely heartening for the channel to see tech expertise considered vitally important and specialist skills becoming increasingly so. Over the last couple of years, a number of vendors have tightened up their channel accreditation programmes, with many placing less importance on catch-all 'Gold' or 'Platinum' tags and moving instead towards a world where VARs are encouraged to focus on specialisations.

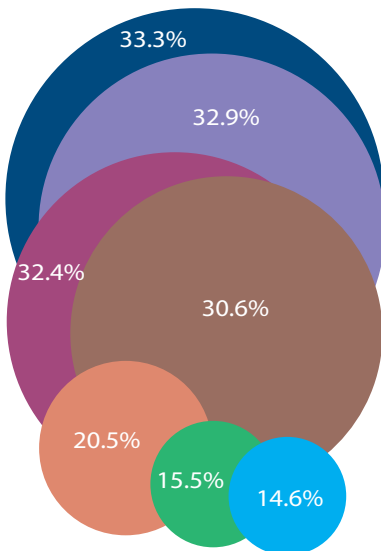
Last month, Oracle launched its Partner Network Specialisation programme, which allows resellers to get trained and badged up in any of 75 different areas. HP is another to bang the specialisation drum in recent months. Since last year, the vendor has, for the first time, required top-level Gold partners to hold at least one specialisation.

Microsoft has also overhauled its long-standing Gold partner badge. The catch-all certification has been canned this year, and it was replaced by technology-specialised Gold and Silver competency badges.





Percentage of end users who rate their supplier as excellent in these areas



- Financial stability
- Responsiveness
- Personal relationships
- Technical expertise
- Cost/value
- Proactiveness
- Referrals and existing reputation

their reseller to be poor or very poor when it comes to value.

The area where VARs scored lowest is proactiveness, with five per cent claiming their IT supplier is very poor in this field. A further 18.7 per cent claimed their supplier was below average when it comes to proactiveness, and 28.3 per cent gave their reseller a middling rating of three. Just 15.5 per cent gave their VAR an excellent score, with 32.4 per cent settling on a rating of good. Less than half of end users consider their IT provider to be either excellent or good in being proactive.

Strength of referrals is another area in which resellers score relatively weakly. A mere 14.6 per cent of UK IT chiefs gave their VAR's reputation a rating of excellent, a lower percentage than for any other factor. In total, about 49 per cent consider their IT provider's references to be average or below, with 11.4 per cent giving their reseller a ranking of poor or very poor in this area.

Resellers also score comparatively badly when it comes to taking a consultative approach, with about 17 per cent of respondents giving their IT firm a score of very poor or poor. Just 16.4 per cent offered a top-level rating of five.

Love me vendor

Resellers' strength of relationship with the appropriate vendor partner was one area to be ranked fairly highly by end users, with 64.4 per cent of respondents giving VARs a rating in the top two tiers. Some 22.4 per cent claimed their IT provider is excellent in this regard.

Familiarity with new products and services is another facet of resellers' per-

Consultancy – the big picture

For the last few years, channel players of all shapes and sizes have been making the right noises about being less reliant on product revenues and opening up new service and consultancy revenue streams. So it is perhaps disappointing to see VARs' consultancy skills given a lukewarm rating by end users.

Nevertheless, there are plenty of signs the worm is turning, and starting at the top offers a good barometer of where the market is heading. In 2008, Computacenter generated 24 per cent of its UK revenues from services. This rose to 29 per cent the following year, and nudged up to 31 per cent last year.

The impact of the strategy shift can be seen on the reseller's bottom line; in 2010, UK revenues increased by a healthy 10.8 per cent, while operating profit grew even quicker, rising by 14.5 per cent. The importance of a strong services practice will come to bear for Computacenter even more this year, as product sales in the UK have dropped dramatically. Services sales have held steady, though, mitigating the impact on profitability. During H1, UK services sales were just above flat, though product sales fell the best part of a quarter year on year. But operating profit endured a decline of just 7.9 per cent.

Consultancy – the small picture

The move towards high-end services is by no means only being made by the UK's biggest resellers, as a number of smaller VARs are now also shifting business models to fuel growth and increase profitability.

Security specialist Pentura is one such company. Earlier this year, the Reading-based outfit even went as far as ditching all product sales that did not stem from a consultancy contract. This followed the launch in 2010 of its 14-strong consulting division, which was designed to help Pentura win business against the Big Four audit firms.

Lanway is another reseller to begin the migration from product sales. The Burnley VAR made its name shifting PCs and audiovisual kit to a predominantly education-market customer base. The company has since remodelled and split into three divisions centred on managed services, professional services and infrastructure solutions.

Vendors and distributors are also doing their bit to help smaller players make the move towards services, with HP recently opening up a clutch of consultancy professional services packages for resale. Storage VAD Hammer also recently launched a standalone services and consultancy arm to help resellers win more deals.

formance to be rated highly, with 17.4 per cent giving an excellent rating, and a further 44.3 per cent awarding a good score. Less than one per cent of respondents ranked their IT provider as very poor when it comes to knowing the intricacies of the latest technology.

However, possessing specialised knowledge of one vital technology is an area where channel firms scored relatively weakly. Barely 50 per cent gave a ranking of four or five on this category, with more than one in eight placing their providers in the bottom two tiers.

The need for speed

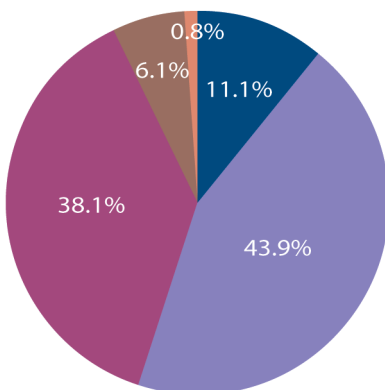
We asked IT chiefs to single out the thing that they like the most about their IT provider, and the one thing they would like to change.

Hanging on the telephone

Our research finds that end users are close with their IT suppliers, if not quite the best of friends. IT decision makers were asked how often they were in contact with their reseller of choice. Just one in nine indicated that they are in touch every day.

Some 43.9 per cent of respondents claimed that they are in contact with their VAR every week, making this the most popular answer. A further 38.1 per cent said they speak to their IT supplier every month while, perhaps worryingly, 6.1 per cent per cent said they are in contact on at least an annual basis.

How often are you in touch with your IT supplier?



- Every day
- Every week
- Every month
- Every year
- I don't know who supplies our IT

A wide range of qualities are picked as the most impressive things about the VARs in questions and the most common responses support the answers given earlier in the report. The most commonly featured word in detailing VARs' most beneficial traits is responsiveness.

Closely related to this, the need for speed is also clearly demonstrated, as a number of respondents claim expeditiousness of delivery is what most impresses them about their reseller of choice. Just as many claim speed in responding to problems, questions or concerns is the thing that sets their IT provider apart from others. And, again, proactiveness also comes up a number of times when assessing the channel's most winning traits.

Clearly, in one sense, the end user community wants IT providers that can act quickly and decisively. But, in other ways, customers want VARs to take their time, as our survey results demonstrate. One of the big repeat answers among the things that clients value most about their IT provider is taking a softly-softly consultative approach.

The long game

A raft of resellers were also praised for playing the long game, rather than just punting the most expensive or highest-margin kit to their customers. Many respondents praised their technology supplier for trying to get under the skin

Understanding order

End users are clearly looking for an IT partner that won't love them and leave them after a quick liaison and an exchange of cash. But some resellers go further than others in cultivating a consultative approach and a deep understanding of clients' needs.

Logicalis has, on several occasions, displayed the desire to engage with customers, particularly in the public sector, in a way that is centred on the client's needs, rather than the reseller's revenue. In 2008, the Slough-based VAR entered into a keiretsu agreement with long-time customer Nottingham Trent University. The partnership – which came with no commercial strings attached – involved Logicalis advising the university on the technology considerations of a £70m building redevelopment.

Earlier this year, the reseller also opened up a clutch of its intellectual property to the market after publishing its public sector network delivery framework. The document detailed six key challenges for public sector bodies and the IT providers that supply them. Logicalis UK managing director Tom Kelly claimed that the release was sparked by the fact that it "is vital that the public sector and ICT partners engage differently".





of their business and get to grips with pain points and business objectives before recommending appropriate technology and services.

Inevitably, cost-effectiveness and price also come up time and again as being among a reseller's most appreciable qualities. Breadth of product portfolio was also cited as important by a decent smattering of respondents.

Other qualities that were singled out in the survey include technical nous, personal relationships and friendly account management as well as a strong online sales operation.

We'll be in touch

We also sought IT decision makers' opinion on what single change they would like to make, if possible, to their IT supplier's behaviour or service provision.

Predictably, there were many, many different responses, but, once again, a

number of strong themes emerge as words and concepts crop up time and again. The most popular answer centres on a word that is becoming a well-worn feature of this survey: proactiveness. But although there was a clear desire for resellers to be as proactive as possible, there were also a number of respondents whose one change to their IT supplier's behaviour would be to stop them cold calling – we'll be in touch when we need you, thank you very much.

Alongside the call for proactiveness was another old chestnut: responsiveness. A host of IT managers told us they want faster delivery, speedier deployment and, above all, quicker response times.

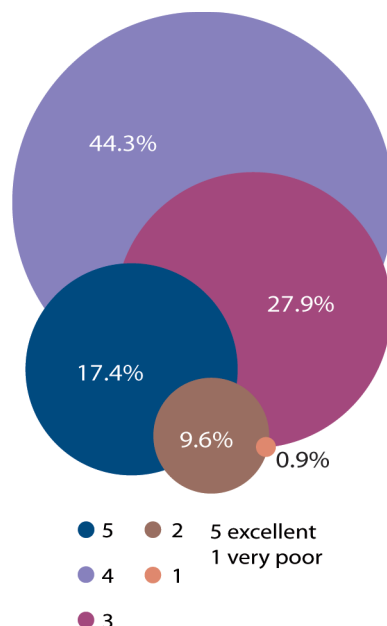
The next two most popular answers were equally predictable. A swathe of respondents indicated that the one change they would make to their reseller's delivery would be lower pricing. A similar number of IT chiefs claimed they want

their VAR of choice to display higher levels of tech expertise, particularly when addressing problems.

Another commonly given response is a desire for the personal touch. It seems customers value hands-on account management by familiar people, and want to engage with their IT provider on a personal level, not just strictly business.

It is when we look at some of the slightly less commonly given answers that

How would you rate your IT supplier's familiarity with emerging technologies?



Socially conscious

With as many as one in eight of the world's population on Facebook, and major events generating as many as 10,000 Tweets per second, it's increasingly difficult, if not impossible, to escape the world of social networking. With so many people involved in this relatively new technology, it did not take professional technologists long to claim that this big trend could lead to big business.

And there are indications that businesses may be waking up to the importance of social networking, and the opportunities it may provide. A recent survey from recruitment company InterExec found that 18 per cent of £150,000-plus executives found their post through social networking.

Social media platforms have also increasingly become an intrinsic part of vendors' relationship with the channel. A number of big vendors, including Cisco, Juniper and Toshiba, use social networking platforms to communicate with resellers, or have even set up communities for partners to use.

Avaya is another vendor to pick up on the trend and has made concerted efforts to get its channel to base its sales efforts around businesses' need to utilise, integrate and manage social media platforms.

things get more interesting. The answers of many respondents allude to a number of macro-level market trends, and it is clear the channel still has some work to do in adapting to and exploiting the changing face of the IT industry.

A number of respondents called on their IT supplier to improve their website. Some want more and better product information, while some requested an easier-to-navigate site and still others want better online ordering processes.

Must do better

It seems like you can't go ten minutes of late without a professional technologist or market watcher talking about the virtues of social media platforms and collaboration technologies. While not all end users, or resellers, are relying solely on video-conferencing and Twitter to conduct their business, our survey shows that an appetite for these technologies is there.

A number of respondents claimed they wanted access, or more access, to their IT provider through communications platforms such as Skype and instant messenger. Others wanted better communication through social media routes.

Another area of the report where the review for VARs reads 'must do better' is in collaborating with other channel players. In recent years, a number of big-name vendors have launched engagement and incentive programmes designed to get their reseller partners to collaborate with each other. There have also been a number of instances of VARs announcing strategic tie-ups with rivals in order to further their standing in the market.

But it is fair to say the idea of VAR-to-VAR collaboration has never taken off in a

Collaboration nation

Fostering more partner-to-partner collaboration has long been a goal for various vendors. For example, Cisco has launched an array of programmes and initiatives to try to encourage partners – particularly those from different countries – to work with each other.

Other vendors to trumpet the virtues of VAR collaboration and launch schemes designed to engender it include SAP, IBM and Microsoft.

But there has always been a sense that resellers remain fundamentally wary of cutting competitors in on lucrative client relationships. But recently the tide has seemed to turn, particularly for channel partners of Avaya.

In the last few years, the comms vendor has made moves to try to migrate large amounts of business from direct to indirect sales channels. As a result, a swathe of large global contracts have come up for grabs and pan-global conglomerates of channel partners have formed to snap up the business.

London-based integrator Datapoint has teamed up with similar players from Asia and the US to form the Intelligent Communications Alliance. Meanwhile, G3 Telecommunications, another reseller from the English capital, was the driving force behind the formation of the Aura Alliance, which now contains more than 50 VARs worldwide.

With our research showing that end users want VARs that collaborate with other channel players more effectively, perhaps it's time more resellers followed the Avaya channel's example.

big way, with some manufacturers finding it hard to encourage their partners to welcome competitors in. And when it comes to tactical partnerships between channel firms, big success stories are conspicuous by their absence.

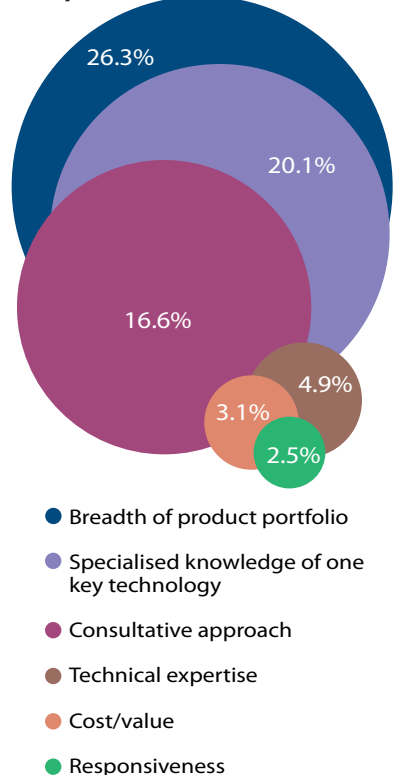
However, our research shows that end users would value more collaboration between IT providers, with a number of respondents calling on resellers to work with rivals when and where appropriate. When specifying the one thing they would like to change about their supplier, a number of IT chiefs claimed they would appreciate VARs not afraid to back off functions where they possess less expertise, or work alongside providers with more skills in this area.

The hard sell

A variety of other answers cropped up in our research, ranging from the simple to the far-fetched. The word flexibility came up often, and others stated that they felt their IT provider could do more to understand their needs and preferences, rather than simply punting the kit and services that they felt was best. Or, worse still, giving the big-price-tag, high-margin technologies the hard sell, to the exclusion of a more appropriate solution.

One end user wants 24-hour support, while another called on their IT partner to offer more hire options for hardware products. One respondent wants more leading-edge products, while another asks that their provider implements a better

Percentage of end users who consider the following areas unimportant





means of tracking purchases. Another called on their reseller to develop more in-house consultancy skills, rather than outsourcing certain functions.

Evolutionary road

Our research revealed what many of us already knew: the thousands of firms that make up the UK channel are, by and large, a resilient bunch.

Many companies on our list have had to endure sales and profit declines, but have fought tooth and nail to hang on to key accounts and worked hard to ensure pipelines remain healthy. Many others have invested heavily in sales and marketing operations and have actually continued to grow solidly.

At the heart of this resilience is adaptability. The business models of the top 100 would surely have looked unrecognisably different 20, 10 or even five years ago. But a look through the upper echelons of the list shows that the most successful channel players have managed to evolve, without throwing the baby out with the bath water.

The results of our end user survey suggest that VARs will need to call on their reserves of resilience and adaptability if they are to continue to prosper. It would certainly appear as if many end users want to have their cake and eat it.

Cost, inevitably, emerges as a key consideration, with many IT chiefs citing straitened budgets as a far bigger short-

“ Many end user IT chiefs want to have their cake and eat it ”

medium-term concern than the rise of cloud computing or the consumerisation of IT. Numerous respondents also claimed the one change they'd like to make to their IT supplier would be their pricing.

But, on top of reduced costs, CIOs clearly want to improve their IT function, with the increased need for security and storage as the primary driver. And, on top of this, they want a better level of service from IT suppliers that are more responsive, more proactive and more flexible.

A simple recipe

So the recipe for success for VARs in 2012 and beyond is simple: offer more and better technology, with higher levels of tech expertise and better customer service, at heavily reduced prices. And, if this hasn't driven you out of business by the end of Q1, think about bringing in 24/7 phone,

email, messaging and videoconferencing support for all customers. Easy-peasy.

But the comments of many respondents suggest that resellers don't have to do the impossible to continue to thrive. The thing that comes to the fore time and again is that end users really value IT providers that have the time and the patience to get to know their business, to understand their problems and their needs and how best to meet them.

A number of resellers were singled out for praise because they didn't go straight for the kill with the costliest, highest-margin kit and services. Rather, they sculpted a solution which fitted their customers' needs to a tee, regardless of what it cost.

Despite the proliferation of IT in the consumer world, VARs must remember that they are the experts, and position themselves as such: people will still pay top dollar for high levels of expertise and first-class customer service.

There can be few industries where the pace of change is as high as the tech world, and the channel's most successful firms have been comfortably keeping up with the continually evolving landscape for 30 years or more.

The make-up of this list may look considerably different in 10, five or even one year's time. But you can bet that the VARs who make up the UK's elite, whoever they are, will always possess in spades the innovation, tenacity and adaptability that typifies the channel.

1-100 index

1. Computacenter £1.23bn	30. Centerprise £54.9m	57. Intrinsic Technology £27.4m	86. Comm-Tech Voice and Data £14.6m
2. SCC circa £580m	31. K3 £52.8m	58. Vohkus £26.8m	87. Total Computer Networks £14.5m*
3. Insight £412.9m	32. NSC Global £52.1m	59. Blue Chip £23.8m*	88. Information and Data Network Supplies £14.4m
4. BT circa £400m*	33. Probrand £51.4m	60. Selection Services £23.2m	89. Square Group £14.1m*
5. RM circa £330m*	34. European Electronique £48.8m*	61. MTI Technology circa £23m*	90. SecureData £14m*
6. Kelway circa £299m*	35. Ultima Business Solutions £48.5m	62. Comparex £22.3m*	91. Datel £14m
7. Misco circa £272m*	36. Maxima £45.7m*	63. Maintel £22m*	92. Millgate Computer Systems £13.9m
8. 2e2 circa £245.6m*	37. Bailey Teswaine £44.8m*	64. Computer Systems Integrations £20.5m	93. Keltec £13.8m
9. Softcat £220m*	38. Damovo circa £44.6m*	65. Apsu circa £20.4m*	94. Pugh Computers £13.4m
10. Danwood Group £220m*	39. Trinity Expert Systems circa £43.8m*	66. ONI £20m*	95. Lanway £13.1m
11. Dimension Data £216.2m*	40. Q Associates £43m	67. Transputec £19.8m	96. Actimax £13m-plus*
12. Logicalis circa £206m*	41. CAE Technology Services £42.4m	68. Trams £19.1m	97. Cancom £12.8m
13. DSGi Business £200m-plus*	42. Audio Visual Machines circa £41.4m	69. TET Limited £18.7m*	98. Maindec Computer Solutions £12.5m
14. Kcom circa £184m*	43. Telindus £40.8m*	70. Sabio £18.5m*	99. Tracline £12.4m
15. Bytes circa £158m*	44. B2net £40.4m	71. Axial Systems £18.3m	100. Comcen Computer Supplies £12.4m*
16. Azzurri £141.1m*	45. Storm Technologies £37.5m	72. acs Systems £18.2m	
17. XMA £140.5m	46. Novatech £36.6m	73. Bechtle £17.9m*	
18. Alternative Networks circa £111m*	47. Altodigital £36.4m	74. NE Computing £17.8m	
19. Trustmarque Solutions £107.7m	48. NextiraOne £36m	75. Grey Matter £17.5m	
20. SHI International circa £100m	49. ACS circa £35m*	76. Aria Technology £16.9m	
21. Capita IT Services £93.2m*	50. OCSL £34.3m	77. Orange IS £16.8m*	
22. Civica UK £87.7m*	51. Esteem Systems circa £31.5m*	78. Caretower £16.6m*	
23. Buy IT Direct £74m*	52. Technology Services Group £30.7m	79. Prolinx £16.5m*	
24. Software Box £73.2m	53. M2 Digital £30.4m	80. Viadex £16m	
25. Integralis circa £71.4m*	54. Bell Microsystems £29.4m	81. Datapoint circa £15.7m*	
26. Stone £69.7m	55. ANS Group £29.4m*	82. Cisilion £15.6m*	
27. Viglen £68.7m	56. Tectrade Computers £29.1m	83. Albion Computers £14.9m	
28. Redstone circa £67.1m*		84. Dacoll Group £14.8m	
29. CCS Media £60m		85. Business and Scientific Services £14.8m*	

Graydon provided the source data for this list. However, in a number of cases, we have added data, or enhanced the data we were given to account for acquisitions, extended reporting periods, breaking out UK-generated sales, breaking out appropriate divisional sales and/or currency conversion at a historically appropriate exchange rate.

All rankings are based on annual filed accounts with Companies House, except in select cases where they are based on first-hand information or informed market research. Where we have deviated from the source data, it is marked with an asterisk. Do not hesitate to contact us at sam.trendall@incisive-media.com if you have any queries.

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