

Navigating through dramatic industry change

Duncan Clark, Senior Analyst, Canalys

Navigating through change...



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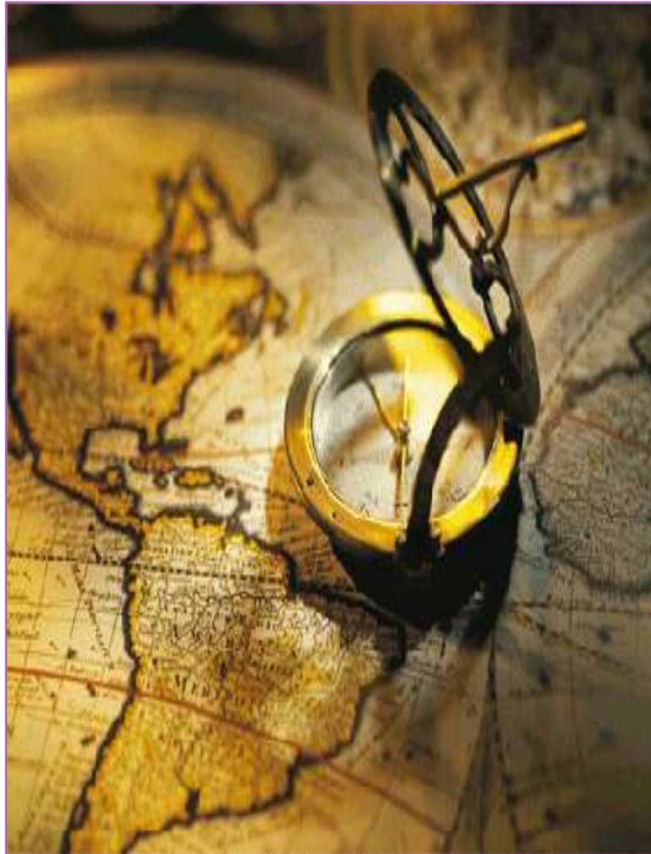
...and making sure we don't end up here!

Navigating through change...



“Sat-nav maps for HGVs offers hope to villagers”
The Telegraph - 29 February

Navigating through change - agenda

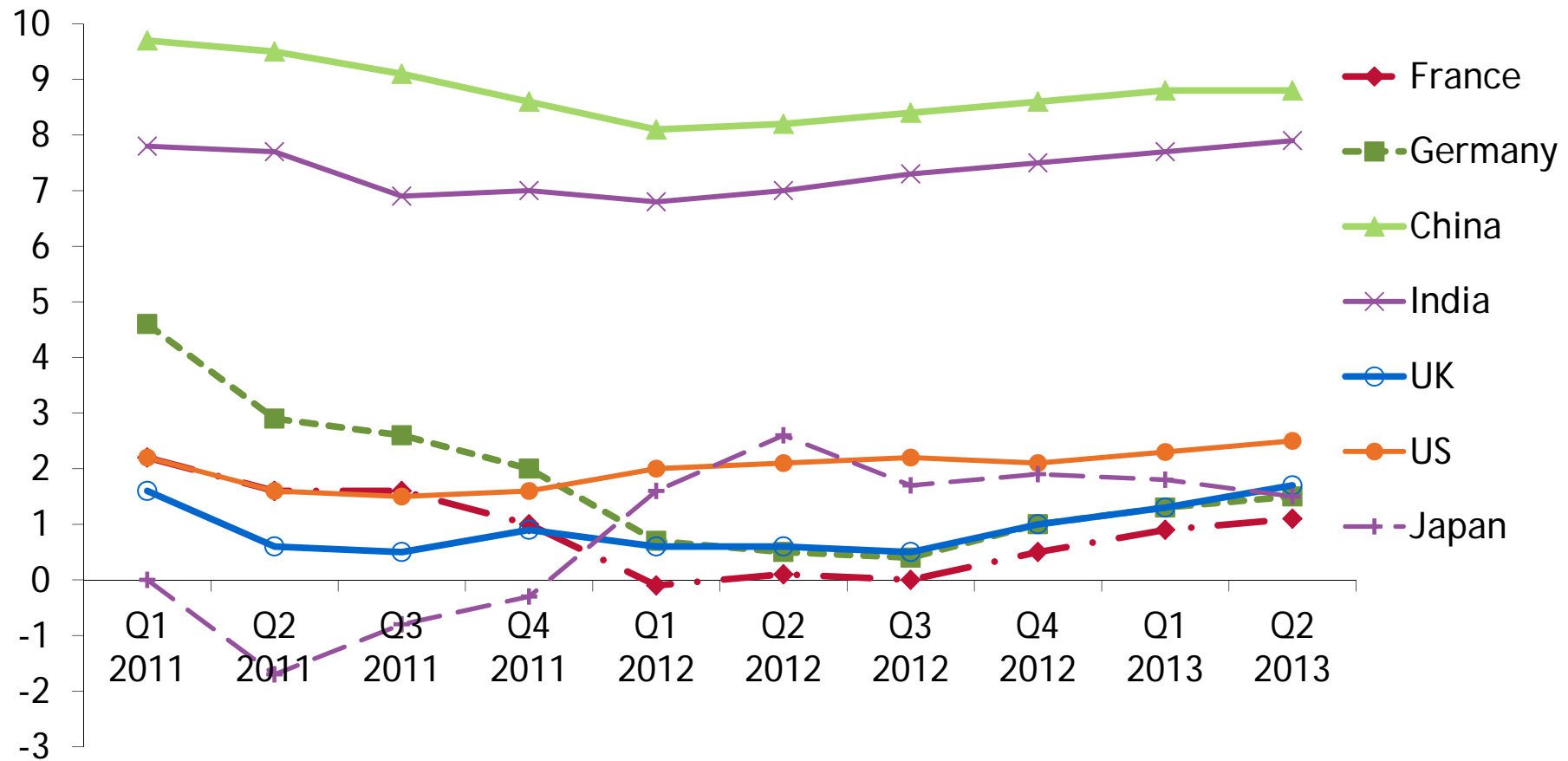


- IT in the current economic climate
- A perspective from the channel
- Mobility
- Cloud computing
- Consumerization
- The new role of IT
- Conclusions

2012 outlook revised downwards

GDP growth rates by key economies

GDP growth (percentage)

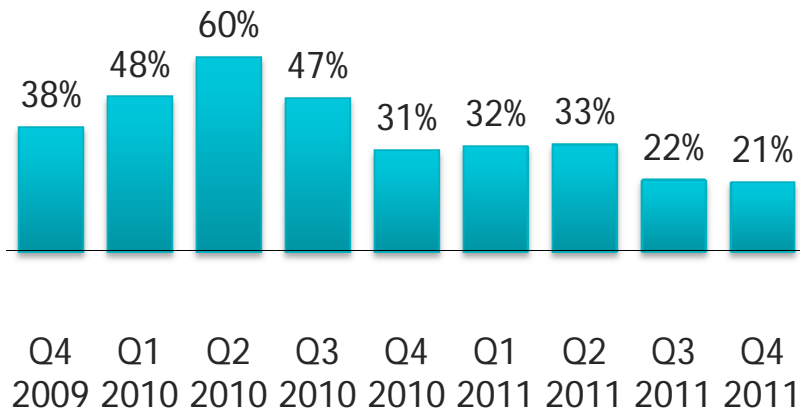


Source: Consensus Economics, October 2011

IT growth unrelenting despite debt concerns

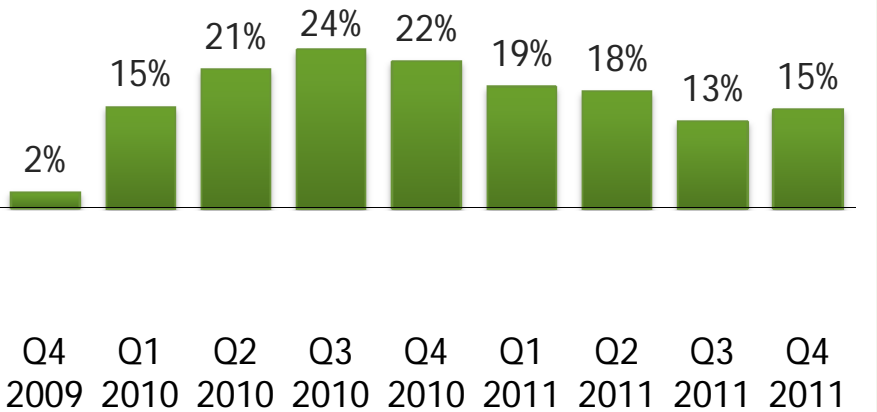
Canalys IT Titans Index

Net income growth

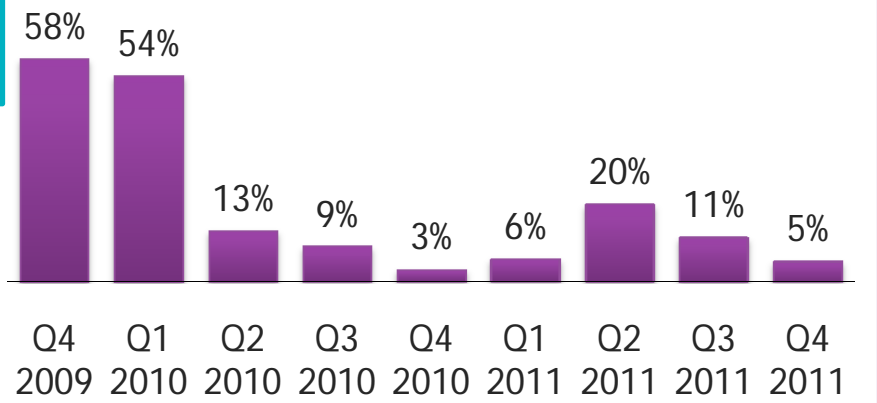


Year-on-year growth

Net revenue growth



Market capitalization



Source: Latest reported fiscal results for Apple, Cisco, Dell, EMC, Google, HP, IBM, Intel, Lexmark, Microsoft, Oracle, SAP

Apple drives Titans Index with stellar results

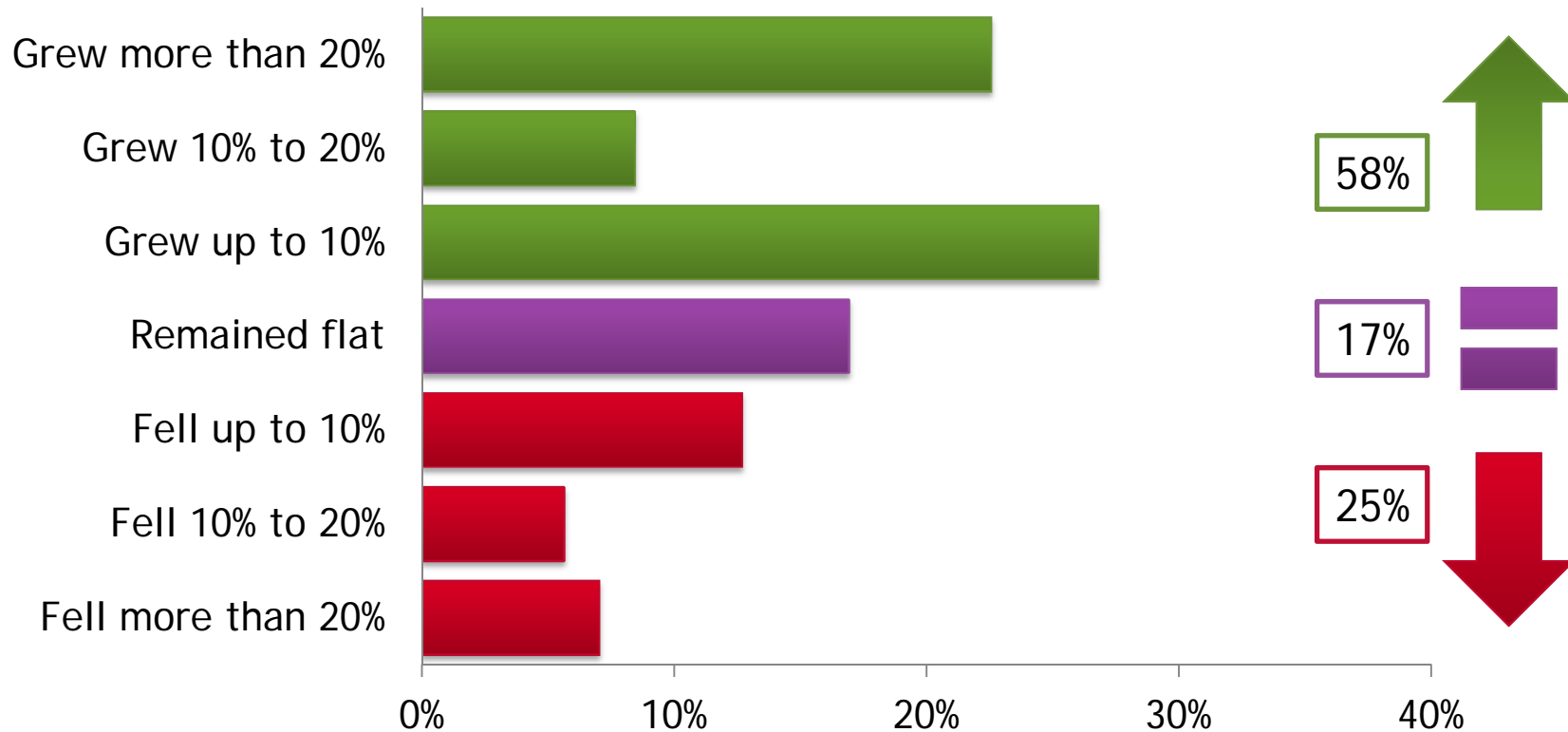
Latest financial performance

Q4 2011/Q4 2010	Revenue	Net income	Market capitalization
Canalys IT Titans Index	15.0%	21.1%	5.1%
Apple	73.3%	117.6%	29.1%
Cisco	4.7%	-7.9%	-18.2%
Dell	-0.2%	8.6%	3.5%
EMC	14.0%	32.4%	5.3%
Google	25.4%	6.4%	1.8%
HP	-3.5%	-90.6%	-45.0%
IBM	1.6%	4.4%	21.9%
Intel	21.2%	5.7%	5.2%
Lexmark	-4.0%	-20.9%	-23.8%
Microsoft	4.7%	-0.2%	-2.2%
Oracle	2.4%	17.2%	2.3%
SAP	9.9%	172.1%	13.2%

Source: Latest fiscal results

Most enjoyed revenue growth in 2011

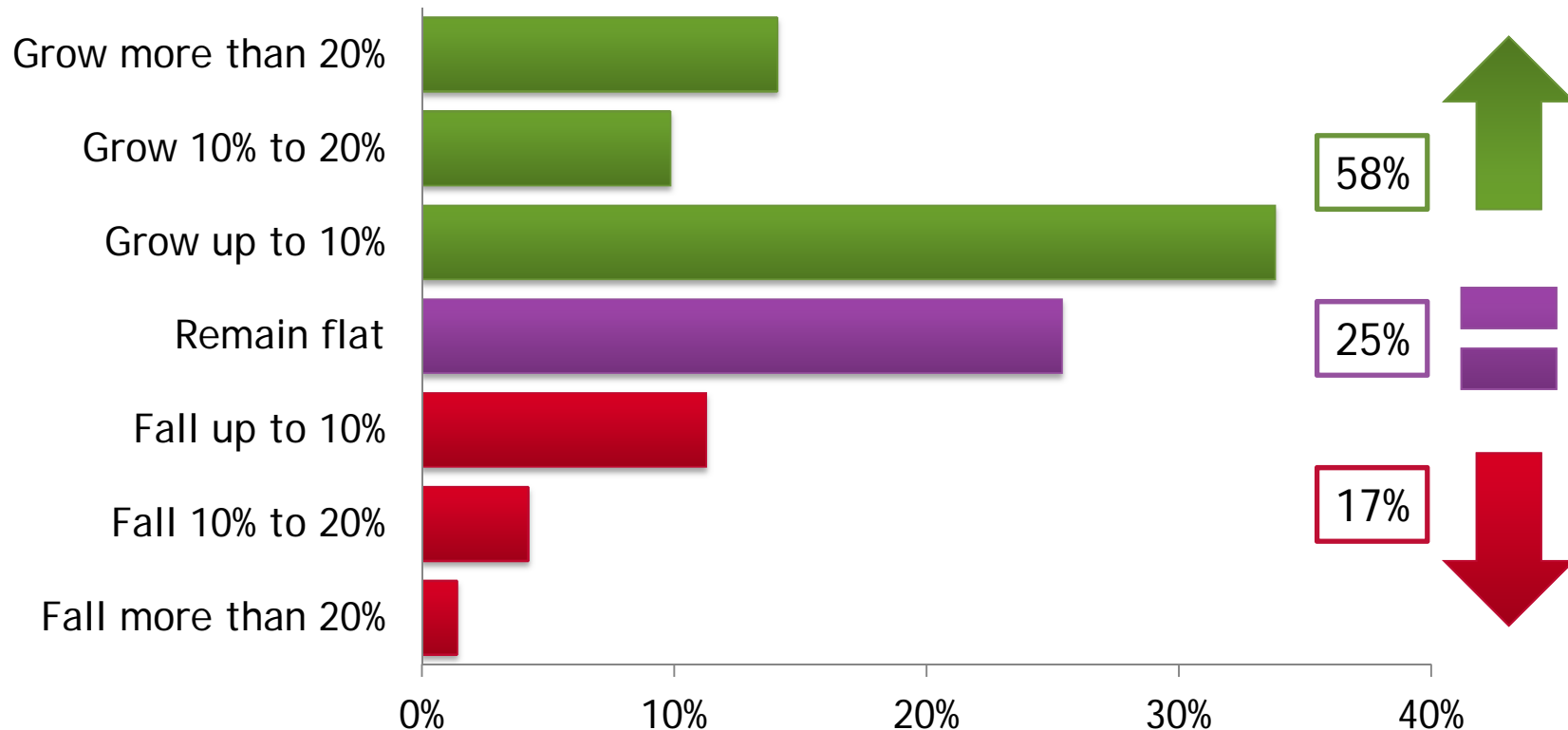
How did your revenue perform in 2011 when compared with 2010?



Source: Candefero mini-survey, February 2012 (71 respondents)

2012 growth likely to slow but stay positive

How do you expect your revenue to change in 2012 when compared with 2011?



Source: Candefero mini-survey, February 2012 (71 respondents)

Multiple channel opportunities in 2012

What do you expect to be the greatest OPPORTUNITY for your business in the NEXT 12 MONTHS?

“Changing client requirements and evolving IT landscape, in particular the rise of Apple”
“iPads in business”

“Selling services to customers not willing to replace hardware”
“Transferring customers to our hosted (cloud) solutions”
“Cloud, managed services and data security”

“The growth of stored data”
“Small businesses; this market has more value than others”
“Expansion from transactional to value-add business”
“Companies working their way out of the crisis by expanding”

Respondent comments are published as recorded. Their inclusion does not imply that Canalys agrees or disagrees with the views expressed. As each reflects the opinion of a single respondent, re-use by clients for their own marketing purposes is strictly forbidden.

Source: Candefero mini-survey, February 2012 (71 respondents)

Client retention and economy are challenges

What do you expect to be the greatest CHALLENGE to your business in the NEXT 12 MONTHS?

“Exchange rate fluctuations and customer retention”
“State of the economy”
“How will the financial world develop over the next year?”

“Switch to managed services”
“Positioning a wide variety of business solutions to customers”

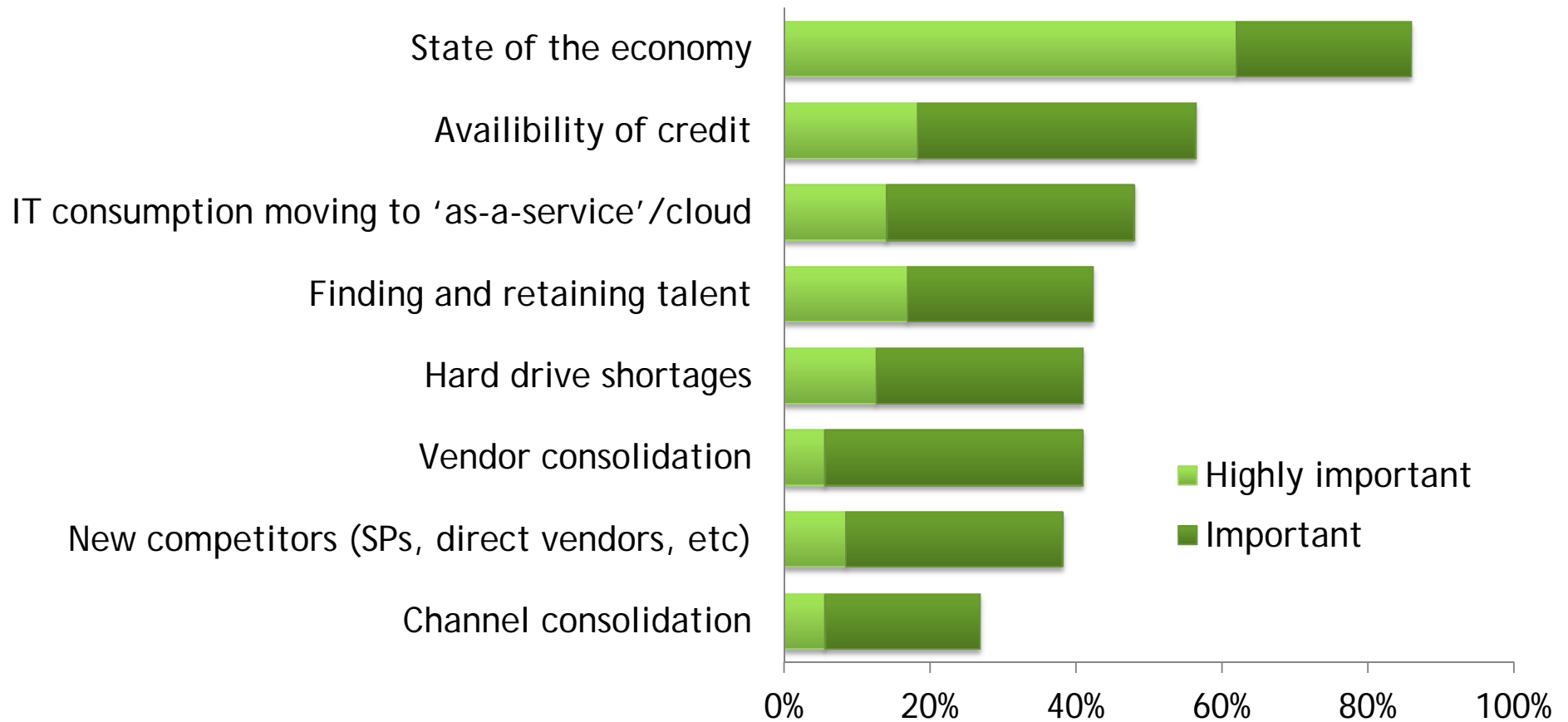
“Retaining customers”
“Customers downsizing”
“Availability of credit”

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Source: Candefero mini-survey, February 2012 (71 respondents)

Economy, credit and cloud are key themes

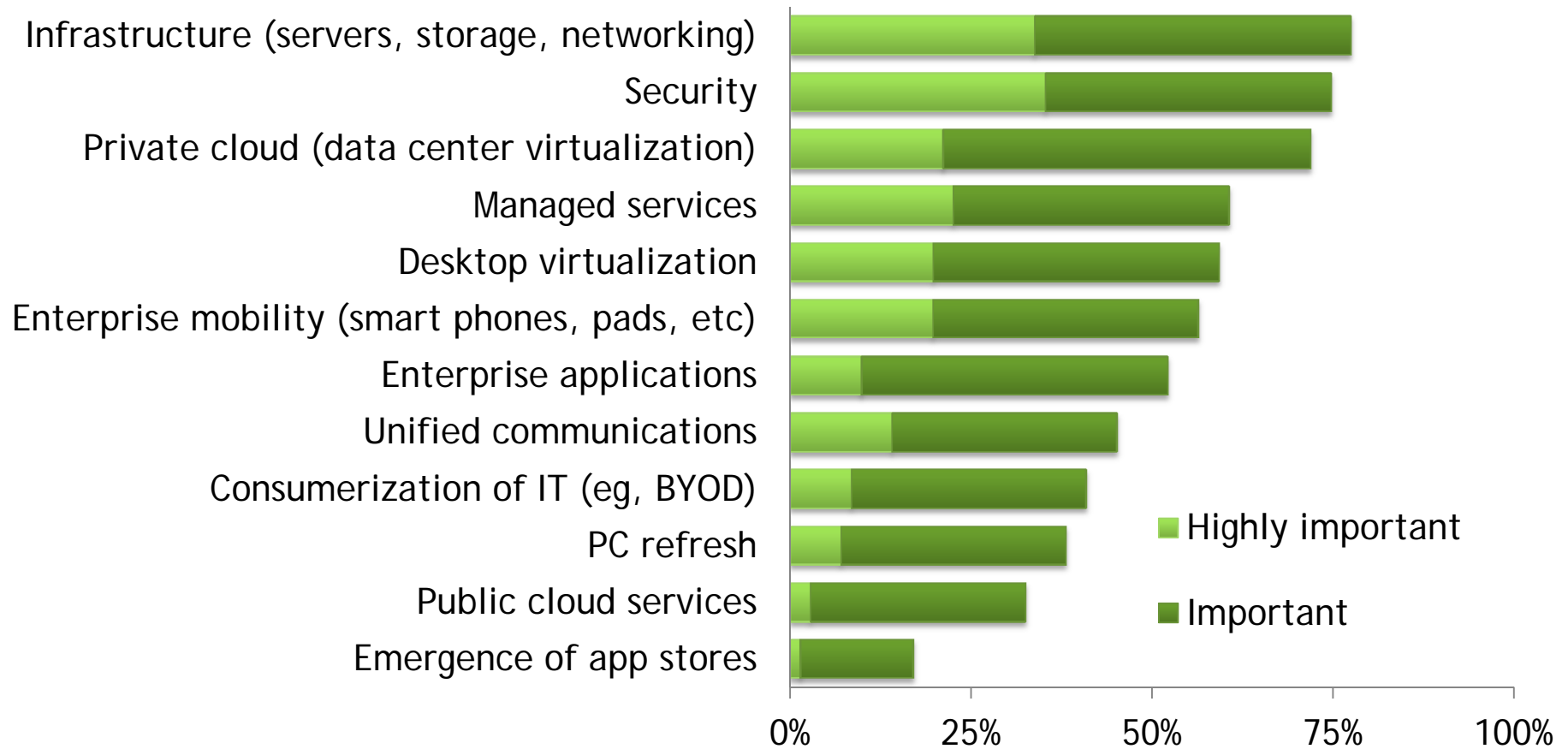
To what extent will the following trends affect your business in the NEXT 12 MONTHS?



Source: Candefero mini-survey, February 2012 (71 respondents)

Infrastructure and security are growth drivers

How important do you see the following areas to the growth of your business in the NEXT 12 MONTHS?



Source: Candefero mini-survey, February 2012 (71 respondents)

2012 will be defined by some major themes

Mobility



Pads
Smart phones
Virtual desktop
Wireless networks
'Small' apps
Device management
Security

2012 will be defined by some major themes

Mobility

Cloud computing

Pads
Smart phones
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Wireless networks
'Small' apps
Device management
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Data center transformation
Virtualization
Infrastructure refresh
Hybrid cloud
Shared services
Security
New charging models

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Consumerization

BYOD
App stores
Social media
Video/UC
Multiple platforms
New vendors
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Key challenges for the channel

Economic
uncertainty/
budgets

Changing IT
consumption
models

Working
capital/
cash flow

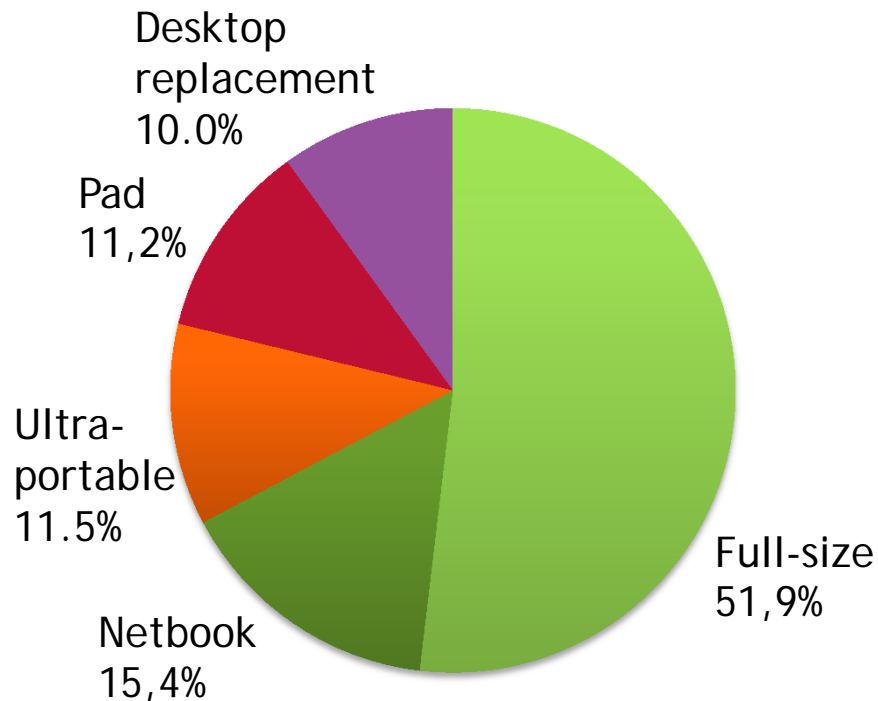
Lack of skills

Increased
competition

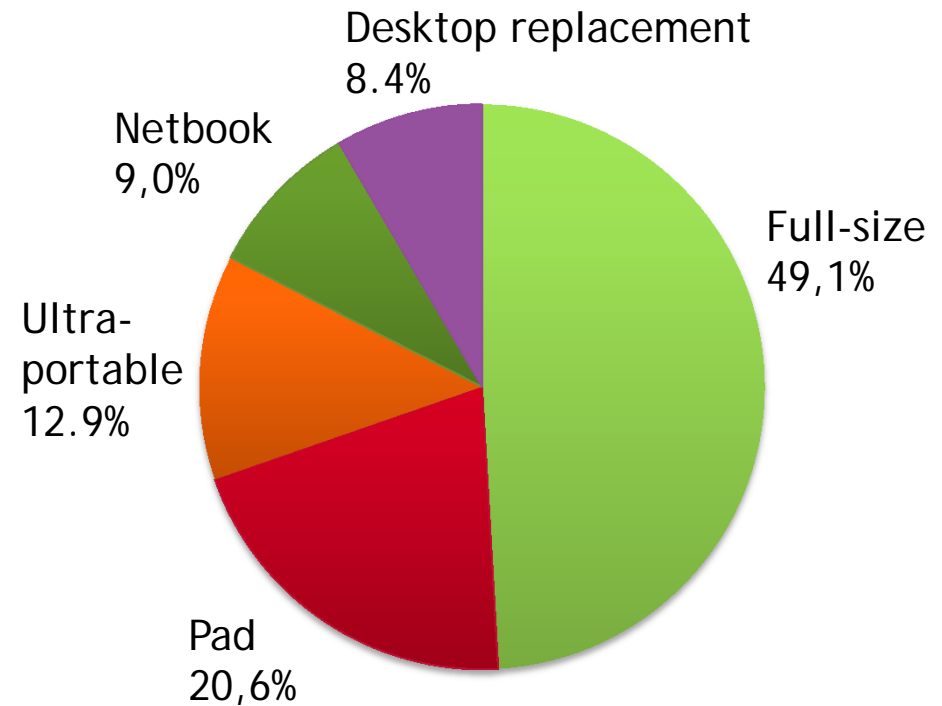
Pads now account for a fifth of portable PCs

EMEA portable PCs
Q4 2010: 26.9 million units
Q4 2011: 28.4 million units
Growth: 5.6%

Q4 2010



Q4 2011

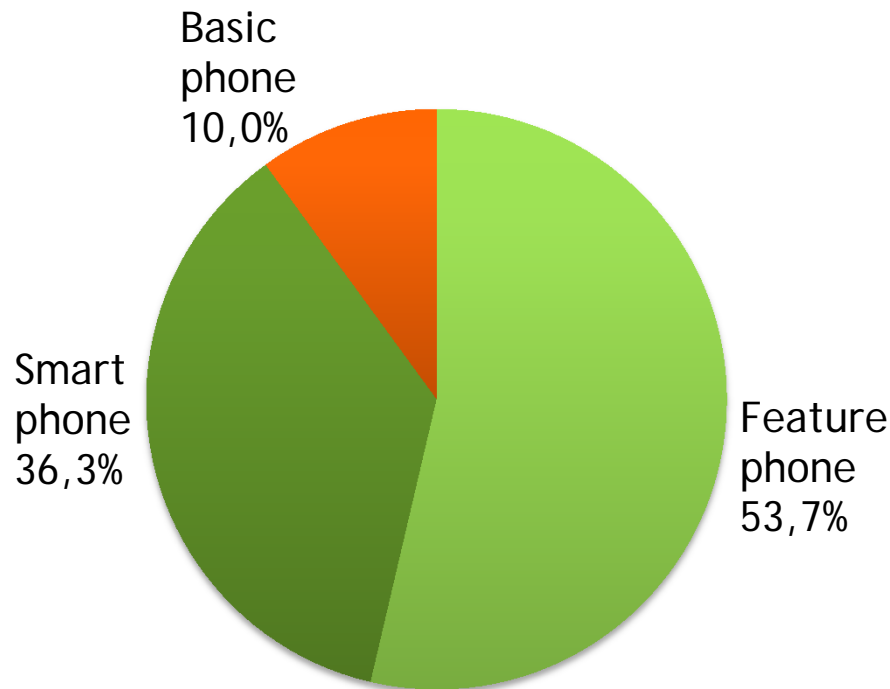


Source: Canalys estimates, Netpad Analysis, January 2012

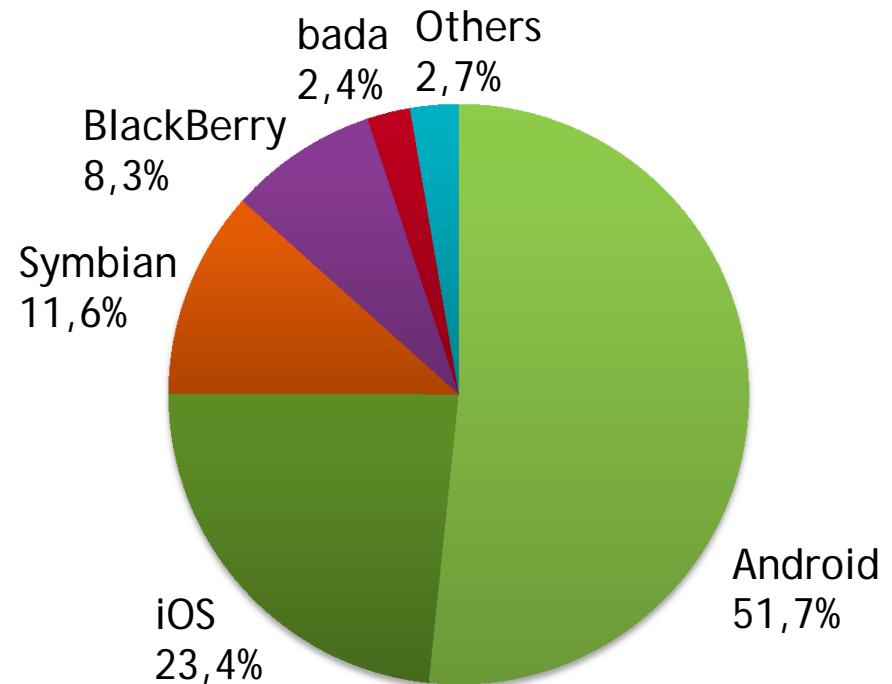
Smart phones: 36% of new phones shipped

Worldwide mobile phone shipments Q4 2011
Basic phones: 43.8 million units
Feature phones: 234.2 million units
Smart phones: 158.5 million units

By mobile phone category



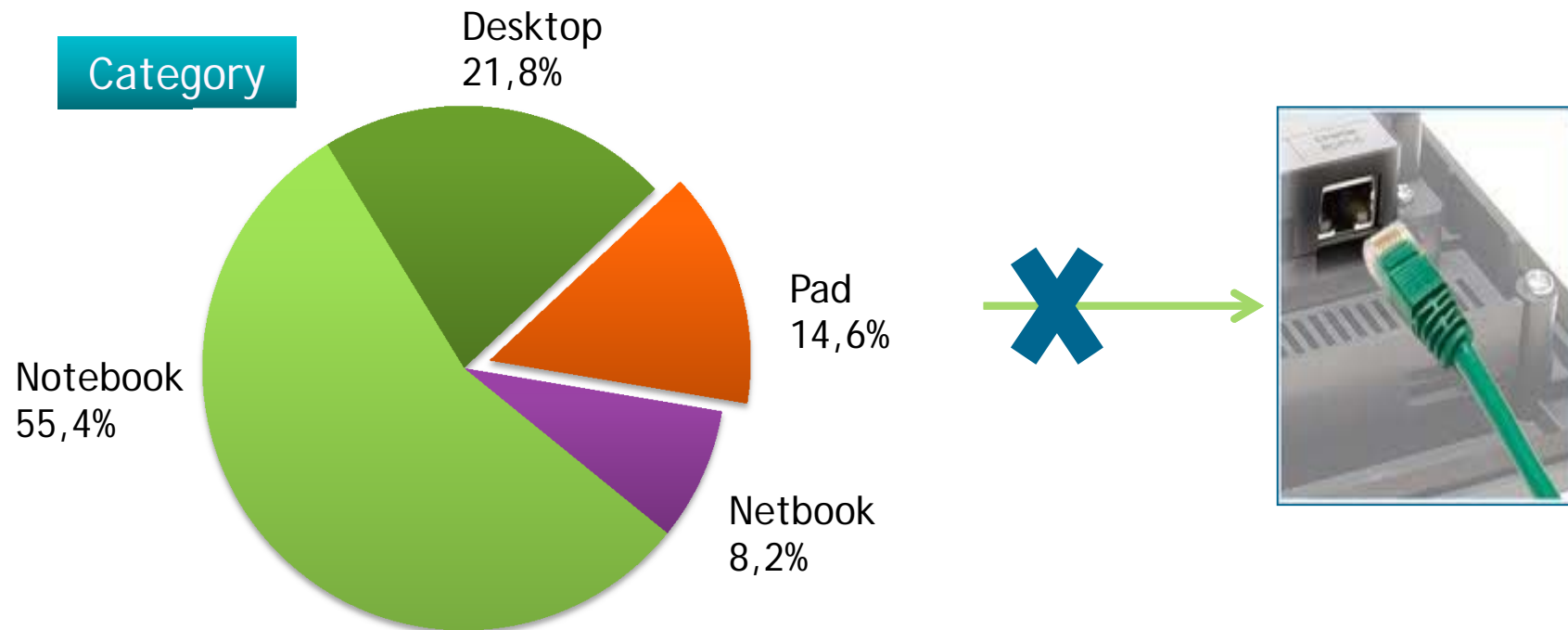
By smart phone OS platforms



Source: Canals estimates, Smart Phone Analysis, February 2012

Wi-Fi becomes essential and will dominate

EMEA PC shipments
Q3 2010: 29.0 million units
Q3 2011: 31.3 million units
Growth: 8.0%



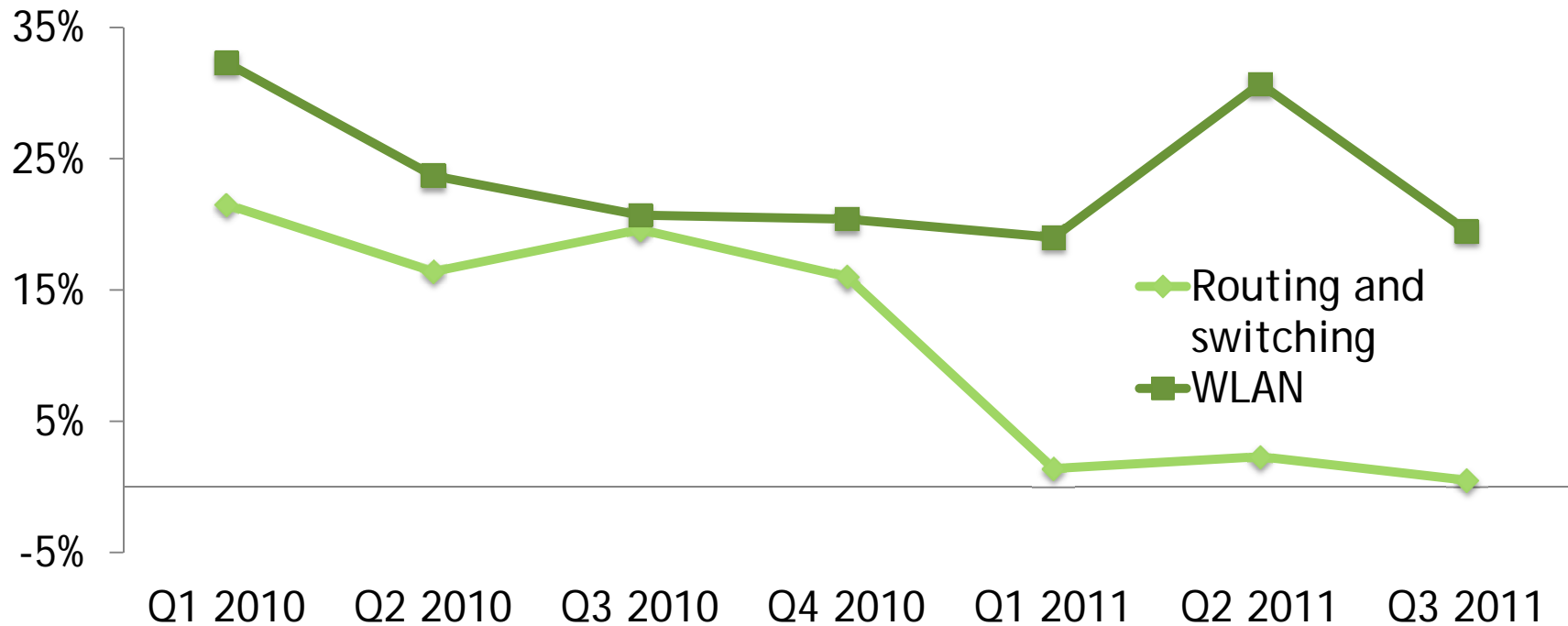
Source: Canals estimates, Netpad Analysis, October 2011

Networking growth moves to wireless

EMEA enterprise routing & switching
Q3 2011: \$5,054 million

EMEA enterprise WLAN market
Q3 2011: \$207.9 million

Year-on-year growth



Source: Canalis estimates, Enterprise Networking Analysis, 2011

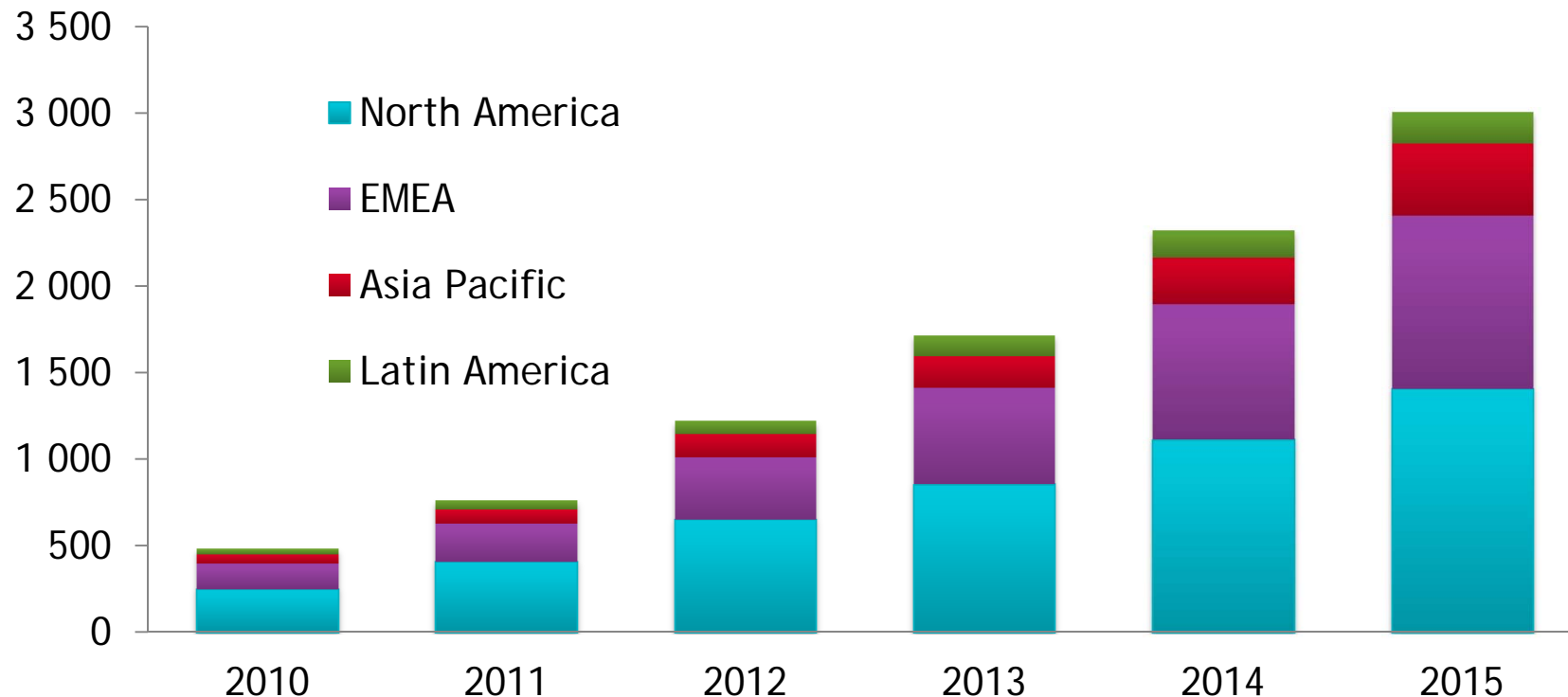
Insight. Innovation. Impact.



Mobile security market to hit \$3bn by 2015

Worldwide mobile security market
2010: \$482 million
2011: \$760 million
2015: \$3,005 million
CAGR 2010 - 2015: 44.2%

End-user value (\$ million)



Source: Canalis estimates, Mobile security Analysis, August 2011

Insight. Innovation. Impact.



Cloud needs a simple definition

Cloud computing: on demand service with metered usage

Public

- Delivered via the Internet
- Infrastructure controlled by hosted service provider
- Subset of hosted services market

Private

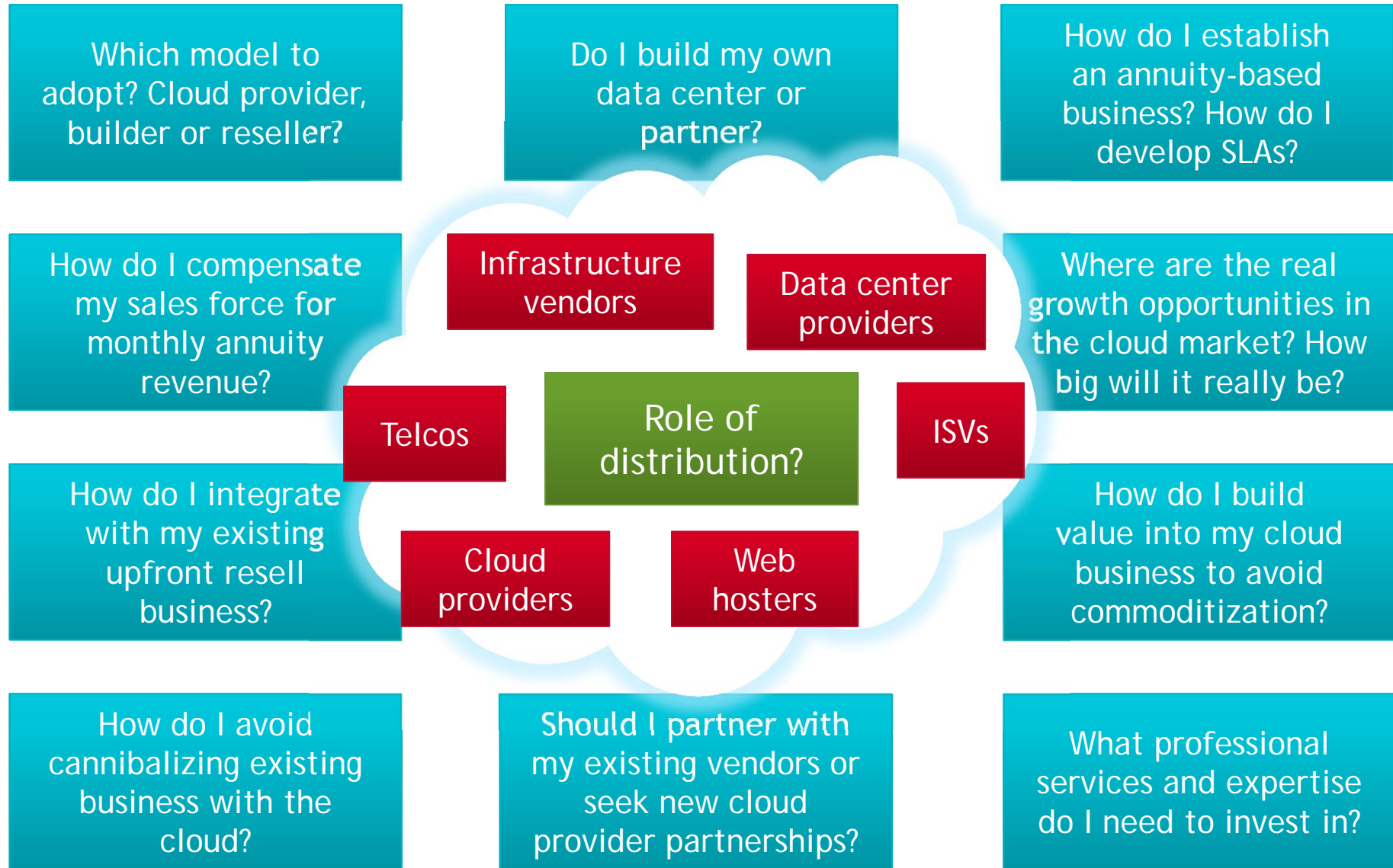
- Delivered via enterprise controlled infrastructure
- Subset of enterprise IT and managed services markets



Does hardware matter?

- How important is hardware to your business?
- Will cloud computing reduce the need for on-premises hardware?
- Could you transition to a software/services-only model?
- What organizational changes do you need to make if embarking on a transformational shift?
- Can you maintain a successful client relationship without a hardware business?
- Will hardware remain a lucrative business for you?

Cloud questions facing the channel



Distributors are assessing cloud pros and cons

Opportunities

- Hybrid channel models
- Private cloud infrastructure
- Incremental growth
- New vendors
- Attract vendor marketing funds
- Value-add service opportunities
- Expand into new channels
- Cloud service aggregation
- Service provider relationships
- Existing channels need help
- Drive new 'value' models
- First-mover advantage

Challenges

- Poor visibility of real cloud impact
- Tiny short-term revenue
- Service provider competition
- Vendors bypass distribution
- Pressure on revenue streams
- Unproven channel models
- Sales cannibalization
- Pressure to act fast
- High investment costs/risks
- Internal resistance
- Margin pressure
- Diversity of business models

The role of distribution in the cloud



Private Public Hybrid

Distribution roles

- Credit, logistics, availability
- Cloud services aggregation
- Bring new cloud SPs to market
- Support the evolution of channel models
- Training and education

Hybrid channel model:
Product resell/managed services/cloud services

End user

Maximizing partner program benefits

Partner challenges

- Customers do not understand specializations
- Vendors do not promote program levels sufficiently
- Vendors' marketing focus changes too often
- Partners are required to make too much investment
- Channel skills shortage / wage inflation

Channel actions

- Accurately calculate ROI from programs
- Identify vendor power base
- Stop arguing, start partnering
- Improve return on vendor marketing funds
- Find ways to align goals
- Exercise threat to switch vendor partners

Consumerization brings sweeping change



Technology in the home

This panel illustrates various smart home technologies. It features a tablet, a Samsung SMART TV, a laptop, a smartwatch, and a smartphone, all arranged in a grid-like pattern.



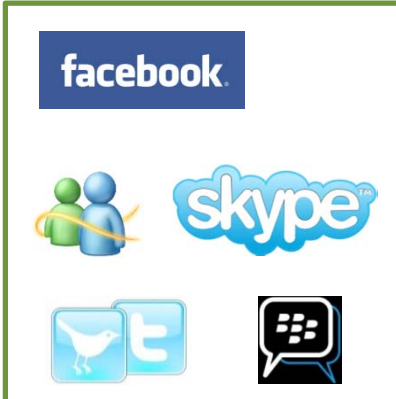
Influencers are changing

This panel shows a close-up of a person's neck and shoulders, wearing a white dress shirt and a striped tie, symbolizing traditional authority or influence.



Multiple form factors

This panel displays four different mobile devices: a feature phone, a tablet, a laptop, and a convertible laptop, highlighting the variety of device form factors.




New ways to collaborate

This panel shows logos for social media and communication platforms: Facebook, Skype, and Twitter, representing new digital collaboration tools.



Role of IT is transforming

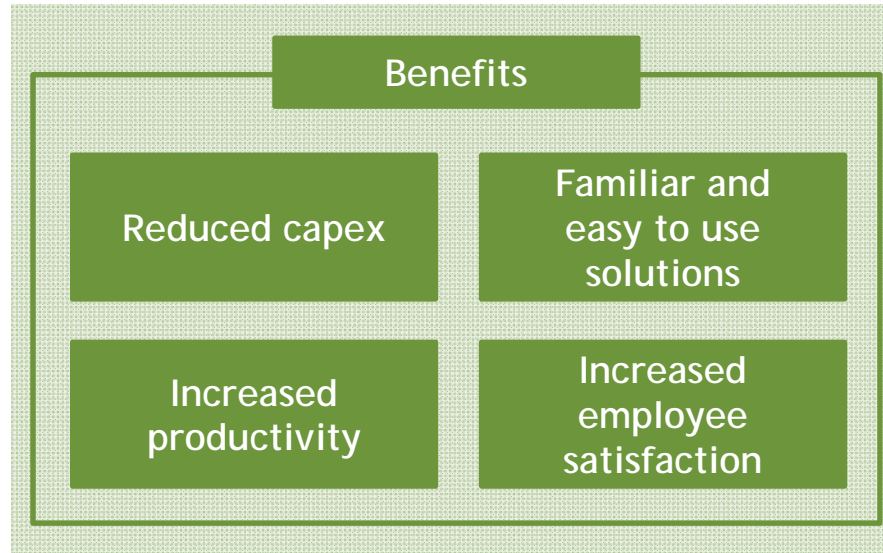
This panel features a black silhouette of a person with a large question mark above their head, symbolizing uncertainty or transformation in the role of IT.



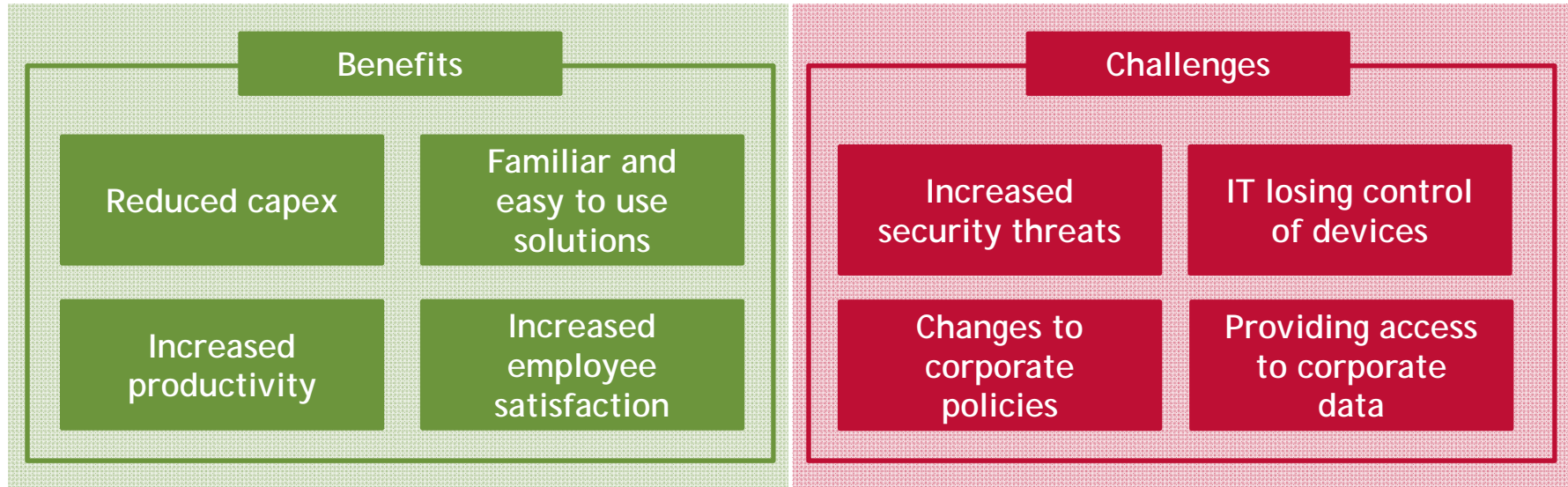
Multiple operating systems

This panel displays logos for various operating systems: Windows, BlackBerry, Android, Windows Phone 4.3, HP webOS, and a lion's head (likely representing Symbian), illustrating the diversity of OS options.

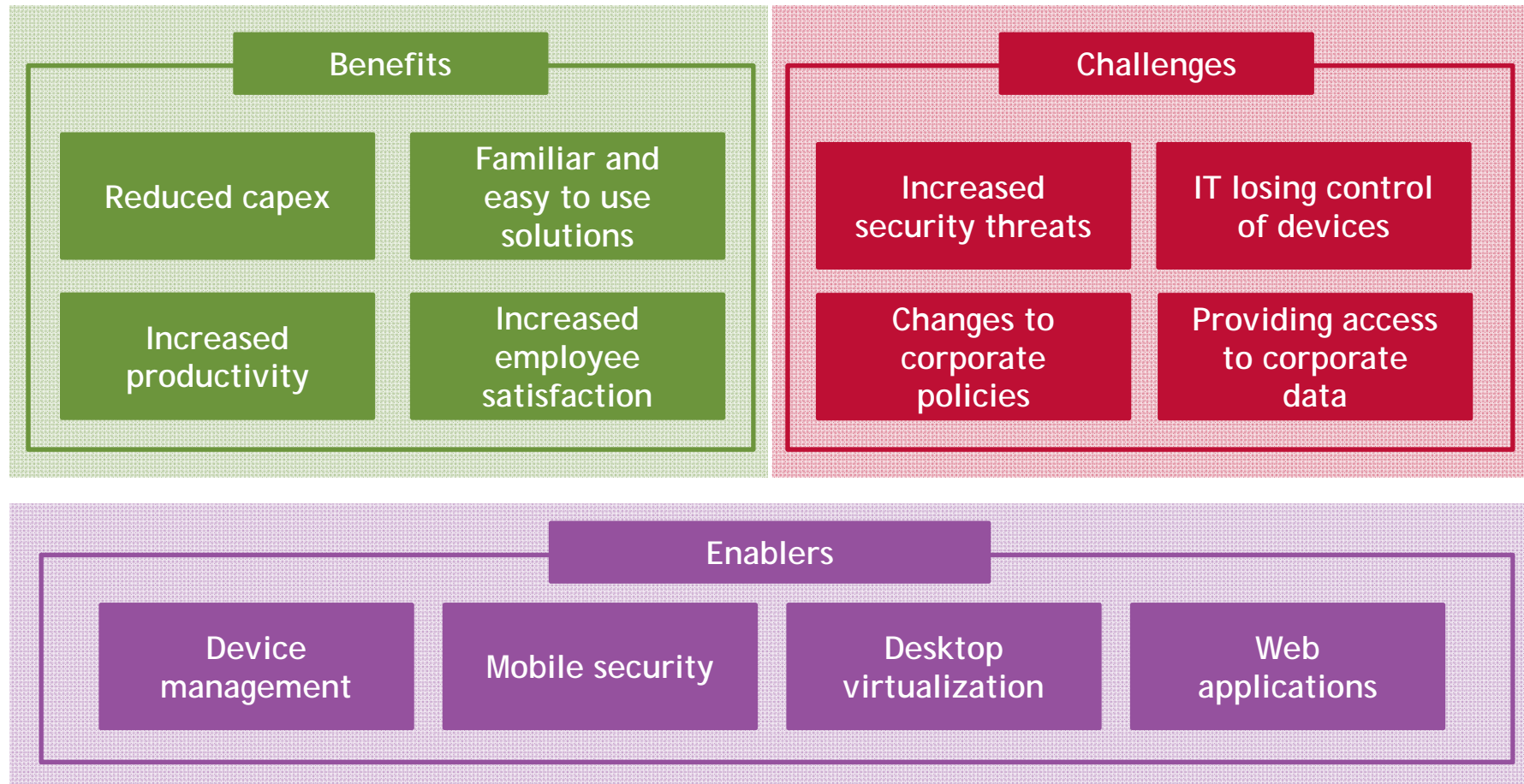
IT departments have much to consider.....



IT departments have much to consider.....



But technologies exist to smooth the process



Tying it all together

Mobility

Cloud computing

Consumerization

Corporate
resellers

Specialist
resellers

Systems
integrators

Service providers

Distributors

New vendor partnerships

Key conclusions

- 1 The consultative sales approach will yield benefits as enterprises strive to become smarter and more mobile
- 2 Cloud computing will become increasingly important in enterprise IT
- 3 Private clouds remain the primary opportunity
- 4 Security and privacy concerns remain the key challenge to overcome
- 5 Assessing the competitive environment and identifying potential partners is a priority

Candefero is a unique channel community

The screenshot displays the Candefero website interface. At the top, there is a search bar and navigation links for Content, Point makers, Profiles, My account, Mailbox, Contact, and About. A user notification indicates 'You have 5549 points'. Below the navigation, there are buttons for 'Reset this page', 'Add more items to this page', and 'Add channel news feeds'.

The main content area is divided into several sections:

- Canary:** A news section with three articles:
 - Oracle's hardware miss is due to its decimated post-Sun channel...not the economy. It needs new and reinvigorated channels fast (22-Dec@11:58)
 - Android pad market share in EMEA will drop in Q4. A lack of new products will mean a soft quarter for Acer and Asus. (21-Dec@09:44)
 - Apple's seen >100m downloads from its Mac App Store in <1yr. App stores are (20-Dec@14:16)
- The Apple iPhone 4S winner is: Martin Klock...congratulations!**: A featured article with a bar chart and a quote from Martin Klock: "I like the Vendor Benchmark very much. It shows very clearly and concisely how easy or difficult it is for a reseller to make business with a specific vendor." - Martin Klock. Below the quote, it says: "Your feedback can influence vendors decisions so keep rating your vendors every time you visit Candefero."
- Heartbeat:** A section showing a line graph of market sentiment. The latest change is 'Optimistic'. The time frame is set to '3 months'. The graph shows a fluctuating line between 'Optimistic' (green) and 'Pessimistic' (blue) levels from Oct 17 to Jan 9.
- Point makers:** A section titled 'What proportion of your outbound staff (sales & technical) take pads on customer visits?'. It features a horizontal bar chart with the following data:

None	34%
Up to 25%	55%
Up to 50%	7%
Up to 75%	3%
Nearly all	1%
- Vendor benchmark:** A section titled 'Top 10 vendors' with a 'See all vendors' link. It lists the following vendors and their scores:

#1 Kaspersky Lab	7.7
#2 HTC	7.7
#3 Brother	7.5
#4 Citrix	7.5
#5 D-Link	7.3
#6 Trend Micro	7.1
#7 Vmware	7.1
#8 Lexmark	7.0
#9 EMC	7.0

At the bottom of the screenshot, there is a green banner with the URL www.candefero.com.

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