

THE CHANNEL

| Channel Issues and Advice |

April 2017

Contents

- 1. SLA – Senior Level Advisory** – **telent Technology Services**
- 2. Key Announcement Implications** – **Building Trust in a Cloudy Sky**
- 3. In Depth Focus** – **Europe’s Other Crisis: A Digital Recession**
- 4. Financial Round up** – **Ciena, DELL, Juniper, Netgear and ShoreTel**

This Service has been designed specifically for senior-level channel executives. It provides guidance and highly strategic advice on the channels focussing on the issues of which Senior Channel Executives should be aware. It will guide the management team on the impact of competitor announcements, insights into the market, brief focus on services sub-segments, value stack, vertical focus and Key Director Messages.

1 SLA – Senior Level Advisory



Mark Plato, CEO



Peter Moir, Managing Director Network Services

Acquisitions:

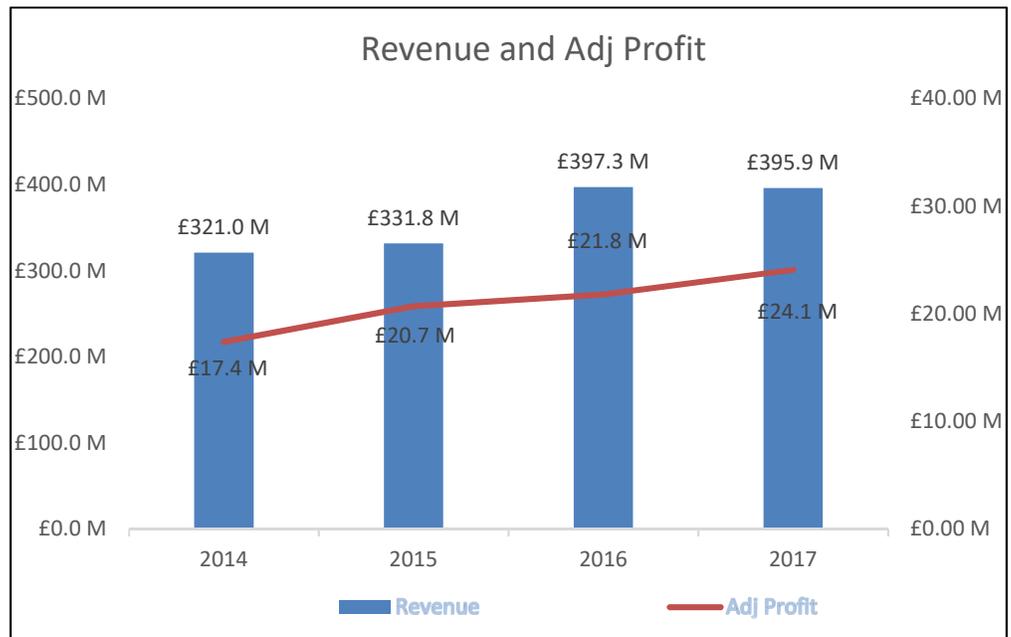
- Sep 2016 Richardson Eyres DC reseller
- Aug 2016 Arqiva security business
- Apr 2014 Telindus UK
- Sep 2008 Premise Networks
- Jul 2008 Alan Campbell Group
- Mar 2008 TSEU

telent Technology Services

The company was formed in January 2006 from the UK and German services businesses of Marconi Corporation, following Ericsson's acquisition of key assets. In May 2007 telent announced its move from Coventry to Warwick. telent's Technology Solutions business, meanwhile, supplies, maintains and supports third-party IT and communications, among other activities. The company provides a range of network and communications services to several industries, including enterprise software systems, emergency services communications and logistics, integrated warehouse logistics systems and rail and metro systems. The company has many operational sites within the UK and Ireland, including at Chorley in Lancashire, Warwick, Camberley in Surrey, Harbour Exchange in London, and Dublin.

A team of telecom engineers provide support and new features development for the old TDM System X network used by BT, Virgin Media, KCOM, Sky, Vodafone, and Gibtelecom.

Financials

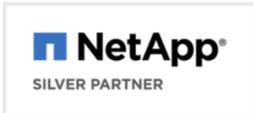


Sources: Times Top 250 and CRN Top 100 VARs

Verticals

At the heart of many of the UK & Ireland's best-known brands, telent operates within a variety of industry sectors including Transport, Service Provider, Public Safety, Defence and Government/Public Services. telent's industry expertise and professionalism make the company a Partner of choice for organisations at the forefront of the digital revolution.

Technology Partners



Customers

Customers include BAE Systems, BT, Highways England, HM Coastguard, Interoute, London Ambulance Service, Merseyside Fire & Rescue, Metropolitan Police, Network Rail, RNLI, Sky, Transport for London, Virgin Media and Vodafone.



Key Technologies

- Collaboration
- Customer Experience and Optimisation
- Security and Networking
- Connectivity
- Mobile
- Professional and Transformation Services
- Managed Services

Partners

telent are accredited as a Cisco Gold and as a Juniper Elite Partner as well as those shown on the left.

Conclusion

Specialising in Carrier Grade Networks, High volume telecoms infrastructure, Voice, Data & Network Services, Rail trackside communication solutions, ICT systems and solutions, Command & Control solutions, 365x24x7 support services, and Transport Network Solutions.

telent, was ranked at number 30 in the Sunday Times' Top Track 250 in October 2016.

telent Chief Executive, Mark Plato, commented: "We are very pleased to have climbed 35 places in the Sunday Times Top Track 250 list following a very successful year. We are dedicated to continued profitable growth in our key market sectors, whilst also very proud that we support local communities through our work on rural infrastructure projects, with the emergency services, with local councils and through our CSR initiatives."

NEXT >

2) Key Announcement Implications

2 Key Announcement Implications



93% 
of organizations utilize cloud services in some form

49% 
of respondents had slowed their cloud adoption due to a lack of cybersecurity skills

74% 
of organizations reported storing some or all of their sensitive data in public clouds

52% 
likelihood of getting a malware infection from a cloud app

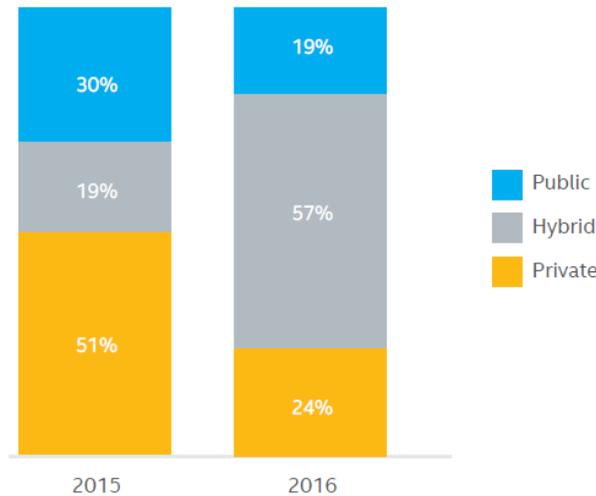
65% 
of IT professionals believe that Shadow Cloud is interfering with their ability to keep the cloud safe and secure

Building Trust in a Cloudy Sky

Methodology

In September 2016 Intel Security (now spun back out as McAfee) surveyed over 2,000 professionals for its annual cloud security research study. 1400 IT and technical decision qualified to represent a diverse set of countries, industries, and organization sizes, with a particular focus on the financial services and healthcare sectors. The results offer a detailed understanding of the current state of cloud adoption and security.

Fig 1 Which type of cloud architecture is your organization currently using?



data in the cloud. We're really seeing a fundamental shift in how the cloud is perceived, the level of trust, and what they believe the benefits will be."

Raj Samani, McAfee CTO commented: "Twenty-five percent of respondents have all their sensitive corporate

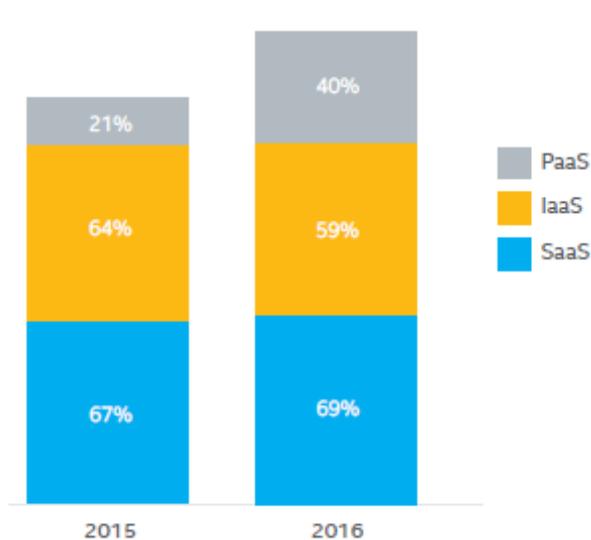


Fig 2 Which cloud services is your organization currently using?

Samani stated that an ongoing shortage of skilled security professionals is holding back cloud efforts and that, for partners, there's a clear need for services around the security aspects of migrating data to cloud, no matter what line-of-business think. "We have an industry that believes the fact you're using a third-party provider means you don't need as many security skills," he said. "Actually, it's the complete opposite. The lack of skills has slowed adoption".

73%

will move to a fully software-defined data center within two years



Stuart Walker, Regional Director, Channel, at McAfee:

"With more data shifting across to the cloud, it is essential that the correct security controls are put in place. By moving towards a cloud-first strategy, organisations can encourage the adoption of cloud services to increase flexibility, reduce costs and set up proactive security operations. To this end, we work closely with our channel partners to ensure they are in a position to advise end users on the steps needed to secure cloud deployments,"

Please contact euroLAN for the complete report

Shadow IT

Almost 40 per cent of cloud services in use in an organization today are commissioned without the involvement of the IT department.

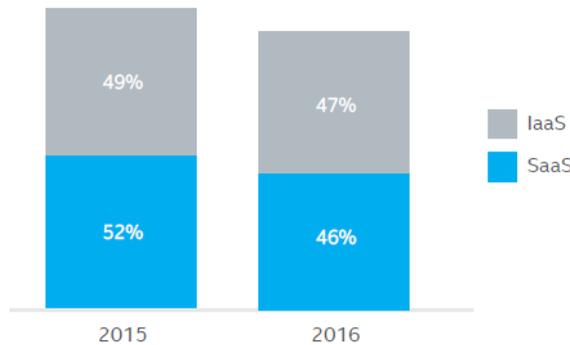
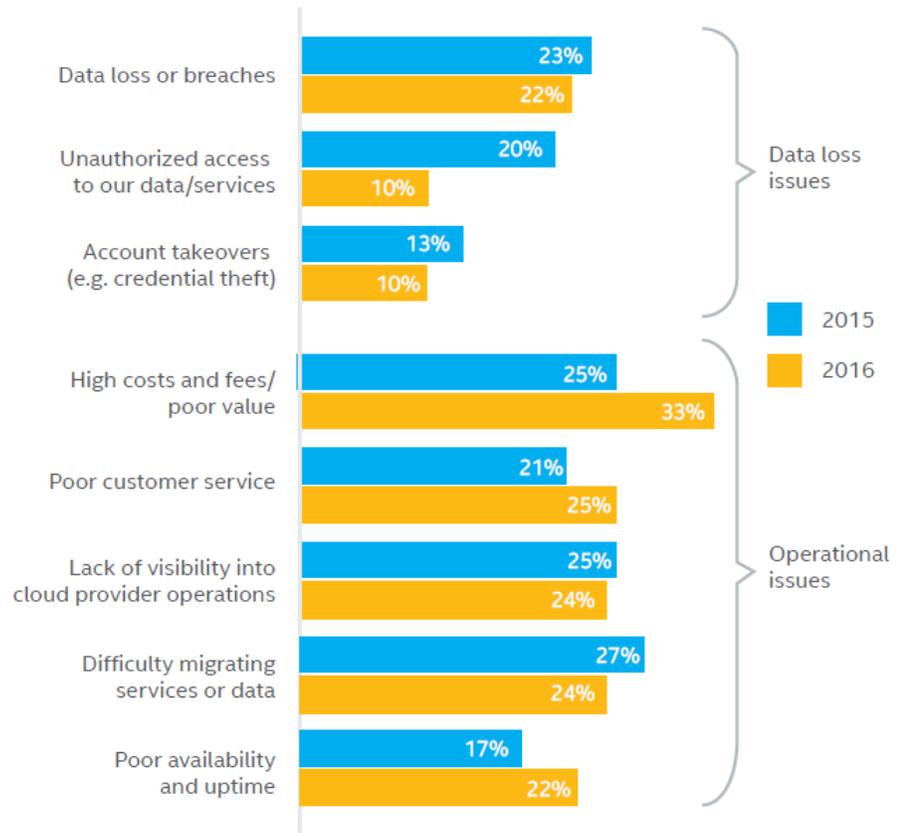


Fig 3 What percentage of public cloud services commissioned by departments without the direct involvement of the IT department do you believe you have visibility over?

Samani says McAfee sees a need for partners who can walk in and help customers classify data, do risk assessments to determine which controls are required and set up a process for secure migration.



Summary

Fig 3 Has your organization experienced any of the following issues with cloud service providers?

The report highlights an opportunity for the channel in terms of hybrid cloud adoption but also the threat from the adoption of new ways of doing things such as Cloud Access Security Brokers (CASBs).

NEXT >
3) In Depth Focus

3 In Depth Focus

Harvard Business Review

Authors are
Bhaskar Chakravorti and Ravi Shankar Chaturvedi

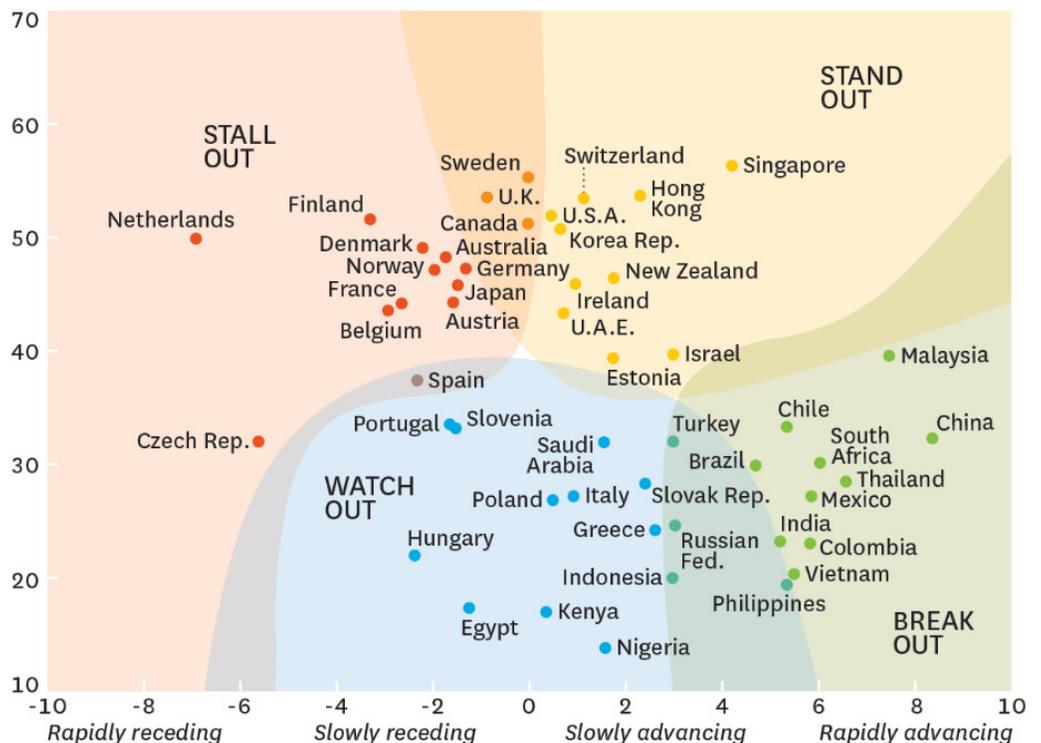
Fifteen European countries have been losing momentum since 2008 in terms of their state of digital evolution – meaning a digital recession – with the Netherlands coming in dead last in our momentum rankings. European countries occupy the nine bottom spots in our list of 50. Plus, the digitally receding countries include large economies like Germany, the UK, and France, as well as Finland and Sweden, Scandinavian tech powerhouses that were the early leaders of mobile telephony. Across the rest of Europe, the state of digital evolution has been mediocre and the pace of improvement, tepid

Europe's Other Crisis: A Digital Recession

You may have heard that Europe is in a state of crisis. This has nothing to do with an influx of refugees, or Greek debt, or even the future of the European Union. The crisis we speak of has even more severe consequences for Europe's global competitiveness. In our research on the state and pace of digital evolution worldwide, we have found that the old continent is in the midst of a "digital recession."

Of the 50 countries studied in the Digital Evolution Index, 23 were European (not counting Turkey). Of these, only three, Switzerland, Ireland, and Estonia, made it to a commendable "Stand Out" category – which means that their high levels of digital development are attractive to global businesses and investors and that their digital ecosystems are positioned to nurture start-ups and internet businesses that can compete globally.

How countries scored across four factors on the Digital Evolution Index (out of 100)



RATE OF CHANGE IN DIGITAL EVOLUTION FROM 2008 - 2013

Source: Digital Evolution Index, The Fletcher School at Tufts

How has Europe dealt with the situation?

The response has primarily taken three forms: One has been that of frustration with — and even rejection and censure of — the more dominant US position.

This dismal performance points to a glaring – and growing – digital gap as Europeans watch the U.S. and China take the lead in tech innovation. President Obama said it plainly in a recent interview: “We have owned the Internet. Our companies have created it, expanded it, perfected it in ways that they can’t compete,” referring to the Europeans. And a recently released report suggests that Europe’s digital divide problem extends way beyond the Atlantic; Europe is a distant third behind North America and Asia for \$100 million plus financing for VC backed companies.

Deutsche Telekom’s launch of E-mail Made in Germany promised all data will be kept out of the U.S. government’s prying eyes. At the street level, in France particularly, there is anger against what French critics call *Les Gafa* (Google, Apple, Facebook, Amazon).

Regulatory

At the regulatory and policy levels, authorities have doggedly pursued U.S. tech companies. The EU’s antitrust regulator charged Google for abuse of its position as the dominant search engine to promote its own businesses, while the European Parliament even voted in favour of breaking up Google. And, European officials have lodged a plethora of complaints extending well beyond anti-trust concerns, such as tax avoidance and privacy concerns. EU citizens now have the right to “be forgotten” by petitioning Google to delete certain search results, while regulators in the Netherlands, Spain, among others, are investigating Facebook’s privacy practices.

Another response has been an acknowledgement by the President of the European Commission (EC), Jean-Claude Juncker, of Europe’s severe digital decline. The EC’s pronouncements signal the beginnings of a “Digital Maastricht Treaty.” The proposal is to create a “Digital Single Market” in the EU. The goal of the Digital Single Market is an ambitious one: to deliver by the end of 2016 the equivalent of US\$ 471 billion per year to the regional economy and 3.8 million jobs.

There are subtle, yet significant, changes happening already. In Paris, an endeavour to reclaim the word “entrepreneur,” has seen the city open its doors to attract foreign talent with a recently launched tech visa aimed at encouraging foreigners to incubate startups on the city’s eastern edge. Startup clusters are also emerging in London, Stockholm, Berlin, and Helsinki.

But there are still barriers to be overcome before Europe’s digital potential can be realized. Based on our research, we propose four critical areas of focus:

Harmonizing across the e-commerce value chain

Paradoxically, it is easier for people to cross borders within the EU than it is for digital goods and content to do so. Telecommunications, marketplace platforms, payment services, and postal and logistics systems are balkanized. While 44% of EU residents shopped online in 2014, a paltry 15% bought from another member state; barely up by six and a half percentage points since 2010, according to the European Commission’s (EC) “Digital Agenda Scoreboard 2015.” According to *Der Standard*, an Austrian newspaper, mailing a parcel from Munich to Salzburg (distance: 145km; 90 miles) costs many times more than mailing it from Munich to Berlin (distance: 585km; 364 miles). There’s also the matter of language complexity — for small and medium enterprises, creating a web storefront and customer support in the plethora of European languages can be prohibitively expensive.

If things look bad for goods moving across borders electronically, they look even worse for transporting content. There are a staggering 250

collective management organizations overseeing digital content, according to a 2014 EC press release. Transparency and governance issues abound. In some cases, competing organizations represent the same category of rights-holders; in some others, national monopolies dominate.

The first step in unclogging these bottlenecks and unlocking the digital potential of the union is for the regulators to move away from reflexive responses to competitive winds from across the Atlantic to a more reflective approach — creating uniform standards, better processes, and streamlining of digital rights management to harmonize hundreds of byzantine regulations across EU. This would be a laborious — but achievable — task for the EC and national regulators in the next few years.

By many measures, the UK is ahead of the others in terms of its digital foundations and sophistication; for example, the proportion of retail in the U.K. penetrated by B2C e-commerce is nearly twice the European average and higher than even in the U.S. The EC would also do well to harness intra-European rivalries that go back centuries, lately relegated to little else than the UEFA League, to get member states to compete with one another and inspire the laggards to catch up with their better peers. According to estimates by McKinsey, if France were to shift into a higher gear and equal the U.K.'s digital state, its total economic gain could be to the tune of €100 billion.

Investing in innovation capacity

To the extent that inputs — such as R&D expenditures — are a proxy for innovation capacity, Europe, according to a June 2015 report by McKinsey Global Institute, spends 2% of its GDP on R&D, about the same as China's 1.98%, but well behind United States' 2.8%. More significantly, Europe's private sector R&D spending at 1.3% of GDP, compares poorly with that of the U.S. (1.8%), Japan (2.6%), and South Korea (2.7%). Europe's gap is concentrated heavily in electronics, software, and internet services. In their tracking of "unicorns," or venture-backed companies valued at \$1 billion or more, the Wall Street Journal and Dow Jones VentureSource find that as of July 2015, a mere 8% are Europe-based, compared to 25% from Asia, and 67% from the United States.

A major reason for this deficit is insufficient investment. Traditionally, Europe's growth has been financed to a significant extent by the banking sector, and there has historically been a continent-wide leeriness towards the provision of risk capital by other financial types. Venture funding for European digital groups in 2014 remained a fifth (\$7.75 billion) of that of the United States (\$ 37.9 billion). Another area where the absence of a vibrant VC and corporate investment culture hurts promising startups in Europe is that, because realizing gains from an IPO on European exchanges is still difficult, a primary exit for entrepreneurs is to sell to US-based corporations.

What Europe needs is a self-reinforcing cycle to kick in with a critical mass of VC-backed companies that have demonstrated some measure of scaling-up and success in growing valuations and promising exit options — crucial to attracting more investments in the tech sector.



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Developing a risk-tolerant culture

The essence of Silicon Valley – among its other supporting attributes – is a culture and an ecosystem that engenders a willingness to take risks and fail. Even Asia – particularly in China and India – such cultural shifts are visible; Europe still frowns on failure. According to a study from Youth Business International and the Global Entrepreneurship Monitor, those aged 18-35 in the EU were much more likely than anywhere else in the world to be deterred from entrepreneurship by a fear of failure. More than 40% in Europe cited fear of failure as a barrier, compared to just 24.0% in Sub-Saharan Africa and 27.7% in Latin America.

Changing attitudes toward failure requires cultural shifts. Some of the best places for such changes to take root are in the cities that become technology hubs: Berlin, London, Barcelona are examples. Even Tel Aviv (though technically not in Europe, but with strong linkages to the continent) can act as such a hub, given its thriving start-up culture. Universities also play a central role.

Reforming immigration policies

Europe is experiencing an entirely separate crisis in dealing with the influx of illegal immigrants and political refugees. Even legal immigration can be a contentious political issue, especially when unemployment rates among those with tertiary education in countries such as Greece, Spain, and Portugal are high, and rising. The recent rise of the anti-immigrant hard-right parties in countries such as Denmark and Finland makes it harder for a pro-growth immigration policy to take root region-wide. It's role in welcoming Syrian refugees notwithstanding, Germany's policies towards highly skilled immigrants from outside the EU remain ambivalent, at best. Its proposal to bring in information technology workers from India, prompted the Christian Democrats to campaign on the slogan *Kinder statt Inder*, "children not Indians."

The continent is aging, and pro-growth immigration can help replenish the youth and entrepreneurial talent pipelines. According to a McKinsey report, if Europe boosted its immigration from outside Europe, from 2.6 people per 1,000 inhabitants per year to 4.9 people, it could compensate for its projected 11 million drop in working-age population in 2025. Also, there is evidence from across the Atlantic that immigration spurs entrepreneurship, particularly in the digital industries: According to *The Economist*, over 40% of Fortune 500 firms in the United States were founded by immigrants or their offspring; while the foreign-born constitute barely an eighth of America's population, a quarter of technology startups have an immigrant founder. Engine, a startup advocacy, completes the picture with its assessment that 4.3 new jobs emerge in the local economy over time for every job created in the high-tech sector; more than three times the local multiplier for manufacturing jobs.

It is time Europe took notice of the silent – yet fundamental – crisis that lurks within it. Europe's leaders and entrepreneurs need to wake up to the digital recession on the continent and put a new strategy into place.

NEXT >

4) Financial Roundup

4 Financial Roundup

	Income \$M	Latest quarter Sales \$M	
DELL	-236.0	20074.0	↗
Juniper	108.8	1221.0	↗
Netgear	16.0	323.7	↗
Ciena	-18.8	529.2	➔
ShoreTel	-3.0	87.7	➔

Source: Company Financials - all based on latest released quarters ended March

Recently Released Financials

Ciena Q116 – revenue was flat Y on Y but down 26 per cent sequentially

- North America 74 (63) per cent
- EMEA 15 (21) per cent
- LATAM 8 (8) per cent
- AsiaPac 11 (8) per cent
- Packet Optical Switching 76 (76) per cent
- CESD 2 (2) per cent
- Software and Services 22 (22) per cent

DELL Technologies Q416 – Revenue was up 58 per cent Y on Y due to EMC acquisition

Juniper Q116 – Revenue was up 11 per cent Y on Y but down 12 per cent sequentially

- Americas 58 (55) per cent
- EMEA 23 (28) per cent
- AsiaPac 18 (16) per cent
- Cloud 27 (24) per cent
- SP/Cable 47 (47) per cent
- Enterprise 26 (29) per cent
- Routing 43 (47) per cent
- Switching 20 (16) per cent
- Security 5 (9) per cent
- Services 32 (31) per cent

Netgear Q117 – revenue was up 4 per cent Y on Y but down 12 per cent sequentially

- North America 65 (62) per cent
- Europe 18 (20) per cent
- AsiaPac 17 (16) per cent
- Arlo 19 (8) per cent
- Connected Home 60 (70) per cent
- SMB 21 (23) per cent

ShoreTel Q316 – Revenue was flat Y on Y

- Americas 92 (91) per cent
- International 8 (9) per cent

For further information, please contact:

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