

# THE CHANNEL

| Channel Issues and Advice |

Dec 2015

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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



**Sir Peter Rigby is the founder of SCC and Chairman and owner of the Rigby Group plc which is a £2bn international business with six key divisions: technology, hotels, airports, aviation, property and financial services**

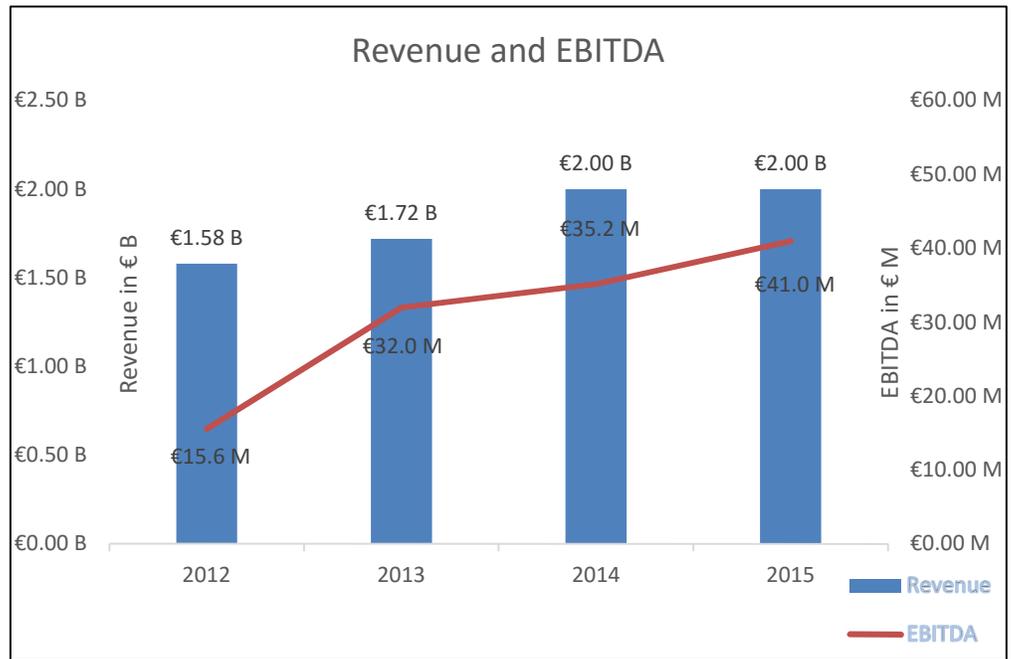


**James Rigby SCC Chief Executive**

## SCC

In 1975, Sir Peter Rigby, founded Specialist Computer Recruitment (SCR). An outsourcing operation, Specialist Computer Services (SCS) opened in 1980, followed by the creation of SCC in 1982. Liverpool born Peter Rigby who was knighted in the Queen's Jubilee Honours in 2002 for services to IT, owns the Rigby Group plc. SCC is the technology division of Rigby Group plc and has more than 5000 employees in EMEA.

## Financials



Source: Company Financial Results

Year end 31 March

## Key facts

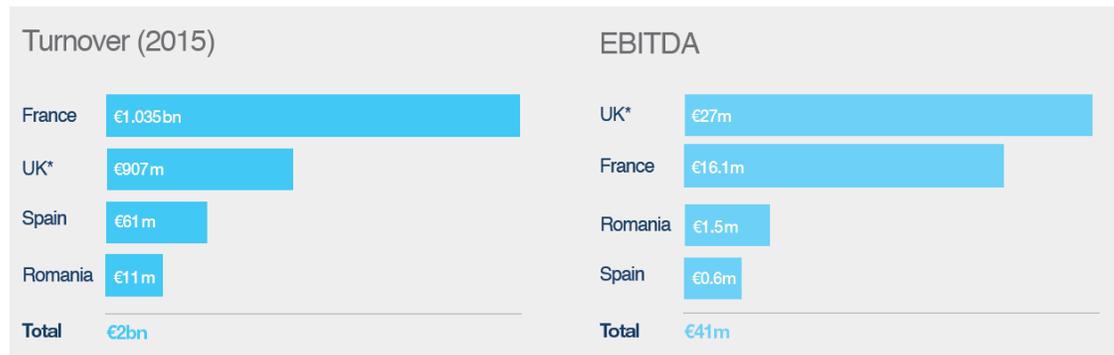
SCC is headquartered in Birmingham serving over 2,500 customers in more than 50 countries and operates out of 75 locations in the UK, France, Romania and Spain. It divested its Netherlands business to Systemax in 2014.

- SCC EMEA EBITDA grew 16 per cent in FY15
- Turnover remained at €2B as transition from product reseller to services and solutions led business continues
- SCC UK services up 21 per cent to £160M, with DCS revenue increasing by 87 per cent
- SCC France turnover up 3 per cent; EBITDA up 13 per cent to €16.1M
- SCC Spain business saw dramatic growth in FY15, with turnover increasing by 30 per cent and EBITDA by 90 per cent
- SCC Romania closed on €11M turnover and €1.5M EBITDA, with headcount now at more than 700

## Acquisitions and Disposals

**1986 Byte Shop Grp**  
**1990 Asystel & Applied Micros PC training arm**  
**1995 Scotbyte Computers**  
**1997 Network SI maintenance arm**  
**1998 Qudis purchased from HP**  
**1999 Lantec/Elcom**  
**2000 Info'Products and Allium**  
**2001 Compelsource.**  
**2002 EBC Informatique & Metrologie France**  
**2003 GE Capital IT Solutions Spain, Pluz BV, payroll business of Hays Group UK plc**  
**2004 IT services arm of ATR Group, Pluz, Triaton purchased from HP Germany**  
**2005 TBI-Proxis**  
**2006 MVS Srl bought from IBM Italia**  
**2007 IT247**  
**2008 Interface Sols Int/System Loans Services Limited**  
**2009 SCC Italia and MVS sold to Bartolini IQ Sys Limited**  
**2010 Kavanagh Ares Infrastructures' Maintenance and Hosting division**  
**2012 Disposed of SDG to Tech Data**  
**2014 M2 Digital for Managed Print Services and sold Netherlands business to Systemax Inc**  
**2015 SSE Telecoms Hampshire Data Centre and Fluidata for the Data Centre connectivity business. Acquired majority stake in distributors Wick Hill and Zycko One Point IT for comms services**

## Geographical Split



## Partners

From an IBM centric foundation, during its early years, SCC has dramatically expanded its portfolio to encompass the major vendors.

 Cisco	 Clearswift	 EMC	 F5	 Hewlett Packard Enterprise
 HP Inc	 Hypertec	 IBM	 Microsoft	 Mimecast
 MobileIron	 NEC	 NetApp	 Oracle	 Philips
 Polycom	 SanDisk	 VCE	 Veritas	 VMware

SCC was awarded a place on the new UK Governments G-Cloud 7 Framework in November 2015.

## Conclusion

In 2014 the CEO of Dimension Data, Brett Dawson, told euroLAN that any publicly listed Systems Integrator which hadn't started the transition to the Cloud would not be able to achieve it. SCC is privately held and is 20 per cent along the road to annuity revenue (currently at €411M) and €165M in services.

While ownership of Data Centres and their connectivity may be a distraction SCC are progressing well on the journey to Services and Solutions.

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**2) Key Announcement Implications**

## 2 Key Announcement Implication



### The Third annual Logicalis Global CIO Survey

- Over 420 CIOs across Europe, North America, LATAM and APAC

### ...and the internal service provider is taking shape

- 2 years ago (2013) 73% expressed a desire to be more strategic
- 2 years on (2015) just 38% spend at least 50% of their time on strategic activities
- However, CIOs are spending 42% of their time on service based activities rather than legacy IT and support
- They report a 50:50 balance between tech and services management
- At least 30% of services are provided externally

## Logicalis Global CIO Study

### Introduction

The third annual Logicalis Global CIO Survey, seeks to assess the changing role of CIOs and IT departments as businesses worldwide increasingly view technology as a business enabler, rather than an essential cost centre, cyber espionage, mobile devices, privacy, ransomware, and more.

### Shadow IT

The likelihood that CIOs will be left out of the IT purchasing loop has grown every year since 2013. For instance, in 2014, 72 per cent of CIOs

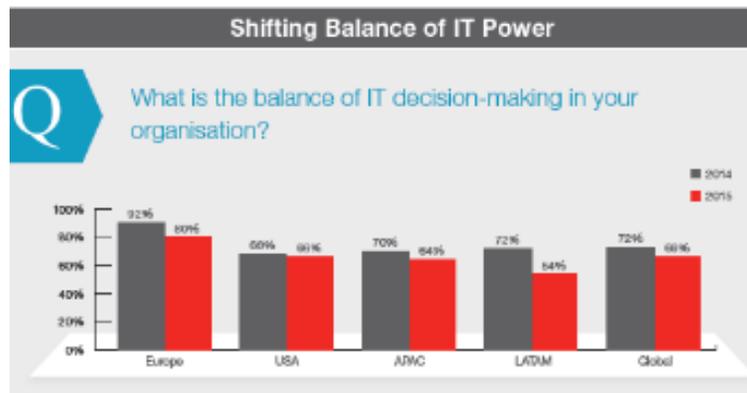


Fig. 1: Chart shows percentage of CIOs indicating they influence more than 50% of IT decisions – 2014 versus 2015.

worldwide held the balance of power over IT decision making (controlling more than 50 per cent of decisions), but this year, that figure has fallen by 6 per cent. Today, only two thirds of CIOs hold the balance of power over



Fig. 2: Chart shows percentage of CIOs selecting 'often', 'very often' or 'most of the time'.

cent pending (Fig. 1). This is in line with CIOs' expectations – in 2014, 62 per cent expected line of business colleagues to gain more power in the future. At the extreme end of the scale, almost one third of CIOs globally find themselves by-passed 'often', 'very often' or 'most of the time' – a figure that rises to 51% in Latin American markets, but falls to 19 per cent in Europe (Fig. 2). Overall, Shadow IT is now a fact of life for the vast majority of CIOs – 90 per cent of those questioned reported that they are now by-passed by line of business colleagues at least occasionally.

SMAC has garnered a great deal of media attention over the last 12 months. But is this hype reflected in CIO views?

CIOs rated the role of each in driving business innovation:

- Mobile (62%) and Analytics (63%) were clear winners
- Social lags well behind (37%)
- Cloud sits at 47%
- Analytics most important in US and LATAM
- Mobile strongest in Europe and LATAM
- APAC and LATAM value Social more than others
- Cloud a significant priority of 67% of CIOs in LATAM

The report also looked at attitudes towards Business Intelligence and Soft Defined Technologies

A copy of the report, The Shadow IT Phenomenon, is on [www.logicalis.com](http://www.logicalis.com)

## Social, Mobile, Analytics and Cloud

To assess the real world, relative importance of SMAC technologies, this year's survey asked CIOs to rate the role of each in driving business

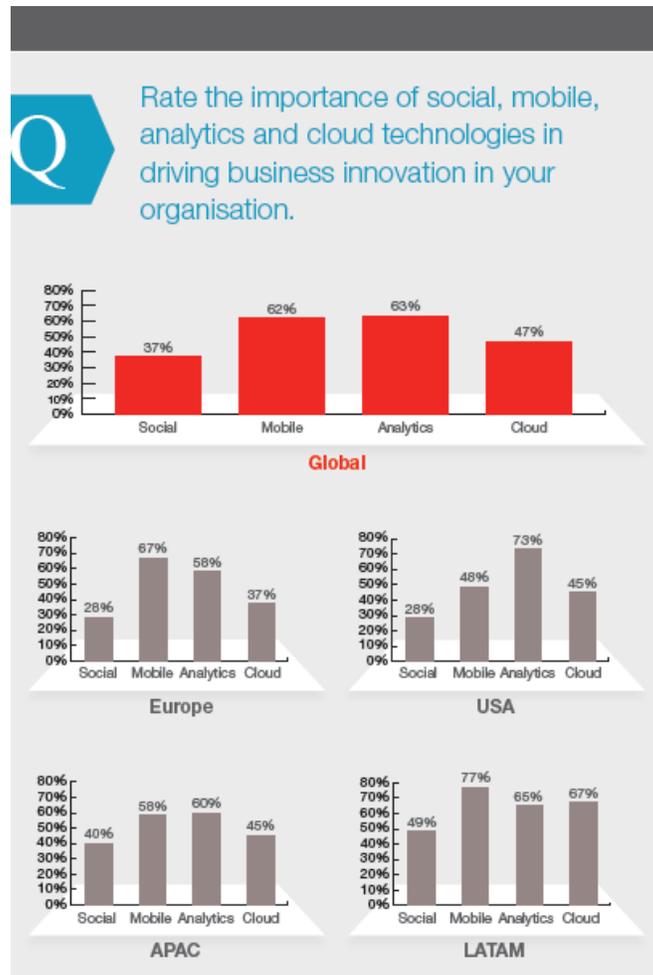


Fig. 7

familiar tools for an increasingly social-enabled workforce, or will they expect new recruits to adapt? Cloud technologies also lag behind (47 per cent), but this is more likely to reflect the overall maturity of the cloud model, which is increasingly seen as 'business as usual' technology.

### Conclusion by Logicalis CEO Mark Rogers

This report once again paints a vivid picture of a world in which line-of-business is assuming more and more control of IT spending and direction; and this is a trend that CIOs are clearly responding to. Indeed the transformation of the IT department we identified 12 months ago continues apace, with CIOs increasingly focused on delivering service portfolios that directly respond to the needs of line-of-business executives.

# 3 In Depth Focus



This is the 18th Annual PwC Global CEO Survey

CEOs see more opportunities and more risks today than three years ago



Fig 1

Q: How much do you agree/disagree that there are more growth opportunities/threats for your company than there were three years ago?

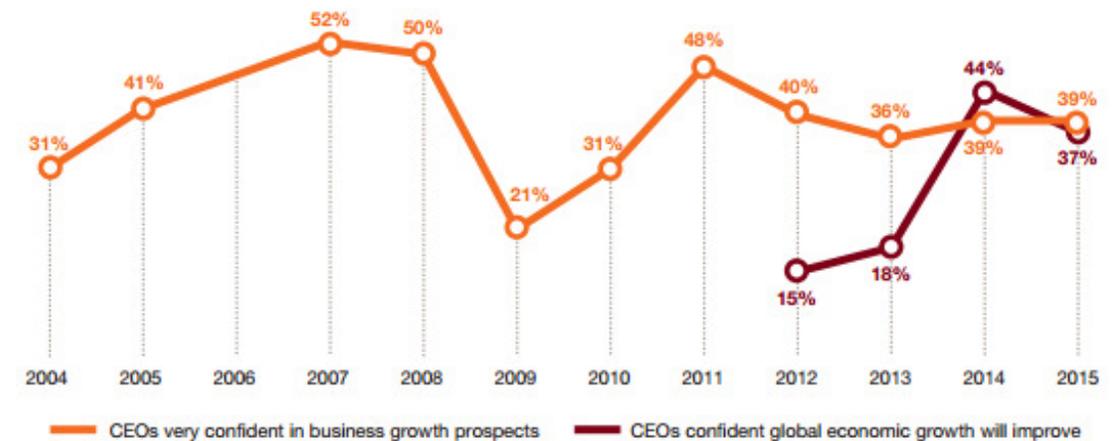
## PwC Global CEO Survey

### Growth, but not as we know it

If 2014 taught us anything it's that in our increasingly technology-led world, no industry, no company and no government, even, is immune from the effects of change. Take the global energy market, where breakthrough innovations continued to shake up the status quo. Or the corporate world, where a cyber security attack had international security and diplomacy ramifications. And what about that digital transport start up – barely four years old – challenging the entire global taxi industry's business model and receiving an \$18 billion valuation for its chutzpah... Of course, digital change throws up as many opportunities as risks. We think that's why there's an underlying sense of optimism for many CEOs, despite the picture they're painting this year of an increasingly fluid and disrupted business environment. We asked CEOs whether they see more opportunities for their business today than three years ago, and also whether they see more threats over the same period (see Figure 1). It's plain that business leaders see more of both.

Figure 2 CEOs are more confident of their business growth prospects than they are about global economic growth

Q: How confident are you about your company's prospects for revenue growth over the next 12 months? Do you believe global economic growth will improve, stay the same or decline over the next 12 months?



Base: All respondents (2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258; 2011=1,201; 2010=1,198; 2009=1,124; 2008=1,150; 2007=1,084; 2006 (not asked); 2005=1,324; 2004=1,386)

Note: In previous years, respondents were asked 'Do you believe the global economy will improve, stay the same or decline over the next 12 months?'

The ability to see the upside could be why just as many CEOs this year as last year say they're very confident about their business growth prospects in the next 12 months (see Figure 2). This is despite less enthusiasm this year about the global economy, rising concerns across a range of business risks, and recognition from many that their industries face upheaval.

**The PwC 18th Annual Global CEO Survey has chapters covering:**

- Competition
- Technology
- Partnerships
- Diversity

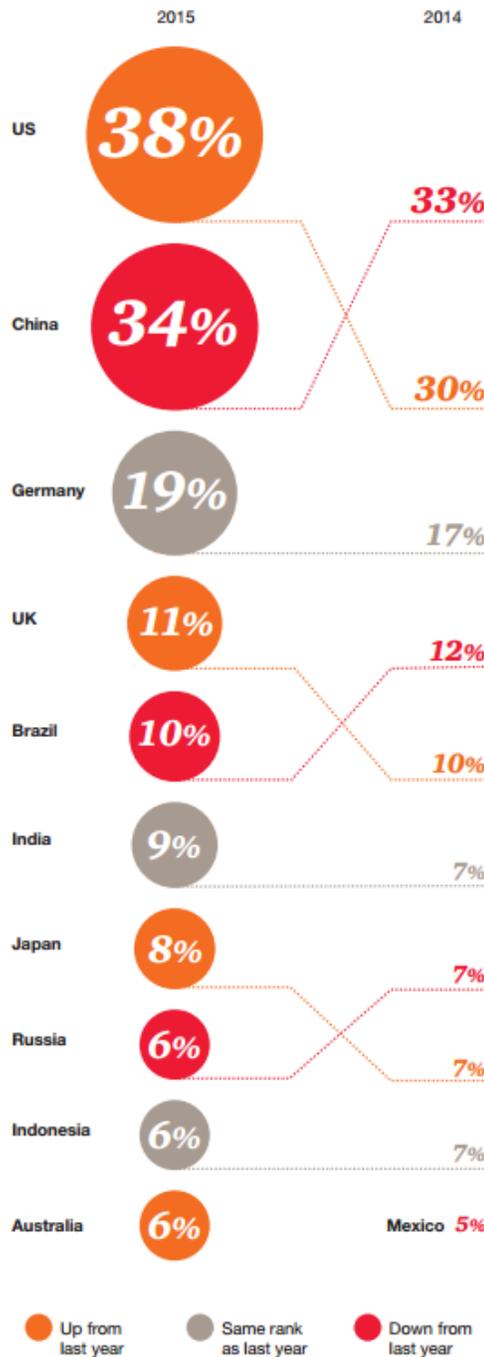
**About the report:**

PwC conducted 1,322 interviews with CEOs in 77 countries. The sample is selected based on the percentage of the total GDP of countries included in the survey, to ensure CEOs' views are fairly represented across all major countries and regions of the world. The interviews were also spread across a range of industries. Further details, by region and industry, are available on request. 28% of the interviews were conducted by telephone, 59% online and 13% by post. All quantitative interviews were conducted on a confidential basis

For the complete report please email [info@eurolanresearch.com](mailto:info@eurolanresearch.com)

**Figure 3 CEOs are more optimistic about mature markets this year**

Q: Which countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?



expect to be competing in new sectors in the next three years.

**The new economic equilibrium**

The global business community is still looking to get its swagger back. CEOs are less hopeful than they were a year ago about global economic growth prospects. Thirty-seven per cent think the outlook will improve over the next 12 months, compared with 44 per cent last year; while 17 per cent – more than twice as many as last year – think the outlook will worsen. CEOs are plainly anticipating what Christine Lagarde, managing director of the International Monetary Fund (IMF), has called a 'new mediocre' period of persistent low growth. Sentiment, of course, varies from region to region. CEOs in Central and Eastern Europe are especially downbeat (perhaps reflecting the impact of the Russia/Ukraine conflict), while in both Asia Pacific and the Middle East they're much more sanguine about global growth prospects.

**Conclusion**

CEOs no longer question the pace of technological change, as they learn to deal with it. The majority of CEOs believe that investments in digital technologies have created value for their business, and around 80 per cent say that mobile technologies and data analytics are key strands of their strategy. The challenges thrown up by these changes are set against a competitive landscape that is also rapidly and radically reshaping. Competition is now coming from new and previously unseen sources. A wide range of industries is being disrupted by regulatory changes, increasing competition and new patterns of consumer behaviour. One third of CEOs say they have entered new industries and over half

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## 4 Financial Roundup

	Income \$M	Latest quarter Sales \$M	
Ciena	-13.8	692.0	↗
Mitel	-8.1	290.7	↗
Cisco	2430.0	12682.0	↗
Brocade	84.4	588.8	↗
Avaya	-167.0	1008.0	↘
D-Link	-15.9	215.1	↘

*Source: Company Financials - all based on latest released quarters ended Sept except Cisco and Brocade are Oct*

### Recently Released Financials

**Avaya Q415** – Revenue down 7 per cent Y on Y but up 1 per cent sequentially. EMEA was the only non-gaining geo

- North America 56 (52) per cent
- EMEA 24 (29) per cent
- AsiaPac 11 (10) per cent
- ROW 9 (9) per cent

**Brocade Q415** – Brocade revenue was up 4 per cent Y on Y and up 7 per cent sequentially

- Channel 38 (37) per cent
- International 39 (39) per cent
- OEM 62 (63) per cent
- Ethernet products 29 (27) per cent
- Global services 16 (15) per cent

**Ciena Q415** – Ciena revenue was up 17 per cent Y on Y and up 15 per cent sequentially with Cyan acquisition

- International 31 (46) per cent
- North America 69 (52) per cent
- Packet Optical Transfer 70 (65) per cent
- Packet Optical Switching 9 (10) per cent
- CESD 2 (4) per cent
- SW and Services 18 (21) per cent

**Cisco Q116** – Cisco revenue was up 4 per cent Y on Y but down 1 per cent sequentially

- Switching 32 (31) per cent
- NGN Routing 14 (16) per cent
- Collaboration 9 (8) per cent
- Service Provider Video 7 (7) per cent
- Wireless 5 (5) per cent
- Security 4 (4) per cent
- Data Center 7 (6) per cent
- Other 1 (1) per cent
- Services 22 (23) per cent

**D-Link Q315** – D-Link revenue was down 8 per cent Y on Y but up 8 per cent sequentially

**Mitel Q315** – Mitel revenue was up 7 per cent Y on Y and up 3 per cent sequentially

- EMEA 50 (53) per cent
- Americas 46 (44) per cent
- Asia 4 (3) per cent

### For Further Information, Please Contact:

Keith Humphreys – Managing Consultant at **eurolan** – [keith@eurolanresearch.com](mailto:keith@eurolanresearch.com)