

# THE CHANNEL

| Channel Issues and Advice |

Dec 2016

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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



**Ken Lamneck**  
President and CEO



**Glynis Bryan, CFO**

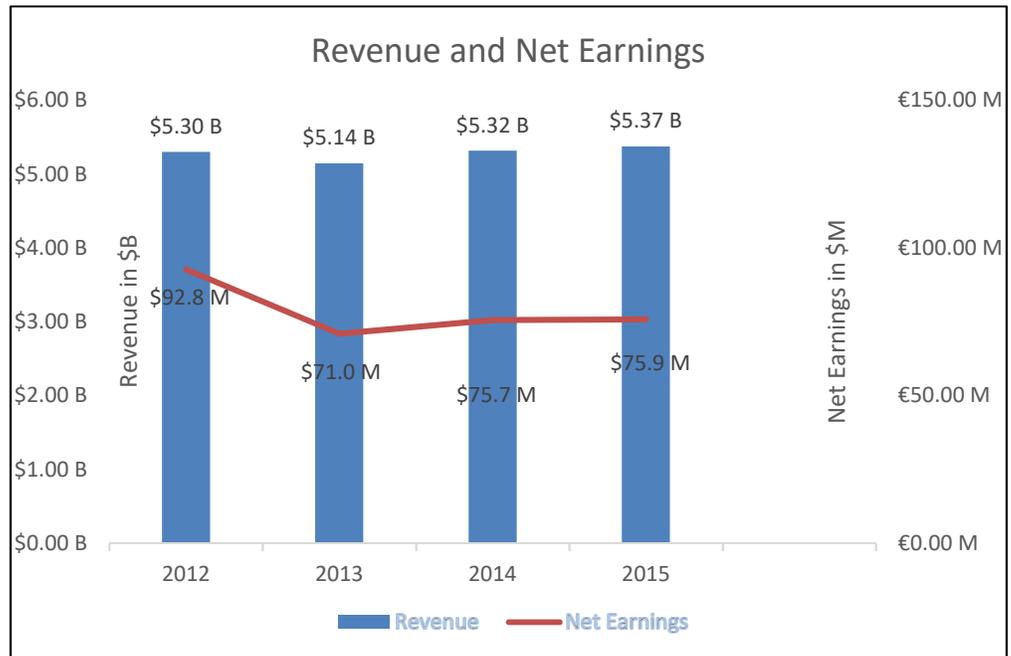


**Wolfgang Ebermann**  
President EMEA

## Insight

Hard Drives International was founded in 1988 by Eric and Tim Crown. Initially a mail order business selling computer storage, the company expanded into a storefront when credit card companies would not service startup mail order firms. In 1991, the company changed its name to Insight Enterprises, and distribution included a full line of computers and accessories. The company held its initial public offering in January 1995.

## Financials



Source: Company Financial Results

Year end 31 December

## Key facts

Headquartered in Tempe, Arizona

- Fortune 500 company
- Over 5,700 teammates
- Approximately 3,800 sales and delivery roles directly touching clients
- 28 years building our skills
- Represent over 3,600 partners
- Full range of hardware, software and services solutions
- Management team of industry veterans
- 83 per cent Commercial from Service Providers to SMB
- 17 per cent Public Sector
- Locations in 22 countries and serving clients in over 200 countries
  - 26 Offices in North America
  - 19 offices in EMEA
  - 10 offices in APAC

## Acquisitions

(US unless stated)

1997 TC Computers of Canada  
1998 Choice Peripherals Ltd, Plusnet Technologies Ltd and Force 9 of UK  
2001 Action Computer Supplies Holdings plc of the UK for \$150M  
2002 Comark for \$150M  
2006 Software Spectrum for \$287M  
2008 Calence LLC for \$125M and Minx in the UK for \$1M+  
2011 Ensynch  
2012 Inmac GmbH based in Frankfurt  
2015 BlueMetal  
2016 Ignia in Australia  
2017 Datalink for \$258M

## Awards in 2016

Cisco U.S. Architectural Excellence: Enterprise Networking

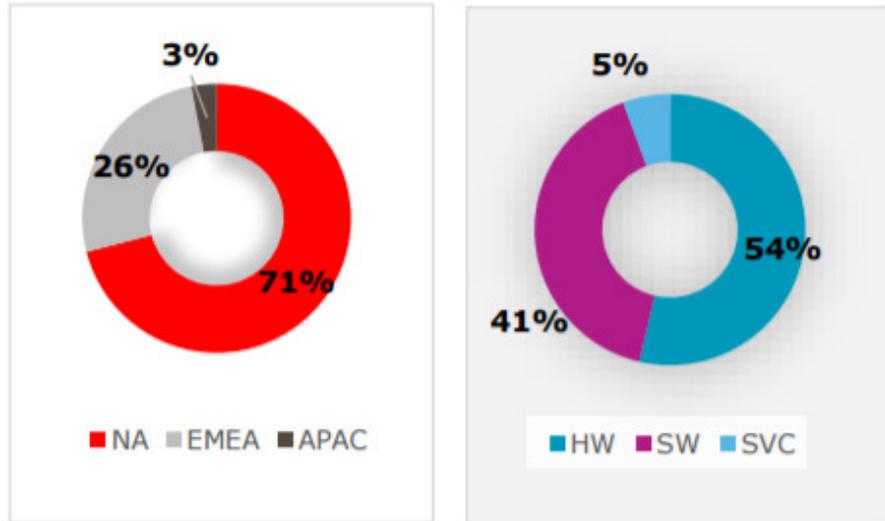
Dell EMC Premier Plus Partner of the Year

Dell EMC Philanthropic Partner of the Year

Microsoft Internet of Things (IoT) Worldwide Partner of the Year

## Geographical Split

### Sales Mix by Segment and Category



## Partners

Insight represents any vendors as one would expect from a DMR, but it has branched well beyond the catalogue sales model and has proactive account managers.



## Conclusion

The author worked with Insight at a Cisco Partner Summit several years ago, when it participated with other Cisco UK Gold partners in a "cloud readiness workshop". Insight was reluctant to share its results with the group. One could conclude that it was "behind the cloud adoption curve" from this reaction but, in fact, it has been well placed and has adopted a "cloud overlay team" in Europe, which is particularly strong in the UK.

[NEXT >](#)

[2\) Key Announcement Implications](#)



## 2 Key Announcement Implication

**Mahindra**  
COMVIVA

in partnership with

mobile  
WORLD LIVE

This in-depth report quizzed large operators across the world on some of the biggest issues facing their businesses today. The idea was to garner a perspective on what ails today's operators and what measures they are likely to take to resolve those issues.

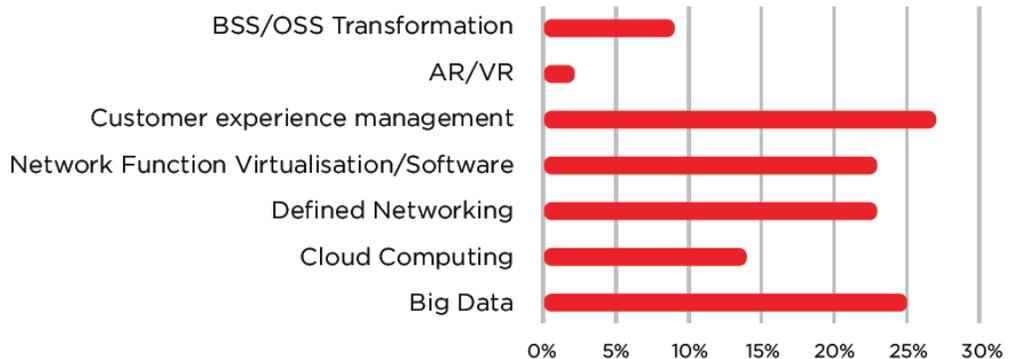
The report is split into six of the market's most important segments; Overall Industry Landscape, Mobile Payments, 5G networks, Content, Customer Analytics and Mobile Broadband. It found that the results highlighted a wide range of opinions from operators on the impact and development these technologies and services will have on both the enterprise side, as well as the end consumer.

### The Business of Tomorrows

#### Biggest Priority

Customer experience management (CEM) ranked as the highest priority for operators going forward, with 27 per cent of respondents putting this ahead of other key metrics like big data, cloud computing, network function virtualisation and BSS/OSS transformation.

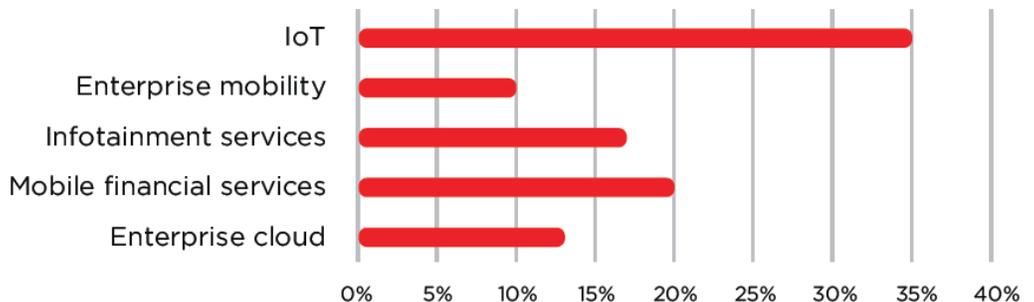
#### Which of the following will be an operator's biggest priority going forward?



#### Biggest Challenge

More than a third of respondents (35 per cent) said IoT would be the prevailing digital service to generate incremental revenue rises for operators in developed markets, ahead of enterprise cloud, mobile financial services (MFS), infotainment and enterprise mobility.

#### Which of the following digital services will result in incremental revenues for operators?



Indeed, Machina Research estimates that the total IoT revenue opportunity will grow to \$3 trillion by 2025 (up from \$750 million last year), with \$1.3 trillion derived directly from end users in the form of devices, connectivity and application revenue.

OTT-like applications, such as Verizon's Go90 video platform, was also highlighted as a potential future revenue generator.

Global consultancy firm McKinsey predicts payments revenue will rise from a value of \$1.8 trillion in 2014, to hit \$2.3 trillion in 2019, while Juniper Research recently said the global value of contactless point of sale payments will reach the \$500 billion mark annually by next year.

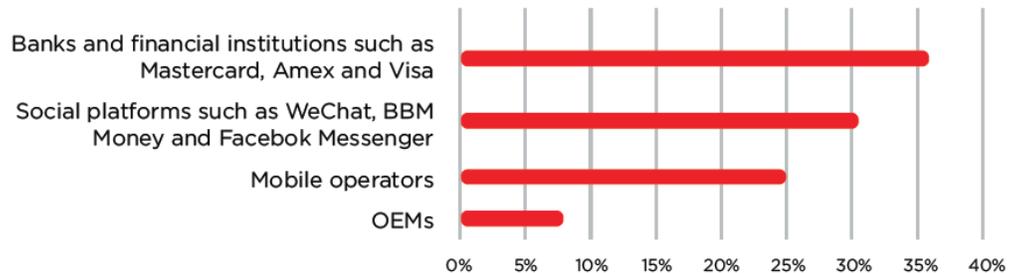
Juniper Research estimated last year that at least \$25B will be invested into 5G technology research, trials and development by operators over the next five years, while service revenue from 5G could exceed \$65B in 2025.

A copy of the report, **The Business of Tomorrows** is available from euroLAN

## Mobile Payments

With operators ranking mobile payments third in the metric with 25 per cent of the vote, the gap between the three is notably minimal.

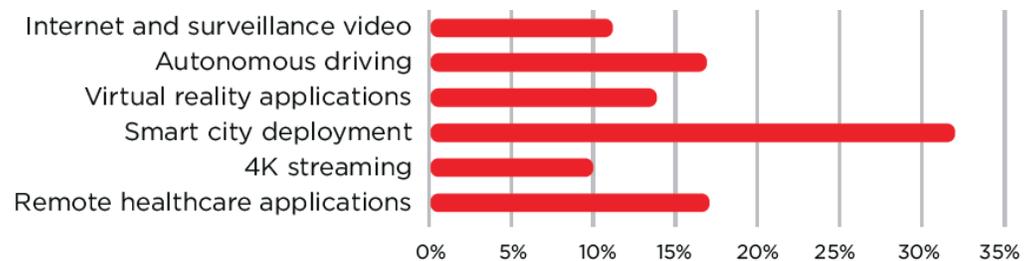
### In developed markets, which sector of the mobile payment ecosystem will dominate tomorrow's value chain?



## 5G

obile and analytics were clear winners

### Which of these touted 5G services do you think has the greatest potential?



## Summary

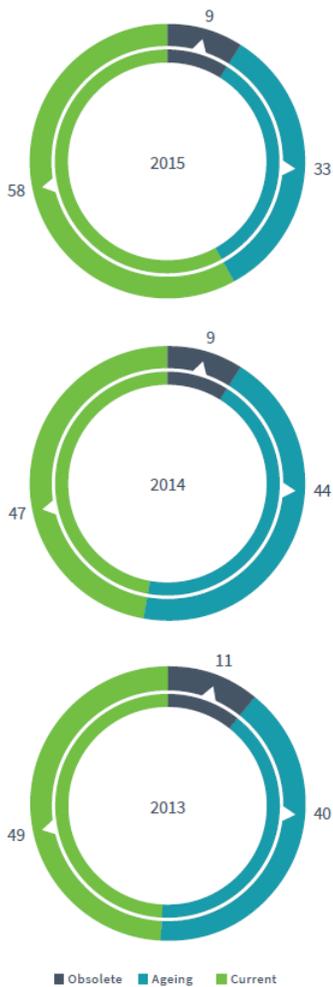
IoT is no doubt considered a huge opportunity, with respondents hailing it as the prevailing digital service to generate incremental revenue rises, and the reason why 5G will be a game changer for future business opportunities. For a mammoth 75 per cent of our survey audience, IoT will drive growth for the internet sector in the future, way ahead of other potential catalysts, such as AR and VR. CEM will form an integral part of this strategy too, as identified in the survey, and there is a strong likelihood that operators will start to invest, or step up their interests in solutions that monitor how people are dealing with an ongoing transformation. In mobile payments, there will be no clear winner. A number of segments have emerged in the field, and while the technology continues to evolve, financial inclusion for the masses must remain the key benefit and priority.

Challenges, however, will be just as present as the opportunities. Affordability, CAPEX and OPEX related issues, customer retention, and a comprehensive strategy to cash in on the data opportunity will be some key focus areas for operators going forward. Through the themes identified, operators can truly ready themselves for what tomorrow may bring.

# 3 In Depth Focus



**For the first time in five years, networks are getting younger**



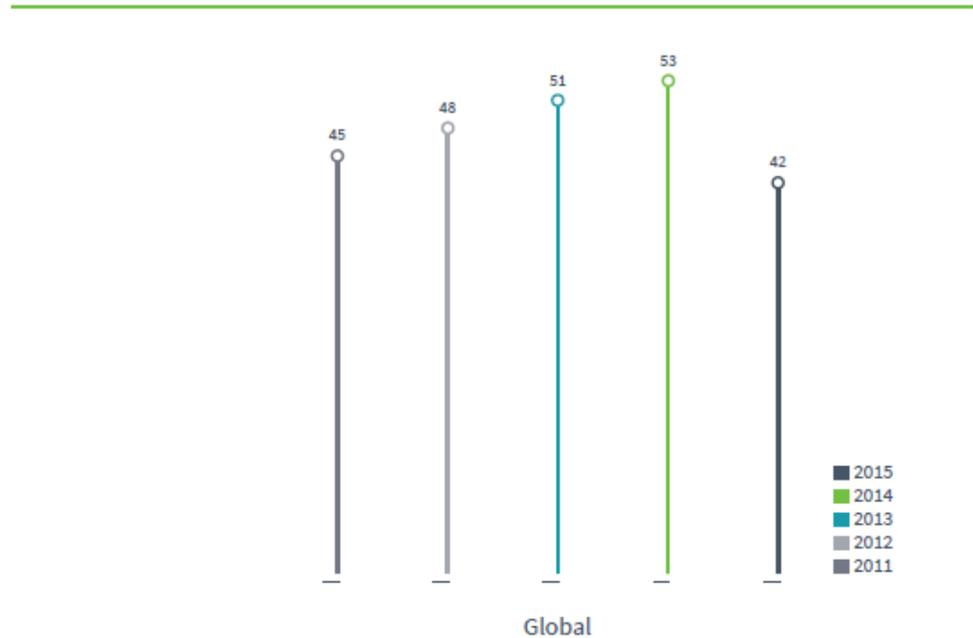
**Percentage of devices by lifecycle stage**

## Dimension Data Network Barometer

### Overview

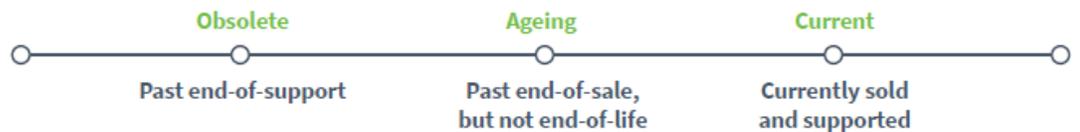
The study comprised of 320 (350 in 2015 and 288 in 2014) Technology Lifecycle Management Assessments globally discovering 97,000 devices and support services data gathered from four Global Services Centres (Bangalore Frankfurt, Boston, and Johannesburg) from which 300,000 service incidents in 105 countries.

Figure 1: Percentage of ageing and obsolete devices, global average

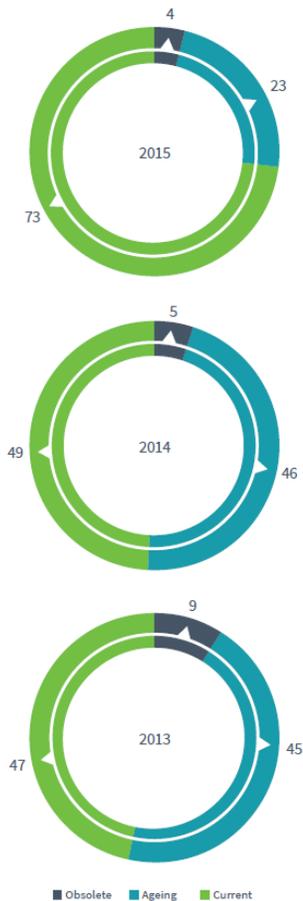


In 2016, the percentage of ageing and obsolete devices in networks fell from 53 per cent last year to 42 per cent. Since 2010, networks had been ageing; this year's report illustrates that the trend has reversed. This can be attributed to companies replacing ageing and obsolete equipment with the new generation of programmable infrastructure, particularly in data centre networks.

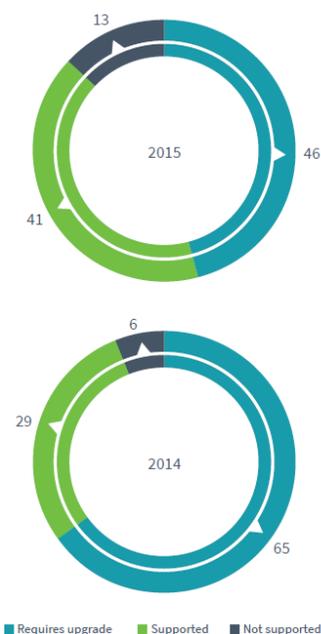
### Lifecycle stage definitions



### Lifecycle stage of devices under monitoring



### Percentage of devices supporting IPv6



### Regions and Industries Vary

In Europe, Asia-Pacific, and Australia, network age has reduced broadly in line with the global average (42 per cent). However, in the Americas there's been a very marked (31 per cent) reduction in ageing and obsolete devices from 60 per cent in 2015 to 29 per cent this year. Real Estate and Construction looked like it was sweating assets (Spain Italy, Greece and France to a lesser extent). In Financial sector there was increased spend and a decrease in sweating assets.

Figure 2: Percentage of ageing and obsolete devices by region



### Strategy

In 2015 less than half a percent (0.4 per cent) of devices could support software-defined networking (SDN) (this figure is mainly Cisco iWAN products, but also those of other major manufacturers like Riverbed and Viptela, and various start-ups and niche players). Didata sees intense market interest and testing, and expect widespread adoption of software-defined WAN technologies which will lead to a migration of data centre aggregation routers and branch/edge routers in the coming year.

Traditionally, telcos bundled edge routers with carriage, but software-defined WANs decouple the router from the telco. We suspect companies are simply waiting until the end of their present telco contracts before refreshing equipment. There's also a sense of 'wait and see' in the market. The technology is new, and companies seem to be holding off investing until wrinkles are ironed out and Opex savings proven.

### Conclusion

Despite the higher refresh rate, networks are getting less secure, primarily due to neglected patching. 76 per cent of network devices have at least one known security vulnerability, the highest figure in five years, and up from 60 per cent last year.

Adoption of IPv6-ready equipment has risen from 21 per cent to 41 per cent in the last year. While there is market interest in software-defined networks, it's early in the adoption cycle.

## 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 Q416** – Brocade revenue was up 12 per cent Y on Y and up 11 per cent sequentially

- Channel 42 (38) per cent
- International 53 (39) per cent
- OEM 58 (62) per cent
- Ethernet products 39 (29) per cent
- Global services 15 (16) per cent

**Ciena Q416** – Ciena revenue was up 4 per cent Y on Y and up 7 per cent sequentially

- North America 65 (69) per cent
- EMEA 16 (14) per cent
- Car and LATAM 6 (7) per cent
- AsiaPac 13 (10) per cent
- Packet Optical Transfer 68 (70) per cent
- Packet Optical Switching 10 (9) per cent
- CESD 1 (2) per cent
- SW and Services 21 (18) per cent

**Cisco Q117** – Cisco revenue was down 2 per cent Y on Y and down 3 per cent sequentially

- Switching 30 (32) per cent
- NGN Routing 17 (14) per cent
- Collaboration 9 (9) per cent
- Service Provider Video 2 (7) per cent
- Wireless 5 (5) per cent
- Security 4 (4) per cent
- Data Center 7 (7) per cent
- Other 1 (1) per cent
- Services 25 (22) per cent

**D-Link Q316** – D-Link revenue was down 17 per cent Y on Y and 7 per cent sequentially

**Mitel Q316** – Mitel revenue was down 14 per cent Y on Y and down 4 per cent sequentially

- EMEA 44 (50) per cent
- Americas 52 (46) per cent
- Asia 4 (4) per cent

### For Further Information, Please Contact:

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