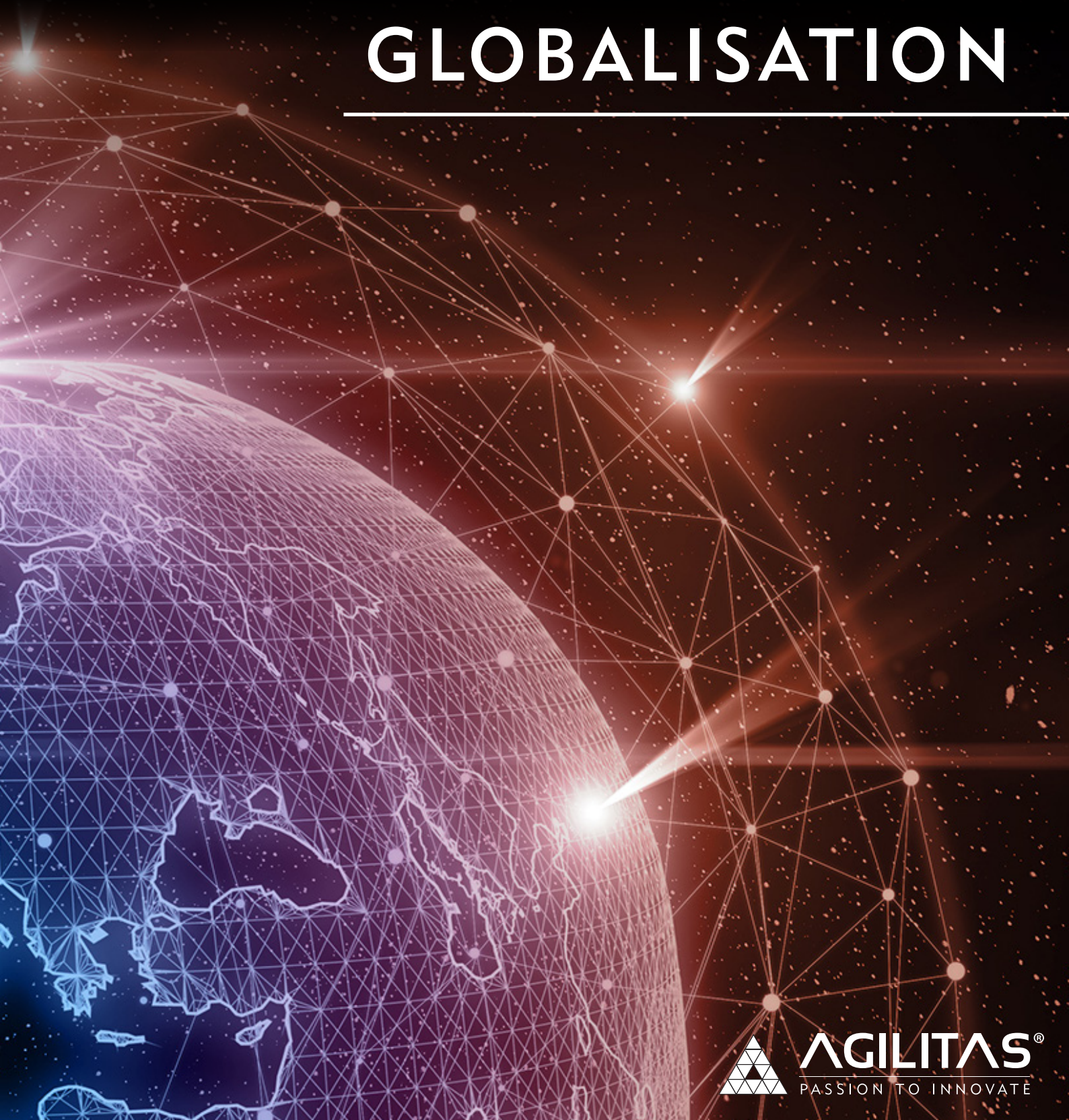




THE CHANNEL IN™
2020

**THE CHANNEL IN 2020
MARKET REPORT**

GLOBALISATION



AGILITAS®
PASSION TO INNOVATE

INTRODUCTION

SHAUN LYNN
CEO OF AGILITAS IT SOLUTIONS

When exploring the six topics throughout our 'Channel in 2020' campaign; People, Finance, Technology, Disruption, Innovation and Collaboration, there were many consistent sub-themes that began to appear from the industry roundtables, discussions with our customers and the broader IT channel.

However, there was one consistent buzzword that was impossible to ignore; globalisation. Normally bandied around as the word that should be on the lips of the UK IT channel, Agilitas has recognised the importance and relevance of true globalisation to those channel companies that are genuinely looking to expand, and which are in a position to offer their services outside of the UK. Agilitas identified this changing market dynamic and understand the desire for collaboration to bring together best of breed businesses adding true value to channel providers.

Our initial research has revealed that a large proportion of decision makers have already expanded their channel businesses outside of the UK, demonstrating that there is a healthy appetite to explore new markets, adopting innovative and up-and-coming technologies and go where the customer wants to take them. We'll explore that angle in greater detail in our upcoming report on Relevance in the Global IT Channel.



There's an argument that, in our always on, inter-connected, hyper-converged world, globalisation - which can be both applied to moving into a single new international market or multiple overseas territories at a single time - becomes increasingly inevitable, with cross-organisation collaboration increasing. As alluded to in our previous '2020' series of reports, there is an overwhelming feeling of positivity within the European IT channel, perhaps also indicating that the worldwide collective of channel hubs is now more influential than single or near-shore markets.

However, from our initial research, many IT channel companies are not getting carried away with the hype, choosing to focus on their core market within the UK through further growth opportunities before moving into new markets.

This exciting and defining inflexion point is why I'm delighted to introduce the first in a series of three new reports from Agilitas, which focuses on the business-critical themes that UK IT channel companies will have to consider when scaling and remaining relevant for their most important stakeholder - the customer. This first iteration will focus solely on globalisation, how and why channel firms are expanding, and the potential barriers towards doing so.

Our commissioned research, in partnership with OnePoll, was carried out with over 100 decision makers from the leading Managed Service Providers, IT resellers and channel service companies, which have a fixed office in the UK, in June 2018.

To ultimately ensure that the global IT channel continues to prosper, Agilitas is doing what it does best, supporting the channel with relevant, real-world insight that can deliver a truly competitive advantage. This will help define future strategies, ensure alignment with the global marketplace and foster increased customer loyalty.

@AgilitasIT
#Channelin2020

**“ THE APPETITE OF THOSE WHO ARE
READY TO EXPAND INTO
INTERNATIONAL MARKETS HAS
NEVER BEEN STRONGER ”**



AN OPTIMISTIC GLOBAL IT CHANNEL

As alluded to previously, globalisation is nothing new, far from it. The wave of technological developments in the IT channel that first originated in the 1980s, blossoming in the 1990s and 2000s towards the present day, enabled the smaller IT channel companies to explore entering into new partnerships with foreign companies, thanks to the boom of the internet and cloud computing.

It should be no surprise therefore that, either through collaboration with existing partners or through the establishment of a fixed presence, the majority of surveyed UK-based IT channel companies already operate in other markets. Despite 41% of decision makers not looking to move into international markets, the appetite of those who are ready to expand, has never been stronger.

According to our research, eight in ten organisations also have a presence in Europe, the Middle East and Africa, not a surprising statistic, given the logistical ease of travelling within Europe.

This is supported by our research, which has revealed that over a quarter of UK channel businesses are first looking to move into this region when expanding overseas, reflecting the increasing strength of the European IT channel.

However, this could also indicate a development in the maturity of other nations within the EMEA

region in Africa and the Middle East, another example of how the global IT channel is becoming increasingly intimate. The significant infrastructure improvement in these countries, allied to an attractive pool of talent, have made these regions all the more attractive.

Unsurprisingly, three quarters (75%) of UK channel organisations also operate in North America, arguably the natural hub of channel technology. As many decision makers and VARs in our research also have a strong affinity with vendors, who are primarily based in the United States, having a secondary base there makes complete sense. It may be that through their partnership with these vendors, they have been introduced to new clients to offer additional services as preferred partners - think a Cisco Gold Partner and a IBM Preferred Supplier, which was previously covered in our Collaboration report.

It should also come as no surprise that 25% of all decision makers are looking to take their businesses into North America, despite a similarly volatile political landscape. The 'Donald Trump' effect is another example of how the growth of a worldwide channel has mirrored the global political shockwaves that are felt from one country or another. However, these tremors have yet to be felt, with the controversy the American leader attracts - and his suggested import



25%

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AMERICA**

and export policies - not yet having an effect on the channel's direction when expanding. Nonetheless, it hasn't stopped nearly a quarter of all respondents believing that import/export regulations, with the United States or the European Union, will be the main barrier towards globalisation. Nearly two-thirds (60%) of the channel respondents also operate in the APAC region, such is the number of Alpha + cities on the continent and the traditional pool of talent that can be found in Asia. Either in owned offices or directly through channel partnerships, nearly a third (32%) of all UK businesses also operate in South America; the maturity and development of global cities on the world's fourth largest continent has made this an attractive option to offer services and solutions to.

This not only reflects the strength and influence of UK channel businesses, but the creation of a true global IT channel, highlighting the worldwide level of channel innovation and collaboration required to realise this.

The identification of opportunities in these markets, coupled with the general optimism of continued growth, is reflected in our research into the physical presence that these UK organisations have, in other countries. Although the relative ease and flexibility that is provided through offering channel and professional services

with a partner would perhaps suggest that this is the preferred option for expanding - especially for smaller firms - just 22% of companies are working with their partner network to establish an overseas presence. However, this is heavily skewed by the size of the organisation, financial status and the stage they are at, in terms of expansion. Nonetheless, it's encouraging that over a third (35%) establish their own office in foreign markets when looking to expand internationally; it goes without saying that all businesses have 'tested the waters' with partners, before committing. This is largely dependent on the reasons for doing so, which we'll cover later in the report.

This sense of optimism is reflected in two fifths (39%) of UK channel organisations believing that the global IT channel will expand in the next two years. New technologies have been selected as the main catalyst for this continued growth, with the emergence and development of Augmented Reality, Artificial Intelligence and IoT, to name a few, driving the industry forward. A fifth (19%) of decision makers have identified the opening up of new markets and business avenues, purely as a result of new technologies, as the reason for expanding.

Because there have been a number of new, cloud-native and cloud-born organisations entering the UK in recent years, it's perhaps

unsurprising that a fifth (20%) of companies are still establishing their business at home, rather than looking towards international growth. As this approach is replicated in other markets, it will inevitably boost the global channel as an increasing number of organisations begin to trade on an international level. This is further supported by one in ten (11%) of decision makers not prioritising globalisation, as they do not have access to a supplier network, perhaps indicating that they will look towards expansion when they have grown internally.

More than one in ten (14%) claim that the IT channel will shrink in the next 24 months, a surprisingly high number given the relentless pace of development and optimism in the channel. Furthermore, a quarter (25%) of UK businesses believe that the global IT channel will neither grow or shrink, perhaps due to the financial and political factors at home - and abroad - having a balancing effect on the perceived growth.

RELEVANT GLOBALISATION

- WHY THE CUSTOMER IS KEY

As detailed in our previous 'Channel in 2020' reports, the importance of working increasingly closely with customers to develop relevant solutions that meet their short and long-term business objectives, has never been more important. This is crucial in developing these relationships, with your partner confident in how you'll help them realise their ambitions, rather than providing them with off-the-shelf products that serve no immediate purpose.

Using the customer-relevance model, over two fifths (41%) of decision makers cite a lack of customer requirements as the main reason that they have not expanded into international markets, a wise choice. For those organisations that are beginning to mature, over a quarter (26%) have attributed a lack of international growth to only using channel partners based in the UK. However, thanks to close channel collaborations, this may change in the future; as their customers start to expand, they may take them on the journey, opening up their services to other channel businesses.

In order to develop new and relevant solutions for customers, building a varied skillset is crucial, as outlined in our previous report on People in the IT channel. This is why a fifth (20%) are embracing collaboration with international partners, expanding internationally due to a lack of owned skills. The majority (38%) of decision makers are looking to expand internationally to take advantage of potential new customers in new markets, or to join existing customers in entering new markets, demonstrating the positive attitude towards globalisation.

As above, if the demand exists for new products, UK channel businesses are willing to go on the journey, partnering with other suppliers to deliver their services directly to the customer. This is a fantastic way to open up new opportunities with the customer's customer, demonstrating how the snowball effect of globalisation can accelerate growth.

As a testament to the level of collaboration in the global IT channel, UK companies that currently operate overseas are offering a wide range of resources. The majority of businesses are offering physical technology products, likely necessitating a logistics, inventory and/or delivery partner in these markets to complete the supply chain. The same setup will likely be used for the 46% of respondents that deliver professional services and installations outside of the UK.

Over half (56%) are offering channel solutions, which is likely attributed to the rise in cloud providers and cloud reliance. A third (31%) are also offering technical training outside of the UK, crucial in keeping pace with the relentless speed of new products and solutions coming to the market, to solve the worldwide skills gap.

Developing these products have reaped huge financial rewards for UK channel businesses that can offer relevant solutions, instead of off-the-shelf options. Nearly a third (29%) of decision makers generate over 60% of total revenue from overseas operations, reflecting the appetite towards increased channel collaboration or

31%
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33%

**STATE THAT
CUSTOMERS
ARE POSITIVE
ABOUT
GLOBALISATION**



The background is a vibrant blue abstract composition. It features numerous 3D rectangular blocks of varying heights and widths, some of which are illuminated from within, creating a sense of depth and perspective. Overlaid on these blocks are numerous bright, white, curved lines that sweep across the frame, suggesting motion and a high-tech or digital environment. The overall effect is one of dynamic energy and modernity.

33%

**OF THE CHANNEL BELIEVE
HAVING BUSINESS IN OTHER
REGIONS MINIMISES RISK**

THE BARRIERS TO ACHIEVING TRUE GLOBALISATION

Despite the optimism of UK organisations in taking full advantage of the opportunities that the global IT channel affords, a certain level of scepticism is bound to exist. This is inevitable, such is the volatility of the market and its ability to fluctuate in reaction to international economic and political events.

Brexit, the UK's elongated decision to leave the European Union, is arguably having the biggest political and financial impact on expansion. With the vote to exit made over two years ago, it seems that the negotiating with Brussels and other member states is still in a state of flux, with the phrase "political turmoil" accurately reflecting the situation.

With the official leave date of 29th March 2019 fast approaching, this level of uncertainty leaves UK channel businesses in an awkward position. It may be that they wait until after the official exit to decide on their plans for expanding, instead consolidating their position at home. It's also increasingly likely that this financial commitment could be made on the FY 2020 balance sheet.

This is supported by a fifth of all decision makers believing that Brexit's impact will be so profound that it will delay an organisation's plans to globalise. Remember, Brexit influences a growing number of factors, from the ability to export and import goods and inventory across borders, to the free movement of British and European employees between offices. For those who will be sourcing local talent in new territories, perhaps from current partners, just under a fifth (19%) believe that this will be the main restriction towards expansion.

Despite this, nearly a quarter of those who took part in our Globalisation research revealed that they are confident that Brexit will have no impact on the global IT channel, demonstrating its strength and resilience.

It's no surprise therefore that over a quarter of decision makers believe that the UK's exit from Europe will have a significant impact on global IT channel growth. With no firm decision made on access to the single market or trade leaving the UK IT channel in limbo, organisations are unsure when to take the step, with a fifth remaining "cautious."

Furthermore, 25% have identified the language barrier/communication problems as the main barrier towards globalisation, perhaps revealing the appetite of channel organisations to move staff currently based in the UK, to foreign markets. This may typically be more of an issue in regions such as Asia/Pacific and South America, where stereotypically, English is spoken less frequently.

Interestingly, less than a fifth (16%) of all decision makers believe financial uncertainty across global markets will impact global IT channel growth. A higher percentage (24%) of all surveyed decision makers believe that the changing political landscape will have a profound impact on global IT channel growth. Perhaps it's this turmoil that has seen over a third (37%) of all organisations seeing an increase in collaborative partnerships, which in some cases could be crucial to surviving - and prospering - in an uncertain environment.

24%

**BELIEVE THAT
THE
CHANGING
POLITICAL
LANDSCAPE
WILL HAVE A
PROFOUND
IMPACT ON
GLOBAL IT
CHANNEL
GROWTH**

On the other hand, nearly a fifth (18%) of decision makers think there will be no barriers to consolidating the global IT channel, or are unsure as to what the main obstructive factors will be, further highlighting the uncertainty that surrounds the global channel.

Our research has revealed that, when looking to expand into international markets, the majority of UK IT channel businesses have already made, or are looking to make, an investment of between £5,000 and £20,000. Perhaps reflecting the caution, less than 1 in 10 of those businesses who are looking to expand into international markets have invested between £1,000 and £2,500, an insignificant amount.

This also demonstrates that internal financial considerations are one of the biggest factors in globalising; after all, if the cheques can't be signed, the business is going nowhere. A fifth (20%) of respondents have cited internal finances and infrastructure issues at the main barrier towards expanding; this will likely be the case for organisations who are relatively new to the IT channel.

However, globalisation is also being prioritised from a financial security point of view, with a third (33%) believing that having business in other regions minimises the risk that UK-focused financial and political factors could have on UK organisation.



The background is a gradient of deep purple at the top to teal at the bottom. It features a network of thin white lines forming geometric shapes, with a bright white light source on the right side creating a lens flare effect.

20%

**OF DECISION MAKERS HAVE
REVEALED THAT CUSTOMERS
ARE EXCITED ABOUT THEIR
ABILITY TO INTRODUCE THEM
TO NEW MARKETS**

CONCLUSION

The overwhelming attitude towards globalisation amongst UK IT channel businesses is higher than ever before. Those in a position to do so are embracing channel collaboration to offer new, relevant solutions to customers that will help to foster their own growth and that of their customers.

This collaboration is ensuring that the global IT channel remains buoyant, especially for UK businesses, thanks to the political and financial instability they are currently facing, largely due to Brexit and fluctuating economic conditions. Nonetheless, businesses must continue to collaborate to innovate in order to make their services portfolio as appealing as possible, taking advantage of a shrinking world that offers more opportunities to achieve unprecedented growth.

The importance of developing relevant solutions for customers through becoming a natural extension of their existing proposition, will be further explored in our upcoming report on Relevance in the Global IT Channel. Agilitas will also look at the importance of channel Transformation, analysing how and why businesses are ripping up the rulebook and developing new business models to achieve their desired growth.

**“ CUSTOMERS ARE EMBRACING
CHANNEL COLLABORATION TO OFFER
NEW, RELEVANT SOLUTIONS ”**

KEY GLOBALISATION TAKEAWAYS AT A GLANCE

1

OPTIMISM FOR UK CHANNEL BUSINESSES TO GLOBALISE HAS NEVER BEEN HIGHER

52% of UK channel businesses are actively looking to expand into the EMEA and North American regions, respectively, with 81% already operating in the former.

2

WORLDWIDE POLITICAL AND FINANCIAL SITUATION WILL HAVE AN IMPACT

A quarter of decision makers believe that Brexit and the 'Trump era' will have a profound impact on global IT channel growth, with a fifth of all companies believing the European Union exit will significantly delay growth plans.

3

DEVELOPING RELEVANT SOLUTIONS IS A SIGNIFICANT CATALYST FOR GLOBALISATION

The majority of decision makers are looking to expand internationally to take advantage of new opportunities and customers in new markets, and join existing customers in entering new markets.

4

INTERNATIONAL COLLABORATION IS GOING TO BE KEY

In order for business to succeed on a global stage, we will see a growing number of UK channel businesses partnering with true global suppliers that can deliver the whole supply chain through a single-point-of-contact.

5

MAKING COMPLEX THE NORM

Moving into overseas markets becomes increasingly complex to deliver a consistent, highquality service due to trading restrictions, increased competition, language barriers, regulations, and time zone differences. Partnering with a true one-stop-shop global partner will accelerate the journey of UK channel firms becoming global businesses, seamlessly turning the complex into the norm.



THE CHANNEL IN™ 2020