

GUARDED OPTIMISM

The second *Channel Middle East* Conference held in Dubai recently examined business growth prospects and the need for innovation in the regional channel as the business climate improves.

Executives from across the Middle East IT channel gathered at the Ritz Carlton, DIFC, Dubai, for the second Channel Middle East conference.

Representatives from industry names such as Jacky's Electronics, Emax, Aptec, Aastra, eHosting DataFort, Acer and Kaspersky Lab took to the stage to delve into channel-specific topics such as export headaches, cloud managed services and the consumerisation of IT.

But despite the discussions on challenges and pitfalls, the underlying message was guarded optimism, as the channel takes to its feet following post-crunch leanness.

"[The Middle East IT channel] has had an excellent five months," said Meera Kaul, managing director, Optimus Technology & Telecom, in her keynote address, The State of the Channel.

"Almost all the projects that were shelved last year have been inked. Small- to medium-sized companies have [regained] their confidence in the economy, and that sentiment is priceless."

Kaul noted that close to 70% of CIOs have indicated they will be increasing IT spend this

year and while live SMS polls conducted by Channel Middle East at the event suggested a reticence in the channel towards all-out celebration, most expected to see some sort of growth in the coming months.

Kaul was more buoyant: "This kind of growth is the kind of growth we saw before the financial crisis. The UAE is possibly seeing better revenues and better traction in IT projects being awarded than even the bigger economies such as Saudi Arabia."

A large part of the renewed swell has been brought about by GCC governments as they expand infrastructure around e-Government delivery, LTE network expansion and IT security in response to last summer's wave of high-profile cyber attacks. The private sector's activities have also been a boon to open source vendors and their channel partners as governments consider ways to shave costs.

The regional shift, not only in the public sector but in SMEs and enterprises, from bare metal setups to managed services, has led to a boom in the channel for segments such as storage and virtualisation.

Kaul also made mention of an increase in demand for analytics, but took care to point out that this did not mean big data.

"[The Middle East IT channel] is not really doing big data or Hadoop yet; what we are doing is real-time analytics," she explained. "There are a couple of vendors in the market that have come up with product portfolios for small business and enterprise."

The restored activity in the channel is attracting new players. Kaul observed that a number of international vendors have toured the region, holding meetings with prospective partners, but she also pointed out that vendors



are starting to notice a requirement in the channel for pre-defined partnership programmes to be phased out in favour of more flexible schemes.

Security has had a big year and is expected to grow further, given the perceived threat level in the region, but Kaul stressed the ongoing issue of the skills gap that has plagued this niche business.

"Security has always been big; the more infrastructure we develop, the more data we [create], the more network security will become truly essential," said Kaul. "There is a huge play for the channel in these sectors."

"[But] the channel has to step up not only in

EDITOR'S NOTE:

We would like to thank all the speakers, panellists and delegates that attended the second Channel ME Conference. Special thanks go to the Event sponsors presenting partner Du, Platinum sponsor; HP, Gold sponsors; WD and Cyberoam and technology partner Gulfware.



ITP's senior group editor, Mark Sutton (left), moderates a discussion on credit in the IT channel.



because of the prevailing US trade embargo or business has slowed down. Rughwani said this has compelled many to explore opportunities in other regions like Africa and the CIS. "Africa continues to offer opportunities to Dubai-based resellers," he said.

Nicholas Argyrides, managing director at regional distributor Empa agreed and said the Middle East region is not the most stable of regions at the moment and not all markets are address by the channel. Argyrides said certain emerging markets like Iraq are still very unstable while the established ones like KSA have been stable and offering growth to resellers that serve the Kingdom.

With some markets in the Middle East under US trade sanctions, it has become important for Dubai-based distributors and their channel partners to comply with the US regulation requirements.

Farida Alkaff, legal counsel and compliance manager, at Aptec – an Ingram Micro company, said distributors and resellers of US-made technology equipment just like vendors are required to follow the same US trade requirements to restricted countries.

Alkaff said many US-based vendors are under pressure to step up awareness campaigns around US trade regulatory requirements to embargoed countries. "There is definitely awareness in the channel. However, what has to be tackled especially by distributors is whether enough due diligence is done to ascertain that products sold to resellers will not end-up in an embargoed country," she said.

Alkaff said most US-based IT vendors conduct regular workshops on compliance with their authorised distribution partners to raise awareness around the US trade requirements and drive the message to the entire channel community. "There are severe consequences for any company that is authorised to resell American-made IT products and ends up exporting the equipment to an embargoed country," she said.

Dave Brooke, executive director and general manager, Dell Middle East, agreed and said in terms of the US trade export regulations, there are three countries namely Iran, Syria and Sudan in the Middle East, where sales of American-made goods are banned. "If we know of any products going to these willingly and knowingly, that is typically in breach of export regulations and the impact is significant not



terms of products and services, but also in terms of skill sets. One problem [in the security segment] has always been that regulation and implementation, in terms of the skill set, never match."

Devices, and the ballooning demand for them and the apps they host, has led to a culture that is by now familiar to all: that of "bring your own device" (BYOD). The channel, Kaul urged, needs to act quickly to be ready for the shift of this area to B2B.

"Work is no longer a location; work is an activity," she said. "We are surrounded by 350m connected individuals [in the GCC]. More than 50% of people in the Gulf own

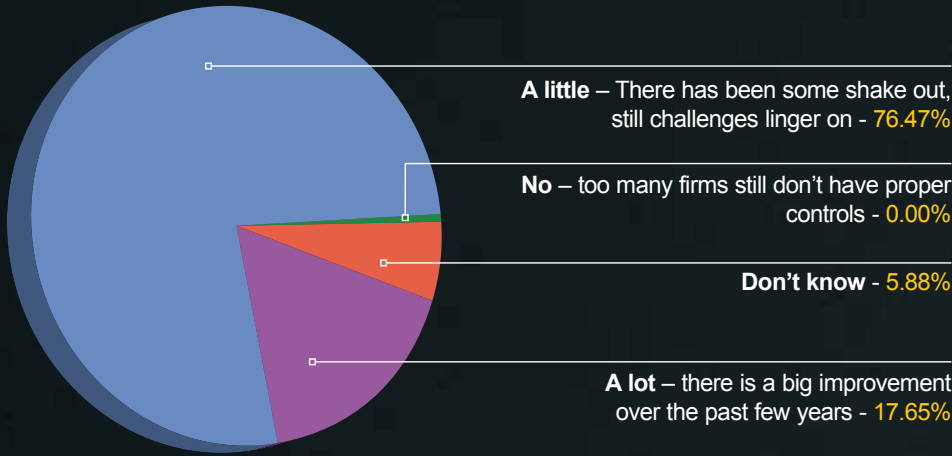
smartphones. We need to look at the potential of what we have around us."

EXPORT BUSINESS

With some parts of the Middle East experiencing political and economic upheaval over the last two years, this session discussed ways on how resellers can develop and build their export markets by strategising on the risks and rewards of different geographic markets.

Shailendra Rughwani, president, Dubai Computer Group (DCG), said from what the members are telling the association, a lot of the markets in the region have either closed

HAS THE REGIONAL CHANNEL MATURED WITH REGARD TO PROPER FINANCIAL CONTROL?



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only to the vendor or partner but even the individual in many instances is personally liable and is subject to the US law. This is hugely important for anyone in the regional channel to understand,” he said.

Brooke explained that from an industry perspective, if the channel wants to attract new vendors to the Middle East, the compliance profile of the industry end-to-end is a significant part of whether the region can draw new IT investments to build on the existing ventures here. “If we believe that this is the right thing, we have to be compliant as an industry and it is not about one individual, it’s not about vendors, partners or distributors, it’s about the industry,” he reiterated.

MULTI-CHANNELS

With the expanding routes to market, vendors and distributors are always looking for ways to maximise their reach to the partner base.

Ashish Panjabi, COO, Jacky’s Electronics, said with the emergence of online stores, it has become imperative for those involved in the IT supply chain to not only understand these various options available to customers, but identify appropriate channels to reach out. Panjabi said in the Middle East, the concept of online stores complementing offline ones has not fully matured as most online stores compete purely on price rather than the overall customer experience and service. “This has to be complementary as not everything that end-users want will be bought online,” he said.

Panjabi said products that are already known to consumers will be bought through online channels while those that require some deeper understanding will always compel consumers to visit offline stores in form of retail outlets, showrooms or high street stores.

Vasudevan K.S, director, Global Business, Navo, said the rise of the multi-channels has brought with it major disruptions in the IT channel as all players are grappling to understand how to correctly position their businesses in the mind of the end-user.

Vasudevan said the market is evolving and with social media taking centre stage, consumers are more informed about products and services and where these can be sourced from without any hassles. “In the current market scenario, there is a role for each channel player. Selecting where to buy a product is a matter of convenience but resellers and especially retailers should have the capability to address any concerns a client might have from an experience that started

from an online shopping experience,” he said. Vasudevan said clients still need a physical store when it comes to after-sales services and support.

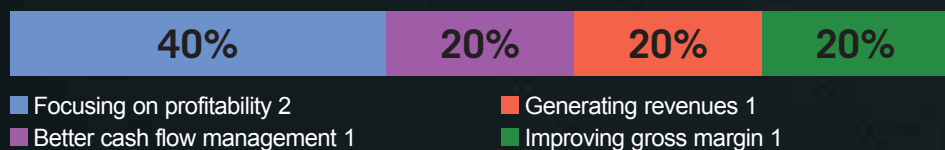
Syed Ibrahim Anwar, managing director, MENA & CIS, at regional distributor acti International, said the diversification that is happening in the Middle East channel as a result of multi-faceted routes to market has its own challenges for the distribution sector. “As most consumers do their research online, it is vital that we as distributors are able to offer terms that make both high street stores and power retailers want to continue doing business with us. “The overall service experience should be the goal of distributors as they find their own relevance in this changing IT landscape,” he said.

Dr Roger Hage, vice president at Aastra said certainly from a [B2B] perspective, vendors are becoming more client centric and are looking at ways of improving their business communication. “We have been training our channels to not only provide much needed pre-sales and technical support, but to also understand the changing market around them,” he said. Hage said through such interactions, partners are able to identify opportunities and tailor them to suit their business goals and offerings.

Panjabi reiterated that in the Middle East, the rise of the multi channel is still in its nascent stage and not at the same level as the more mature markets in Western Europe and North America. “In the US, all online stores are supported by vendors and distributors. In the region, most vendors view e-commerce sites as threats to their traditional channel business,” he said.

He said there is need for all stakeholders in the regional channel to support the multi-faceted routes to the market as not doing so will create a gap between the channel and the end-users it serves.

WHAT IS YOUR MAIN FINANCIAL PRIORITY DURING THE SECOND HALF OF 2013?



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CLOUD MANAGED SERVICES

Building value in the market for managed services has proved a challenge for many partners in the region, however, this is an area with significant growth potential. Partners that have taken the long-term outlook on the market, acquired the needed business acumen to add value to the product and solutions they pitch, and continue to remain relevant to their end-user customers are poised to reap the benefits in cloud managed services.

Pierre Olivier Descoteaux, general manager, Cloud Computing, at Aptec – an Ingram Micro company, said Ingram in the US has been building its cloud offerings for the past two years.

Descoteaux said there are three main areas where resellers that want to get involved in reselling cloud managed services should focus on. According to Descoteaux, the areas are: infrastructure as a service (IaaS), business applications as a service and online backup. “We will be implementing the cloud model we have developed in the US through Aptec in the region. We will also be adding local vendors,” he said.

Descoteaux urged resellers to partner with established cloud services providers such as Aptec instead of building the infrastructure from scratch.

Dong Wu, vice president, ME Enterprise Business Group, Huawei, said channel partners looking at venturing into cloud managed services reselling should first look at

what their clients require. Wu said very often, providing IT services requires a partner to have consultancy skills, being able to manage complex systems integration environments and executing those services at the highest level. “Our own experiences have shown us that service providers are best suited to provide such high level services,” he said.

Yasser Zeineldin, CEO, at managed services provider, eHosting DataFort, said resellers wanting to jump onto the cloud services reselling bandwagon should realise that it’s not easy to become a cloud provider.

“Becoming a cloud service provider requires a different mentality and a strong focus on services and not products,” he said.

Zeineldin explained that resellers that are already playing in the services space will find transitioning into the cloud services arena a lot easier than those partners that are product inclined.

He said infrastructure investment remains the key challenge for resellers that would want to place in cloud services. “What we are seeing in the Middle East is that private cloud services are gaining momentum in the Middle East with IaaS, platform as-a-service (Paas) and software as-a-service (SaaS) leading the way.

CREDIT INSURANCE

Companies in the Middle East are gradually realising the value of credit insurance, but the percentage of trade covered by such insurance is infinitesimally small.

Ali Nemati, general manager, Acer Middle East, said credit, market share, total addressable market and growth work hand-in-hand. Nemati said for any forecast to be considered accurate, all relevant variables must be factored in.

He said because the IT business in primarily a distribution business that relies heavily on credit terms, there was need for the forecasting companies such as IDC and Gartner to start speaking with credit insurers in the region. “This gathering is the first step is getting together all channel players [vendors, distributors, resellers], forecasting firms to start addressing the challenges that credit insurers face, actual market size and the addressable market covered by insurance providers,” he said.

Nemati said in the past, high street dealers especially in Dubai have suffered at the hands of vendors from product stuffing. “It’s easy to blame distributors but when the market knows the total available credit versus the total addressable market, then all stakeholders will be able to come up with mechanisms to tackle these challenges,” he said.

Nemati said it’s crucial for all stakeholders involved in the channel to ensure that growth in the IT sector must be profitable. “We will be opening channels between forecasting companies, vendors and the broader channel community to address the issue of managing a profitable channel,” he said.

Mahan Bolourchi, head, Risk, Information



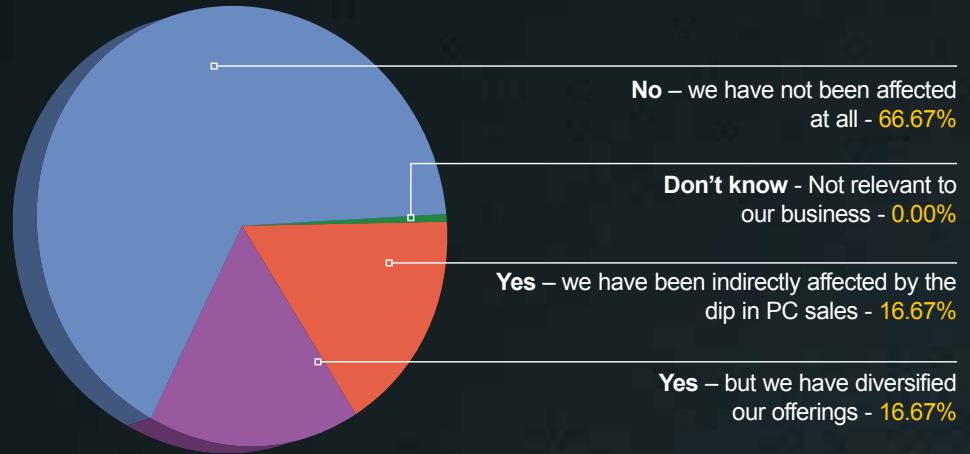


More than 150 senior channel executives from the UAE attended the second Channel Middle East Conference 2013, which was held at the Ritz Carlton, DIFC in Dubai. The conference addressed the issue of innovation in the channel amid an improving business climate in the Middle East. Delegates also took time to catch up with colleagues and peers at the conference.





HAS YOUR BUSINESS BEEN AFFECTED BY THE DIP IN PC SALES?



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and Claims at credit insurance provider Euler Hermes, said the company's global exposure in the credit insurance industry globally stands at 770bn euros. "From this we clearly see the appetite that is in the market especially in emerging and news markets in Asia, Africa and the Middle East," he said.

Hermes said Euler Hermes remains the largest credit insurance provider in the UAE and KSA. "The biggest challenge that we face in the region is the lack of corporate governance especially in the SMB space, where smaller resellers don't even have audited books," he said.

BYOD

The meteoric rise of "bring your own device" (BYOD) IT policies promise many benefits such as greater innovation, better work-life balance and improved productivity, but how does it affect the IT channel industry?

Khalid Wani, sales director – India, Middle East & Africa at Western Digital, said as a lot of technology is moving to the cloud,

organisations [big or small] are adopting BYOD because workers are increasingly becoming mobile. Wani said this is welcome news for savvy solution providers as it provides an opportunity for them to provide services and solutions.

Shahood Khan, managing partner, Techmicro, concurred and said BYOD has changed the work culture and how organisations engage with their employees. Khan said devices have become more affordable and feature rich allowing employees to strike a balance between work and personal lifestyles.

Tarek Kuzbari, managing director, Middle East and Turkey at Kaspersky Lab, said although BYOD has gained a lot of momentum over the last 18 months, the concept itself is not new to the IT industry. "We used to have all these terms like bring your own laptop, bring your own phone etc. What has helped the market is giving this trend a name and in doing so, the industry has quickly caught on," he explained.

Kuzbari said despite the many benefits that BYOD brings to organisations, many in the Middle East are still concerned about security and that is a huge opportunity for channel partners in the region.

Aside from security, Khan said the main verticals leading the BYOD adoption in the region are education and services oriented industries such as insurance, logistics and transportation sectors.

With margins on hardware continuing to decline, experts say the BYOD trend should encourage channel partners to provide solutions in client environments that have embraced this concept.

Khan said although resellers might miss out on the initial hardware sale of the devices, the opportunities to help companies develop comprehensive BYOD strategies and offerings is huge. "There are so many areas in which channel partners can contribute to their own business by jumping onto the services opportunities that emerge," he said.. ■

HOW CONFIDENT DO YOU FEEL ABOUT GROWTH PROSPECTS FOR THE CHANNEL IN 2013?



■ Undecided – it's too volatile to predict this market
 ■ Very confident – market is ready to take off

■ Somewhat confident – there are a few growth opportunities
 ■ Not confident – there are still major challenges

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