



Indian IT Channel heading for great times ahead

Armed with growth oriented strategies and aggressive business expansion plans, the IT Channel ecosystem is up for a new beginning in the year 2017. While the last few years have seen sluggish and flat business, the market is changing for better with most of the businesses clocking double digit growth and winning lucrative projects.

As per Indian Brand Equity Foundation's report on IT/ ITeS Industry, the sector is expected to triple its current annual revenue to reach US\$ 350 billion by FY 2025. India's IT sector has been instrumental in putting India on the global map. It is also true that the pace of technological change and growth will not slow down but will only grow with every new developments taking place.

Taking cognizance of this current market growth are the distribution houses and SI businesses, for whom this spells a lot of growth opportunities and market

scope for expansion. "We see good growth opportunities in the IT and Mobility space and therefore do not see any major challenges as such," confirms Atul Mehta, Chairman & Managing Director - Compuage Infocom.

Similarly for companies like M.Tech, the current market offers great scope for growth and expansion. "M.Tech's vision is to be the preferred, best-of-breed cyber security and network performance solutions provider. We select partners with market-leading vendors who are established in their respective domains. Together, we cover a broad spectrum of today's security and

network performance requirements - from firewalls, web security, intrusion prevention and security analytics to cloud networking and network virtualization," says Bhavin Bhatt, Regional Director - M.Tech.

A report by Gartner predicts that the public cloud services market in India is projected to reach to a total of \$2.1 billion by 2018. This presents a huge opportunity in this growing market. According to Manish Tandon, Managing Director - Questa Software Systems, 2017 is going to be a cloud year and major cloud vendors like Oracle and Microsoft are talking only about the cloud



Manoj Kanodia
CEO
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Managing Director
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TechnoBind

story. “We partners have to sing the same tune. Microsoft has also changed its focus from Antipiracy to a solution-based approach which has started to take shape now. All other players are now either on cloud or are preparing to migrate.”

Nilesh Kuvadia, Managing Director - ITCG Solutions is too of a similar opinion and says that the year 2017 will see the adoption of cloud technology. “With the adoption of cloud technology by customers, the infrastructure cost will reduce drastically and at the same time the payment will be paid on a predictable interval basis like monthly/Quarterly/Yearly. Right from the Infrastructure as a service to Software as a service to storage as a service, these components will have a continuous demand throughout the year.”

The physical shipments & logistics of distribution are also moving to the cloud area. The upcoming distribution model for cloud is going to be completely different and distributors will be playing the role of aggregators rather than a distributor, according to market onlookers.

Thanks to the demonetisation drive, digitisation has taken a very fast pace. With digitization and internet penetration zooming up, the demand for IT and the accessories is also on uptrend. This has resulted in good opportunity for VAR partners for implementing IT hardware infrastructure. “IT markets are in transition. Opportunities in the field of Digitization and Automation are rising and we will work to move in early and catch this wave,” says Rajiv Kumar, Director



Vinod Kumar
Managing Director
Corporate Infotech Pvt Ltd (CIPL)

and CEO, Proactive Data Systems.

Security is another area that is becoming key for companies to invest on in the coming days. Deepak Jadhav, Director - VDA Infosolutions informs that his company is betting big on IT security as well as converged infrastructure which are likely to see very good growth. “These areas will help us to go deep in existing accts as well help to penetrate newer acts,” he says.

“Further the surveillance category is also growing at a very fast pace triggering the demand of not only surveillance systems, but also storage,” says Rajesh Goenka, VP –Sales & Marketing – Rashi Peripherals. “Also the transition from hard drive to SSD has also begun by opening new opportunities for channel partners.”

Mobility as a market has a huge potential, as the number of Internet-connected smartphones are only going up in the coming days. Technological advancements, especially in next-generation technologies like data analytics, Internet of Things and mobility have created significant demand in the education sector, particularly in engineering and computer science. Government buying is also set to increase and GST is helping pave the way for higher growth. “We see huge opportunities in terms of business potential in the Indian market. We are prepared to address this growth in terms of our alignment with the world’s leading IT vendors and our dedication to enabling partners to capitalize on high growth and next-generation technologies,” says Sundaresan K, general manager, Tech Data (previously Avnet



Sundaresan K
General Manager, Tech Data (previously Avnet Technology Solutions) India

Technology Solutions) India.

Vinod Kumar, Managing Director - Corporate Infotech feels that achieving unified integration and communication between products and platforms will be the key for 2017. “Critical attention to effective privacy and security solutions will play an essential component in the IT industry growth. We anticipate that parts of this tech growth (e.g. cloud and data storage, hardware, computers and systems) will certainly play a major role in the near future. To tap these opportunities we have started working more collaboratively with our customers to truly understand the core challenges they are facing,” he says.

“There are plenty of areas to grow,” points out Sudarsan Ranganathan, Chairman & Managing Director – Veeras Infotek. “We need to look at extensible information security, cloud DR, hybrid environments and cost management on these hybrid environments. We will require extensive evangelisation, knowledge dissemination and predictable cost Management for IT teams.”

He further adds that distribution might continue in the same form but they will become more as aggregators. “Logistics will be a lesser pain to them than before but will focus on technology to make their operations efficient and effective. GST will also ease their complexity. But they will continue to be the risk mitigators for vendors on the financial front,” says Sudarsan.

“The requirement for automation software is increasing drastically (eg CRM, Sales Automation and Marketing Automation). We see that it has a huge opportunity in 2017.



Sudarsan Ranganathan
Chairman & MD
Veeras Infotek



Atul Mehta
Chairman & Managing Director
- Compuage Infocom



Limesh Parekh
CEO - Enjay IT Solutions



Deepak Jadhav
Director
VDA Infosolutions

In order to get maximum out of this, we have already started appointing training Sales/Implementation partners across India,” observes Limesh Parekh, CEO - Enjay IT Solutions.

There is also likely to be greater demand for new offerings like mobile applications, Cloud, Robotics Automation, Blockchain, SDN in accordance with the shifts in customer needs. “It will, however, become imperative for providers to raise productivity and innovate beyond labor-centric service models to capture new markets successfully,” points out Manoj Kanodia, CEO – Inspira Enterprise. “With a determination to go an extra mile to ensure customers achieve the desired outcome, the company needs to envision to constantly making an impact on the Indian IT industry by promoting innovative, high quality, price-performing technologies,” he says.

It is also noticed that distributors are increasing their support to small partners and with their help the share of business done by small partners has also increased in recent years. This has ultimately led to a higher level of product commoditization but lowering of partner margins.

Just like opportunities, there are challenges too that a partner and a distributor has to cope up in 2017. For instance the emergence of technologies such as cloud, Internet of Things and automation among others has created opportunities and uncertainties for the industry. Also, in 2017, the domestic market is likely to be a bit rough as businesses prepare for GST. “This sudden



Bhavin Bhatt
Regional Director
M.Tech

shift in the technology has become a catalyst for the Indian IT services majors to go for acquisition and also make investments in the new age start-ups. To be successful and increase market share, enterprises in this sector will need to fundamentally transform their business models, re-vamp their solution offerings and invest in the right skills to be more relevant to enterprises. Along with all the changes triggered by new technologies and platforms such as cloud and mobility, the end customer is changing as well. As a result, how channel firms interact and appeal to end customers will need to adapt,” cautions Manoj.

According to Prashanth GJ, CEO, TechnoBind adoption of emerging technologies like cloud, mobility and digitization has been a challenge for enterprises across industries. “Primary reasons have been a lack of understanding about the emerging technologies and shortage of rightly skilled people who can implement and manage these technologies. Distributors can see this as a big market opportunity with the help of its unique GTM strategy and focus on skilled resources.”

Sundaresan feels that while an effective channel can be a source of strategic advantage for companies, an important challenge is that considerable thought, effort, and investment is required to create and maintain a distribution channel. “In the long run however it will be the distribution medium and its added value that will bring the greatest advantages.”

The distribution mechanism/market has already become more complex due to multi



Sudhir Kothari
Managing Director
Embee Software

distribution points, growth of rural market, expansion of urban markets and modern trade. In this complex environment, all companies need to base their next move on the best business intelligence and require optimizing distribution channels.

Nilesh also points out that the current distribution market is facing payment challenges apart from the constant push for year on year growth by the OEMs. “With frequent obsolete rate of products, the ageing stock movement is also a challenge. Customers do not adopt new technology at the same pace that these new products get introduced in the market.”

True, credit management and inventory management are the two very important concerns for the distributor industry and those who manage these two well will only survive in the industry. Also with Cloud or Opex model taking shape, the traditional business model might get mitigated and that could be a challenge from the top line point of view.

Ashok Kumar, MD & CEO - RAH Infotech is of the view that the Distribution market has been going through consolidation in the country and there have been many M&As in the recent past. “This is resulting in increased competition and as a result margins are shrinking. The need of the hour is to work in unique ways to overcome this challenge and RAH Infotech is already at it.”

Kartik Shah, Managing Director and CEO - Bitscape Infotech contends that the traditional distribution model will have to evolve in an annuity model to order to support



Manish Tandon
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Ashok Kumar
 MD & CEO
 RAH Infotech

customer buying habits and need. “May be this will result in the mitigation of some of the channel members and distribution will primarily reach to end customer and service providers directly. But again, this is how the business model is going to evolve and the channel has to adapt to it.”

While it may be too early to assess the impact of demonetization on the distribution and partner business, but it did have some impact on the business in the initial days and weeks, but it did peter out quickly.

Demonetization however did not affect those companies that deal only in bank transfers or cheques. It in a way cleaned up the grey markets and paved the way for legitimate IT suppliers only. For companies like Proactive, demonetization had little impact on its business. “Though there was a slow business in the last quarter, but that cannot be attributed to demonetization alone. Others factors such as ‘Trump factor’ were also at play,” says Rajiv.

“In my opinion, sectors with linkages to the unorganized economy were affected due to demonetization but its impact to IT industry and the technology sector/services will be short lived and are expected to gain in the long term,” says Vinod.

A growing Vendor-partner relationship...

The vendor-partner equation is changing and is believed to keep on changing to address the market effectively. Transparency and customer oriented service are growing to be an important aspect of any relationship. The best vendors are focussing on becoming trusted advisors and developing long-term relationships with partners.

In earlier days, the vendor partner equation was like a buy and sell relationship similar to traditional way of retail trading business.

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Over the period, vendors have understood the importance of partner efforts towards customer satisfaction in pre and post sales. “The vendor has now integrated the partner effort through transparency, knowledge base, rebates, GTM strategy and treat partner as their extended arm to spread the message in the massive customer base. With Cloud being a major factor for OEMs, they have realised that partners play a major role to ensure larger consumption of cloud solutions,” says Devesh Aggarwal, Managing Director – CompuSoft.

With new cloud centric policies of software vendors coming up, the partnership model is also changing. The VARs are emerging as cloud solution partners. “Now vendors don’t just need resellers but they are expecting more than that from a partner. We have to build our competencies on cloud and can expect better margins & healthy competition rather just fighting on prices,” says Manish.

“I believe nowadays vendor-partner relationship has become more of a transactional nature rather than a relationship nature. SIs are now seriously looking for avenues to make better margins and bigger revenues. The market is growing very competitive but after it starts getting consolidating, the scenario will change for better,” says Jiten Mehta, Director - Magnamious Systems.

In the words of V.K. Bhandari, CMD - Supertron Electronics, vendor partner relationship has come a long way and now this engagement is getting stronger with right expectations from each other. “The trend is changing from pure play fulfilment relationship to a value added relationship. Most of the vendors are looking for right partnership with the right expectation.”

At the same time it is also true that vendors will increasingly give higher weightage to

India Public Cloud Services Forecast (Millions of U.S. Dollars)						
	2015	2016	2017	2018	2019	2020
Cloud Business Process Services (BPaaS)	92.5	114.3	146.9	188.8	242.4	311.5
Cloud Application Services (SaaS)	299.3	389.8	514.4	654.2	792.4	959.6
Cloud Application Infrastructure Services (PaaS)	62.4	82.1	106.9	135.0	160.4	184.7
Cloud System Infrastructure Services (IaaS)	338.9	448.9	615.4	839.7	1140.6	1558.0
Cloud Management and Security Services	79.4	104.2	134.5	167.7	206.2	247.8
Cloud Advertising	95.6	123.2	158.0	189.0	222.8	266.0
Total	968.1	1262.6	1676.2	2174.3	2764.7	3527.6

Source: Gartner (March 2016)

partners who are investing on upcoming niche areas rather than just generic products. So it will be beneficial for partners to develop skills in newer offerings of OEM and help them to penetrate new market.

Vendors are grappling with the change as much as partners are. Consolidation across companies, mergers and acquisitions change partner plans as well as customer perceptions. “Opportunistic sales will become lesser as we go forward and value engagements will bear more results. The partners with greater technical skill, prescriptive solutioning capability and customer relationships will be favoured to merely customer relationship mode that has been the backbone of IT sales so far,” observes Sudarsan.

In Vinod’s opinion, the most important part of a strong vendor/partner relationship is visibility, trust and respect. “Previously vendor channel partnership expectations were limited to, how big is the market opportunity for specific vendor’s product, what are the paths to individual’s profits, how will vendor partner association will help/support



V.K. Bhandari
CMD
Supertron Electronics

as it should aim to make the product available timely with appropriate credit line facility. Presently for most major technology vendors, distribution is their principal route to market. The current expectation & role attributed to distribution is the provision of delivery logistics, product marketing services,

rather than selling will remain the Mantra of success.”

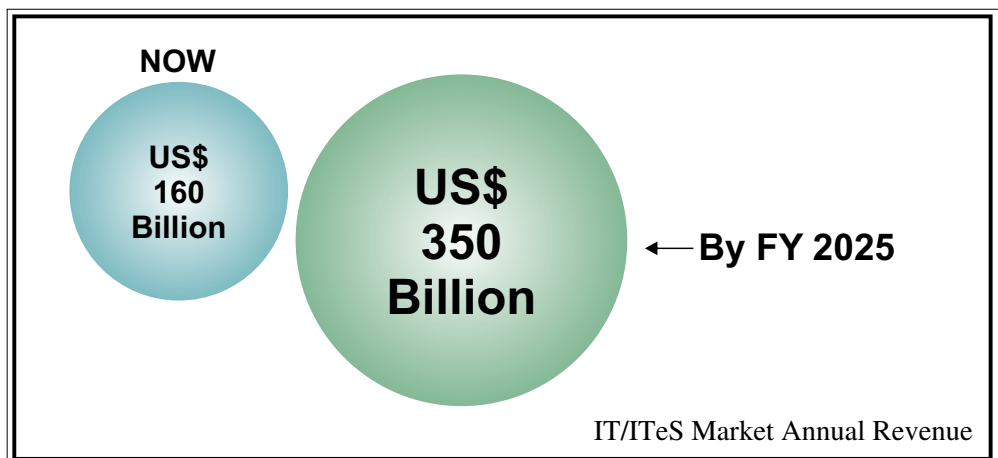
“Indeed distribution markets are growing quite competitive. But, it helps brings the best out of us. Learnings never stops. With the competitive nature of the business/industry, it makes us focus on enhancing our operational efficiency all the time,” agrees Atul.

According to Sudhir Kothari, Managing Director - Embee Software if one does unique selling then competition is not there, but vanilla selling would lend one in stiff competition. “It all depends on what kind of trajectory you are taking. We are in a solution selling and value proposition mode and so see mild competition for us. Being in the market for 30 years now, we have been able to build that trust amongst our customers. We work as a partner rather than a vendor to our customers.”

Intensifying competitive pressures from within and outside of the IT channel drive more vendors and solution providers to strive to reach escape velocity – that is, breaking free from legacy practices. “One of the most intriguing factors at play is the relationship between customers and the channel. The competitive advantage gained from intelligent use of data has separated early adopters from their counterparts, and everyone wants to quickly follow the suit,” says Manoj.

It is also true that the way businesses are conducted across the globe are similar in many ways, but the key differences in laws of the land and the way people operate region-to-region is what every company should keep in mind. Especially in a country like India, this is critically important while sustaining a relationship with vendors and partners.

In the end, with the market opening up further and with the introduction of programs by the government like Digital India, Start-up India, Make in India, both small and large businesses can get a big boost and opportunities can look very promising in spite of the competition that exists. In such circumstances, the only differentiator that



individual’s interest and showcase brand value to customer. The current changing IT industry scenario has given the strategic nature of these partnerships to ensure there is a ‘win-win’ approach by working together to grow the business,” says Vinod.

“Vendor relationships are “exploratory” or “shifting,” which means they are taking a look at new vendors to work with or they have made a definitive switch already. How the channel makes money from cloud solutions – recurring revenue, referral fees, consulting – has them rethinking the value of some of the more conventional ways that vendors structure their programs and financial rewards,” says Manoj.

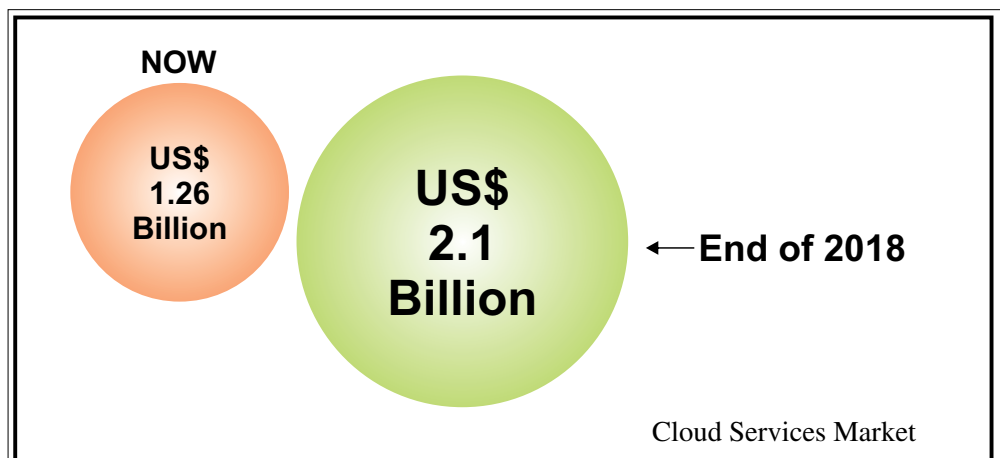
And so...

The IT market is growing very competitive day by day with all the OEMs/vendors slogging themselves in the market. As India’s businesses continue to evolve, based on ever-changing market conditions, companies make continuous efforts to boost distribution. By doing so they ensure IT channel partners can easily access new technologies and are able to address maximum IT requirements from their customers.

“Distribution is a very critical element

technical support, managing appropriate inventory and provision of credit line is very much competitive & sustainable,” says Vinod.

When asked whether the market is competitive or not, Rajesh says that the



answer would be both yes and no. “Yes because distributor like us is always under inventory pressure and market demand for credit is high. No because there are very few limited distributor left in country which can be counted on fingers. Focusing on sell-out

can work in the favour of a business house is the uniqueness of the product or service offering and the business model followed to tap this opportunity. ■

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