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QUARTERLY ANALYSIS

Just like the British countryside, it appears the industry is on fire this quarter, with many firms posting impressive growth or acquiring their rivals as the appetite for technology continues to increase at every customer level.

The country engaged in royal wedding fever during Q2 as Harry and Meghan got hitched, and it was estimated that more than two billion people from around the world tuned in for the big day.

On the geopolitical stage, the UK government is still in disarray over Brext, and it is looking increasingly likely that the UK will exit the EU without a deal being in place. Hardly an ideal outcome for any of us.

The FIFA World Cup got into full swing in the latter stage of the quarter and while the outcome is still unknown, England fans are remaining hopeful that this will be their moment. All will be revealed soon enough as the quarter finals were beckoning when this article was published.

Moving away from football and looking further to the west, it appears that president Trump is determined to make the US into some sort of giant island, with no thought about how his actions will affect America's long-standing allies. Trump appears to dislike Chinese investment in particular, barring any firm with 25 per cent or more Chinese ownership from investing in US companies.

It is an interesting policy, but one that is too late for **Ingram Micro**, which was snapped up by Chinese conglomerate **HNA** in 2016 – what does this mean for the many firms that already have significant Chinese investment? Trump's policy appears to the outside world to be very haphazard.

He also pressed ahead with his precious wall during the quarter, and met North Korean leader Kim Jong Un. It is abundantly clear that Trump cares little about being top of any international popularity contests.

Despite all the political wranglings going on in the world, the IT industry just carries on striving and innovating, and has enjoyed a pretty strong Q2.

We saw the battle for cloud space between **AWS**, **Microsoft** and **Google** intensify, with Microsoft becoming the first to reach £1tn market value, leaving the other two seething.

However, it also emerged this quarter that AWS is absolutely steaming ahead in the cloud space, now accounting for 40 per cent of the overall global market, according to analyst Synergy Research Group. Market watcher Canalys backed this view by placing AWS at the top of the cloud infrastructure market, pulling in revenues of almost double that of Microsoft.

Sticking with the positive, global IT spending is on the up – whether this is SMB or enterprise level, the outlook is extremely rosy, fuelled by ongoing digital transformation across industries; a demand for cloud technology; and the continued rise of artificial intelligence (AI).

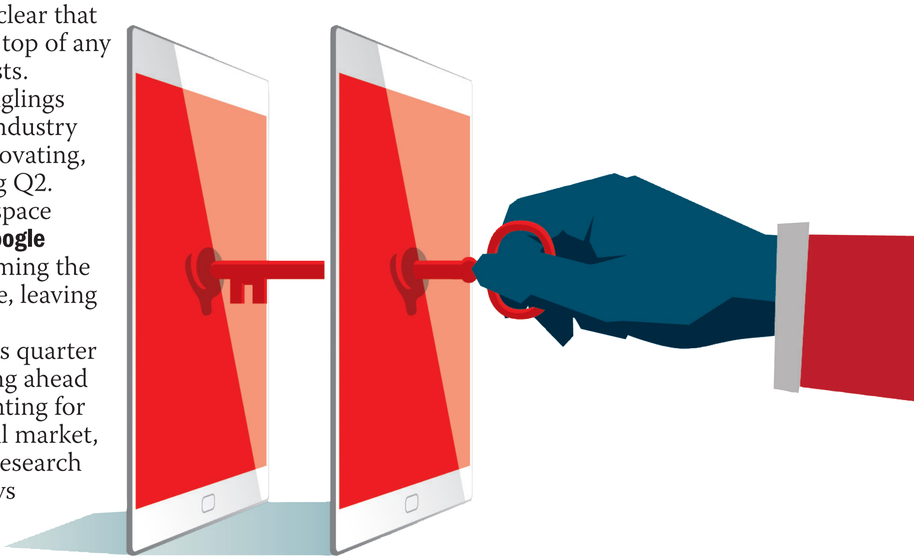
Q2 also saw GDPR finally become reality, after what feels like a decade of warnings and spam emails landing in inboxes warning of the danger of not complying with the law and facing a huge fine or worse.

The irony of a law set up to protect data creating so much unwanted email, spam and unread marketing collateral definitely did not go unnoticed.

Security continues to be a winner for the industry, as more companies than ever before are concerned about their security strategies and are actively investing in training and educating their staff. GDPR aside, the cost of a data breach continues to rise, according to research this quarter, amounting to $1.23m on average for enterprises and £120,000 for SMBs – a rise of 36 per cent from 2016.

However, AI is also a market driver, with Gartner labelling it as the most disruptive class of technology over the next 10 years, set to hit $3.9tn turnover in 2022. Rival IDC also jumped on the bandwagon, predicting that IoT, robots, drones and AI will account for more than a quarter of total IT spend by 2021.

IBM's chief Ginni Rometty spoke about AI at a Paris conference hosted by president Emmanuel Macron, claiming that AI will provide the world with a third movement of "exponential impact" to rival Moore's Law and Metcalfe's Law; and **Cisco** →



ploughed $270m into AI and intelligence specialist **Accompany**, showing its commitment to the technology set.

So there really should be no doubt that AI is here to stay and it is only going to get bigger.

The ongoing Windows 10 refresh is also helping to drive the tablet and PC market, according to analyst Canalys, which added that the software upgrade would continue to spark demand for new hardware in the business space.

For the channel, this creates more end-points for a company to manage and worry about and will definitely generate demand for security services and support as they desperately try to protect sensitive company data.

In among all the positivity there were some major downers in the quarter, with **Carillion** sending shockwaves through the outsourcing market with its collapse. Also, **Kaspersky Lab** seemed to be getting it from all directions as it tried desperately to shake off rumours about its links to Russian intelligence agencies. However, later in the quarter it engaged in a spat with the EU, claiming it would stop all cybercrime collaboration with European agencies after the EU Parliament called its software malicious. Just where will it end for Kaspersky?

In the reseller space, **Atea** suffered a setback in Q2 when four of its former directors from its Danish subsidiary were jailed on bribery charges dating back to between 2009 and 2014, including its then group CEO. Saving face from this type of thing is never easy, but the firm is striving hard to rebuild its reputation.

Misco also reared its head in the quarter after it was revealed that the failed VAR's shareholders will receive just £600,000 of the £21.8m they are owed after the firm went bust last year.

Also **Tintri**, which listed on the NASDAQ in 2017, caused a lot of speculation about its future survival given it is currently $15m-plus in debt and is making multiple job cuts. Its only hope is to be acquired, but it is not exactly an attractive proposition right now.

Both resellers and distributors enjoyed a strong quarter, with M&A rife across all sectors, a major player in this being **Daisy**, which acquired **TalkTalk's** B2B business for £175m. Meanwhile, **Chess** added two more to its acquisition targets, and **SoftwareONE** and **Softline** both acquired a minority stake in **Crayon**.

On the vendor side, Microsoft made the biggest acquisition of the quarter with its $7.5bn deal in Micrososft stock for software development platform **GitHub**. It is paramount that the vendor keeps the platform accessible to the thousands of developers who use it, so it announced that the company would stay a separate entity.

Private equity investment also flooded into the industry during the quarter, with **Atea**, **GCI**, **Arcus Global**, **Cohesity**, **CrowdStrike** and **Cylance** all getting in on the act and securing seven, eight or nine-figure sums from PE firms as they pursue growth and expansion strategies.

Overall, the messages coming from Q2 are overwhelmingly positive. But it doesn't mean the channel can just sit back and relax.

Investing in the right technology is something that the channel itself should be doing as well as encouraging its customers to install the latest bells and whistles.

According to one analyst this quarter, some IT players are failing to keep up with customer demands when it comes to providing the right portfolio of services and solutions, and this means those customers will go elsewhere.

Another fact pointed out by an analyst was that those failing to invest in the right technology will find themselves falling by the wayside when it comes to attracting new talent to the business because they just will not come. And we all know how desperate the channel is to make itself attractive to the next wave of talent as the skills shortage continues to grow.

In short, the message is still the same one it has been for years. Keep innovating and investing, both for your own and your customers' sake, and stay ahead of that curve. There is bounty aplenty to be had in the channel, but only for those who can be bothered to make the effort.

As we head into the 'slower' summer months, now is the perfect time to re-evaluate your business and implement new strategies.