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For more information please contact:
James Burckhardt
james.burckhardt@icmresearch.co.uk

Mark Burton
mark.burton@incisivemedia.com

UK ICT Channel

Background

- In conjunction with CRN, ICM Research have produced a detailed analysis of the UK ICT Channel – the research focuses on 4 main themes: What is the profile of the channel?, What do they sell? How do they sell? and Who do they sell to?
- Using this information – ICM have produced analysis of key trends plus a model of the 14 segments in the ICT channel
- Results are a valuable resource for ICT marketers and product managers. Research aims to enhance understanding of the channel and aid with targeting new segments for channel partner programs

Highlights

UK ICT Channel worth £49,261 million

- 75% of companies in the channel are small, sub-50 employee companies...
- ...the remaining 25% of channel companies are larger 50+ companies that represent 80% of turnover in the channel

Past decade has been tough for channel players

- The number of companies in the UK channel has shrunk from 23,500 to just over 17,000

Only the service-focused have survived

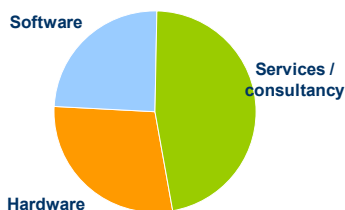
- Profit margins have declined and many product-focused channel companies have struggled to survive
- Services and consultancy now represent the bulk of channel company revenues

UK ICT channel remains key to the industry

- Despite consolidation and pressure on financials – UK ICT channel represents a key aspect of the industry.
- Many ICT manufacturers continue to rely on channel as their primary route to market

What do they sell?

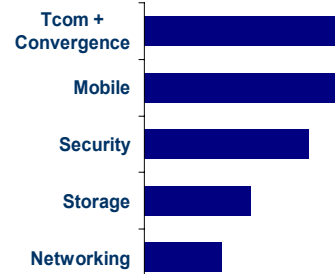
- Revenue breakdown shows the channel is heavily reliant on services revenues
- Margins from hardware and software have declined so services are critical to profitability



Focus on services

- Networking, apps, and client / server hardware remain core products
- Fixed and mobile telecoms products are reported as the fastest growing revenue streams for channel companies
- Revenue growth is also positive in the specialist security and storage sectors

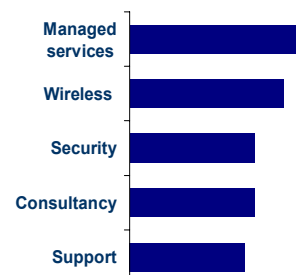
Top 5 products by % reporting revenue growth



Focus on products

- Support, installation, consultancy and maintenance are the most widely offered services
- But – Managed services, wireless and security are reported by channel companies as being the fastest growing service sectors

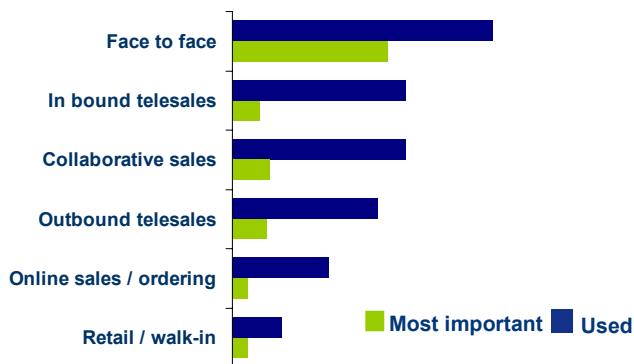
Top 5 services by % reporting revenue growth





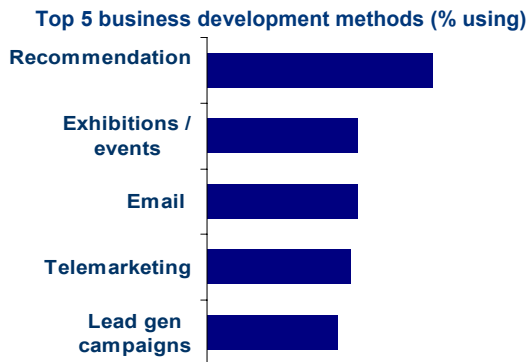
How do they sell?

- Face to face remains the key route for channel sales and relationship development
- For many channel companies it is pivotal to how they differentiate their offering
- Larger channel players are more likely to rely in outbound telesales to build the customer base
- A small number of specialist, online-only channel companies now exist – however they represent just 5% of the channel



How do they generate new business?

- Face to face customer contact is reflected in the importance of word of mouth and events to drive new business
- Email and online campaigns are also popular as cost effective means of generating new business
- Lead gen campaigns are primarily used by large channel companies

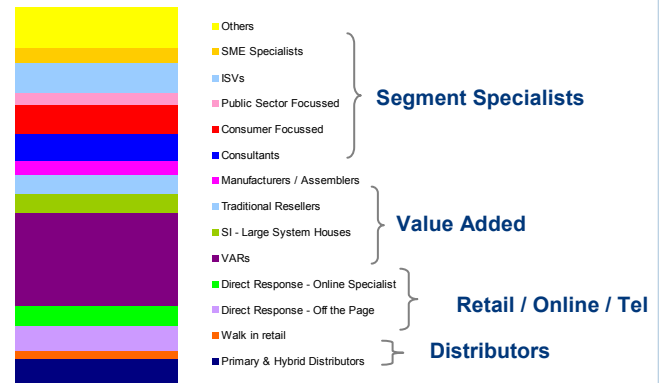


Methodology / Technical Information

- 719 interviews carried out with senior managers in channel companies
- Lists drawn from 5 independent sources - Conduit, D&B, Compabase, CRN subscribers and ChannelExpo attendees
- 10 min survey could be completed over the phone or online

Segmenting the ICT Channel

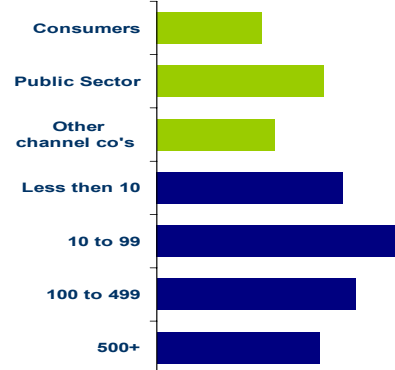
- ICM have identified 14 discrete 'Routes to Market' segments based on how channel companies sell and their target customers



Who do they sell to?

- Customer profile illustrates the importance of SMEs as a key customer target

% selling to each sector / size of business



The Future

- 2008 and beyond – managed services offer the best opportunity for growing profitable service revenues
- Micro channel continues to pursue successful model of 'high touch' customer relations with local small business customers
- Specialist service models also prosper in telecoms, mobility, security and storage sectors
- A strong services model is key to the long term success of any channel company
- Channel remains a diverse mix of agile companies evolving to respond to demand from users and manufacturer