



Looking Beyond the Curve

A Distribution Industry Outlook Guide
for the IT Channel in 2022

A New Dawning with Traditional and Progressive Advantages	3
 Collaborate to Conquer	5
 Embrace the Multivendor Solutions Reality	8
 Know Your Partner's Emerging Value	9
 Preserve Channel Trust, Empower Ecosystems	11

Looking Beyond the Curve captures a frontline perspective on the IT industry from the leaders of today's [most prominent technology distributors](#). The GTDC commissioned this report to capture commentary and guidance of distribution leaders convened for the 20-year anniversary of the organization's annual global executive Forum, November 3, 2021. Coverage includes expectations now and as the global pandemic's impact morphs in directions not yet known or fully understood. Insights are captured specifically for North America and Europe in addition to addressing factors relevant from a global standpoint. Independent analysts also weigh in on critical success factors for the IT vendor community in distribution across diverse destination channels. GTDC members drive more than \$160 billion in annual revenue worldwide, representing a unique look at tech market drivers from both product and service perspectives.

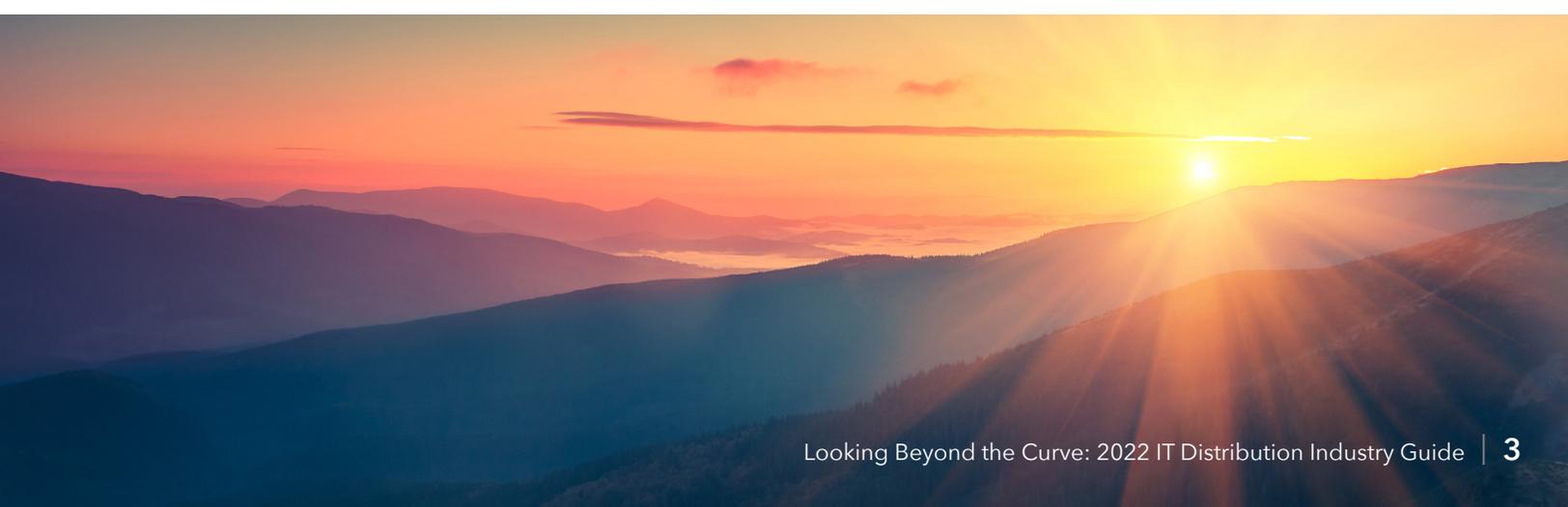
For more information about IT distribution industry trends, visit the GTDC's [Knowledge Hub](#).

A New Dawning with Traditional and Progressive Advantages

When the GTDC conducted its 20th anniversary gathering of technology distribution leaders and current as well as prospective vendor partners worldwide, the November 2021 event captured a reality unchanged despite lingering economic and pandemic concerns. Instead of perhaps reflecting uncertainty about IT company commitment or channel focus at a time of such extraordinary change, the emphasis on strengthening distribution partnerships was undeniable.

Vendors not doing “indirect” business today are strategically disadvantaged. Channel pipelines, efficiencies and cost savings are simply too attractive to ignore. Emerging technology companies, for example, often aspire to be a part of the distribution industry’s multi-vendor solutions domain. Hundreds entered distribution for the first time over the past year, reflecting a perennial trend in the pursuit of SMB and larger-enterprise connections. Established vendors that already have ecosystem presence through distribution also naturally seek to sustain and grow such power and influence. The emergence of cloud solutions has not altered this fact, although it has indeed changed how vendors engage and leverage distributors – as well as the channels they enable.

Distributors’ central IT industry role also came under pressure for reasons that actually underscore the inherent importance of these companies typically operating in behind-the-scenes modes – intentionally not front-and-center with end customers. They are backbones for the solution provider community.



Whether you euphemistically call it products “on allocation” or some other term, unavailable or limited access to products took center stage globally. What many take for granted – the inherent strategic relevance and vitality of distributors – suddenly entered mainstream consciousness relative to much more than IT solutions. Overcoming the challenges, however, comes down to relationships, the ways distributors and vendors work together in all industries.

Driving New Value, Cultivating Ecosystems

Today’s partnerships focus on strengthening collaboration, further streamlining processes and tightening integration. The pandemic itself has fostered such renewed commitment to channels and channel orchestration. Distributors remain the best way to effectively reach, enable and preserve ecosystem value and relevance.

“Every vendor I speak to is either making changes or already changed their channel programs to better align with the times,” commented Frank Vitagliano, CEO of the GTDC. His perspective prior to this role includes leading channel endeavors for some of the world’s most prominent technology companies in addition to being CEO of a large solution provider in the cloud marketplace. “What’s remarkable about distribution is how this industry adapts regardless of how technology changes. The economies of scale and channel reach endure, at least in part, because we live in a world of multivendor solutions. Distributors continuously vet and refine their product portfolios and services to provide proven solutions to the channel for diverse vertical market needs.”



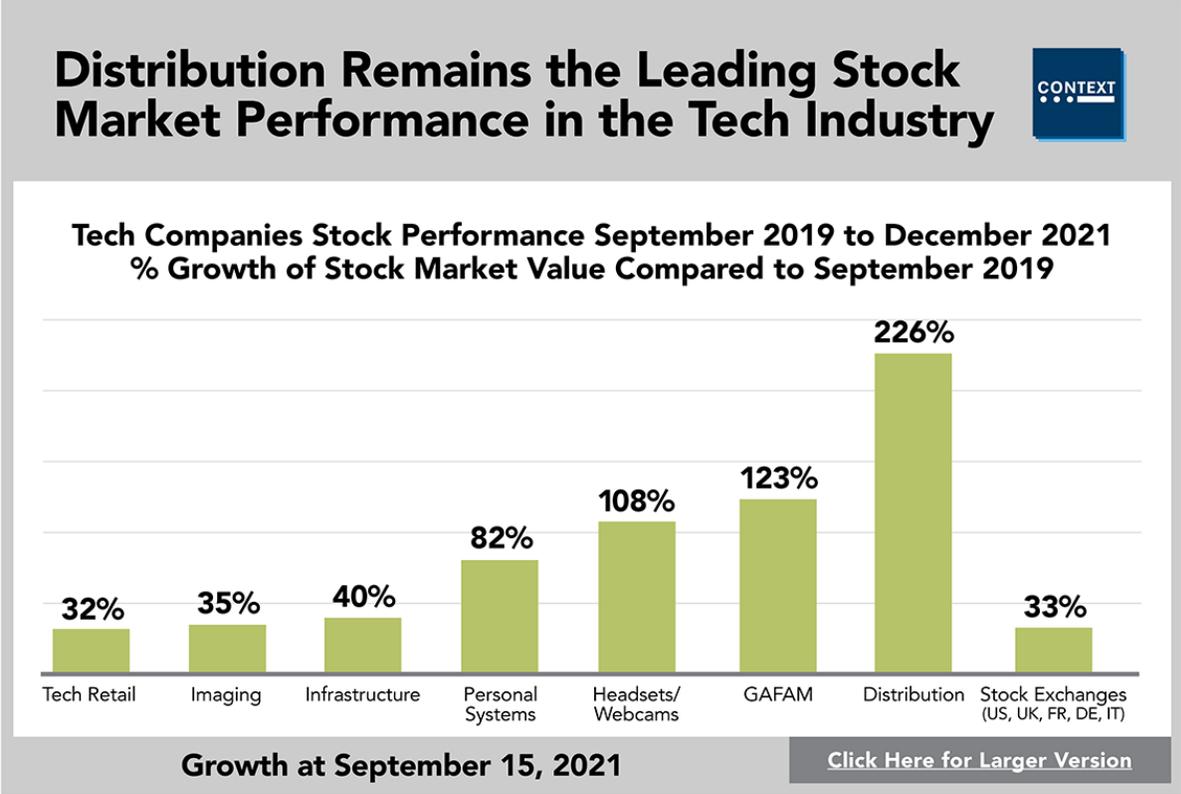
Frank Vitagliano | CEO, GTDC

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Collaborate to Conquer

IT distributors are renowned for operating lean efficient business models that adjust well to shifts in demand due to economic swings as well as technological evolution. The pandemic, however, broadsided distributors in unparalleled ways as product availability constraints collided with the well-entrenched standards of just-in-time delivery – minimize inventory, maximize turns – and the need to quickly enable staff to work from home.

Meanwhile, consolidation in terms of acquisitions and mergers continued across distribution industries in general. The dynamics are especially intriguing as well as highly revealing as distributors continue to garner record-high market valuations. Their roles are now more universally recognized as indispensable and crucial.



Source: CONTEXT Research/Yahoo Finance

While this elevated understanding and view of distribution is certainly noteworthy, yesterday’s accomplishments aren’t tomorrow’s drivers. As consumers and businesses experience annoyances and worse as shortages occur with and without warning, few feel sorry for those “in the middle.” Although technology distributors have advanced well beyond the middleman label as their services evolved from pick, pack and ship, they are accustomed to taking the heat whenever and wherever constraints arise.

What Have You Done For Me Lately?

Despite the renewed stature of distributors at the center of complex global supply chains – perhaps taken for granted in recent decades – it’s more than reasonable to ask a pointed question about what they’re going to do about current or prolonged shortages and constraints.

“We have all learned a profound lesson during the pandemic, particularly because it’s been extremely difficult to know when and where supply-chain disruptions are going to occur,” explained Alessandro Cattani, CEO of Esprinet, which offers 130,000+ products and touts distribution industry leadership in southern Europe (Italy, Spain and Portugal).

“Flexibility and adaptability are hallmarks of distribution, but we need to take those traits beyond what we achieved prior to the pandemic,” Cattani asserted. “Market conditions are fluctuating. Country-based rules and regulations are also subject to change with far less notice. Responding to product constraint realities is only one aspect of the balance we must collectively achieve – with greater collaboration and stronger communication upstream and downstream.”

Cattani also views “a very tight management team” as essential to enabling faster reaction to the changes that occur in the market or relative to supply-chain developments. “More philosophical questions also enter the equation such as how manufacturers tend to outsource to only a few places in the world, resulting in considerably longer supply chains. Geopolitical issues are also part of the picture. Plenty of unknowns yet ample opportunity for progress. Our way of making a difference begins with our vendor partner interaction and focus on getting better information earlier. That’s where we are putting our minds, actions and technology to work.”

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Alessandro Cattani | CEO, Esprinet

The themes of flexibility and collaboration also surface from a completely different standpoint, as Paul Bay, Ingram Micro's EVP and president of Global Technology Solutions, pointed out relative to how selling strategies are evolving and transactional models need to move. All at a time when the industry "shifts away from the technology itself to really center on the end user and their needs."

"Businesses are using more automation, machine learning, to help eliminate manual processes and ultimately modernize the way they operate," Bay said. "These changes aren't dependent on selling to the IT suite or for them to implement. It's a collaborative effort between both the technology and business sides to implement solutions today."

Bay also observed that IoT solutions are growing way beyond "trend-speak about the opportunity," primarily in manufacturing and warehousing, which are both particularly relevant to distribution. He described this category as encompassing an especially diverse group of vendors, customers and ISVs, noting that the integrators need to work collectively together and partner more effectively in how they format and ultimately deliver product solutions.

Marketplace strategies and initiatives are also prevalent in distribution. "We're all investing in these areas alongside our ecommerce strategies to accommodate everything-as-a-service market growth – and help provide transactional solutions for partners, including the respective licensing and types of products and applications involved." Such transactional demands, according to Bay, need to be more flexible to accommodate various business models and in conjunction with more traditional product sales.

Distribution is in a unique position, he added, because the industry focuses on customer needs and the solution providers that address them. Consumption models therefore need to evolve with both in mind, making the experience seamless and optimized from beginning to end.



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Paul Bay | EVP and President of Global Technology Solutions, Ingram Micro

Embrace the Multivendor Solutions Reality

Averages vary by distributor but it's not unusual for solutions to consist of products from eight to ten vendors, and that multivendor reality extends into the cloud marketplace as well where additional related efficiencies are warranted. Involving distributors earlier in launch plans and upgrades tends to greatly improve or optimize outcomes whether delivered online or on premise.

API connections – the digital handshakes of modern business – continue to be a clear means of strengthening partnerships through technology in the multivendor world. Vendor channel organizations can be a conduit to related progress; however, the effort needs to go deeper into the IT side of operations. Improper API planning as new technology comes to market can result in distributors needing to essentially replicate hundreds or thousands of times what can be done with far greater proficiency when partnerships reach these levels. It can be an “afterthought,” according to distributors, who say those that take the right steps will reap returns along with their logistics partners.

The ‘Glue’ Enabling Tech Ecosystems

“Distribution performs a vital aggregation, integration and dissemination of function that spans hardware, software and services. Most importantly, it does this both downstream and upstream,” explained GTDC Forum 2022 keynote speaker IDC’s Stuart Wilson, research director, European Partnering Ecosystem, who also has extensive U.S. market expertise. “Distributors are providing value to both vendors and channel partners – and ultimately, to end customers. As a result, distribution continues to act as the glue that enables the technology ecosystem.”

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Stuart Wilson | Research Director, European Partnering Ecosystem, IDC

Ecosystem opportunities are pervasive through distributors, who lead programs that foster engagement and a sense of community while continuously supporting education, training and service development. Vendors already heavily leverage these powerful connections and can look forward to new ways of empowering them in the multivendor face of mounting industry complexity.

Know Your Partner's Emerging Value

The strategic collaboration that makes the IT industry possible can hit unnecessary potholes when vendors take the attitude and approach that they alone have all – or most of – the solutions for driving channel success. Forcing “one offs” or overly disparate esoteric processes into partnerships is a sure recipe for dysfunction.

Proliferating combinations and permutations put onus on distributors to either figure out workable solutions or workarounds across massive product portfolios. Distributors still remain confident as they've successfully managed through such challenges over decades, always refining and revamping when warranted, particularly as business models adapt in general.

With better understanding of current and emerging distribution partner value, vendors are in a better position to thrive. Getting and applying distributor recommendations isn't difficult. Operating in a vacuum, on the other hand, can lead to debilitating long-term repercussions in distribution and the channel.

Mergers and Acquisitions 'Healthy for Industry'

One well-known development in distribution within virtually all industries pertains to increased merger-and-acquisition activity, particularly over the past couple of years. With distributor valuations at record highs, it's no surprise. Smooth-running supply chains have always been essential yet not necessarily the apple in more mainstream investor eyes or top-of-mind in venture capitalist circles. The recent history includes none other than Warren Buffet's Berkshire Hathaway firm being outbid by Apollo Global Management in its pursuit of Tech Data Corporation in 2019. This year, Tech Data and SYNEX joined forces in September 2021, with Rich Hume appointed CEO of the merged companies.

Hume sees more vendors looking to engage on a global level – and that TD SYNEX is set to capitalize. He cites infrastructure-as-a-service trends to illustrate the point, where APIs built into platforms can support more efficient deployments across the world. The benefits, according to Hume, range from “improved customer experience to (leaner) cost structures of our collective businesses.”

Hume also views the pandemic's impact, with immediate focus on WFH demand, as moderating attention on data centers. "I believe very large pent-up data center demand will need to be fulfilled," cautioning that availability factors can affect how soon and to what degree, along with economic factors that include inflation concerns. "But I think the underlying demand is strong."



Rich Hume | CEO, TD SYNEX

"I believe very large pent-up data center demand will need to be fulfilled."

The CEO of Elko, Svens Dinsdorfs, agrees. "Although cynical-sounding, COVID brought extra demand in the market, driving business in new ways that fueled longer-term trends" across the European and Central Asia regions Elko serves.

In the B2B space, this means continuously addressing how work patterns are changing. Much of the focus is on maintaining and building on work-from-home shifts – meeting growing equipment requirements along with supporting services and overall solution demand.

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Svens Dinsdorfs | CEO, Elko

In a report Forrester recently released, analysts projected sharp spikes in resignation rates in 2022 at companies that don't support work-from-home options for employees. It's obviously yet another dramatic acceleration of an existing trend due to the pandemic – one that's now putting some companies on indecisive heels while others embrace advantages such as lower operating costs. The channel will continue to lead many related efforts along with their distribution partners, including help guarding against what Forrester predicts will account for 60% of cybersecurity incidents: third parties.

All distributors point to “digitalization” as the unifying industry force. Their approaches are far from one-size-fits-all, as they differentiate their product and service offerings down to local levels. TIM AG, a value-added distributor in Germany, Austria and Switzerland, was established in 1985 and emphasizes “Innovation From Tradition.”

“Many – if not all – companies are currently digitizing processes or inventing new business models,” commented Tim Henneveld, the company's CEO. “Once you do something with digitalization or solve ‘the problem’ of digitalization, it opens new doors that multiply. It means more than technology. It's about giving people the tools and resources to generate new ideas, new opportunity, which is huge for distribution and our partners.”



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Tim Henneveld | CEO, TIM AG

Preserve Channel Trust, Empower Ecosystems

Distributors are at the helm of channel ecosystems worldwide. Preserving trust always comes down to ensuring what they do supports the success of those businesses – and the end customers they serve.

“It's really about investing in ways to support our VAR partners and MSPs,” said Dan Schwab, D&H co-president, a U.S.-based distributor that recently surpassed \$5 billion in annual sales. “We are helping them strengthen their ability to continue migrating to the cloud, to leverage X-as-service, and enable consumption-based models.”

He explained that a “macro shift” is occurring with “more and more of our resellers migrating into MSPs. And we need to not only keep investing in technology products, but really in the training, education and support our partners need to leverage and sell increasingly complex solutions that make them even more essential to end customers.”

Solving pain points and business problems remains the heart and soul of technology distributors worldwide. They also realize that no single piece of any ecosystem addresses the extraordinary breadth and depth of needs worldwide. The mix in distribution endeavors also includes “incubators and aggregators” as well as emerging cloud service providers to gain unique advantages in solving the types of problems they and their distributors are discovering in the marketplace.

“We are helping VAR partners and MSPs strengthen their ability to continue migrating to the cloud, to leverage X-as-service, and enable consumption-based models.”



Dan Schwab | Co-President, D&H

Knowledge Meant for Sharing

“Education is crucial on all fronts to ultimately help channel partners and B2B communities thrive,” said Warren Chaiken, CEO of ALMO Corporation, a distributor with 75 years of success under its belt in the U.S. “Our industry is made up of relationships, and without them we’re all just basically selling product. Relationships drive our business; technology is the key, but relationships and information-sharing make the difference. It’s true in every respect, including from interaction with vendors or solution providers to how end customers perceive results.”

“Distribution’s range of value-added activities and services brings efficiency,” IDC’s Wilson observed, underscoring how the industry “helps partners put together complete solutions, manage vendor relationships, and serve customers across the solution lifecycle. It also enables vendors to have an efficient way of accessing vast partner ecosystems.

He advocates an “outside-in” perspective when we’re looking at the dynamic role of distribution. “And this is now a vital skill for distributors as they plot their own business evolution. What this means is thinking more about the wider market context, thinking more about the external forces that are shaping your future, as opposed to the internal challenges that you may face. It’s really about getting that balance right moving forward.”



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Warren Chaiken | CEO, ALMO

Want to Better Understand How to Optimize Distribution Partnerships and Channel Value?

A self-paced online GTDC Distribution Certificate training course is now available with insights and detailed guidance specifically for current and prospective vendor partners. In just three to four hours, you and your colleagues can gain a new perspective on distribution and proven ways to drive results, including with channel ecosystems.

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