CDN TOP 100 SOLUTION PROVIDERS
INDUSTRY BENCHMARK REPORT

2018

ITWC The Content Experts

CONTENT

The rapidly-changing nature of the digital market is turning organizations upside down as they try to keep pace. Indeed, many predicted a gloomy impact on channel providers. Instead, this year's Top 100 Solution Providers report demonstrates that they are succeeding in turning digital disruption into an opportunity.

In its fifth year, the Benchmark Report by Computer Dealer News (CDN) is the only publication of its kind in Canada to provide a detailed snapshot of the industry.

Each year, CDN, a digital media property of ITWC, conducts an extensive survey of Canada's top solution providers to get an insider view on the current state of the business and future trends in this unique market. The resulting report provides insights on the top solutions and vendors in the industry, including an assessment of what's hot right now, and what's not.

Based on the information, CDN develops an annual Top 100 Solution Providers ranking based on revenues.

The solution providers surveyed for this report represent mainly small-to-medium sized businesses, but includes participation by large national and global firms. Respondents are managed services providers, cloud service providers, system integrators, value-added resellers and IT consultants.

The data collected for the company ranking and the report is verified and analyzed in partnership with IDC Canada, one of the nation's leading technology research firms.

INTRODUCTION

EXECUTIVE SUMMARY

Digital transformation continued to drive tremendous change and disruption in 2017. The results of the Top 100 solution providers survey demonstrates that the channel is not just weathering the storm, it is adapting to take advantage of the opportunities and is optimistic about future prospects.

Rising revenue during this period is good news for the industry. The Top 10 solution providers in 2017 together generated over half of the total revenue, with most once again moving into higher revenue ranges. Among the Top 5, CDW, Softchoice, Compugen and OnX retained their ranking, while Compu-Com took fifth place on the back of strong double-digit growth over the previous the year.

Total revenue for the 2017 Top 100 Canadian solution providers was $9.2B, up 12 per cent from $8.3B in 2016. Although there were fewer submissions in 2017, many of the leading solution providers reported significant growth rates. Mergers and acquisitions, a factor in 2016, impacted a couple of leading solution providers with OnX being acquired by Cincinnati Bell, Inc. and Acrodex by PCM Canada.

A total of 126 companies submitted this year, down from 145 participating in 2016. There are 12 new companies added to the list, which is down from 27 new submissions in 2016. Notably, eight of these new solution providers made the 2017 Top 100 list.

For 2017, 96 per cent of respondents will be looking to hire over the next 12 months.

Canadian solution providers are relying on a healthy mix of technology solutions, with an increasing focus on those services that best support digital transformation for their clients. In 2017, the top solutions provided were IT Consulting Services, Managed Services/Hosting, Security and Network/Infrastructure Design and Implementation.

More telling are the areas of anticipated growth in the coming year. A large majority project that cloud services will continue to grow, followed by security, managed hosting, IT consulting and AI and cognitive services.

Hiring prospects are more positive than ever before among solution providers.

For 2017, 96 per cent of respondents will be looking to hire over the next 12 months. The top areas of expertise where they will be looking to hire include Business Development/Sales, followed by Security and Cloud.

The top customer segment targets for 2017 were Government, Financial and Real Estate, Professional Business Services, Healthcare/Pharmaceuticals and Manufacturing.

2017 Rank	Company	2017 Revenue Range	Web Site
1	CDW Canada	$900-$950M	www.cdw.ca
2	Softchoice	$800-$850M	www.softchoice.com
3	Compugen	$600-$650M	www.compugen.com
4	OnX (a CBTS company)	$550-$600M	www.onx.com
5	CompuCom Canada Co.	$500-$550M	www.compucom.com
6	Long View Systems	$350-$400M	www.longviewsystems.com
7	Hypertec Group	$350-$400M	www.hypertec.com
8	Scalar Decisions	$325-$350M	www.scaler.ca
9	Insight Canada	$325-$350M	www.insight.ca
10	PCM Canada (Acrodex)	$300-$325M	www.pcmcanada.com

The Top 100 Solution Providers list recognizes new players and historical restatements when new information is made available.

CHANNEL OUTLOOK

The emerging theme from 2017 is one of optimism. Solution providers are seeing success in making the leap across the digital divide to offer higher value services that are critical to assisting clients in their digital transformations. They are also offering a diverse range of services. At the same time, significant opportunity remains open for development in third platform services, such as artificial intelligence and the Internet of Things.

THE TRIFECTA

Cloud took centre stage in 2016 and remained strong through 2017. A large majority of providers expect continued growth in cloud over the next 12 months. Consistent with market trends in Canada, most providers offer a mix of cloud services, with 70 per cent now active in the hybrid space. In identifying their current delivery mix, there is clear recognition that it is necessary to provide the full range of cloud options, with 33 per cent of their services on-premises while 28 per cent of their clients have deployed a hybrid model.

As the mix of cloud services became more entrenched in the community's portfolio, managed services and security are on the rise as a service offering. More importantly, managed services grew as a leading revenue stream for the channel, a sure sign that providers are moving up the value chain.

It is clear that this trifecta of services has become part of the basic toolkit for

solution providers and is driving growth and hiring plans for the coming year.

Top lines of business It is not surprising that, consistent with last year, the Top 100 survey results show that more than 81 per cent of respondents continue to focus on IT consulting services as a primary offering.

A more interesting trend is revealed by a tie for second place. Seventy-five per cent of solutions providers say they provide managed services and hosting, and security. In both cases, this represents a five per cent increase in the number of providers that offer these services that go hand-in-hand with cloud and digital transformation.

Network/infrastructure design and implementation continues

to rank high as an offering by 73 per cent of solution providers, but has declined slightly over the past two years.

In today's market, customers demand an always-on and high quality experience. This is reflected in a slight increase in the number of channel partners offering data/disaster recovery and business continuity services to 72 per cent.

In this year's survey, cloud services were broken down into the various types of offerings with hybrid cloud coming out on top as an offering by 70 per cent of providers. Channel providers are optimistic about the growth of cloud and the opportunity to increase their business as cloud brokers and trusted advisors on cloud deployment.

TOP FIVE REVENUE PRODUCERS

21
Managed services almost 21 per cent of revenue up from 15.4 two years ago

18
Consulting /Professional services 18.12 – up from 14 – 15 last 2 years

15
Infrastructure solutions 15.9%

11
Client solutions (PCs, printers, mobile devices 11.9)

8
Cloud steady at 8.28%

TOP REVENUE STREAMS

For the second year in a row, managed services is the leading revenue stream for the Top 100 solution providers. In 2017, it added up to 21 per cent of their overall revenue, an increase of almost 6 per cent over the past two years, clear evidence of a shift to services that support digital transformation. Revenues from the previous first-place holder, consulting and professional services, increased, to 18 per cent of the overall pie. This was followed by infrastructure solutions, client solutions (PCs, printers, mobile devices) and cloud, which held steady at just over eight per cent.

While more solution providers are offering security services, and expect strong growth in it, security accounts for only five per cent of the channel's revenue. This represents a1.5 per cent increase over the past two years, but there is still plenty of opportunity to grow.

WHAT'S HOT

When asked to identify growth areas over the next 12 months, the channel partners see cloud as the clear winner. By far the largest number, at 70 per cent, is confident that the range of cloud offerings will be a growth area this year.
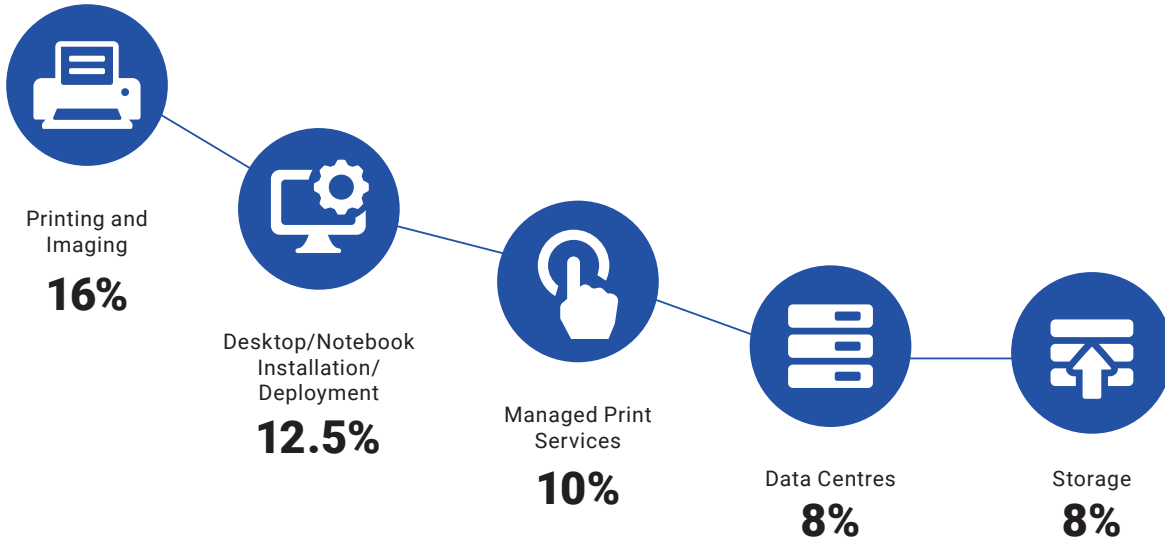
A likely spinoff of the anticipated growth in cloud is a potential rise in the sales of security services. Thirty-three per cent of respondents expect their security business to grow in 2018. Similarly, almost as many predict an increase in managed hosting services, followed by IT consulting services.

SOLUTIONS EXPECTED TO INCREASE

Cloud
70%

Security
33%

Managed Services/
Hosting
29%

IT Consulting
Services
22%

AI and
Cognitive
12%
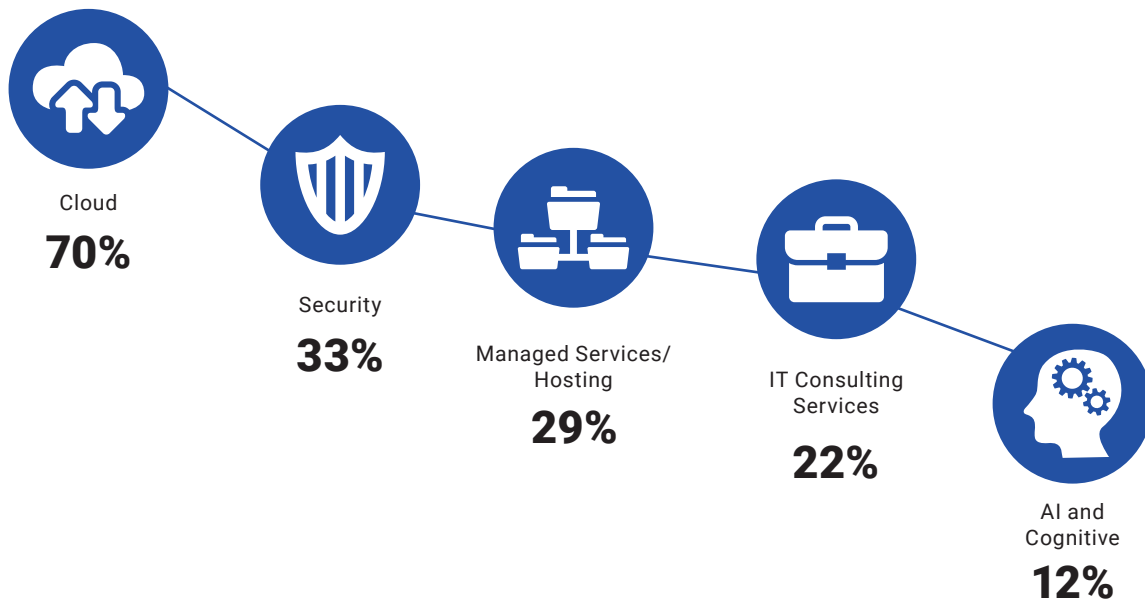
SOLUTIONS EXPECTED TO DECREASE

Printing and
Imaging

16%

Desktop/Notebook
Installation/
Deployment

12.5%

Managed Print
Services
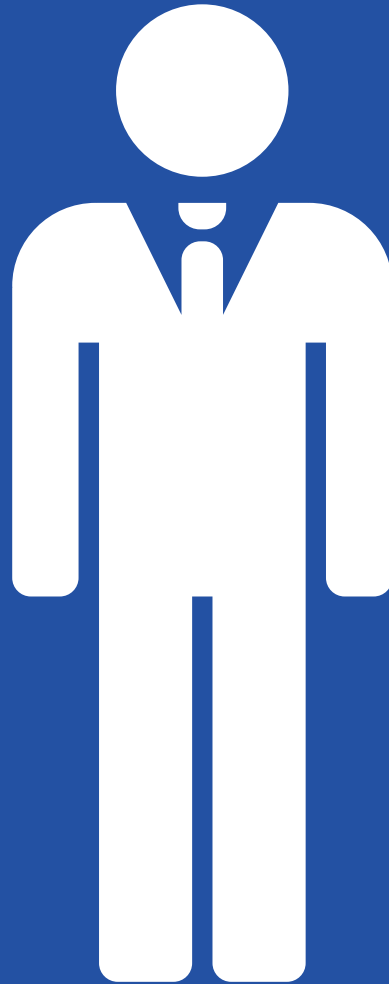
10%

Data Centres
8%

Storage
8%

WHAT'S NOT

Spending on printing and imaging is likely to fall again this year. As well, respondents project that there will be a sales decrease in desktop and notebook installation and d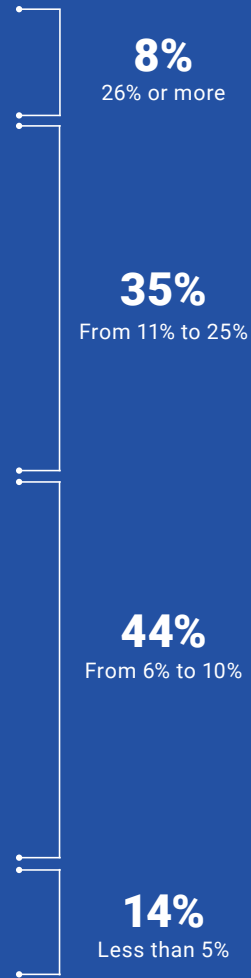eployment. New additions to the top five list of services most likely to decline is managed print services, storage and data centres.

TALENT OUTLOOK

EMPLOYMENT
Will your firm look to increase/decrease head count in the next 12 months?

8%
26% or more

35%
From 11% to 25%

44%
From 6% to 10%

14%
Less than 5%

As solution providers make the shift to selling more services, talent will play a more crucial role in their ability to differentiate from competitors. While solution providers are optimistic about the growth of high value services in the next year, they are positively bullish about their hiring plans.

Ninety-six per cent of respondents expect to hire new employees in the next 12 months, up five per cent from last year. Even more telling is that there are no bears among the respondents. No one said they plan to reduce their head count this year. What's more, the majority anticipate employee growth to be significant. Seventy-eight per cent plan to increase their staff by six to 25 per cent, while eight per cent expect to grow by over 25 per cent.
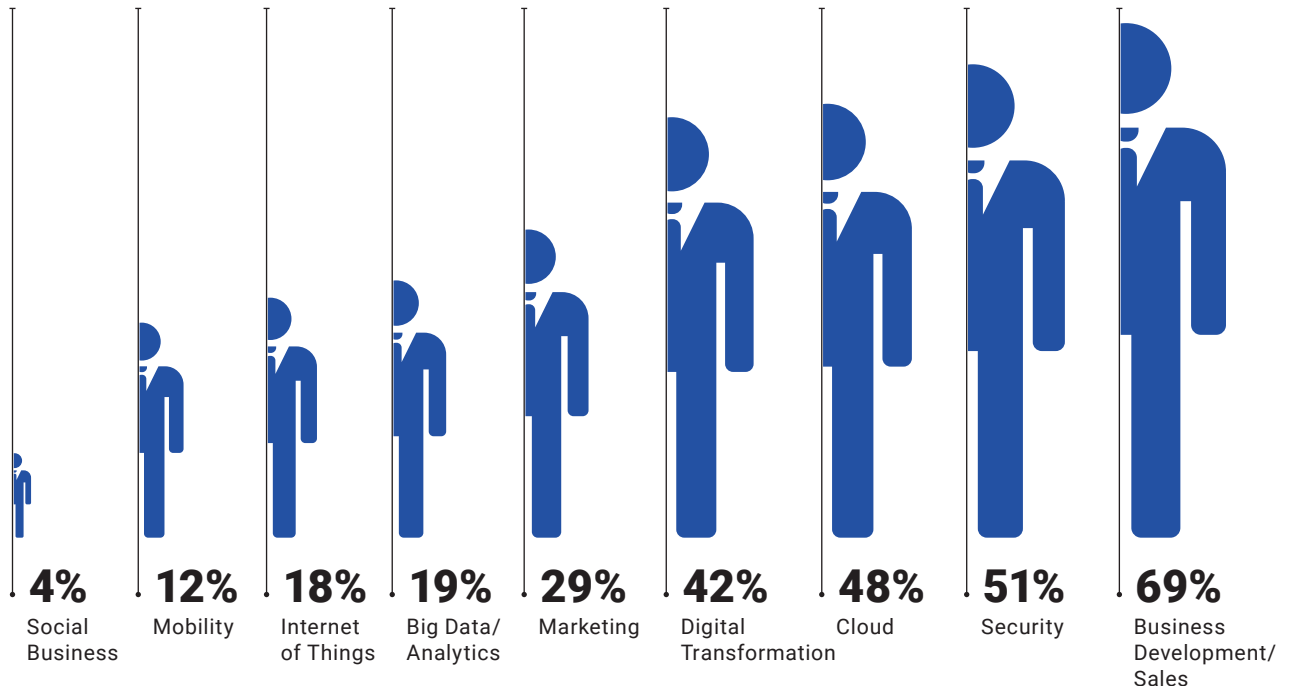
HOT JOBS

Solution providers are seeking to hire a diverse range of skills. Like last year, the top three areas for hiring are business development and sales, security and cloud.
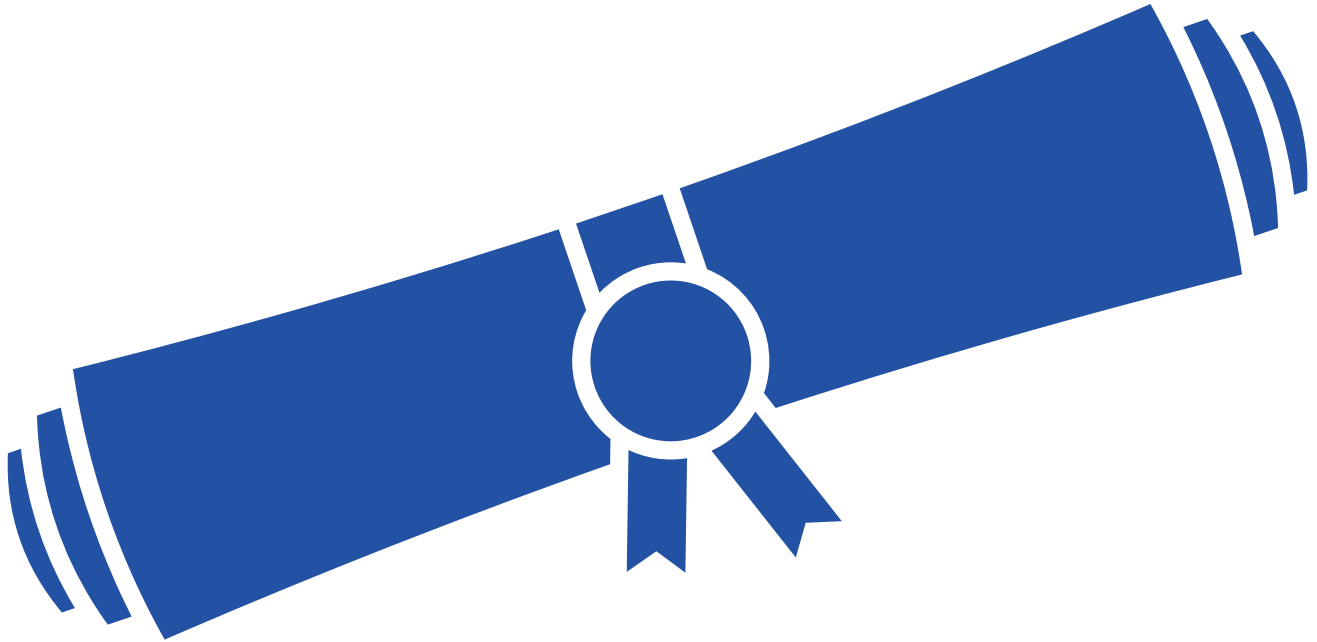
In a year that saw an unprecedented increase in security threats, including the spread of the Wanna-Cry virus and the rise of ransomware attacks, it's not surprising that security is a big growth area for hiring, up by 12 per cent over the last two years. Similarly, there has been a steady increase in the number of providers that seek skills in digital transformation, which ranked fourth on the list of areas for hiring. This includes skills in software defined enterprise, hybrid IT and converged infrastructure. Clearly, solution providers are poised to add value on the complex mix of infrastructure solutions being deployed by many Canadian organizations and to help secure them.

HOT JOBS

4%	12%	18%	19%	29%	42%	48%	51%	69%
Social Business	Mobility	Internet of Things	Big Data/ Analytics	Marketing	Digital Transformation	Cloud	Security	Business Development/ Sales

SPECIALIZATION OR CERTIFICATIONS

SPECIALIZATIONS IN DEMAND

The top specializations or certifications held by the employees of solution providers were networking, systems administrator, and cert ified system engineer. Certifications in growth areas like cloud, security and virtualization remained relatively flat over the past year, perhaps reflective of the gap in specialized IT skills in Canada. Although they remained high on the list, there was a clear decline over the past two years in the number of certified systems engineers and project managers.

PRODUCTS & BRANDS

Channel partners have been undergoing a reboot to embrace the continued trend toward "everything-as-a-service" and monthly recurring revenue models. Nonetheless, infrastructure solutions (PCs, printers, mobile devices) held steady as a revenue stream for them in 2017. According to IDC, the traditional PC market, which has been sharply declining, steadied toward the end of 2017, but remains weak. While hardware sales will continue as an essential element of the solution providers' toolkit, a greater focus will be to provide equipment as part of a broader solution or service.

TOP COMPUTING BRANDS

53%
Lenovo

49%
HP Inc

42%
Dell EMC

31%
Microsoft

21%
Cisco
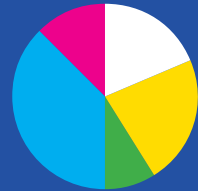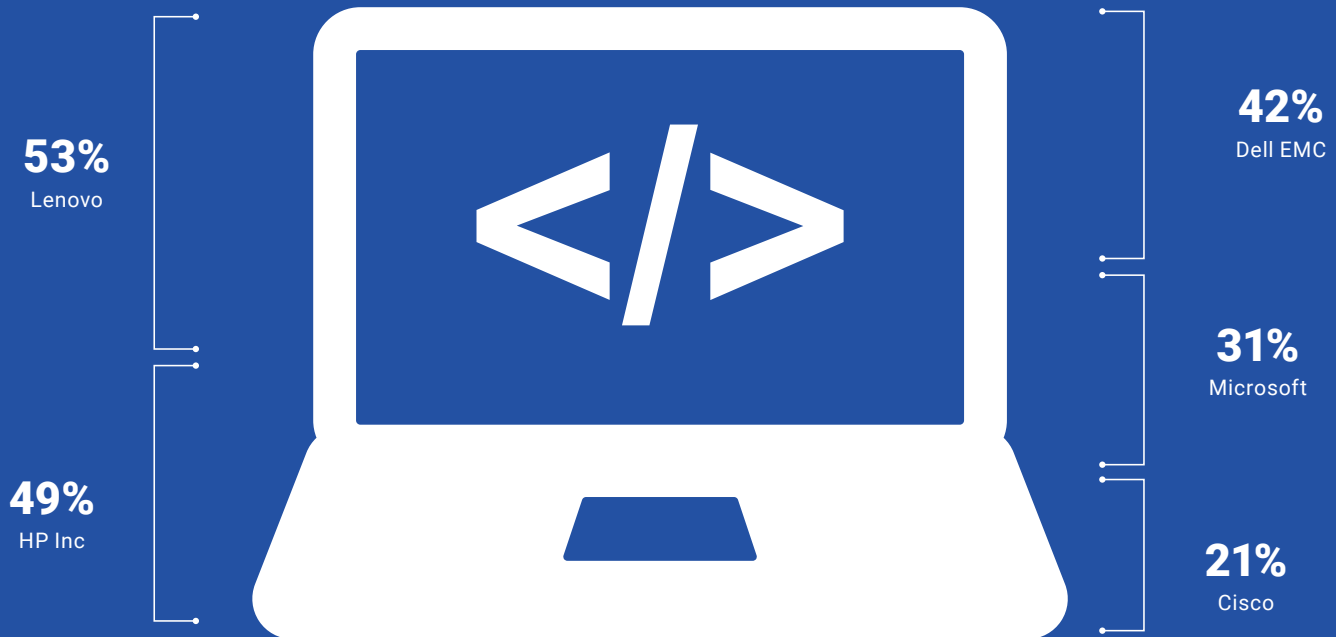
TOP COMPUTING BRANDS

Lenovo, HP and Dell EMC maintained their dominance in the computing market in 2017. During the year, Lenovo upgraded its sales incentive partner program which provided support for sales of its business-focused ThinkPads. Meanwhile, Microsoft launched a new partner program during the year fortifying sales of its Surface brand.
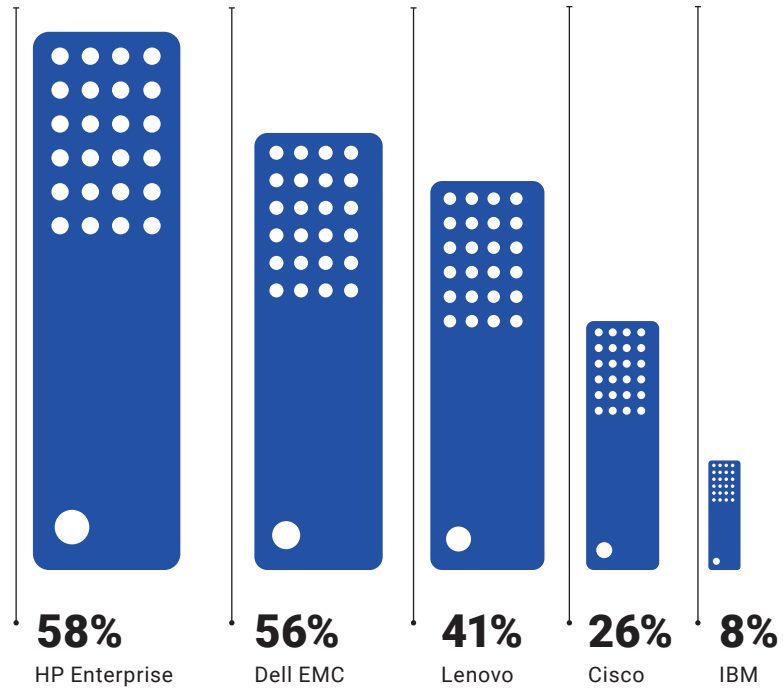
TOP SERVER BRANDS

According to IDC, vendor revenue in the worldwide server market soared in 2017 driven by demand from hyperscalers. It notes that this has had a spinoff effect for manufacturers and solution providers. The Top 100 survey shows that HP maintained its position as the dominant player in the server market. Dell EMC is now a close second with a strong surge based on synergies between its servers and storage solutions

TOP ENDPOINT SECURITY BRANDS

The meteoric rise in threats to data privacy has meant that organizations must increasingly adopt a multi-layered security defence. This provides an opportunity for trusted solutions advisors to assist organizations in implementing effective defence mechanisms. In 2017, Cisco emerged as the top endpoint security brand after increasing its focus on solutions designed to provide multiple defence points

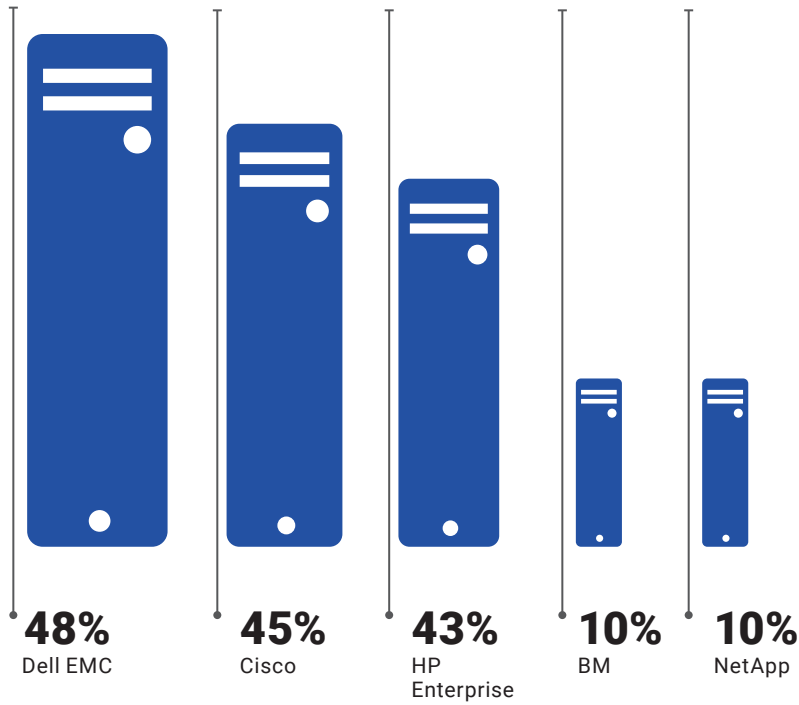## TOP SERVER BRANDS

58%
HP Enterprise

56%
Dell EMC

41%
Lenovo

26%
Cisco

8%
IBM

TOP ENDPOINT SECURITY BRANDS

26%
Cisco

18%
Symantec (Norton)

18%
Trend Micro

18%
McAfee

17%
Microsoft Security Essentials

TOP HARDWARE BRANDS

48%
Dell EMC

45%
Cisco

43%
HP
Enterprise

10%
BM

10%
NetApp

TOP MOBILE DEVICES

24%
Samsung

23%
Apple

12%
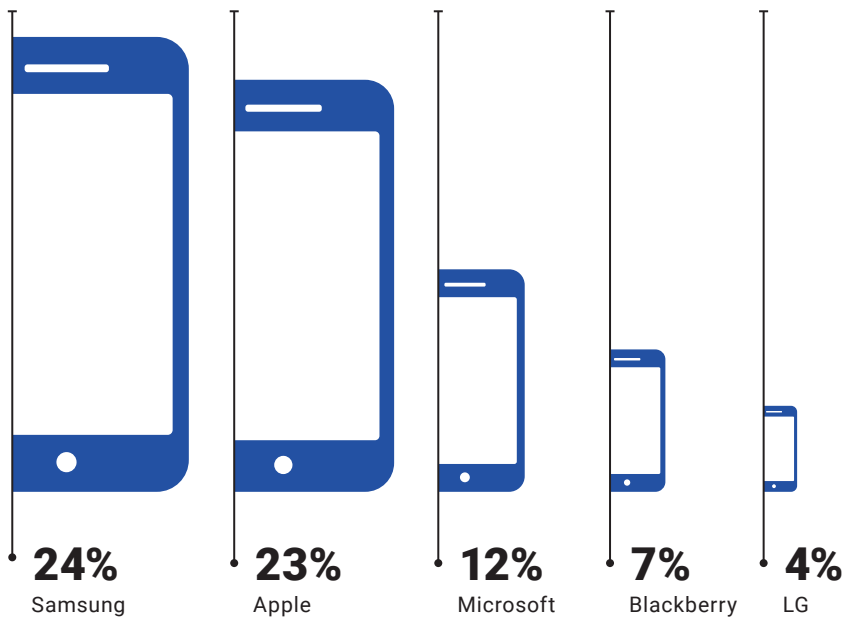Microsoft

7%
Blackberry

4%
LG

TOP HARDWARE BRANDS

Dell EMC, Cisco and HP continue to exercise control over the hardware market by a wide margin.

TOP MOBILE DEVICES

Samsung has come out on top in the mobile devices category for the first time albeit with only a one per cent margin over Apple. In 2017, Samsung increased its investment in the channel with new solution provider training and demand generation programs. At the end of the year, Samsung released a new enterprise version of the Galaxy Note 8 which will be sold exclusively through channel partners.

TOP CLOUD INFRASTRUCTURE/PLATFORM PROVIDERS

68%
Microsoft Azure

35%
AWS

12%
Google

11%
Sherweb

10%
IBM

TOP CLOUD PLATFORM PROVIDERS

With all of the major cloud players investing in Canada, Microsoft Azure comes out as the clear winner in 2017. It continues to demonstrate impres- sive market growth after launching in Cana- da less than two years ago. Solution providers overwhelmingly see cloud as a continued growth area. Indeed, IDC predicts double digits in terms of rev- enue and new clients over the next year.

PROFILE

The results from the Top 100 Solution Provider survey provide an interest snapshot of the Canadian market and of an industry in transition. Here again, channel providers demonstrate that they are adapting to the new digital age and are optimistic about the opportunities it presents.

What they do: Most respondents continue to call themselves value added resellers, although not as many as last year. Rather, an increasing number are choosing to use the title of managed services provider. Eighty-eight per cent of their firms are privately-held, with a few of the largest operating as public-ly-traded companies.

How big they are: One of the most striking results from the survey is that the all of the top 100 survey respondents plan to add new head count to their organizations in the coming year. Channel providers mirror the Canadian industry landscape which is dominated by small and medium-sized business-es. Consistent with last year's total, 62% of them have between 11 and 100 employees.

The solutions they provide: The top five solutions offered are IT consulting, managed services hosting, security, network infrastructure design and implementation and data disaster recovery and business continuity. Managed services now make up more than 21 per cent of their revenue.

How they deliver services: Canadian solution providers are delivering the full mix of cloud services. Almost 33 per cent continue to be delivered on-premises, however, there is a shift to providing hybrid services, with almost 29 per cent in that category.

Private cloud is also commonly used, delivered almost 24 per cent of the time, while public cloud is used by 16 per cent of their customers.
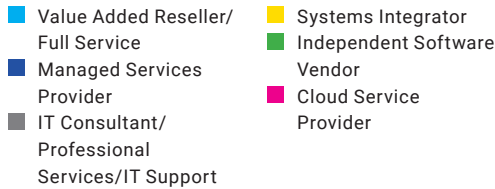
Key distribution partners are Tech Data, Synnex and Ingram Micro.
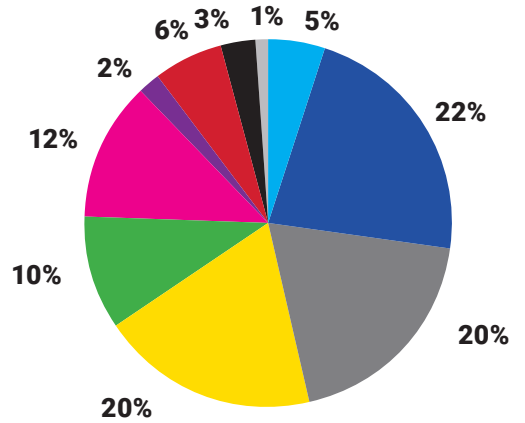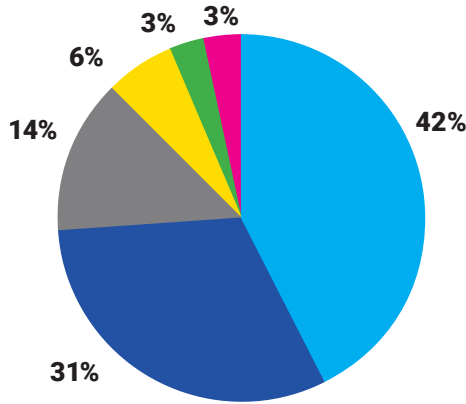
Who they sell to: The Government market has moved into top spot as the number one sales vertical for channel providers, outpacing the business sector for the first time. This reflects the pressing need for Governments to gain efficiencies through digital transformation, and, like most organizations, its challenges in retaining highly skilled workers.

While most channel partners provide solutions across a broad range of industry verticals, twenty five per cent say they earn more than 50 per cent of their revenue from one industry. That's up from 18 per cent in this category last year.

WHAT THEY DO

- 42%
- 31%
- 14%
- 6%
- 3%
- 3%

- ■ Value Added Reseller/ Full Service
- ■ Managed Services Provider
- ■ IT Consultant/ Professional Services/IT Support
- ■ Systems Integrator
- ■ Independent Software Vendor
- ■ Cloud Service Provider

THEIR SIZE

- 5%
- 22%
- 20%
- 20%
- 10%
- 12%
- 2%
- 6%
- 3%
- 1%

- ■ 10 and under
- ■ 11 to 25
- ■ 26 to 50
- ■ 51 to 100
- ■ 101 to 200
- ■ 201 to 500
- ■ 501 to 1,000
- ■ 1,001 to 2,500
- ■ 2,501 to 5,000
- ■ 5,001 and over

VERTICALS THEY SELL INTO

Vertical	%
Governments (3 levels)	41%
Financial/Insurance/Real Estate	38%
Professional/Business Services	38%
Healthcare/Pharmaceuticals	36%
Manufacturing	34%
Education (all levels)	30%
Retail/Wholesale/Distribution	29%
Non-Government Public Sector	21%
Oil & Gas/Energy	12%
Transportation	10%
Communications Services	8%