DISRUPTIVE GROWTH

January 2014

The disruptive influences of cloud, BYOD, Big Data etc are irreversible and are defining the future

While the global markets are expected to get a shade better this year, the growth in the Technology industry are being led by new technologies like SaaS apps, mobile devices and tablets, analytics and big data, and smart process apps , according to the research agency Forrester. The conventional Technologies are anticipated to continue lackluster growth.

The Middle East, counted among the emerging markets, although much smaller in size than Europe or the US, are expected to contribute to the recovery through some significant rebound. The mood is especially upbeat in key GCC countries, driven by government led initiative as well as growing private sector entrepreneurship and sizeable investments.

"Reports have already suggested that the ICT industry is predicted to experience healthy growth in 2014, with IT spend in the region on the rise. Additionally, the IT industry across the region has also been experiencing a 'disruption and transformation' because of four megatrends that we see dominating in the near future: Mobility, Social, Cloud and Data," says Goksel Topbas, Server & Tools Business Group Lead at Microsoft.

The megatrends he refers to are Mobility, social, cloud and Big Data. These disruptive trends are already established but the extent would be more decisive this year.

He adds, "70% of CIOs see mobile as the most disruptive technology over next decade and by the end of 2013 alone, a third of all new application development targeted a mobile form factor. Social is of course a key trend and social networking is now expected not only to follow people, but also appliances, devices and products; it is estimated that 57% of enterprises will be invested in enterprise social this year. From a Cloud perspective, Cloud services will fuel business and economic transformation across all MENA countries, delivering cost-effective, flexible access to enterprise-class ICT and accelerate associated business benefits of information access, storage, new ways of working and ROI. On the Data front, spending on Big Data is expected to increase from $10 billion in 2013 to $20 billion 2016."

The SMB is a key sector in the region, with new starts-up ventures as well as many of the earlier start-ups now well into a phase of consolidation. These companies are poised to leverage adoption of new technologies that can optimize costs of operations as well as productivity.

Fadi Moubarak, Channel & Mid-Market Director MEA, India & Turkey, Avaya mentions that while some of the top trends facing organizations in the region are the adoption of cloud and virtualization, mobility, and BYOD, he sees Video technology as a trend factor in 2014.

He says, "Companies throughout the region and the world are embracing video solutions to hold international meetings and events as well as managing customer service issues more effectively. Avaya, which offers all of these solutions, is therefore a provider of choice for companies of every size throughout the region."

Avaya is witnessing the highest potential uptake in medium-sized enterprises. This is for two reasons as Fadi points out.

He says, "They have the most to gain from the benefits that new technology can offer, and in many ways they are the most flexible when it comes to adopting technologies like these. Medium-sized enterprises are often very active in the marketplace, using dynamic, mobile, and highly-engaged employees to grow the business, which makes them prime beneficiaries of efficient cost-reduction communications strategies. They are also in need of robust interaction between their customers, suppliers, and offices – on a more uncompromising timeframe than are many larger enterprises. We find these businesses to be dramatically benefitting from UC, especially Video Conferencing."

Over the past few years, Information Security has become an integral consideration for customers and companies. This is only getting only more defined as security threats keep proliferating. Gregg Petersen, Veeam's Regional Sales Manager in the Middle East mentions security as a growth area along with Disaster Recovery and the Cloud.

He says, "The number one priority of majority of customers is security. Recently there have been several security issues that have raised awareness around security risks. At the moment Disaster Recovery (DR) is achieving more attention. Companies realize now that there are DR solutions out there that are not expensive and they can achieve this without investing in more and more IT skills. Finally the cloud journey will continue with server virtualization gaining momentum. Customers have realized major savings and much better SLA's with server virtualization and therefore are making this a high priority."

According to him, the region is moving along very nicely with continued investment in virtualization, security, big data, DR and backup and recovery. More customers are finally adopting a dual vendor strategy for backup and recovery. 2013 was arguably a year of significant growth for Veeam in the region and the company expects 2014 to be no different. Veeam saw Modern Data Protection of Virtual Environments-a trend bound to accelerate- gain significant growth last year as customers realized the value in adopting a dual vendor approach for virtual and physical.

Peterson adds, "Customers are finally realizing that virtualization and physical server environment are very different and need to be treated as such. It is a disruptive way of thinking but something all our customers see the value in."

Andrew Calthorpe, CEO, Condo Protego, a leading systems integrator in the region observes in his forecast for the year that there is a growing demand and awareness of disaster recovery solutions.

He says, "In 2013, we saw increasing numbers of Middle Eastern SMEs start to take on serious disaster recovery (DR) and business continuity (BC) solutions. Expect 2014 to continue this trend in a much bigger way."

The strategic importance of the network is continuing to grow. However, there's also a perception that the network is increasingly becoming a bottleneck to keep pace with growing expectations of performance.

According to Dimension Data's CTO, Ettienne Reinecke,"Given recent advances in data centre automation and virtualisation, the tables have turned. Networks are now under pressure to keep pace. The good news is that we're at the dawn of a revolution in the world of networking, spearheaded by the rise of software-defined networking (SDN). SDN delivers high levels of abstraction and allows networks' data and control panes to be decoupled. Services are no longer embedded in monolithic switches and routers ... and in the future it's possible that a large percentage of network services will be software-invoked."

Cloud adoption

Gartner predicts the Middle East and North Africa (MENA) region is projected to experience one of the highest global growth rates for public cloud services, increasing from 2012 to 2013 by 24.5% to USD 462.3 million. The UAE's cloud market in particular is primed for annual compound growth of 43.7% until 2016, according to a recent report from technology-focused market intelligence firm IDC.

"The region's relatively slow cloud uptake may have afforded a certain degree of breathing space, but even the briefest glance at the horizon suggests it is going to get very cloudy, very quickly in the coming years," says Calthorpe.

"Cloud computing in MENA will take on a number of forms be they public, private or hybrid applications. Adoption must be carefully planned and implemented. Cloud computing can be powerfully augmented with existing infrastructure and embraced as appropriate. It shouldn't be seen as a drastic, scary change - it should be a gradual and seamless evolution to greater efficiency, flexibility and cost-savings."

While it is understood that the cloud comes with various benefits to end users as it works on an Opex model with no upfront costs and reduced complexities with easier setup and scalability, Fazi rues the fact that the end user awareness is on the lower side when it comes to benefits of cloud computing which is impacting adoption rates.

He comments, "Customer awareness with the cloud benefits is still on the lower end, and more market education is definitely needed which happens to be the responsibility of Service providers. I believe service providers should more actively promote cloud benefits and contribute more into market awareness to ensure the message is received and understood by their customers, this will increase cloud adoption."

The Public cloud is seeing significant adoption. According to IDC research, over 70% of CIOs will embrace a cloud-first strategy in 2016.

Goksel says, "The cloud's power can fundamentally change the way in which businesses operate and compete. It will certainly impact the market and we see it as a complete game changer, and the hype is translating into increasing uptake of services across the region. IDC has even predicted that global spending on public cloud services will approach US$100 billion in 2016."

There are roadblocks when it comes to cloud deployments according to a report from 451 Research. While IT roadblocks have declined, non-IT roadblocks have increased. A number of issues, mostly revolving around people, processes, budgets, time, politics, security challenges, contractual agreements and change management issues, affect the cloud adoption rate. Regulatory and compliance issues, particularly as they pertain to a cloud environment, are another pain point.

Goksel adds, "Like any new technology, some areas of uncertainty around the cloud and especially public cloud remain. We see that the technology industry, users of cloud services, and governments must agree on certain core cloud privacy practices that span across industries and are harmonized across borders. Such agreements will provide greater clarity and predictability for individuals, customers, and cloud providers."

Prospects for the SI channel

The SI channel is today confronted with a challenging scenario of staying apace with faster technology changes and expectancies of clients. On the other hand, there is a great opportunity to take a significant leap by building expertise

in key domains that are already identified and are expected to continue growth.

"System Integrators and the channel at large is also experiencing the transformation that the entire IT industry is going through, influenced by the four mega trends. Mobility, Cloud, Social and Big Data proliferation are trends that the channel will need to address through technology innovation, "says Goksel.

He adds, "The industry is constantly evolving and I believe there is a place for start-ups and smaller system integrators in today's industry. Their ability to land larger projects however depends on their individual capabilities."

The channel need to differentiate and work on demand generation as well. Those who are able to do so will find new customers rather than wait for the customers to find them.

"Their main challenge will be in differentiation. Too many SI's and resellers are simply "order takers". Whilst the customer will see a financial benefit to this, they will fail to see any additional benefit from this approach. There are definitely a few really good SI's in the local market now that seem to be moving to a more consultative and service based approach and I am sure these companies will reap the benefits of this approach.

While the bigger guns among the systems integration channel would be relying on long standing rapport with the companies they have been servicing, for continued Business, they most likely would find success. Newer and smaller integrators will have to create new approaches that can convince customers of the benefits they bring to the table and that will take some doing.

"Again there is definitely an opportunity for a start-up or smaller SI to make an impact on the market as long as they can differentiate themselves. Becoming another fish in the "order taking" pond will not lead to much success because locally the larger SI's already have those long built relationships which will help them to continue to dominate. So unless the smaller companies can create major benefit, it will remain a challenge to be successful," says Peterson.

Avaya would like it that more integrators focusing in the Unified Communication space enhance their understanding of the Business processes of customers. Avaya offers both enterprise-class and SME-adapted solutions for deployment throughout the Middle East, Africa and Turkey interesting partners companies of all sizes, according to Fadi.

He adds, "This region in particular requires open standards-based solutions that meet changing customer demands for collaboration and mobility while still keeping costs low. Avaya's partners have already made strides in the right investments as far as resources are concerned. One key area for development would be in the ability to have resources that are specialized in specific vertical industry knowledge and understanding how unified communications can enhance the business processes of their customers."

Havier Haddad, Channel and Alliances Director, Turkey, Emerging Africa & Middle East, EMCEMC predicts that like last year, 2014 will continue to see changes in the roles and responsibilities of channel businesses.

He comments, "Service Integrators will become resellers; resellers will become service providers; and end users will in many cases become service providers for their own stakeholders in addition to becoming service providers for other companies as well. This change will accelerate further due to the entrance of significant players to the storage channel, such as Google and Amazon who are proving disruptive to the channel by offering businesses scalable pure-play public cloud services that promise to meet end-user demand for IT services which can deliver more for less money. Many resellers and vendors will need to change their business models in order to remain viable in the face of this competition. "

He adds further, "It is not yet possible to say just how fast channel transformation will take place in 2014 due to one key variable: how much of total IT workloads will stay on premises versus off premises structuring the consumption model and what the channel must sell. This variable will create a great deal of uncertainty in the year ahead. "

It is anticipated that some resellers may stay with a more traditional model and limit themselves to selling on premises, private cloud infrastructures whereas some resellers will mix on premises infrastructure on premises sales with some 'as a service', off premises propositions. Others, opines Havier, will migrate completely to become service providers.

Setting the pace

Looking at the overall prospects of growth in several significant areas, the industry is poised to see a year of substantial growth. Driven by initiatives like expo 2020 in Dubai and the Soccer World cup in Qatar, there will be rising investments into the region. Companies will like to keep the pace of growth and consolidate in these economies that have an upbeat outlook.

"We expect to continue our aggressive growth plans this year, both in human resources and financially. We grew over 260% year-on-year for the second consecutive year and we are now over 25 people in the Middle East and SAARC region. We are also very proud of the fact that we gained in excess of 450 new customers just in the Middle East in 2013 and would expect that growth to be exceed this year with our larger team, " says Peterson.

Avaya's Fadi is upbeat as well for the year ahead. He reckons this could be a breakthrough year for Avaya to press ahead the advantage in a burgeoning mid-market.

Fadi says, "Avaya is now fully equipped with a number of innovative solutions and technology to enhance their portfolio and provide its partners and customers with the best solutions in the region. The Time is now for Avaya to deliver to a market that can no longer afford to wait for solutions that will provide greater ROI and Customers satisfaction. With Avaya's latest solutions in Video, UC, and Networking as well as the introduction of products and services to a massive Midmarket we believe that this is Avaya's year to provide a complete end to end solution."

2014 will be a testing year for companies that can't keep pace with the disruptive phase with the emergence of new Technologies coming further into prominence. It would be a year when the transition towards a braver and newer world will take further effect. Vendors and integrators need to figure out quite quickly which would be their focus areas for the year and pursue them single mindedly to stay in contention.