

Direction of Technology 2023: TD SYNEX Asia Pacific & Japan Ecosystem Report



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“The Direction of Technology Report reflects the voice of our partners. It serves as a valuable resource, offering a snapshot of the evolving technology landscape and the pulse of the ecosystem. With our position at the center of the technology ecosystem, TD SYNEX is dedicated to empowering partners in attaining business model agility and building capabilities essential for success in the market.”



Jaideep Malhotra
President,
Asia Pacific & Japan
Tech Data

About This Report

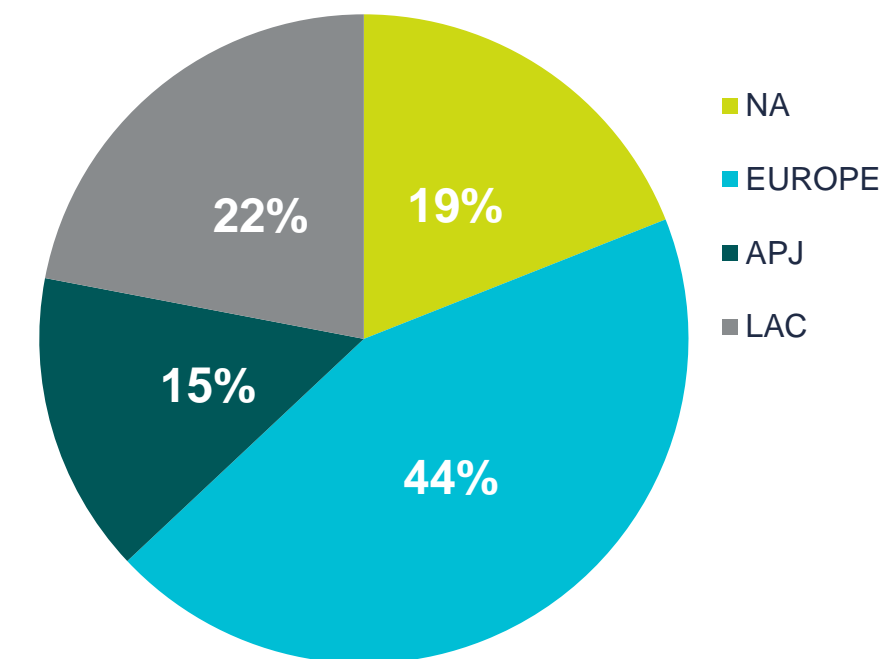
The 2023 Direction of Technology Report is the outcome of a comprehensive channel partner survey conducted between May and July 2023, using the Canalis Candefero platform.

We surveyed 550 business to business (B2B) channel partners worldwide on their business performance, views on current business models, as well expectations for 2023 and beyond.

The report provides insight on three fundamental factors:

- Anticipating and meeting end-user technology expectations
- Effectively managing technology ecosystem business operations
- Technology ecosystem engagement, enrichment and enablement

Respondents by region



Source: 2023 Tech Data Direction of Technology Report

1. The Channel Proves to be an Anchor of Stability

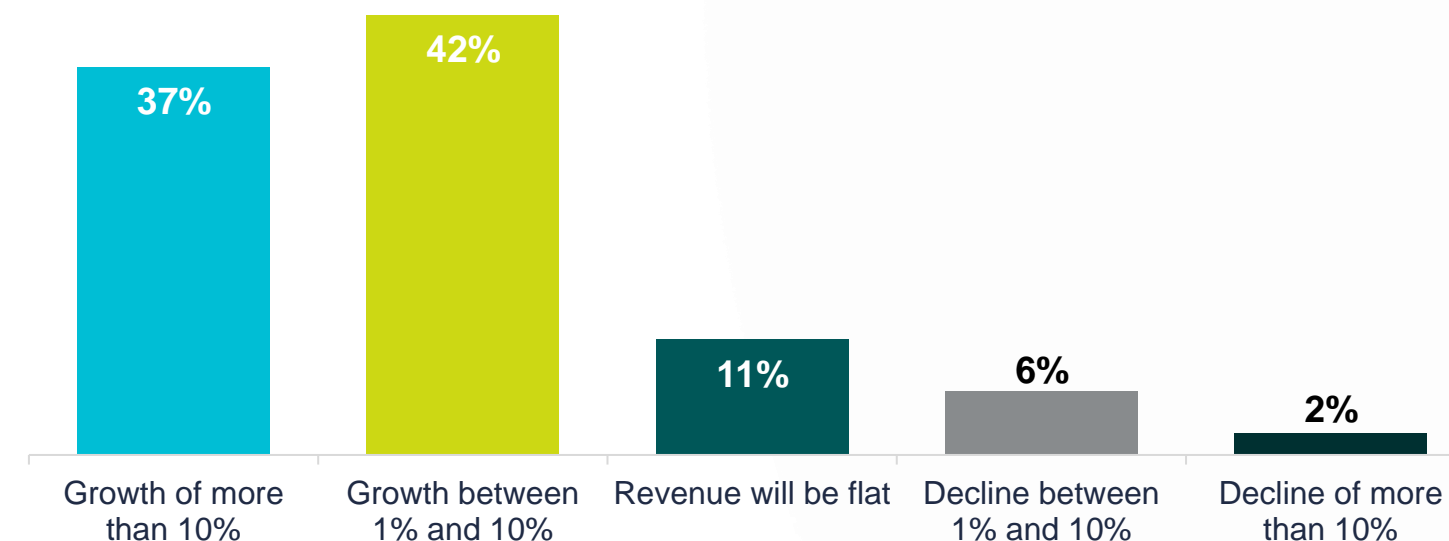
The technology ecosystem is as complex as it is critical, requiring specialized expertise from various stakeholders such as vendors, distributors, and resellers - who are all interconnected through channel partnerships.

Despite rapid technological changes posing significant business challenges, partners view the ecosystem as a stabilizing force amid this disruption. They rely on the channel not only as a resource to vet and scale new technologies, but also to obtain guidance and business solutions.



Acknowledging a decline in channel revenue expectations in the past 12 months due to the challenging economic environment, **a significant 79% of APJ respondents remain optimistic about future revenue growth.** This outlook is attributed to portfolio flexibility and the proactive approach of partners in meeting market demands, with **62% of partners intending to expand their technology and solutions offerings.** *(Figure 24)*

Partners also exhibit a continued interest in fostering ecosystem partnerships, with 48% viewing organic growth as important strategy while 36% are exploring growth opportunities through acquisitions. *(Figure 22)*



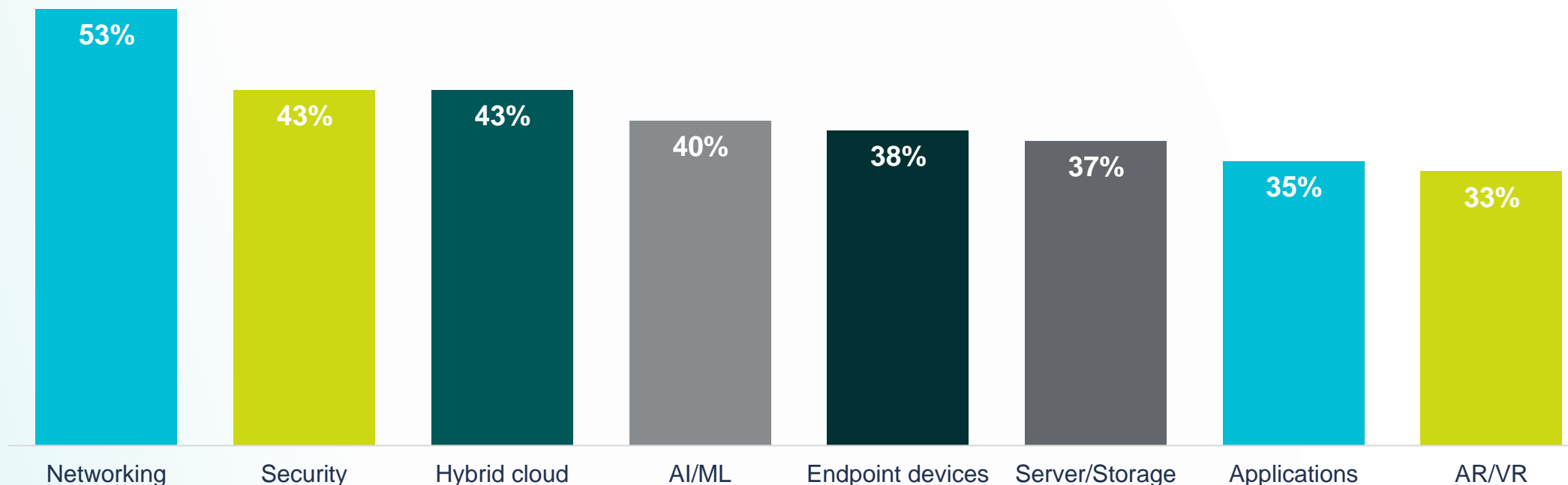
Q: Which statement best reflects your company's revenue performance this fiscal year, compared to the previous fiscal year?

2. High-Growth Technologies Continue to be Key Drivers for Business

Channel partners, recognizing the transformative potential of high-growth technologies, are strategically expanding their portfolios to align with the escalating demands for advanced solutions.

The launch of ChatGPT took the world by storm, sparking excitement and propelling artificial intelligence (AI) and machine learning (ML) to the forefront of the market. In response, channel partners were quick to seize the opportunities with **40% planning to offer AI/ML solutions in APJ within the next 24 months** – nearly double the figure compared to 19% last year. This reflects a bullish outlook on the region's growing revenue potential in these areas.

40%
**OF APJ PARTNERS
TO OFFER AI/ML
SOLUTIONS
WITHIN THE NEXT
2 YEARS**



Q: Which technology solutions do you plan to offer within 24 months?

Solution Spotlight: Tech Data Destination AI

To empower partners on their AI journey, Tech Data's Destination AI program offers a comprehensive and strategic aggregation of AI services and resources.

Partners can seamlessly access enablement assets, reference architectures and pre-validated, ready-to-deploy solutions across several use cases with leading AI vendors such as Cloudera, IBM, H2O.ai, OpenText, and Microsoft.

With our pool of experts and dedicated country teams, backed by regional solution architects, partners can leverage on AI solution demos, POC support, onboarding and training via the Data & AI Practice Builder.

The program also facilitates collaborative GTM initiatives for effective end-user engagement and lead generation.

This holistic approach positions partners for success in the dynamic AI landscape.



2. High-Growth Technologies Continue to be Key Drivers for Business

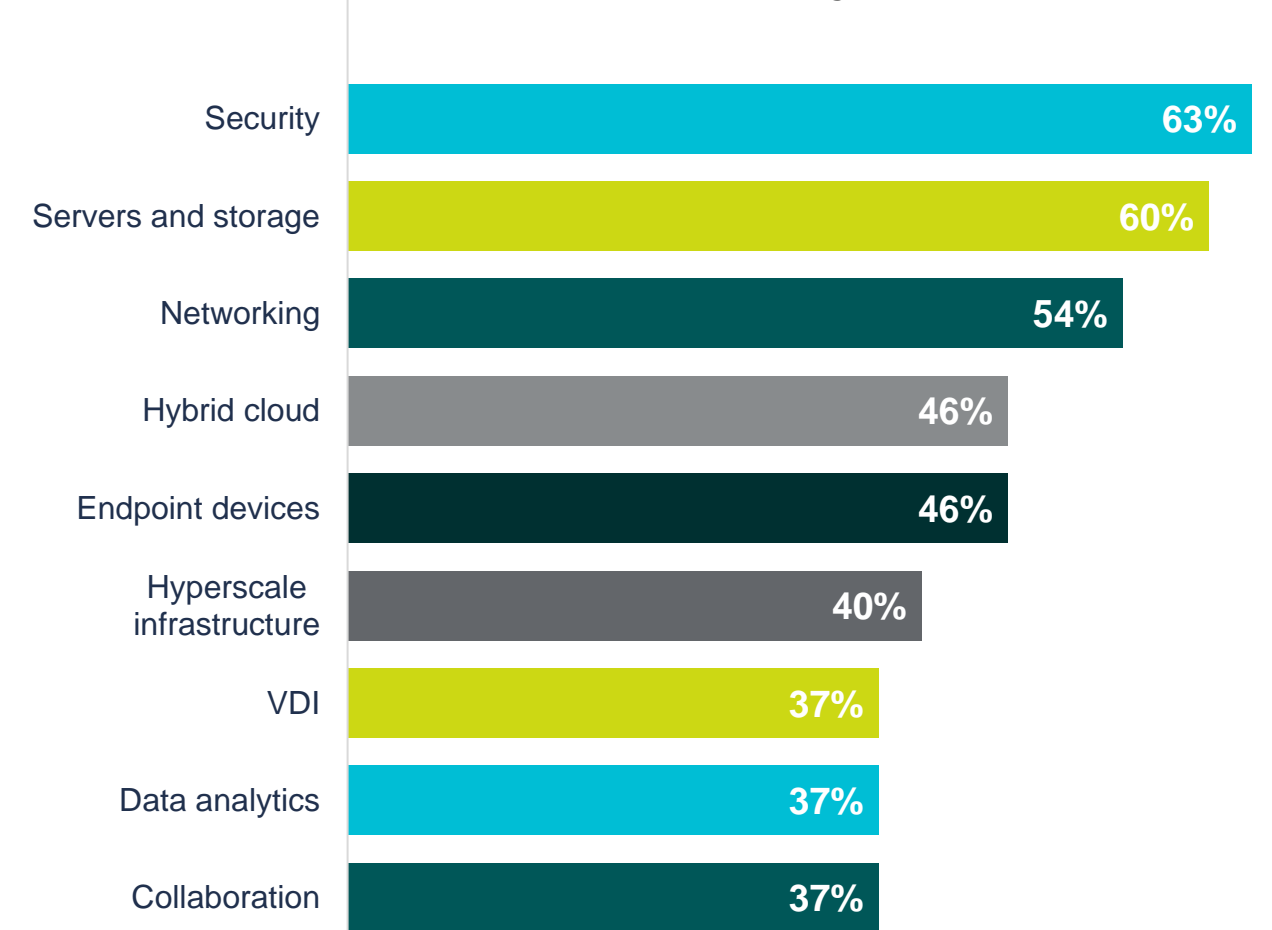
AI and ML cannot exist without accurate data, useful analytics and secure storage. Therefore, many of the more foundational offerings in the tech channel are the building blocks necessary to fully utilize new technologies like AI. Partners are appropriately focused on delivering the building blocks needed for their customers to take advantage of the potential of high-growth technologies.

CYBERSECURITY & INFRASTRUCTURE ARE AT THE FOREFRONT OF CUSTOMER PURCHASING DECISIONS

Survey findings revealed that in 2023, cybersecurity, infrastructure and networking remain key revenue drivers for APJ partners. **Security was the top technology sold for 63% of partners, while almost 50% cited cybersecurity certifications and standards as important areas to invest in within the next 24 months.** (Figure 13)

In alignment with their evolving portfolio, partners are also seeking for specific skills and support that they need to succeed. In the APJ region, **cybersecurity and networking expertise are the most in demand technology skills among partners**, with 66% saying they are recruiting in these fields. (Figure 19)

Q: Considering your business during the last 12 months, from the list of technologies, please choose all that you sell.



3. Rebalancing the Portfolio

In addition to evolving portfolios, partners are also adapting their business models to meet market demands and end-user needs. Survey findings reveal that partners are offering a different mix of business and technology solutions in 2023 compared to the previous year, and they are expecting things to be different in the future as well.

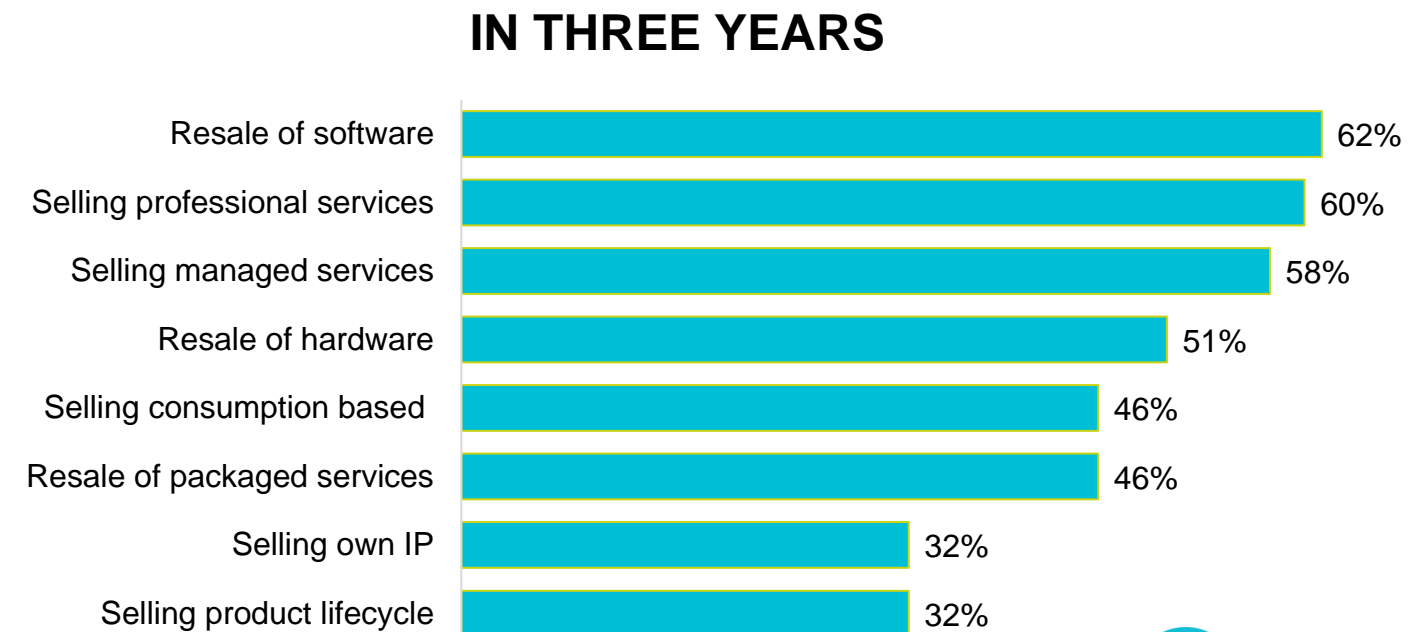
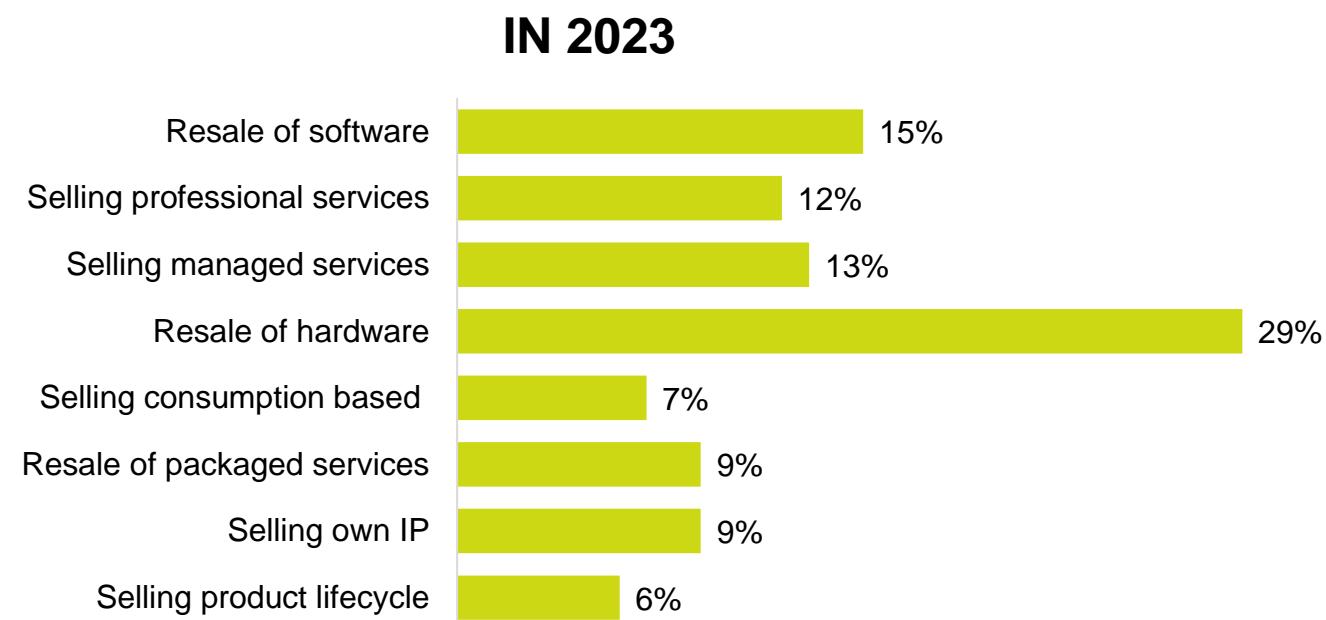
**PARTNER
BUSINESS MODELS
ARE
SHIFTING TOWARDS
SERVICES**

Services are increasingly taking an important share in APJ partners' business models as they look to make room for every type of service in their future business mix in the next three years.

From only 12% in 2023, the selling of professional services is expected to rise to 60% in 2026.

Managed services and consumption-based packages are also expected to increase to 58% and 46% respectively.

**Q: What percentage of your business is derived from the following today?
How will this change in three years?**





Solution Spotlight:

Comprehensive Cloud Services for Seamless Transformation

From strategic assessments to seamless migrations, efficient deployment, robust support, and ongoing optimization, our suite of cloud services covers every facet of cloud operations.

Tailored for diverse cloud platforms and workloads, Tech Data's services empower businesses to mitigate risk, streamline complexity, and optimize costs.

Experience the full potential of your cloud endeavors with our services and expertise.

3. Rebalancing the Portfolio

Hardware remains as a cornerstone of business in APJ constituting 29% of partners' total business. This is the highest among all polled regions (Figure 7), surpassing North America at 12% and Europe at 17%. Partners also express optimism about the future of reselling hardware, anticipating it to rise to 51% in the next 36 months. (Figure 9)

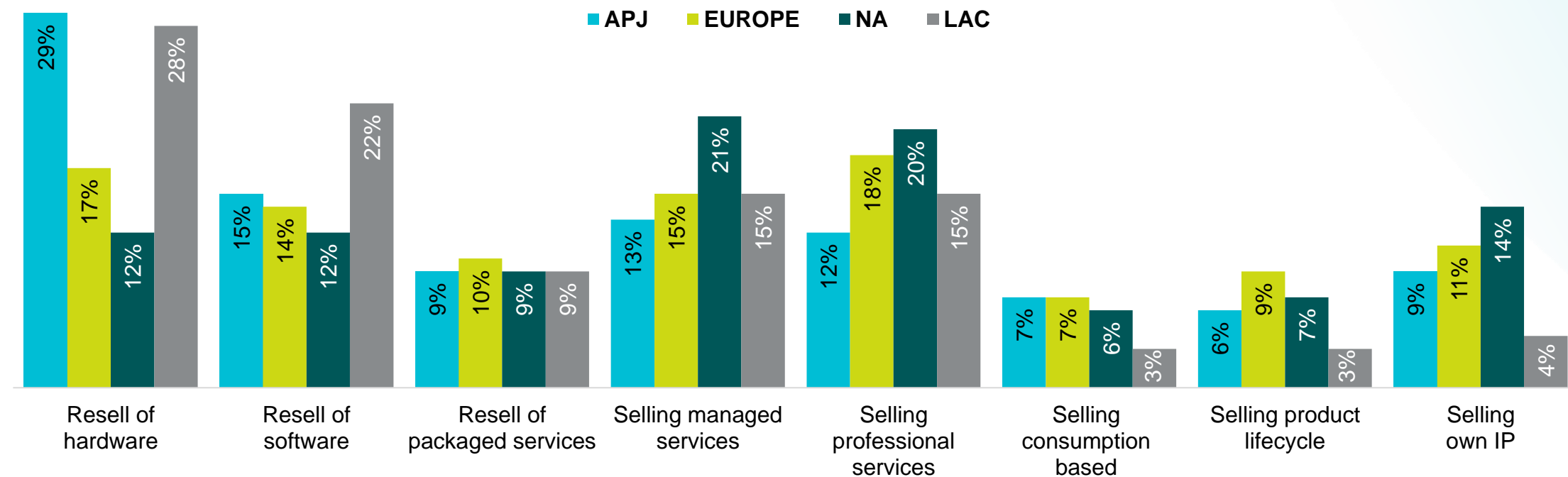
Partners' ability to shift their weight from hardware to services, with the knowledge that this may swing back, is a key differentiator in long-term success.

Additionally, there is also a notable shift in the selling of consumption and lifecycle models. From making up only 7% and 6% of partners' business in 2023, both consumption and lifecycle models are projected to grow to 46% and 32%, respectively, by 2026. (Figure 9)

The share of partners selling their IP also increased to 9% (Figure 8) compared to the previous year, and is expected to continue to rise, signaling partners' strategic efforts to increase the value they deliver to end customers.

**RESALE OF
HARDWARE
CONTINUES TO BE
A KEY BUSINESS
DRIVER IN APJ**

Q: What percentage of your business is derived from the following today?
Average percentage across all respondents.



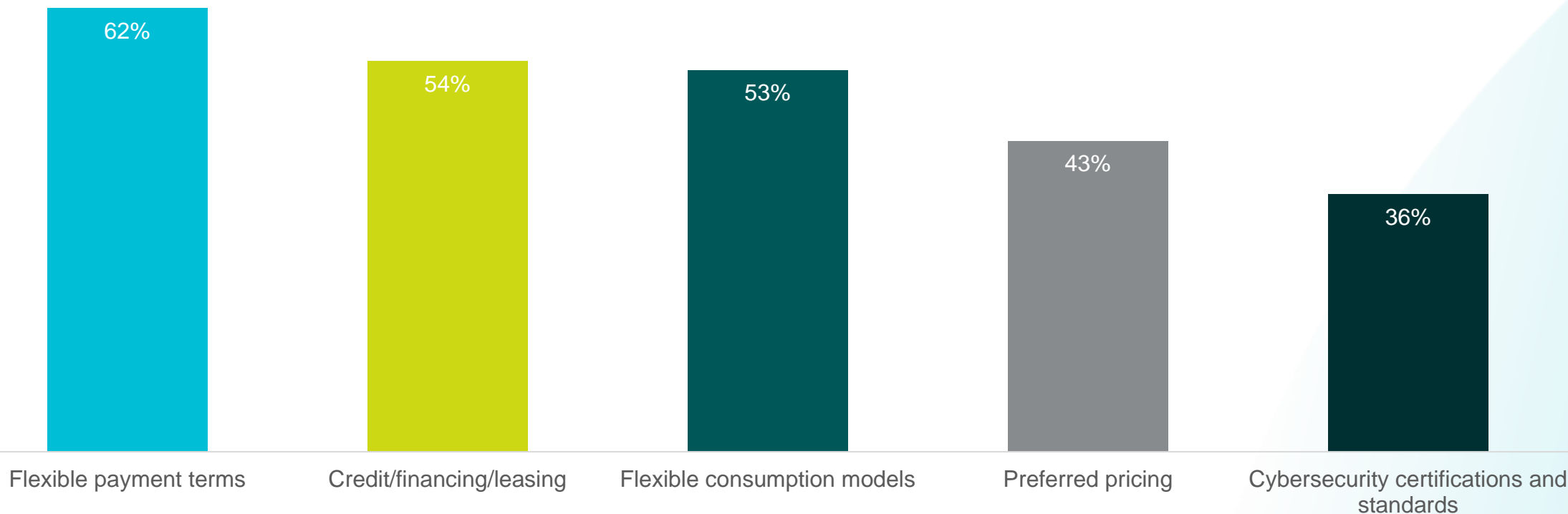
4. Driving The Business Forward

The macroeconomic pressures of recent years have undoubtedly had a profound impact on many industries.

Tech partners in APJ are **navigating increased competition and margin pressure, citing them as key business challenges.** They are also confronted with **credit and financial scalability challenges**, driven by growing demands from customers and end-users for credit and financing options. Many partners plan to increase their flexible options in the coming years with much of this to be outsourced to other partners within the ecosystem who can quickly expand and scale their available options.



Q: Consider the following business challenges, please select all that currently impact your business.



Solution Spotlight: Helping Partners Ramp Up Payment Capabilities

Tech Data's TD Capital is a dedicated financial solution team focused on offering flexible financing options to partners and end customers giving partners more opportunities to succeed and accelerating growth.

TD Capital will be available in Q1 2024.



Summary

- **79% OF PARTNERS ARE EXPECTING FUTURE GROWTH**
However, the number of partners expecting growth of more than 10% has dropped by 25%
- **40% OF PARTNERS TO OFFER AI/ML SOLUTIONS IN THE NEXT TWO YEARS**
AI/ML is a growing revenue driver for partners, increasing to 35%
- **CYBERSECURITY & INFRASTRUCTURE ARE AT THE TOP OF CUSTOMER PURCHASING DECISIONS**
Security was the top technology sold for 63% of partners
- **CYBERSECURITY & NETWORKING EXPERTISE ARE KEY AREAS FOR PARTNERS**
Almost 50% of partners cited cybersecurity certifications and standards as important investment areas
- **PARTNER BUSINESS MODELS ARE SHIFTING TO SERVICES**
Hardware remains a key business driver in APJ
- **62% OF PARTNERS AIM TO EXPAND TECHNOLOGY & SOLUTIONS OFFERINGS**
The share of partners selling their own IP has increased to 9%
- **PARTNERS ARE PRIORITIZING FLEXIBLE CONSUMPTION MODELS & TECH CERTIFICATIONS**
Surprisingly, partners are prioritizing investments in cybersecurity certifications over flexible consumption models
- **63% OF PARTNERS VIEW INCREASED COMPETITION & MARGIN PRESSURE AS KEY CHALLENGES**
59% cited credit & financial scalability as a challenge they currently face

Figure 1

Revenue expectations more muted, but still positive

Which statement best reflects your company's revenue performance this fiscal year, compared to the previous fiscal year? Please choose one.

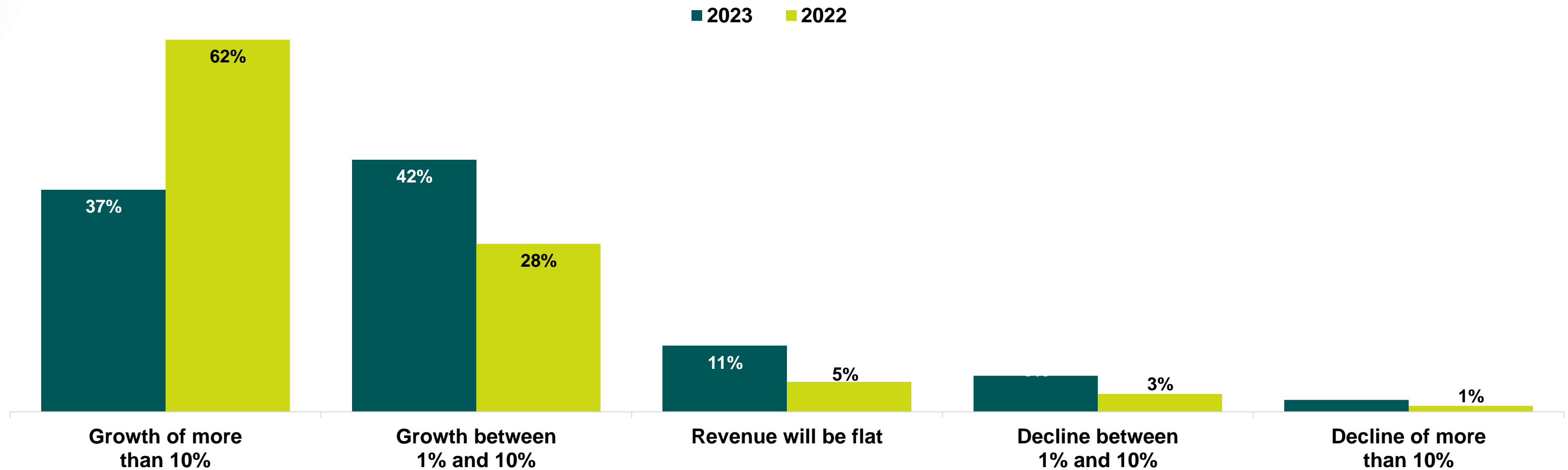


Figure 2

Half LAC partners expect more than 10% growth

Which statement best reflects your company's revenue performance this fiscal year, compared to the previous fiscal year? Please choose one

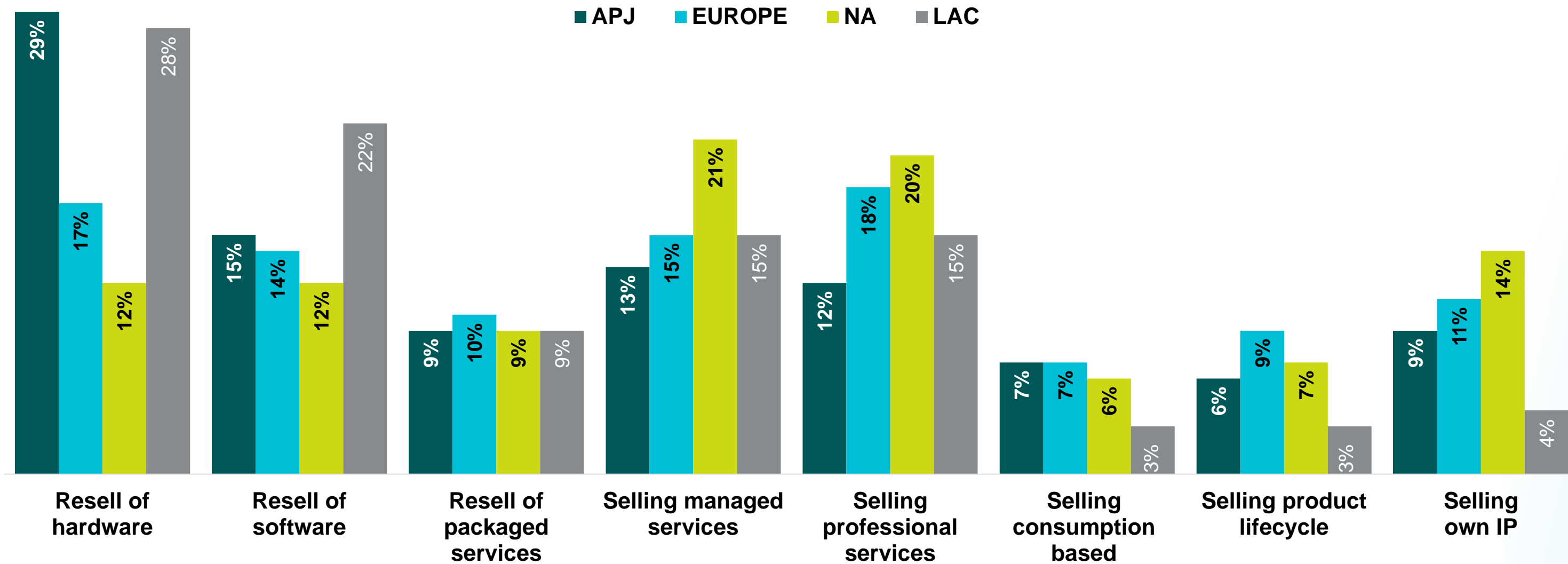


Figure 3

Security and infrastructure sold by highest proportion

Considering your business during the last 12 months, from the list of technologies, Please choose all that you sell.

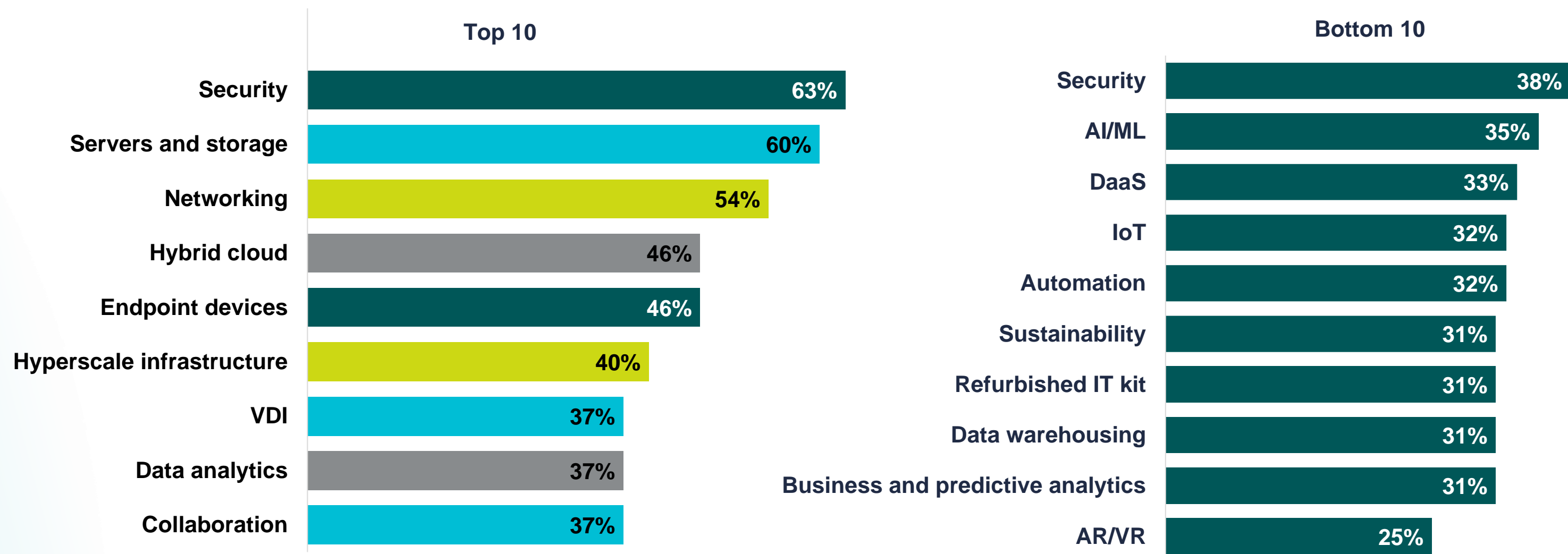


Figure 4

A broad spread of revenue drivers

Considering your business during the last 12 months, from the list of technologies, please choose the top three revenue drivers

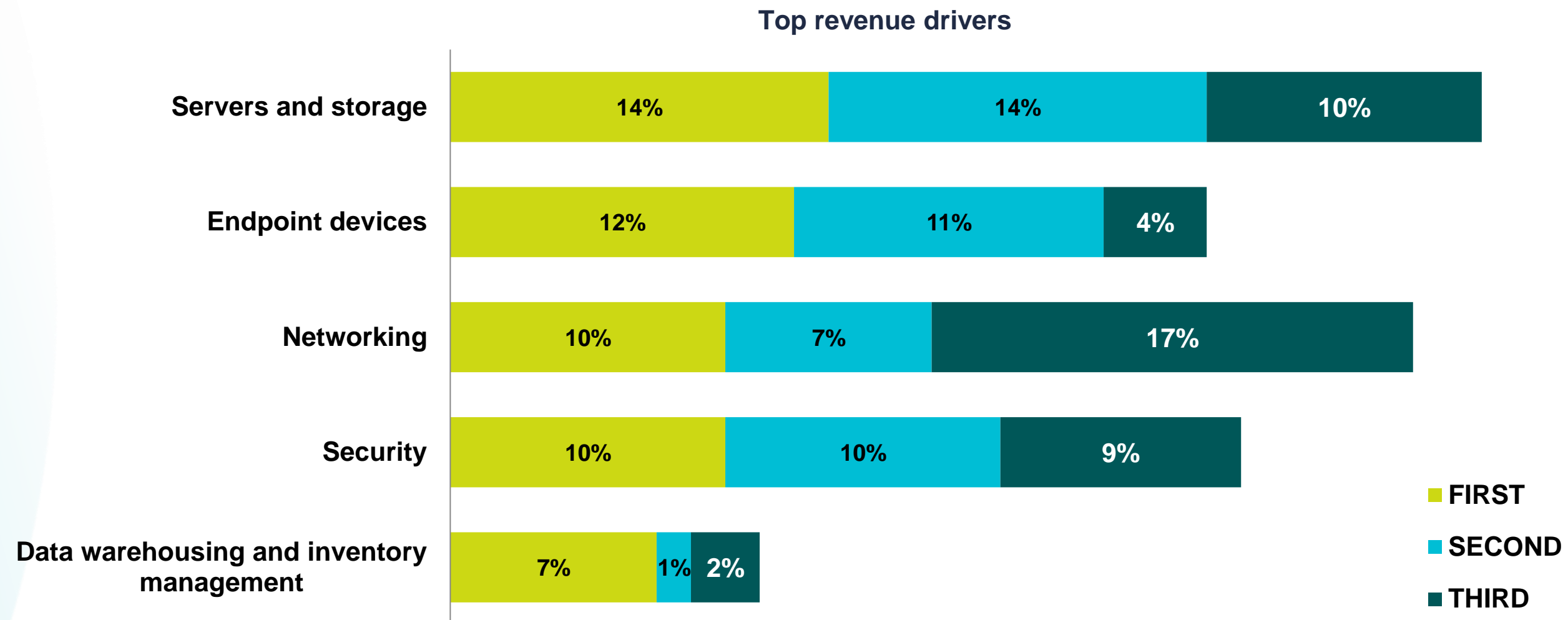


Figure 5

Networking, servers & storage important to revenue

Considering your business during the last 12 months, from the list of technologies, please choose the top three revenue drivers.

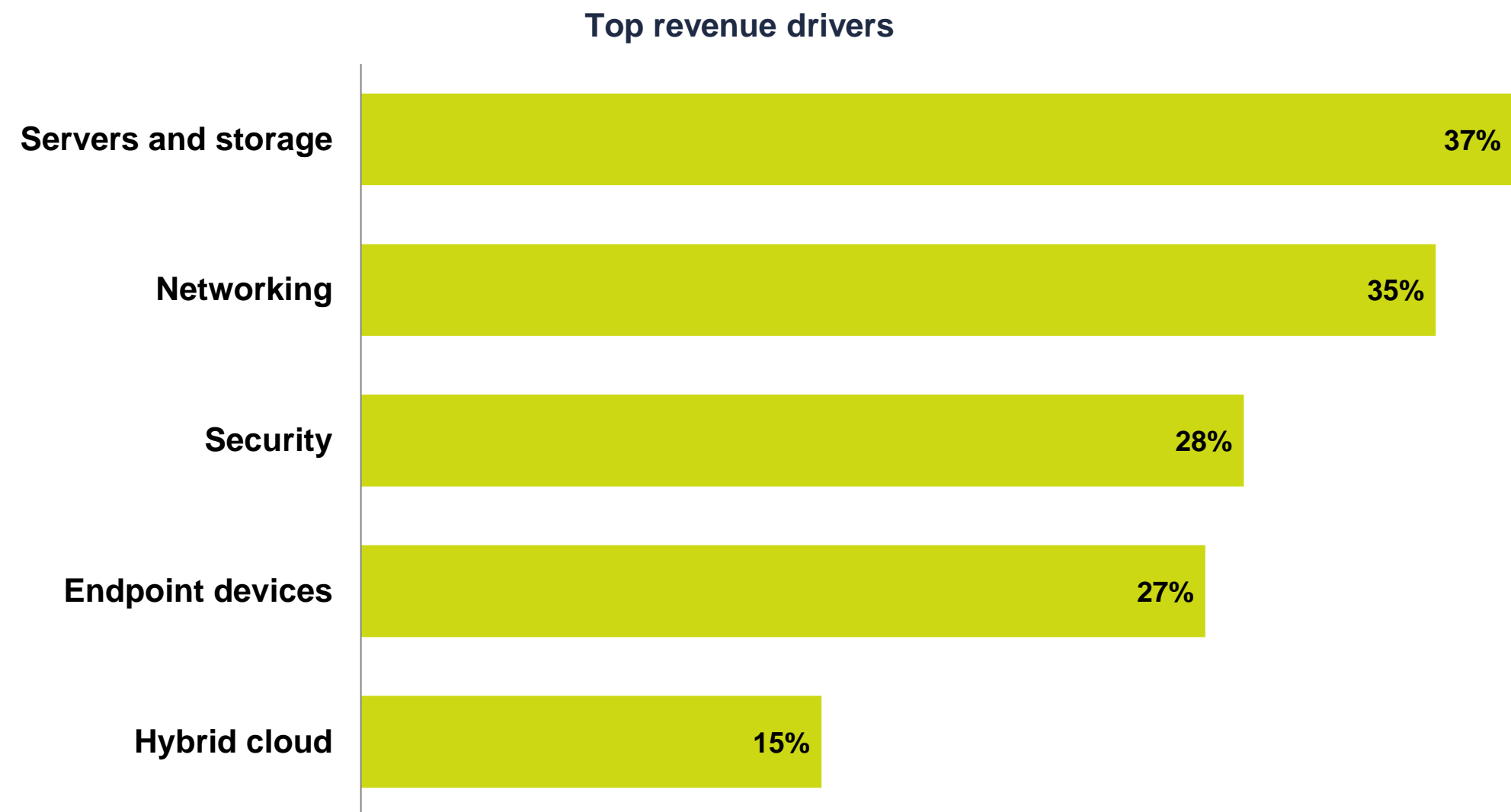


Figure 6

Cloud and 5G buildout boosts vendor-delivered

Worldwide total addressable IT market by route to market, 2023 forecast

Total IT spend: US\$4.7 trillion
Growth: 3.5%

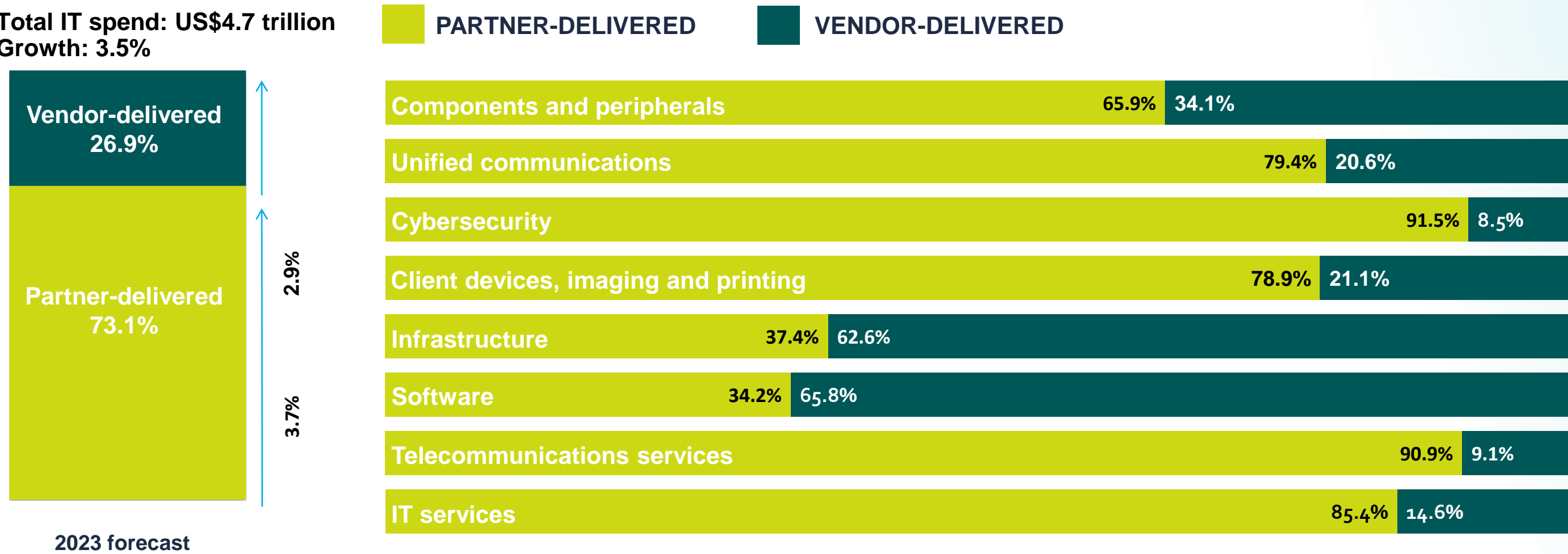


Figure 7

Analytics, AI, automation making an appearance

Which technology solutions do you plan to offer within 24 months? Select all that apply.

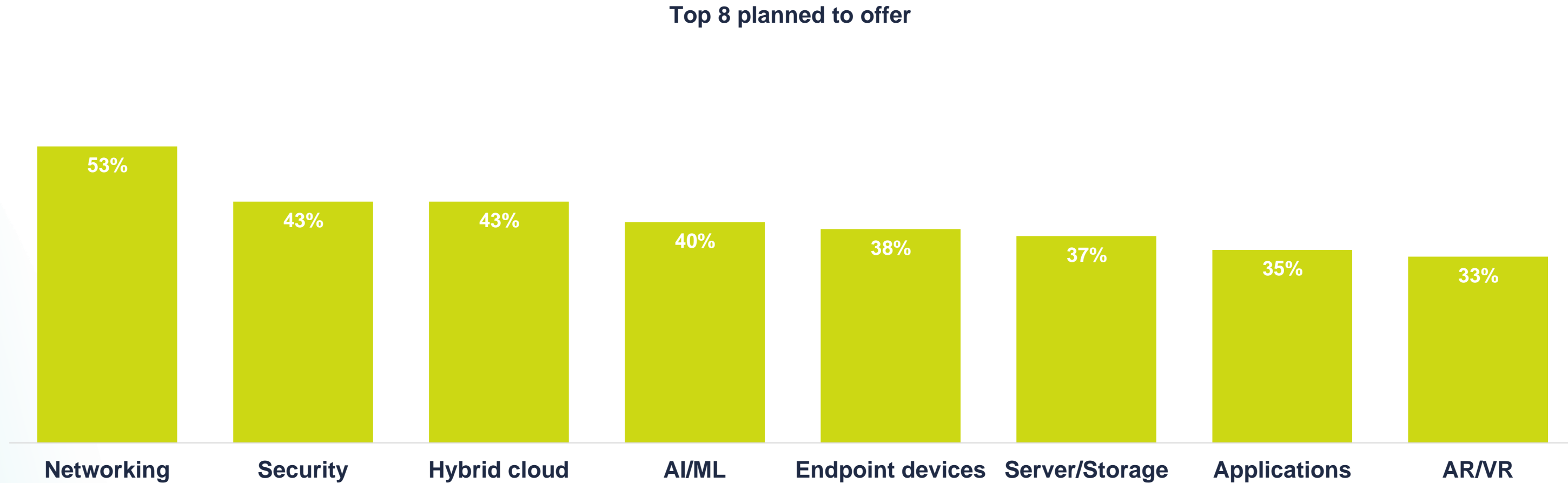


Figure 8

Services take an important share...

What percentage of your business is derived from the following today?
Average percentage across all respondents



Figure 9

...and shift to services continues in the next three years

How will this change in three years' time as a percentage of your total business?

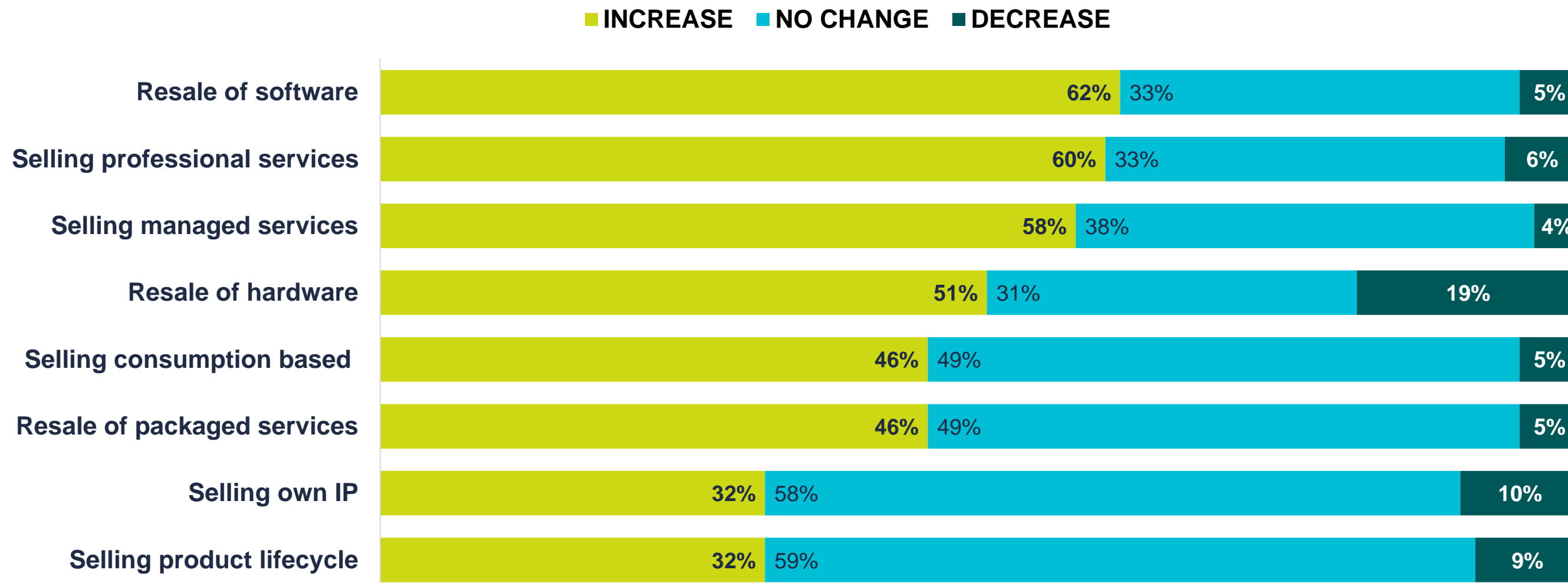


Figure 10

North American partners see greatest shift to services

What percentage of your business is derived from the following today?
Average percentage across all respondents.

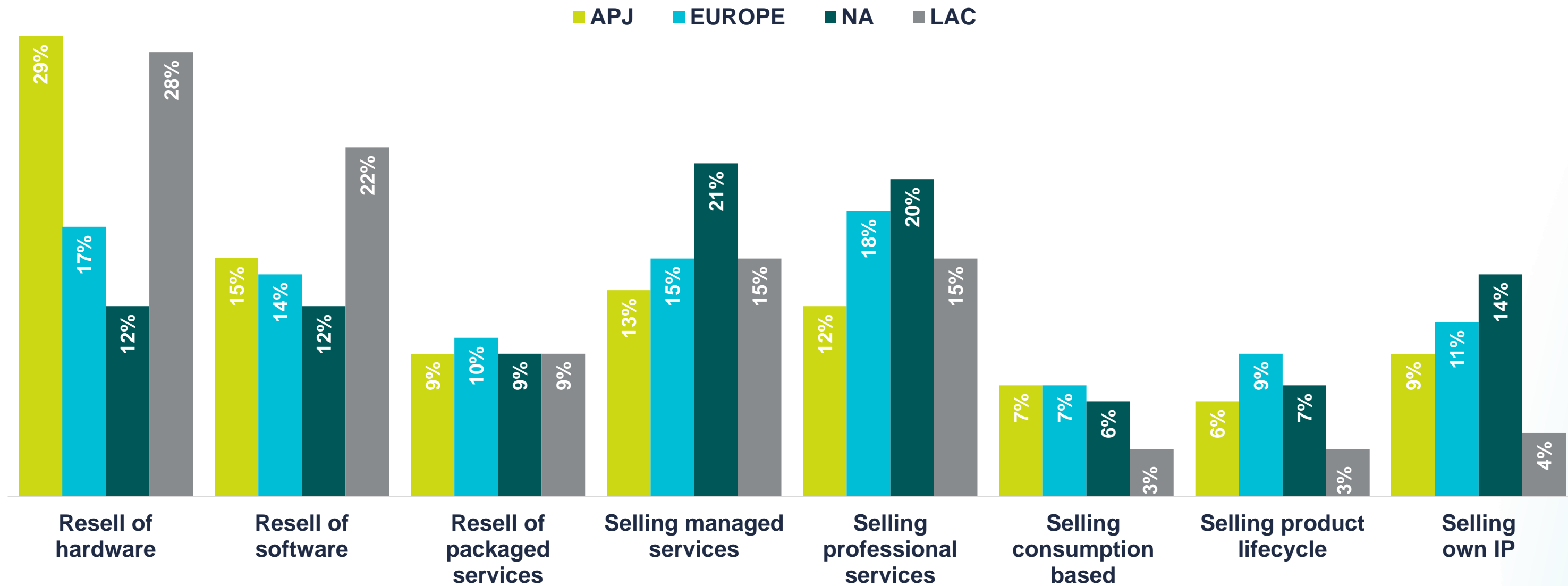


Figure 11

Financing, terms and model flexibility are vital

Which business solutions do you currently offer?
Select all that apply.

Top 5 currently offered

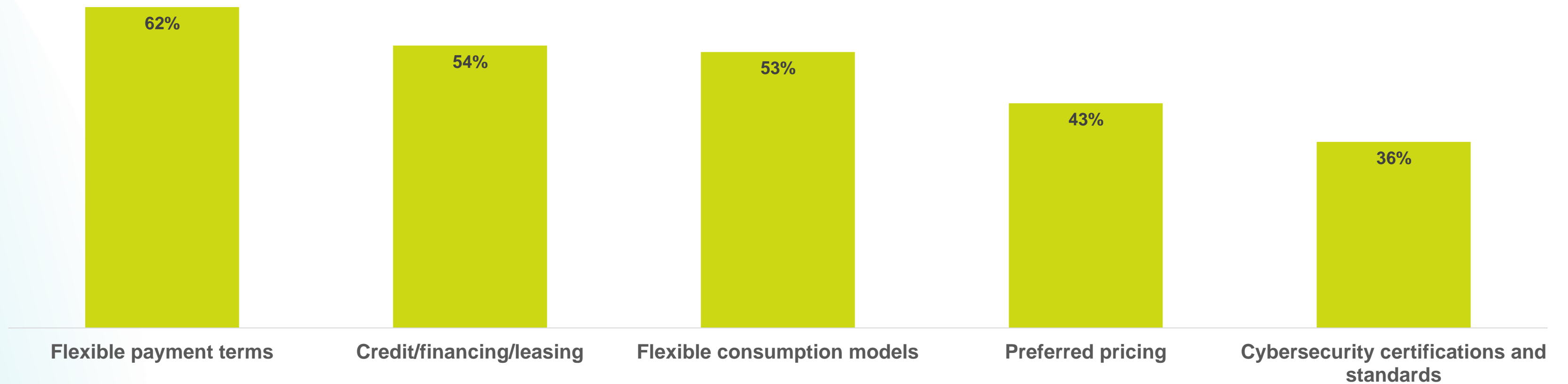


Figure 12

ESG lowest priority in APJ and LAC

Which business solutions do you currently offer? Select all that apply.

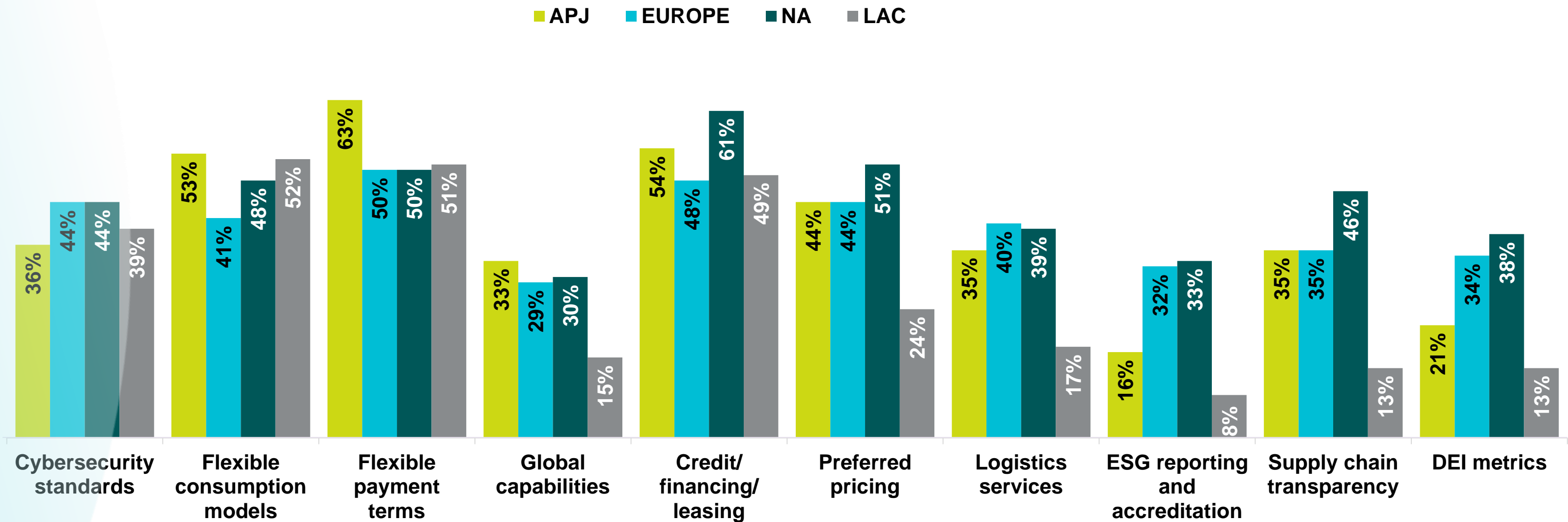


Figure 13

Partners invest in cybersecurity

Which business solutions do you plan to offer within the next 24 months?
Select all that apply.

Top 5 planned to offer



Figure 14

Business planning remains key in-house function

How do you perform the following business functions?
Please choose one option for each.

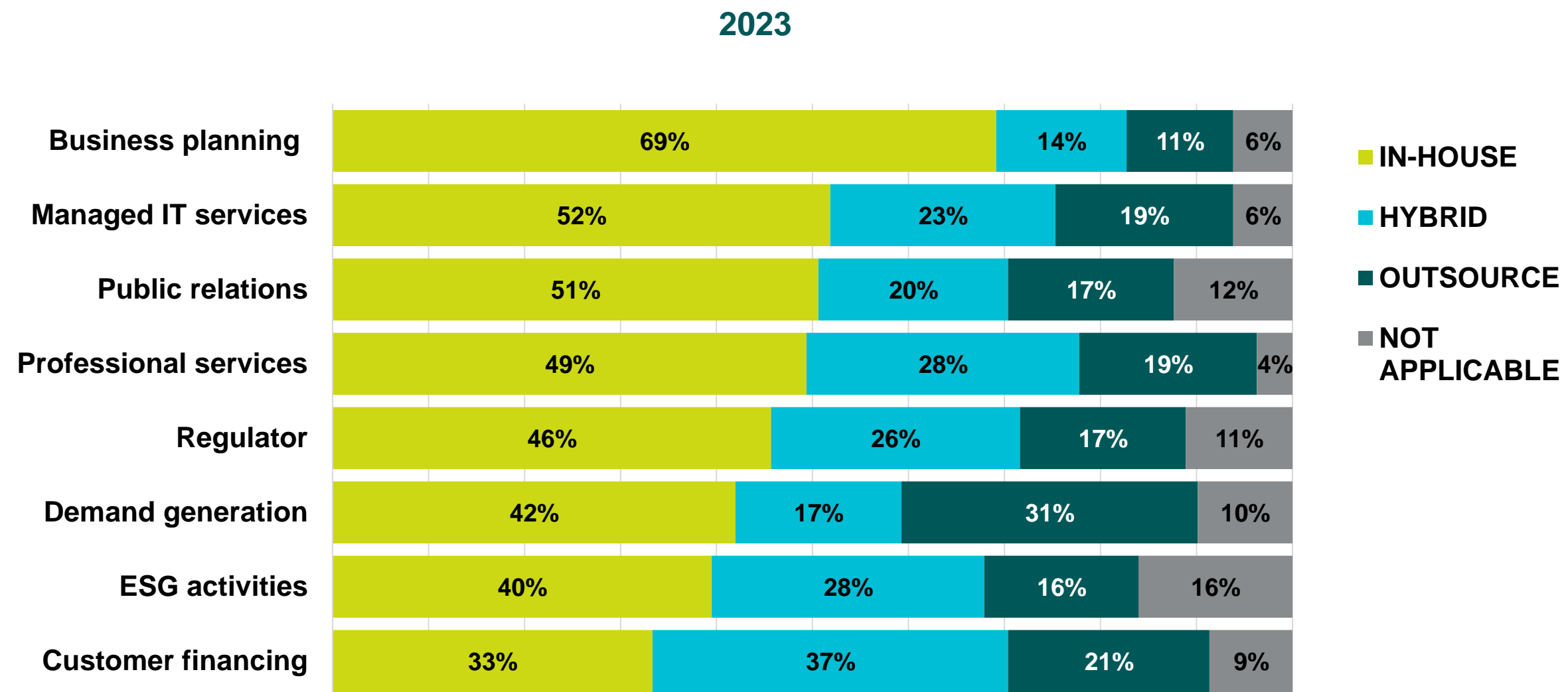


Figure 15

Partners generally outsource customer financing

How do you perform the following business functions?
Please choose one option for each.

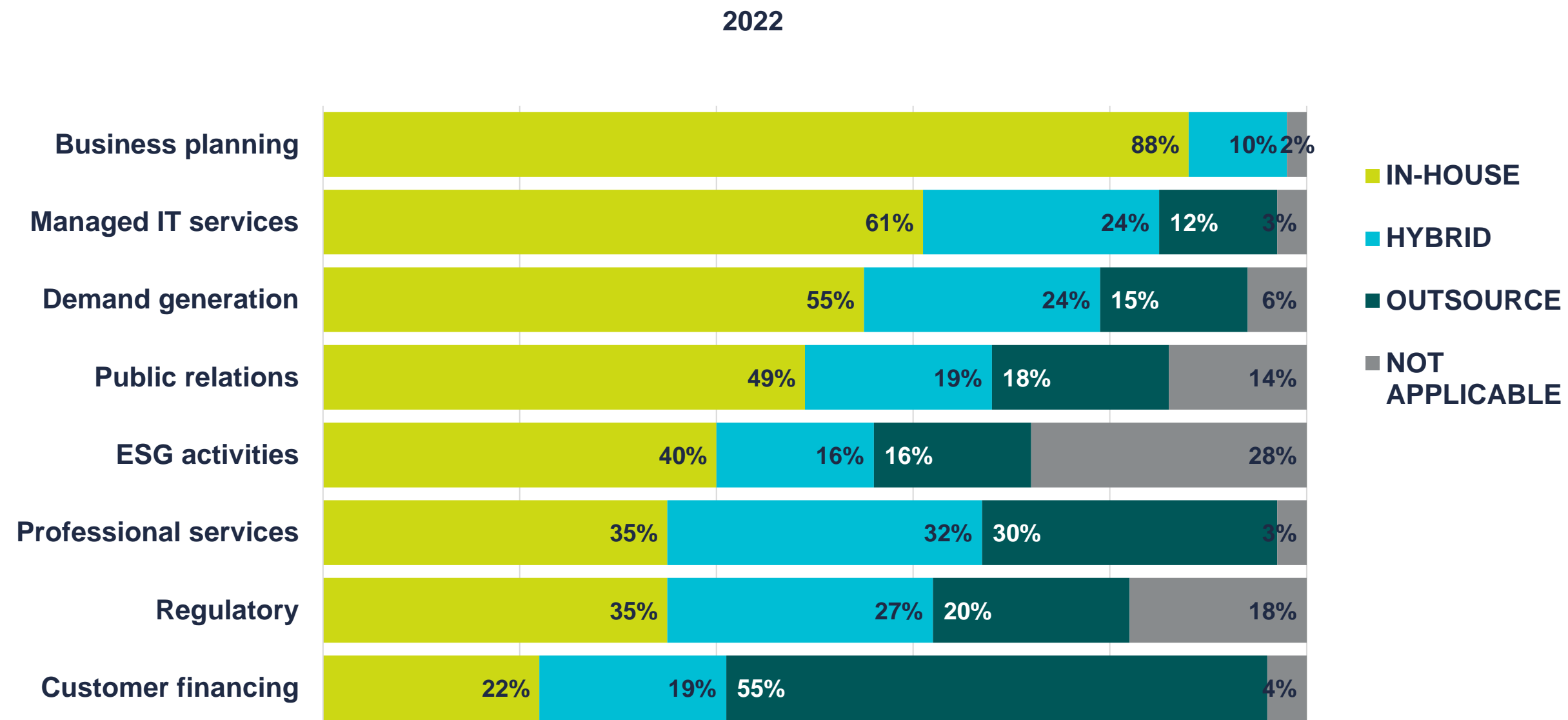


Figure 16

Demand generation and security key investment areas

What areas of your business are you investing in?
Please select all that apply in the next 12 months.

Top areas for investment



Figure 17

ESG features further down priority list

What areas of your business are you investing in?
Please select all that apply in the next 12 months

Lower ranked areas for investment

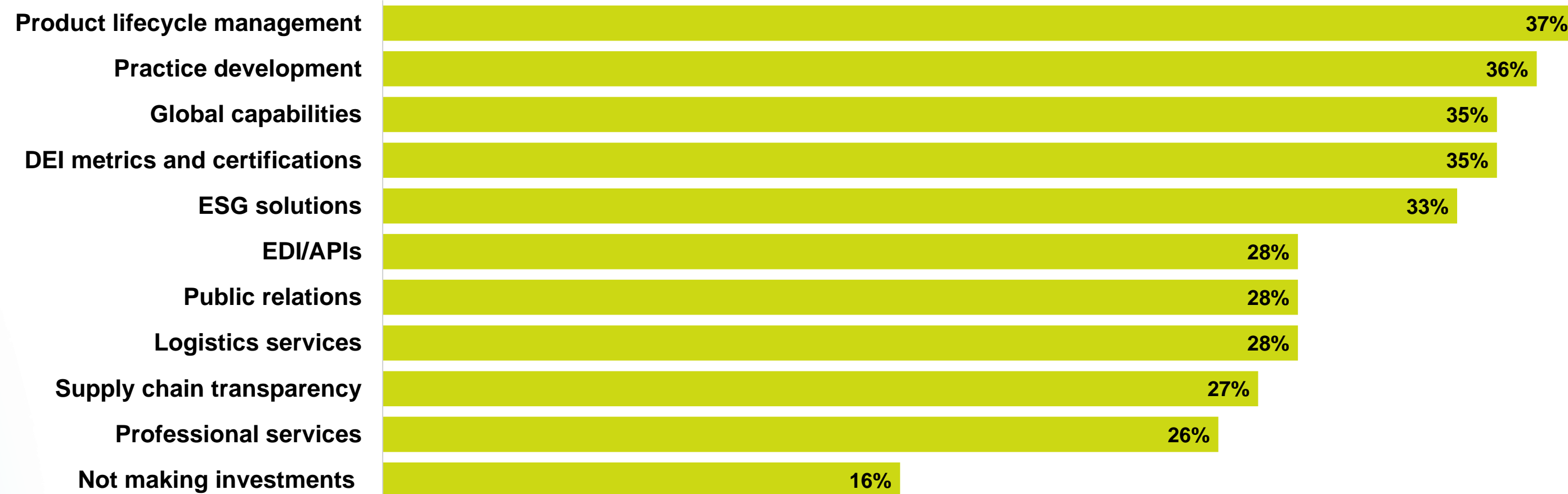


Figure 18

Range of most important aspects for investment

What areas of your business are you investing in?
Please select the most important area in next 12 months.

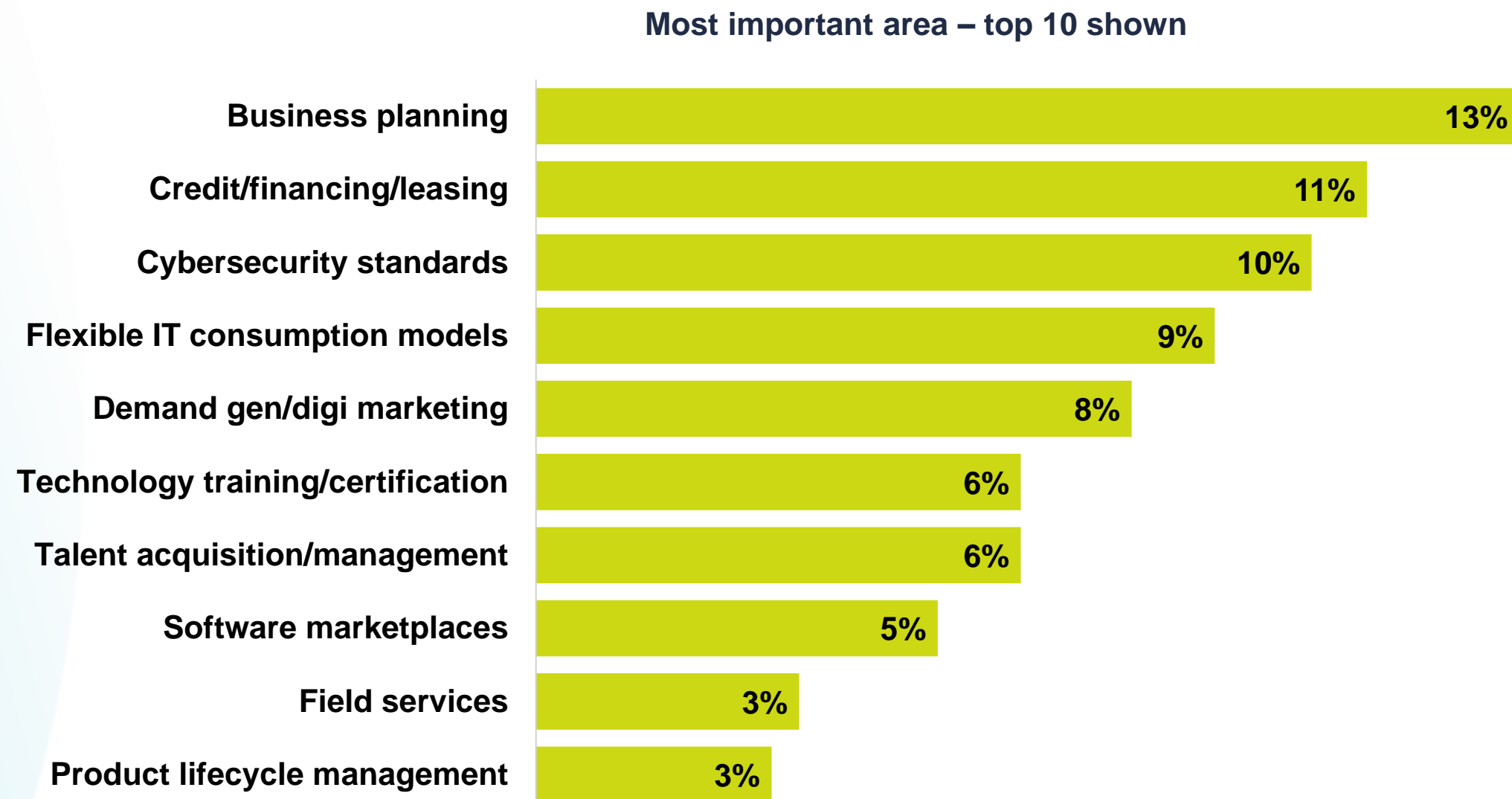


Figure 19

Analytics and AI skills rise up the priority list

Which technology skill sets are you hiring for?
Please consider both general technology skills and vendor-specific knowledge. Please choose top three priorities.

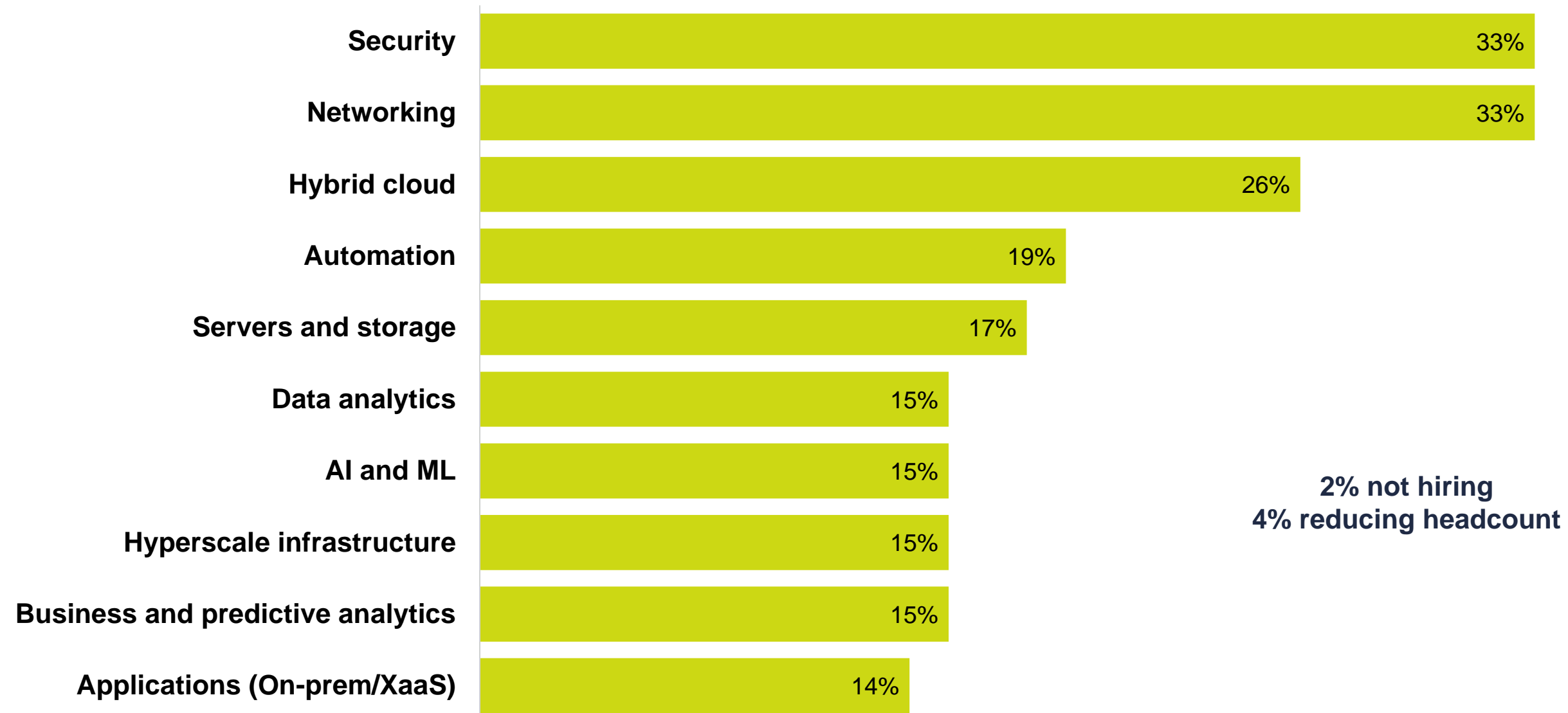


Figure 20

Partners investing in services skills

Which business skill sets are you hiring for?
Please choose top three priorities.

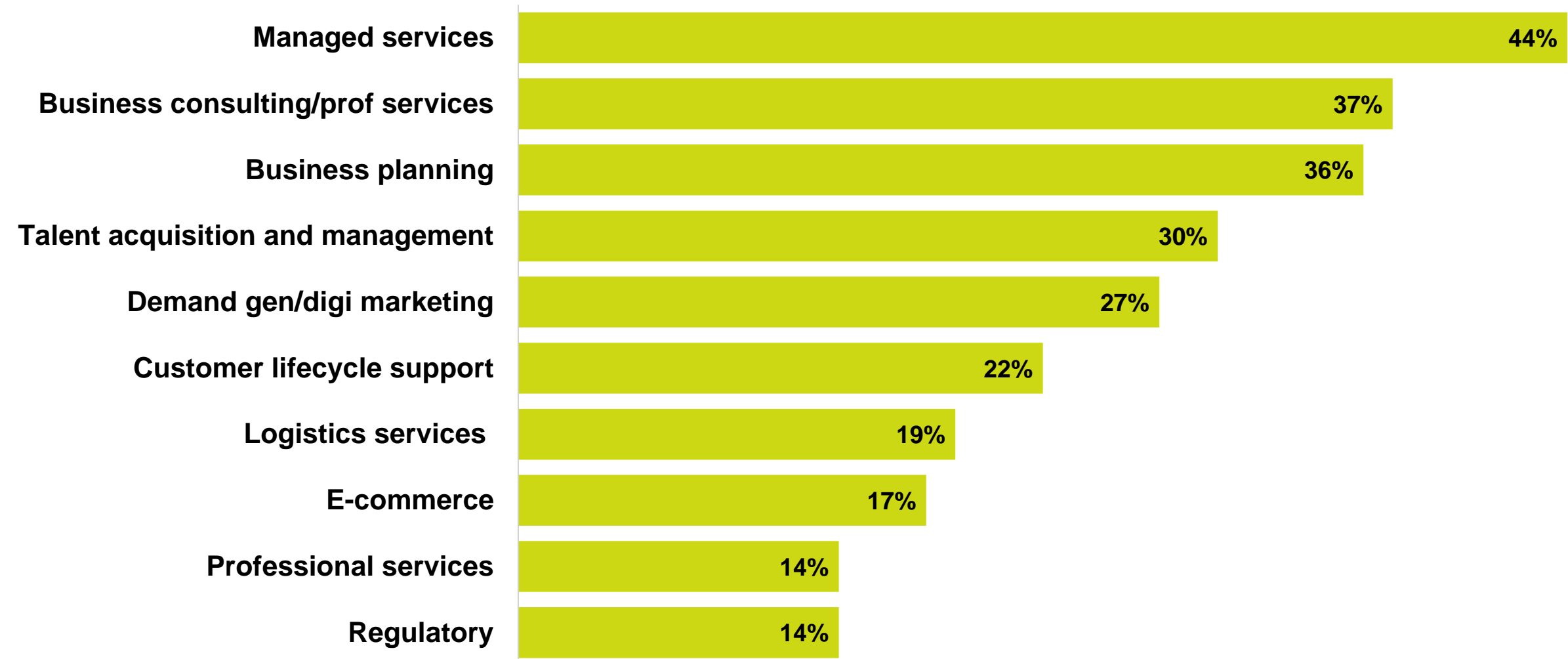


Figure 21

ESG to jump in importance in the next two years

Which areas of regulatory expertise or certification are most important to your business today?
Please choose all that apply today and in two years' time and then select the most important area in two years' time.

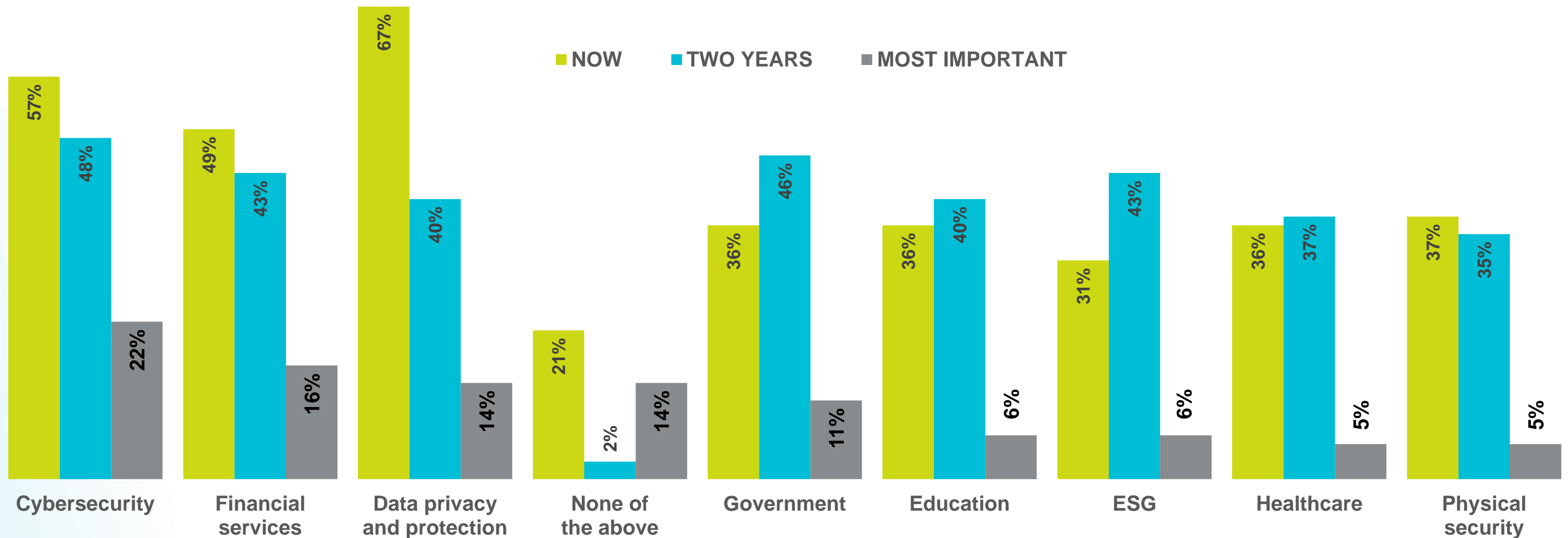


Figure 22

Increased competition and margin pressures at present

Consider the following business challenges, please select all that currently impact your business.

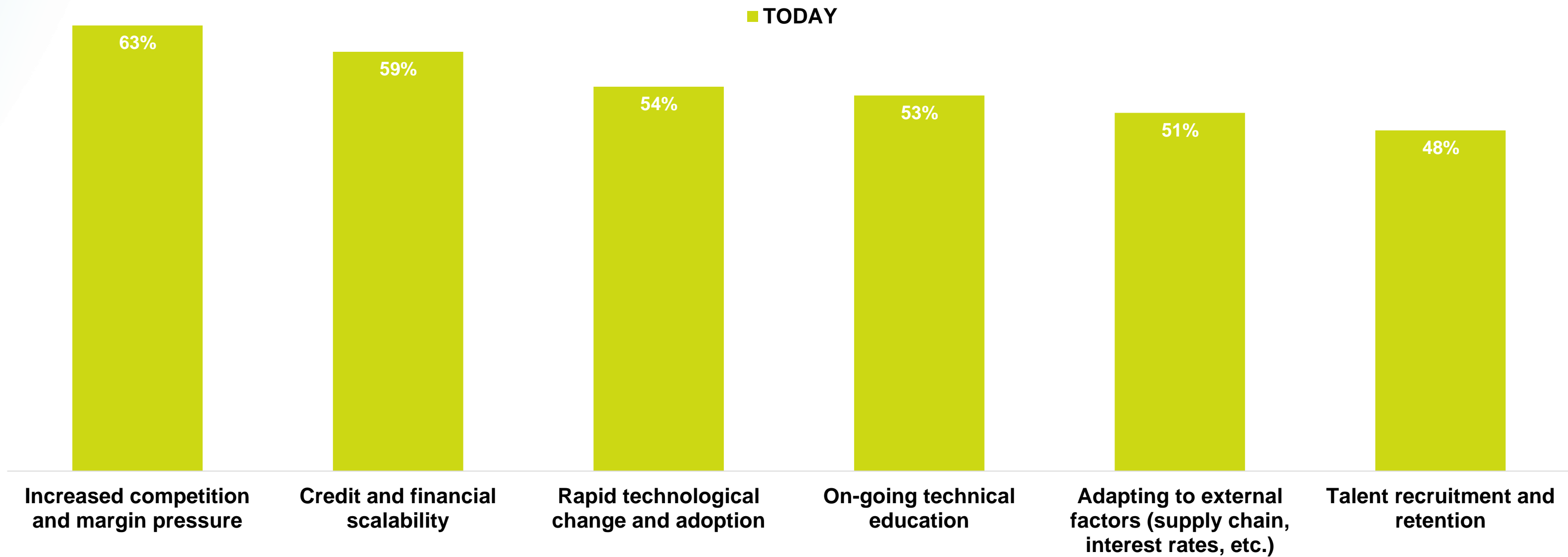


Figure 23

ESG will become important

Consider the following business challenges, please select all that will impact your business in two years' time.

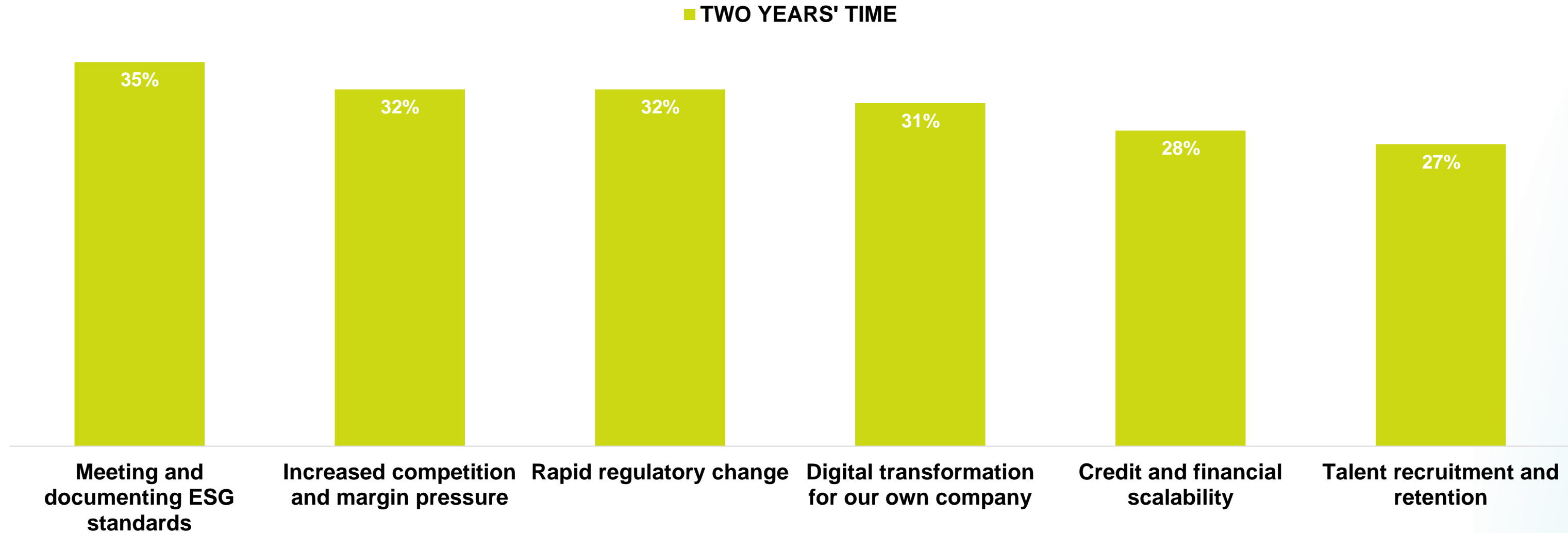


Figure 24

Organic growth and partnerships remain favored

Which of the following statements describe your organization's attitude toward growth? Please rank in order of importance where 1 is not at all important and 4 is very important

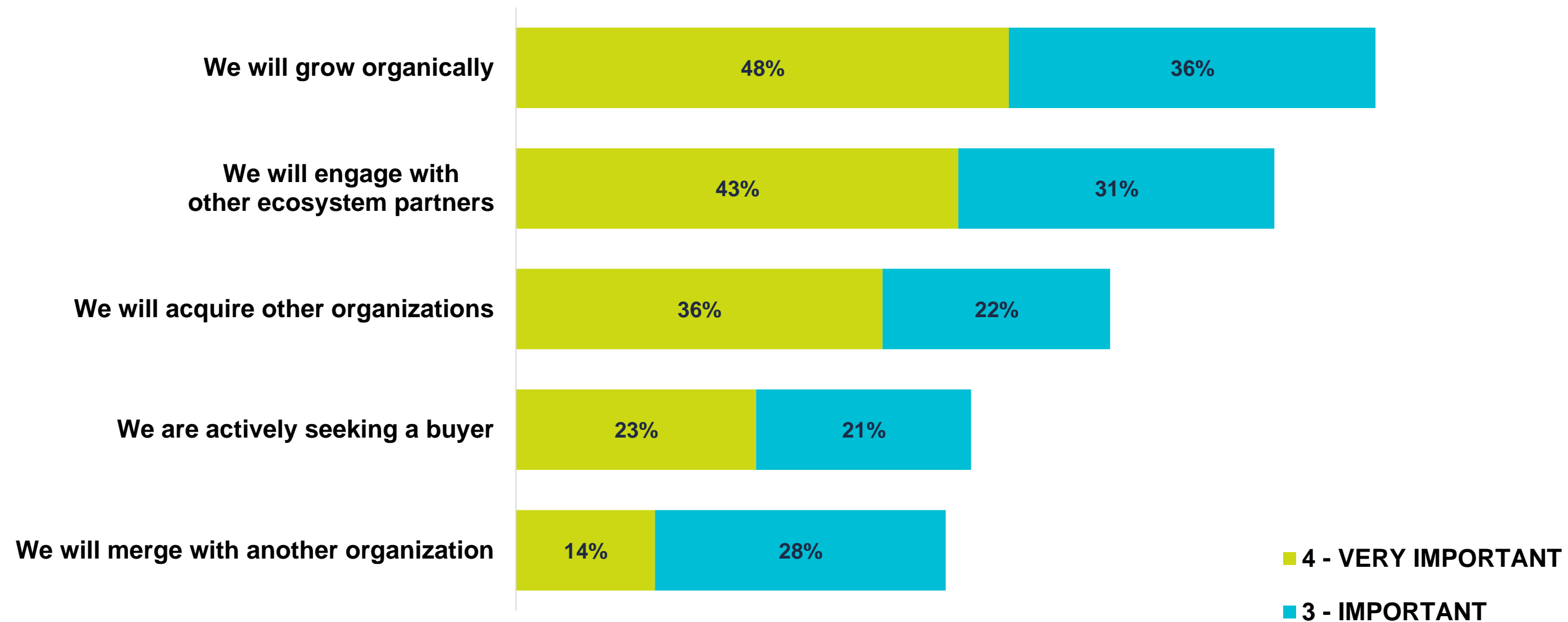


Figure 25

Organic growth, alongside ecosystem engagement

Which of the following statements describe your organization's attitude toward growth?
Please rank in order of importance where 1 is not at all important and 4 is very important.

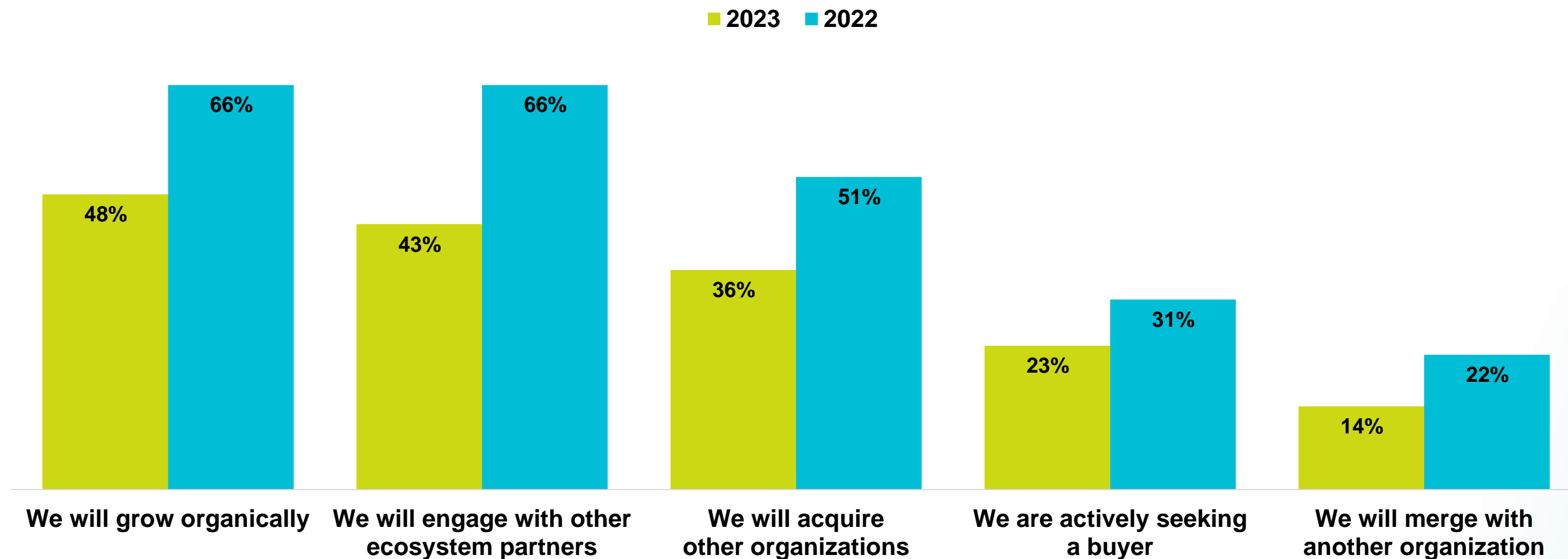


Figure 26

More solution expansion alongside domestic growth

Which of the following statements describe your organization's growth strategy?
Please rank in order of importance where 1 is not at all important and 4 is very important.

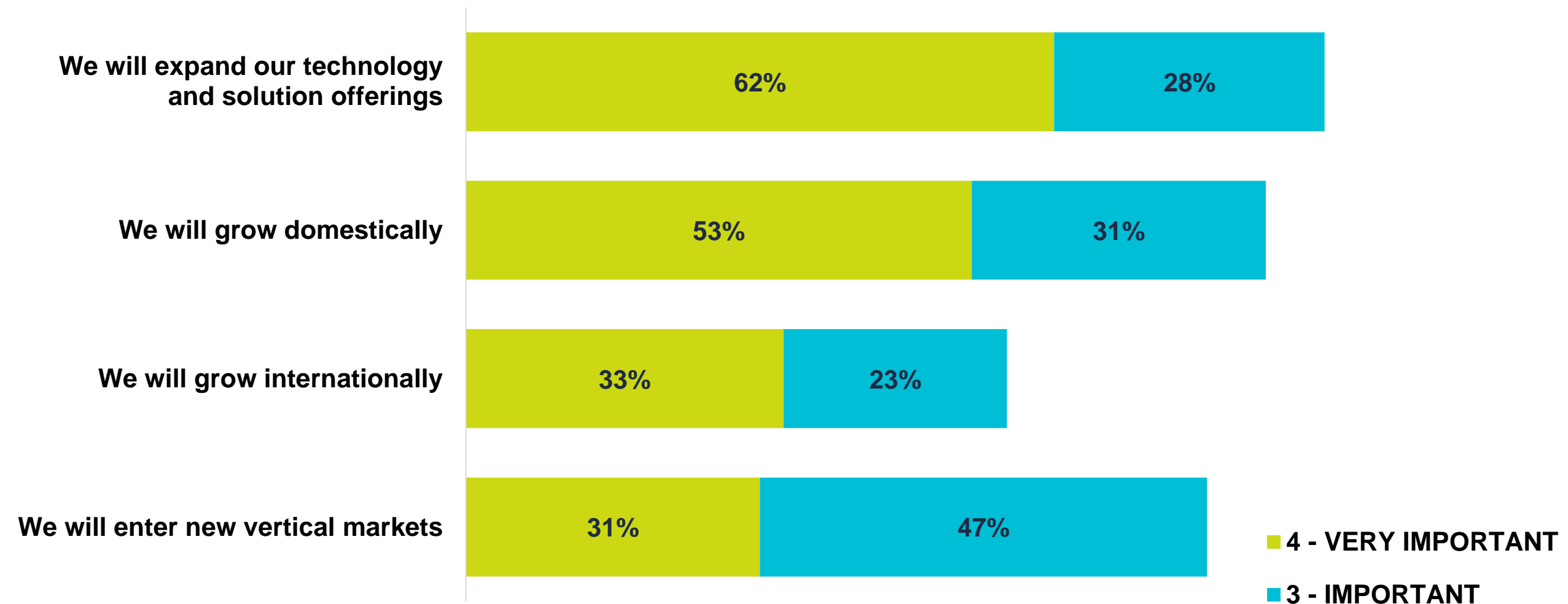
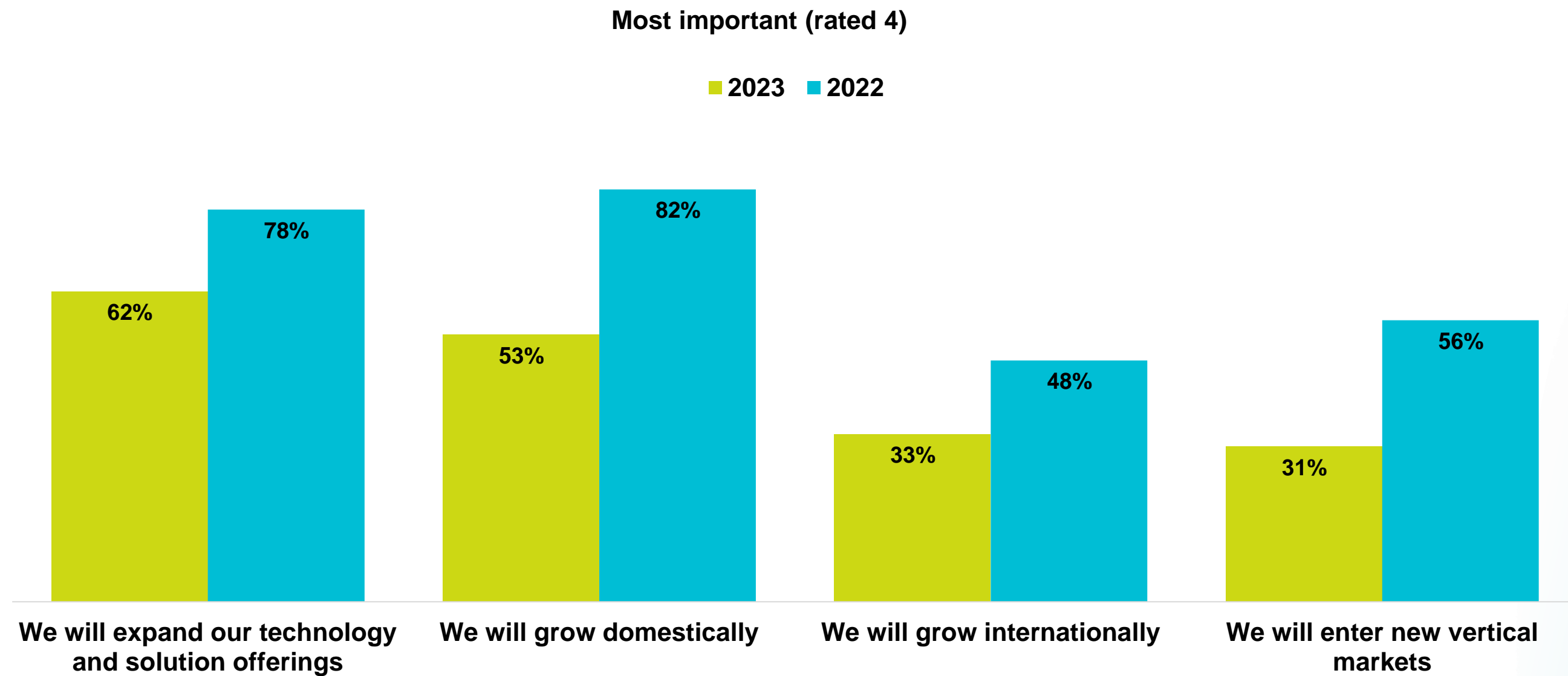


Figure 27

Partners expect to expand technology offerings

Which of the following statements describe your organization's attitude toward growth?
Please rank in order of importance where 1 is not at all important and 4 is very important.





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