

Direction of Technology 2023: TD SYNnex Ecosystem Report

Contents

Introduction	3
About TD SYNEX	4
About this report	5
Cloudy with a chance of AI: High-growth technologies are in the weather report	6
The skills we need to steer the ship: Critical roles and gaps in the talent pipeline	11
An anchor of stability: The channel proves a stabilizing force in turbulent conditions	16
Trimming the sails: Rebalancing the portfolio and adjusting structure to catch the wind	21
Charting a sustainable course: How ESG and transparency are shaping the path ahead	30
On the horizon	35
Appendix	36
Safe Harbor Statement	39



Executive summary

Riding challenging waves with stability, flexibility and balance

In 2023, technology channel partners are doing more than keeping their heads above water — they're catching a wave.

Channel partners are meaningfully preparing for shifting economic, market and socio-political realities by rebalancing their priorities and business offerings. Despite these challenges, partners are confident and hopeful about the future. In the *Direction of Technology 2023: TD SYNnex Ecosystem Report*, we find partners demonstrating flexibility in their business models, focusing on emerging technologies and responding to changing customer demands. The findings from this report reinforce the importance of the channel to our partners in navigating and meeting the challenges to come.

Survey results point to five key global trends. While most partners recognize that the pendulum is still swinging, changes from 2022 and their investment plans offer a path forward through the challenges. Throughout this report, we explore what the trends mean within the industry operating context and how partners can address any possible obstacles and opportunities therein.

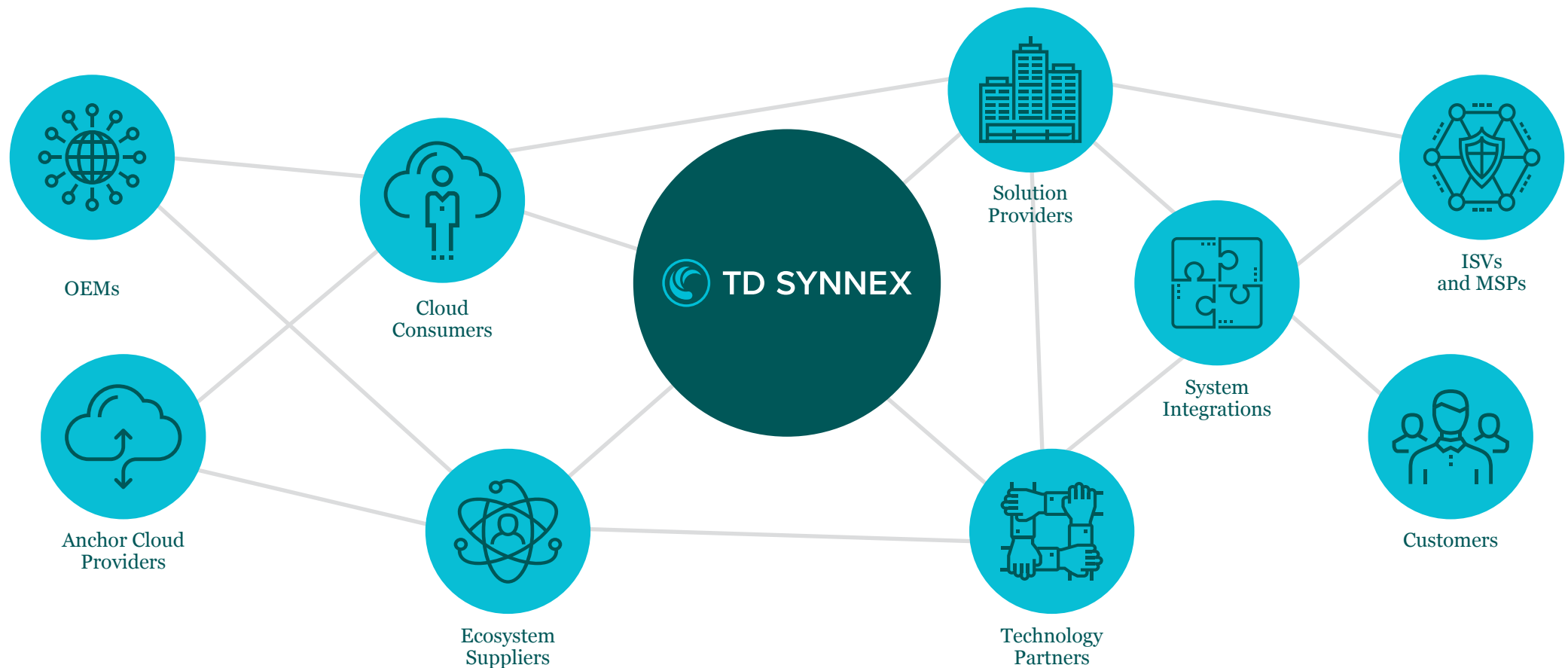


About TD SYNnex

TD SYNnex (NYSE: SNX) is a leading global distributor and solutions aggregator for the IT ecosystem — we help every kind of technology vendor and provider access and deliver the right products, at the right time, to the right customer.

From our seat in the center of the technology ecosystem, we provide valuable insight for both vendors and partners that sell to end users. The diverse connections we foster allow us unique perspective and insight that provides value for the entire technology ecosystem. Our global footprint and expertise across products, services and business functions help support our partners in achieving their own business growth objectives.

Solutions aggregation and orchestration



About this report

The 2023 channel partner survey assesses the Technology Business Partner Ecosystem's outlook, business performance, business models and expectations for the next year and beyond.

Respondents were asked to reflect on their performance in the last 12 months and look ahead to the next 36 months to anticipate what might change. This is the second year that TD SYNEX has conducted this survey.

The 2023 Direction of Technology Report provides insight on three fundamental factors:

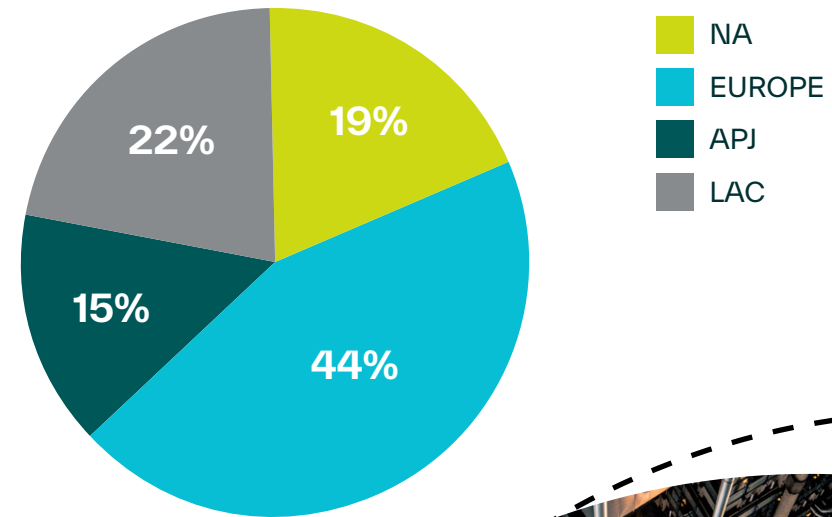
- Anticipating and meeting end-user technology expectations
- Effectively managing technology ecosystem business operations
- Technology ecosystem engagement, enrichment and enablement

The survey was conducted from May to July 2023, via an online questionnaire on Canalsy's Candefero website. The survey captured feedback from a record 550 B2B channel partners from over 60 countries in global regions of North America (NA), Europe, Latin America and the Caribbean (LAC) and Asia Pacific and Japan (APJ) — spanning resellers, systems integrators, service providers and managed service providers. See [Key Definitions](#) for an explanation of how we define each of these partner types.

The technology industry is a bellwether for all industries that rely on the technology and services provided by TD SYNEX and its partners. This report provides a glimpse into the future of the technology products and services that all businesses rely upon and can be seen as an early signal to other industries and markets. What's trending in the technology value chain will impact businesses of all kinds that depend on the software, hardware and services provided by the channel.

This study is intended to provide insight for our stakeholders across the channel as well as lift the curtain on the changes happening within the ecosystem for anyone who relies on technology for business success.

Respondents by region



Cloudy with a chance of AI: High-growth technologies are in the weather report

The launch of ChatGPT registered as a near-seismic global event, garnering attention and sparking excitement, conversation and even concern amongst the general population.

Seemingly overnight, artificial intelligence (AI) and machine learning (ML) became household terms. Individuals began exploring firsthand how generative AI tools, which use ML to create original text and images, could be integrated into their daily lives. According to McKinsey's [The State of AI in 2023](#) report, 79% of respondents have been exposed to generative AI at work or outside of work, and 22% said they were already regularly using it in their own work.

To meet the demand sparked by this breakthrough, businesses have begun to ramp up deployment of new technologies, only to hit cost and data management hurdles. The Direction of Technology finds that in just one year, partners offering AI/ML solutions grew from 4% in 2022 to 29% in 2023 — a staggering 625% increase. Their plans to invest in AI/ML are also growing exponentially; in 2022, 14% of partners planned to offer AI/ML by 2025, while in 2023 they report that has jumped to 34%. This growth is supported by recent industry reporting as well; in [2023 Global Trends in AI](#), findings demonstrate nearly 70% of respondents have at least one AI project in production. However, 31% reported that those projects were still in pilot or proof-of-concept stage, and only 28% said they've reached enterprise scale with an AI project, at 28%.

There is room to grow.

Regional spotlight: APJ's enthusiasm for new technology inspires

Over the last decade, Asia has accounted for 52% of global growth in tech-company revenues, 43% of startup funding, 51% of spending on research and development and 87% of patents filed, according to research conducted by the McKinsey Global Institute.

Four of the five companies that hold the majority of 5G patents are Asian. According to the report [The state of AI in 2023: Generative AI's breakout year](#), respondents in Asia-Pacific reported the highest percentage of regular use of generative AI tools, with 41% regularly using for work and/or outside of work.

Asia's investments in infrastructure and technological capabilities combined with a social embrace of digital solutions has created an ideal environment for innovation.

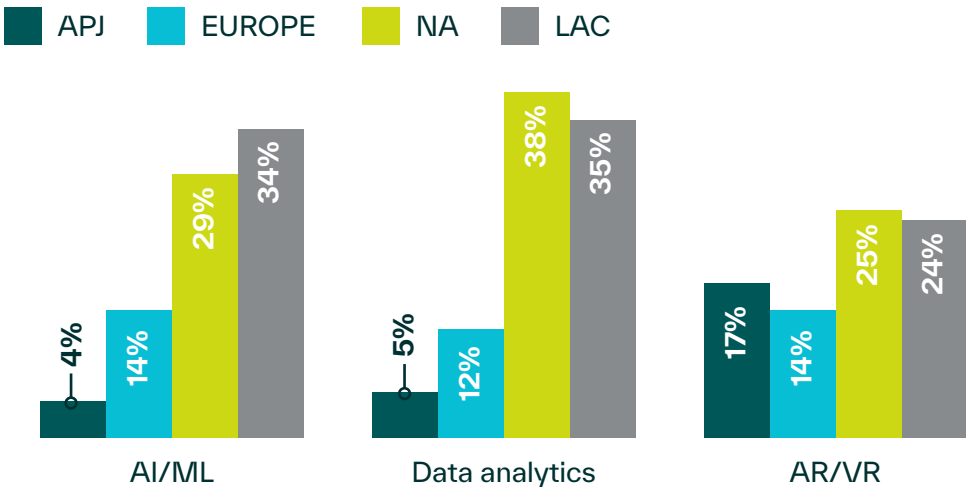
For partners to capture further opportunities in other markets, APJ is a place to look for inspiration and ideas for how to increase demand and offer appealing options.

High-growth and enabling technologies indicate further growth on the horizon

Survey findings reinforce the explosion of interest in AI.

Partners recognized the foundational requirements of data analytics, storage and security, alongside enthusiasm for generative AI itself. Among technology businesses, the main shift from 2022 has been in the attention on the building blocks that enable data-driven decision-making — from data collection and storage, analysis, connection with other products such as the internet of things (IoT) and the like. Partners are appropriately focused on delivering the building blocks needed for their customers to take advantage of the potential of high-growth technologies. It’s clear that partners see that these technologies are here to stay and will forever change existing ways of operating businesses and interacting with one another.

Growth of AI/ML, augmented reality/virtual reality (AR/VR) and data analytics has exceeded expectations



The growth of new technologies like AI/ML, AR/VR and data analytics is exceeding expectations, well ahead of schedule.

The most important areas for investment are in high-growth infrastructure

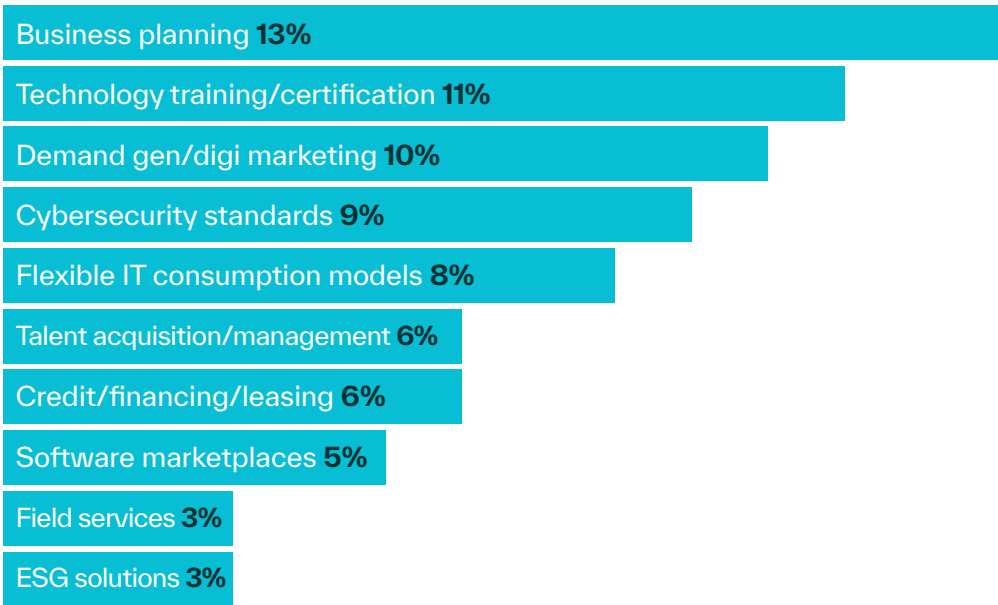


Figure 1: What areas of your business are you investing in? Please select the most important area in the next 12 months.

Investment varies by region

Although there are distinctions between regions, all of the top investment categories demonstrate partner consideration of new approaches and models moving forward.

GLOBAL top 3

Business planning **60%**

Technology training/certification **57%**

Demand gen/digital marketing **55%**

NA top 3

Business planning **63%**

Cybersecurity standards **49%**

Software marketplaces **48%**

EUROPE top 3

Business planning **65%**

Technology training/certification **55%**

Demand gen/digital marketing **51%**

LAC top 3

Technology training/certification **77%**

Demand gen/digital marketing **74%**

Cybersecurity standards **66%**

APJ top 3

Demand gen/digital marketing **54%**

Cybersecurity certifications **53%**

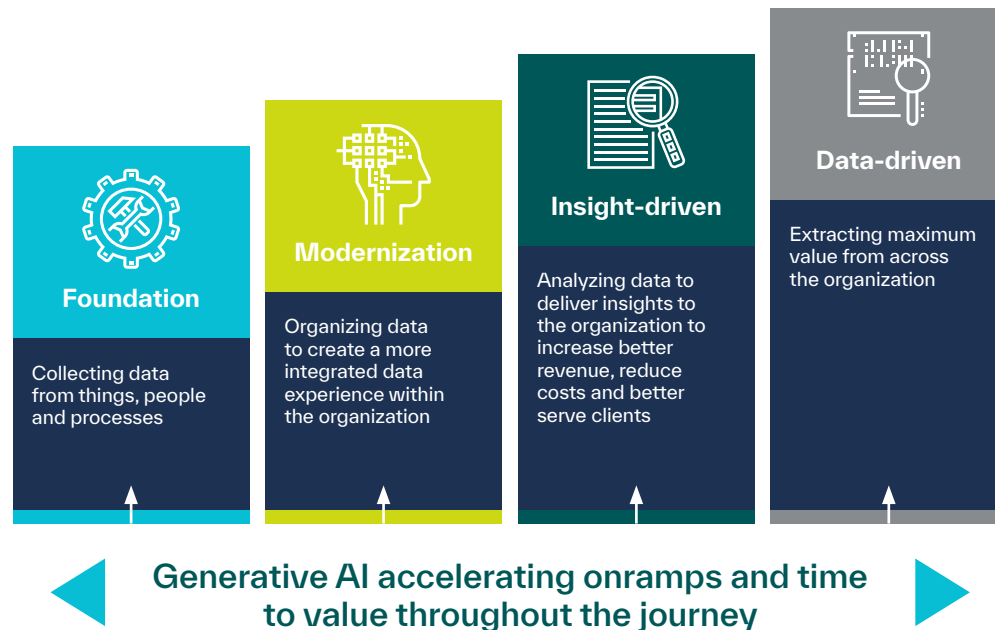
Flexible IT consumption models **51%**

Riding the AI wave: Moving businesses to full-scale deployment

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. To realize the full potential of generative AI, businesses need more support at the entry point to build capabilities and skills so that they are fully prepared to leverage the full capabilities of generative AI and other high-growth technologies.

Destination AI: Building up to full AI capacity



Security and cloud continue to lead partner portfolios

In 2022, Security was listed as the technology that prospects requested most frequently and the skills for which they were hiring, and 20% reported that it was an area they planned to invest in within 24 months. This year, Security was the top technology sold (59% of partners selling – [see Figure 7 on p18](#), the top skill set that partners are hiring for (38% of partners – [see Figure 4 on p12](#) and the top ranked issue of importance in two years' time – [see Figure 5 on p15](#). Critically, 90% of security is delivered through partner-led channels, so partnerships remain crucial in delivering on the opportunities of security to lead revenue generation.

Likewise, cloud, hybrid cloud and cloud migration solutions continue to dominate the portfolios of channel partners in 2023. Hybrid cloud and cloud-enabled services such as digital transformation, IoT and device as a service were the heavy favorites of respondents in the 2022 survey. In 2023, the importance of the cloud continues; hybrid cloud is among the top five technologies that channel partners currently sell (ranked fourth at 34% of partners currently offering – [see Figure 2 on p10](#) and among the top five technology skills sets that partners are hiring for (21% are hiring for hybrid cloud skills in 2023 – [see Figure 4 on p12](#).

High-growth technologies are top priorities for future solutions

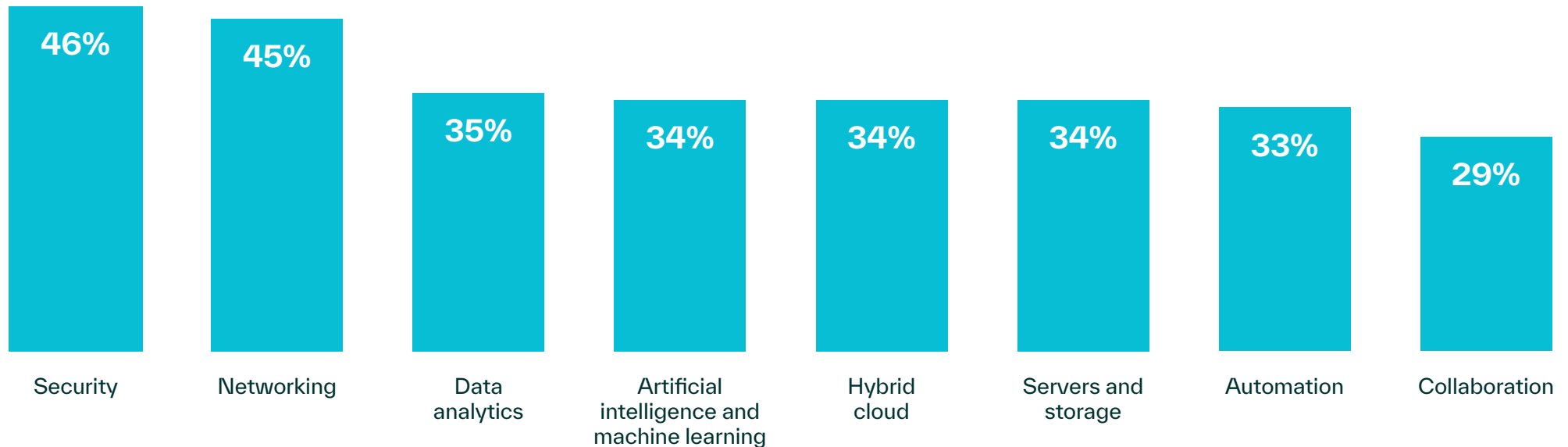


Figure 2: Which technology solutions do you plan to offer within 24 months? Select all that apply.

Spotlight on a solution: TD SYNEX supports partners' high-growth technology performance with assessment and education

In August 2023, TD SYNEX launched the [Partner Health and Fitness Assessment](#), a data-driven tool that provides reseller partners like managed service providers (MSPs), value-added resellers and independent software vendors (ISVs) with insights into their diversification across the TD SYNEX portfolio. This provides comparisons to other partners offering the same technology on custom factors like volume, portfolio mix, digital transformation growth and more. The Partner Health and Fitness Assessment is now active for US partners and will be customized to global regions as it expands. To promote continued learning on high-growth technology and more, [TD SYNEX Academy](#) offers training on in-demand IT skills to countless professionals around the world.

The skills we need to steer the ship: Critical roles and gaps in the talent pipeline

The driving force behind the fast-paced world of technology is highly skilled, innovative individuals. As the needs of customers and ways of doing business change, the specific skills that technology partners need to succeed are shifting.

In the last year, there were highly visible layoffs and tumult in the tech industry, primarily driven by vendor and OEM right-sizing after a temporary period of growth. Rather than creating an abundance of talent in the marketplace from which channel partners could fill open roles, most of those workers — especially those with technology skill sets — found new positions quickly. According to a [2023 BCG study](#), nine out of ten tech workers who had been laid off from jobs in the tech industry were working again by the time of the survey. However, channel partners continue to experience a shortage of skilled employees to fill open positions.



The skills we need to steer the ship:
Critical roles and gaps in the talent pipeline



Business skills: Partners are looking for support to meet business challenges

In alignment with the current challenges that partner organizations are experiencing, business expertise and planning fall among the highest skills needed.

Given how important these functions are to the success of their businesses in both the near- and long-term, partners are turning to third parties to fill the gaps.

Partners experiencing skills gaps in managed services and business guidance

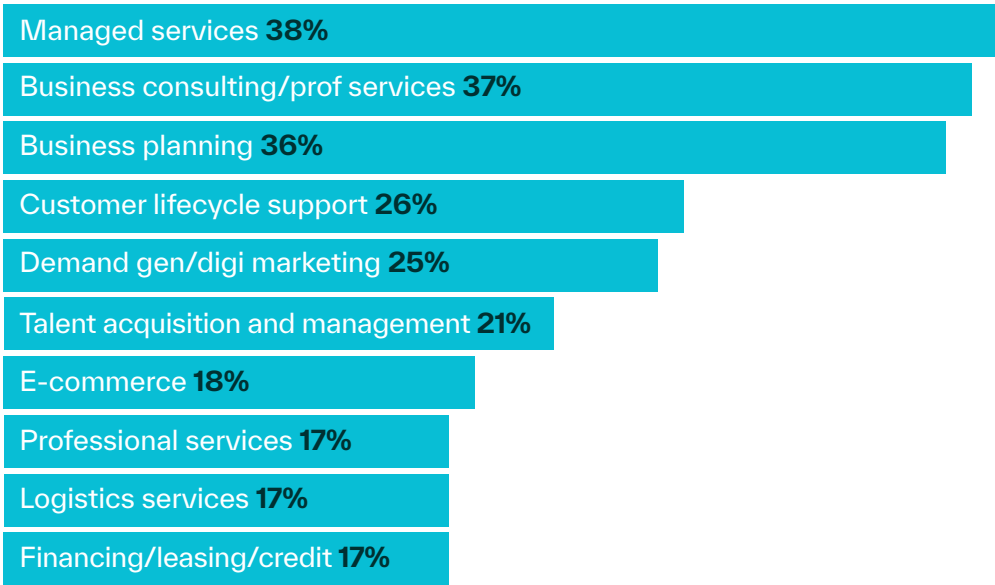


Figure 3: What business skills sets are you hiring for? Please choose three top priorities.

The skills we need to steer the ship:
Critical roles and gaps in the talent pipeline

The top skills that global channel partners are hiring for this year mirror those from 2022, with the notable exception of AI and ML.

This year, 24% of respondents reported hiring for data analytics and 22% for AI and machine learning — neither of which were listed in the top five in 2022. In 2022, 15% of respondents reported hiring for data analytics and only 8% for AI and machine learning. The emphasis on high-growth technology is especially pronounced in North America (NA), where AI/ML hiring tops the 2023 priority list at 29%, followed closely by data analytics (28%), security (27%) and AR/VR (25%).

Partners are seeking skills around security, AI and data management

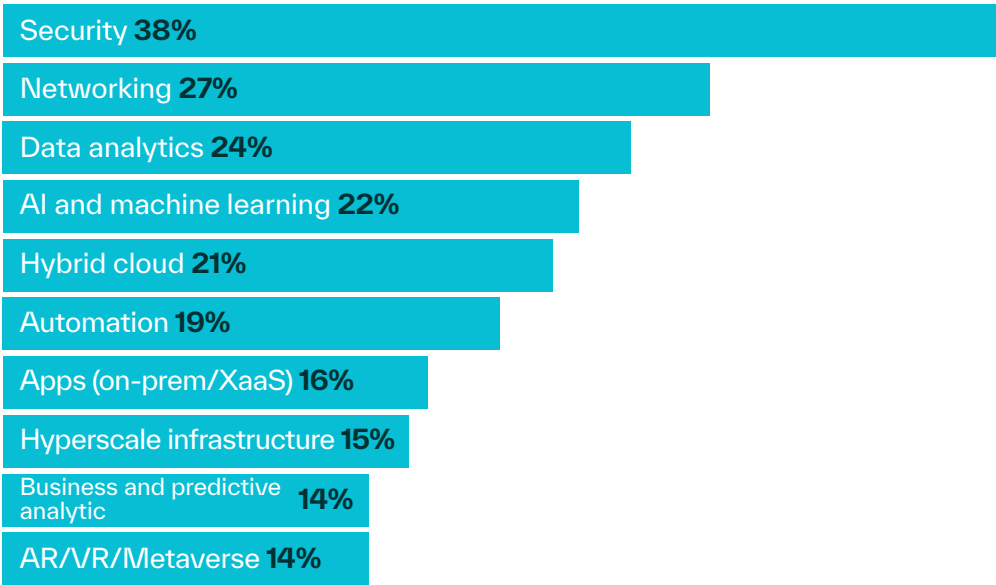
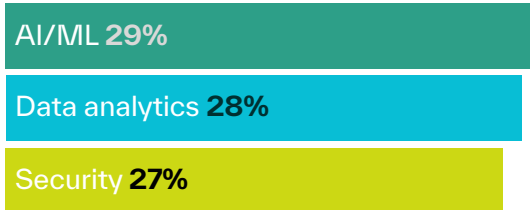


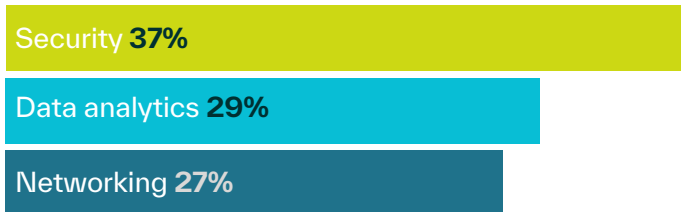
Figure 4: What technology skills are you hiring for? Please consider both general technology skills and vendor-specific knowledge. Please choose three top priorities.

Regional spotlight: Skill requirements around the world

Top Technology Skills NA



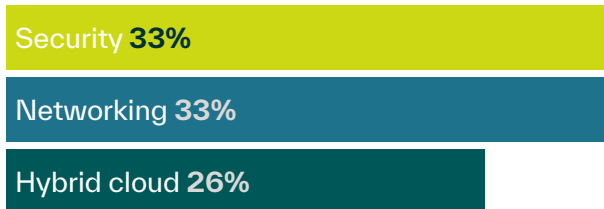
EUROPE



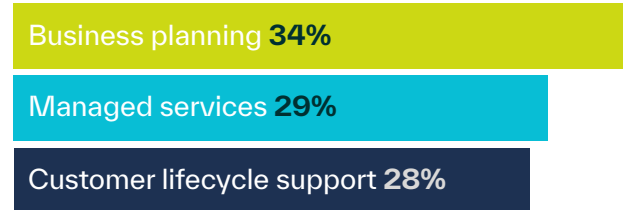
LAC



APJ



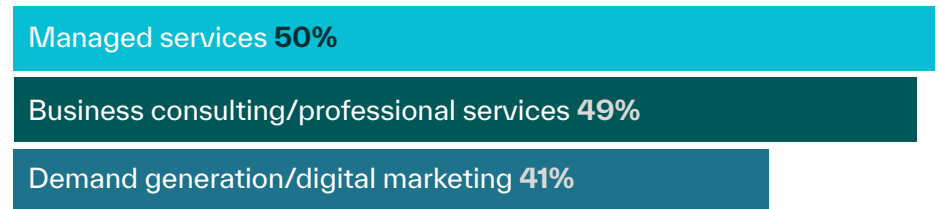
Top Business Skills NA



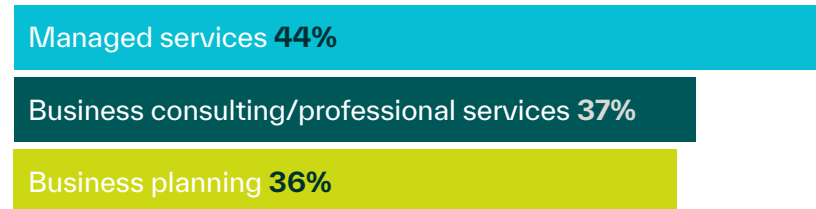
EUROPE



LAC



APJ

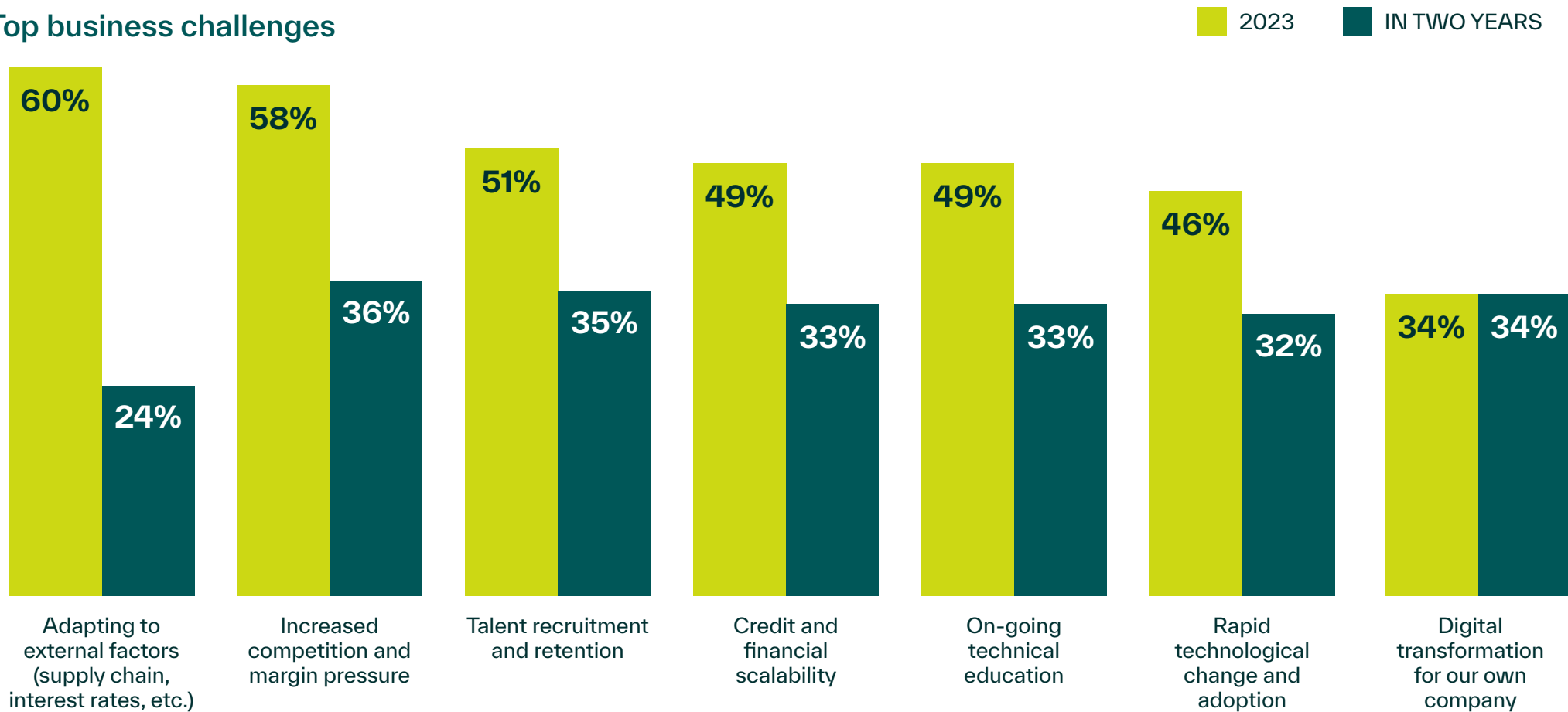


Investment in skills seen as critical to business success

Channel partners are anticipating a shift in the challenges they face in the next two years.

To prepare for these changes, partners should consider investing in the talent pipeline and finding support for the digital transformation of their own companies. Channel partners also report that they are currently experiencing regulatory pressure, but that they expect that pressure to ease in the next two years. This demonstrates confidence that the investments of the next 12 months will properly prepare them to manage the areas that currently pose a challenge.

Top business challenges



Types of expertise partners will need to address coming challenges

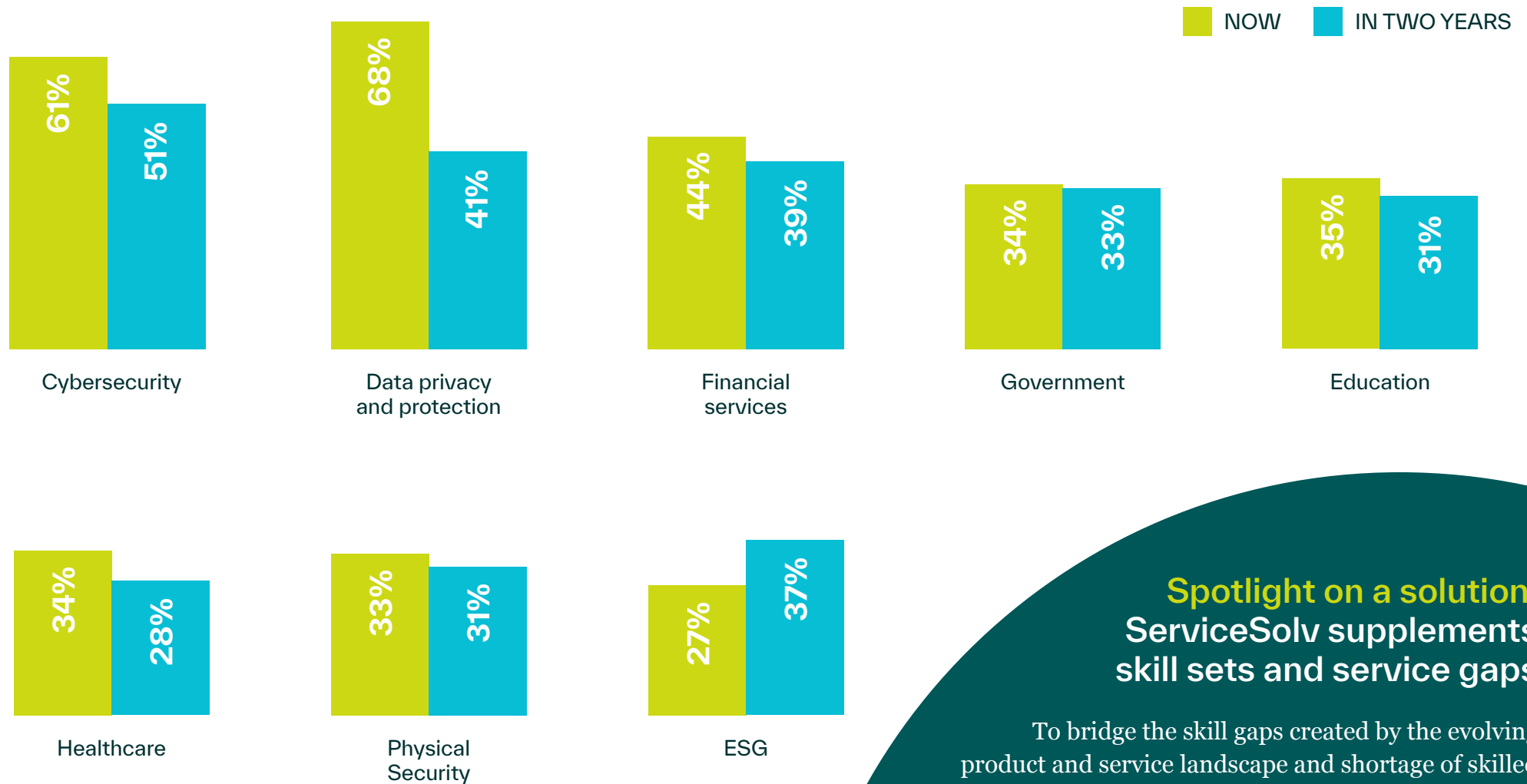


Figure 5: Which areas of regulatory expertise or certification are most important to your business today?
Please choose all that apply today and in two years' time.

The skills we need to steer the ship:
Critical roles and gaps in the talent pipeline

Spotlight on a solution: ServiceSolv supplements skill sets and service gaps

To bridge the skill gaps created by the evolving product and service landscape and shortage of skilled workforce, TD SYNEX's ServiceSolv can provide an ideal solution. This extensive professional service portfolio is flexible enough to meet the needs of a growing business, offering support in areas like sales, security strategy and advisory, training and more.

An anchor of stability: The channel proves a stabilizing force in turbulent conditions

The technology ecosystem is as complex as it is critical, requiring specialized expertise from many kinds of organizations such as vendors, distributors and resellers.

The connections between these links in the chain are known as channel partnerships. The purpose of connections between these very different elements of the ecosystem is to move a product or a solution as quickly as possible between the organizations that produce it to the end users who need it. The channel also helps partners weather rapidly-changing market and economic storms and eases their risks. For example, when focus shifted to AI/ML in the last year, channel partnerships enabled a rapid pivot to where the opportunities lay. For vendors, partnerships present an opportunity to accelerate routes to market, enabling them to focus on design, innovation and product development. Many, including [Dell Technologies](#) and [Rapid 7](#), announced they are leaning much more heavily on a partner-led delivery strategy.

As new technologies emerge, the channel becomes a resource to vet and appropriately scale new technologies. The channel provides business solutions and helps businesses collectively address risks like cyberattacks. Channel partnerships can also take the form of a strategic consulting-type relationship, helping partners find stability and thoughtful guidance.

An anchor of stability: The channel proves a stabilizing force in turbulent conditions

Capturing value through partner-led channel strategies

According to recent [Canalys research](#), the worldwide addressable IT market is up to a total of US\$4.7 trillion.

The way this value is being captured is overwhelmingly through partner-delivered services and products. Slight regional differences exist, but trends point to the importance of the channel to delivering essential value.

Cybersecurity is **91.5%** partner-delivered

Partner-led delivery leads the market

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

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

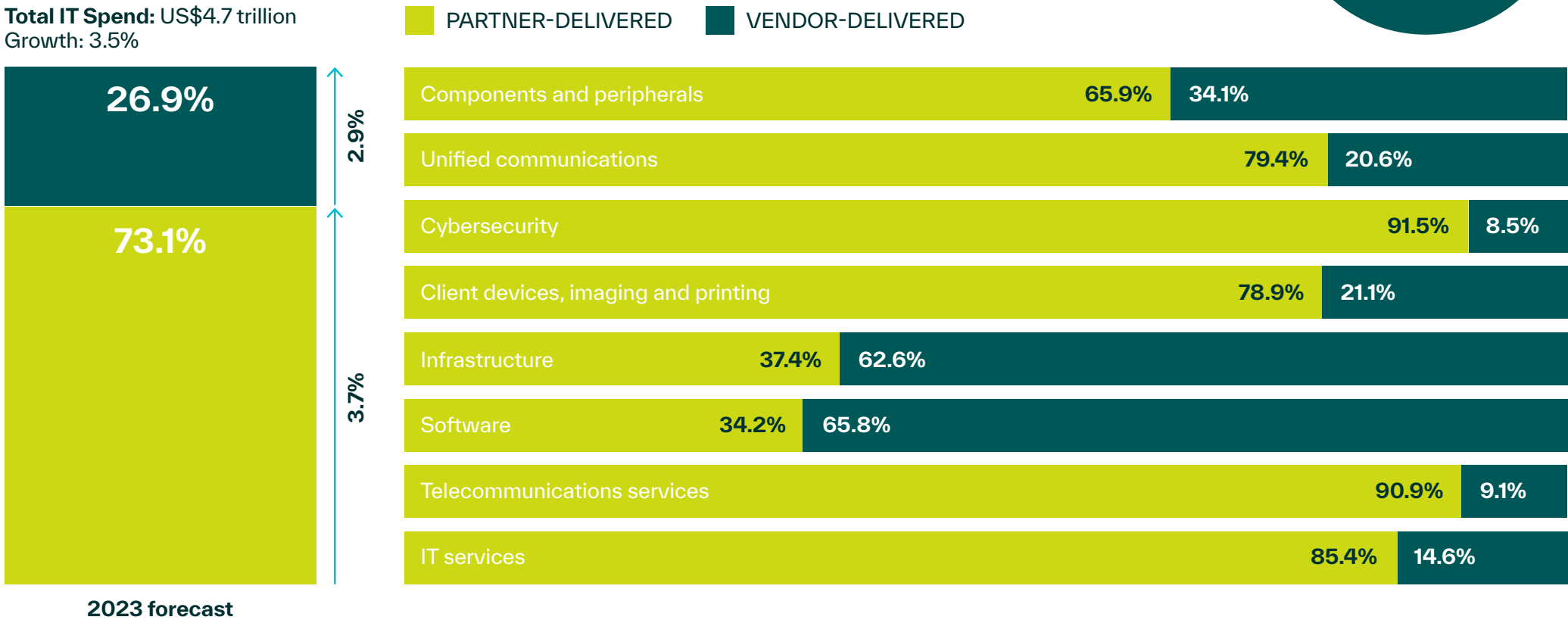


Figure 6: Canalys estimates, Channels Analysis, July 2023 (excluding consumer IT spending).

An anchor of stability: The channel proves a stabilizing force in turbulent conditions

Many solutions that are primarily partner-delivered are likely to be accelerated by regulation.

For example, the US Securities and Exchange Commission (SEC) adopted final rules on cybersecurity risk in July 2023, a long-awaited decision intended to help shareholders better understand cybersecurity risks and how companies are responding to them. Companies of all kinds will be impacted and will be looking for ways to shore up their security systems. This new urgency presents both an opportunity and a challenge for channel partners to ramp up to meet the demand. Programs like [Cyber Range](#) can further equip partners with the skills to design holistic cybersecurity solutions and services that will mitigate against the most advanced cyber threats companies have ever experienced.

Regional spotlight: Ripple effects from Russia-Ukraine war reinforce the need for strong partnerships

The war in Ukraine is creating significant human and economic impact throughout the global ecosystem, but European partners are facing unique challenges as a result. According to the survey, this year European partners are planning to offer more flexible consumption and payment options than the global average (59% in Europe vs. 33% globally), indicating an amplified need for unique solutions and business resilience. Geopolitical events will likely continue to put pressure on the availability of products and end users' ability to invest. The war may also increase the need for more analytical tools and insights to visualize scenarios and contingencies.

**An anchor of stability: The channel proves
a stabilizing force in turbulent conditions**

Percentage of technologies delivered through partners

40-60%

Security
Networking
Servers and storage
Hybrid cloud

30-40%

Data analytics
Endpoint devices
Collaboration
Hyperscale infrastructure
VDI
Daas
IoT
Automation
Mobility
Refurbished IT kit
Business predictive analytics
Data warehousing

20-30%

AI and ML
Sustainability
Applications
(on prem/XaaS)
AR/VR/Metaverse

Figure 7: Considering your business during the last 12 months, from the list of technologies, please choose all that you sell.

Payment flexibility and credit financing solutions delivered through partners

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

Tech partners appear to be responding to the increased need among their customers and end users for options around credit and financing, with many planning to increase their flexible options in the coming years. Much of this will be outsourced to other partners within the ecosystem who are able to quickly expand and scale their available options.

Business needs differ slightly around the globe

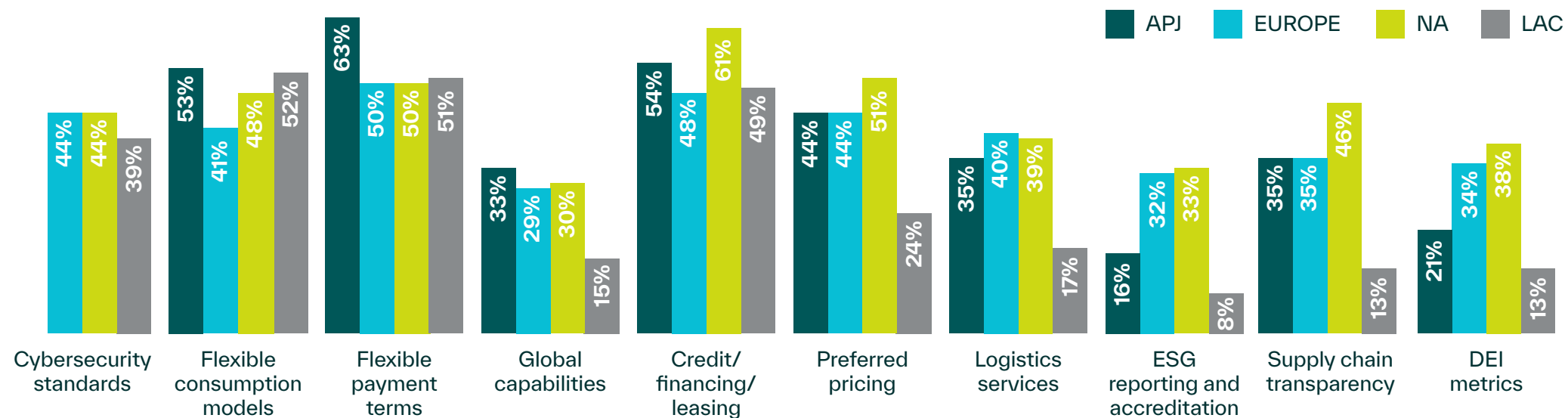


Figure 8: Which business solutions do you currently offer? Select all that apply.



Partners plan to offer cybersecurity and flexible payment and financing in the next two years

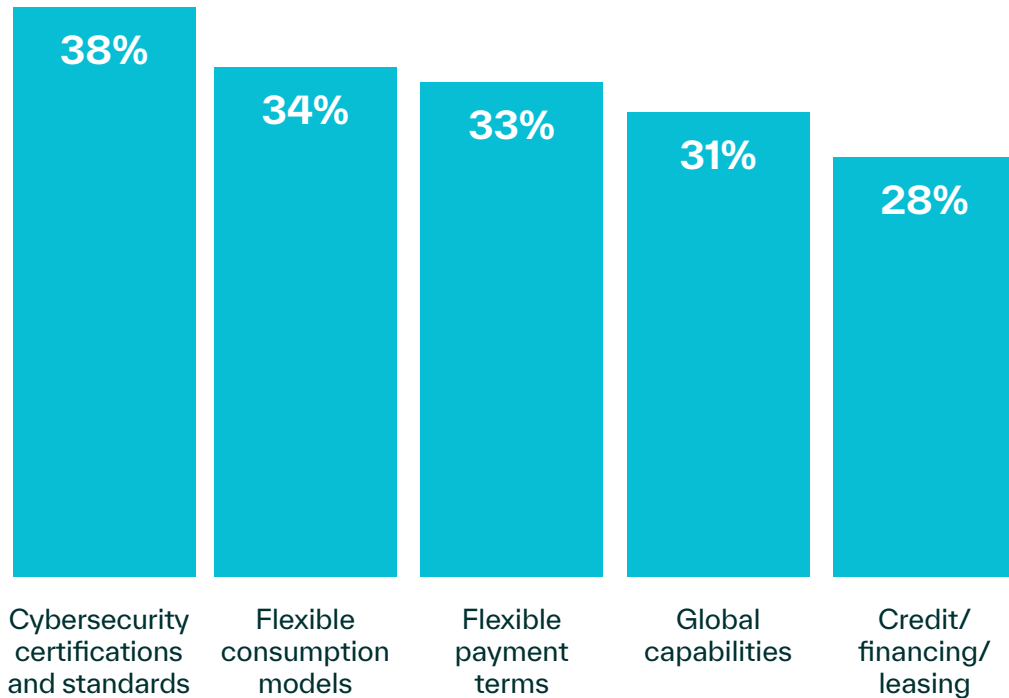


Figure 9: Which business solutions do you plan to offer within the next 24 months? Select all that apply.

An anchor of stability: The channel proves a stabilizing force in turbulent conditions

Spotlight on a solution: Helping partners ramp up security and payment capabilities

It's clear that partnerships help amplify business success. One of the ways that TD SYNEX is ensuring its partners can speed up their response to changing demands and market conditions is through a new product offering called Security Practice Builder. [Practice Builder](#) is a resource available to accelerate implementation of security practices, adding new vendors and accessing new markets, even if they are outside of the partners' current areas of expertise. Additional credit lending programs like Amplify and [TD SYNEX Capital](#) allow partners to increase their credit capacity and purchasing power to drive accelerated growth and success.

Trimming the sails: Rebalancing the portfolio and adjusting structure to catch the wind

This year has found businesses of all kinds adapting to changing demands and needs of the market. In the technology ecosystem, the pandemic in 2020 and resulting supply chain interruptions in 2021 led to a period of backlog, which in turn drove boosted revenue numbers for many businesses as conditions began to normalize in 2022.

This year, despite the expectation of recession, partners still reported strong performance and optimism for revenue growth in the future, with 77% of respondents reporting growth, 11% with flat revenue, and only 8% experiencing decline. Despite a challenging economic environment around the globe, partner performance was strong, outperforming the world GDP growth rate of 3.08%.

Revenue performance in 2023 – like 2022 – was overwhelmingly positive

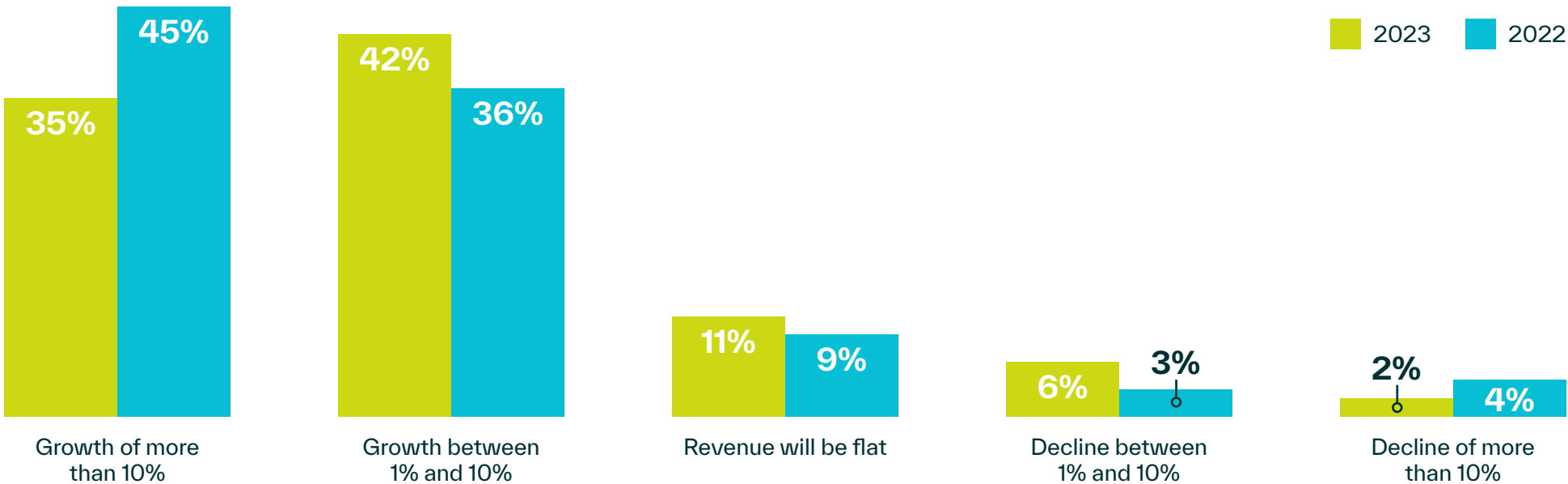


Figure 10: Which statement best reflects your company’s revenue performance this fiscal year? Please choose one.

There were very few differences in what drove revenue around the world, though partners in LAC reported notably higher revenue performance, with 50% experiencing growth of more than 10%.

This outsized growth could point to a lag in the backlog performance story, so partners should expect a return to normalized revenue in the coming months.

2023 LAC revenue stands out

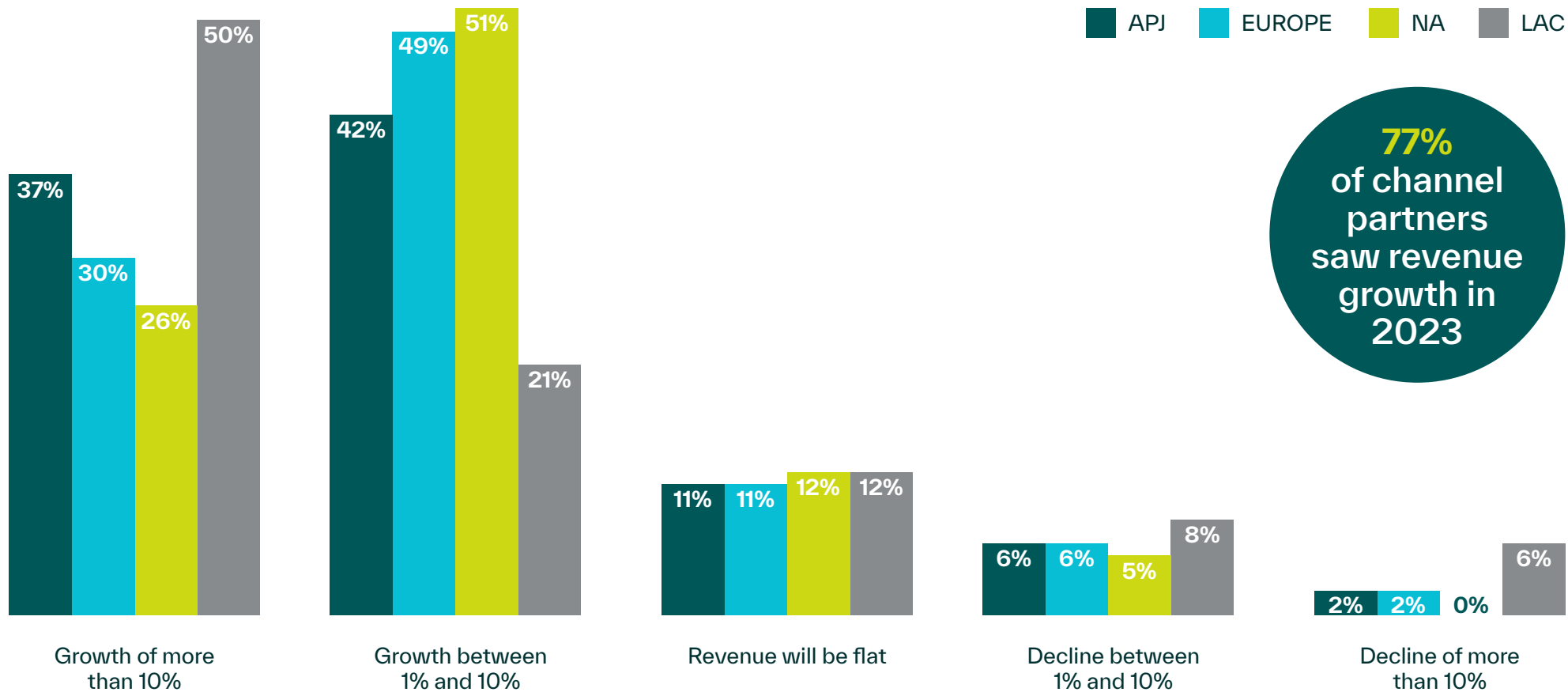


Figure 11: Which statement best reflects your company’s revenue performance this fiscal year? Please choose one.

Regional spotlight:

The high cost of money in North America created headwinds

Many factors contribute to a macroeconomic environment, including the job market, inflation and consumer confidence. In North America (NA), the past year has been particularly challenging for end customers. In the last year, the cost of money has grown exponentially — from near 3% in early 2022, to 7% in 2023.¹ At the same time, banks are tightening lending standards² so that it is more difficult than ever for businesses to secure loans and make capital investments.

According to the April 2023 [Senior Loan Officer Opinion Survey on Bank Lending Practices](#) conducted by the Federal Reserve, banks expect to tighten standards across all loan categories, citing lower credit quality and customers' collateral values, a reduction in risk tolerance, and concerns about bank funding costs, bank liquidity position and deposit outflows. As the price of credit increases and its availability becomes more restricted, the slowdown in small-business and household spending will act as another headwind for the economy. Partners should be aware of this shift so they can be prepared to offer the support that customers need.

1. <https://www.irs.gov/payments/quarterly-interest-rates#prior>

2. <https://www.reuters.com/markets/us/us-banks-tighten-lending-standards-small-business-consumers-2023-05-31/>

Rebalancing the portfolio to surf market conditions

Among the reasons for resilience in the technology ecosystem are portfolio flexibility and partners’ readiness to respond quickly to the demands of the market.

Survey findings point to a change in the mix of business offerings that drove revenue between 2022 and 2023, as well as significant expected changes in the next three years.

Portfolio mix has shifted to services in 2023

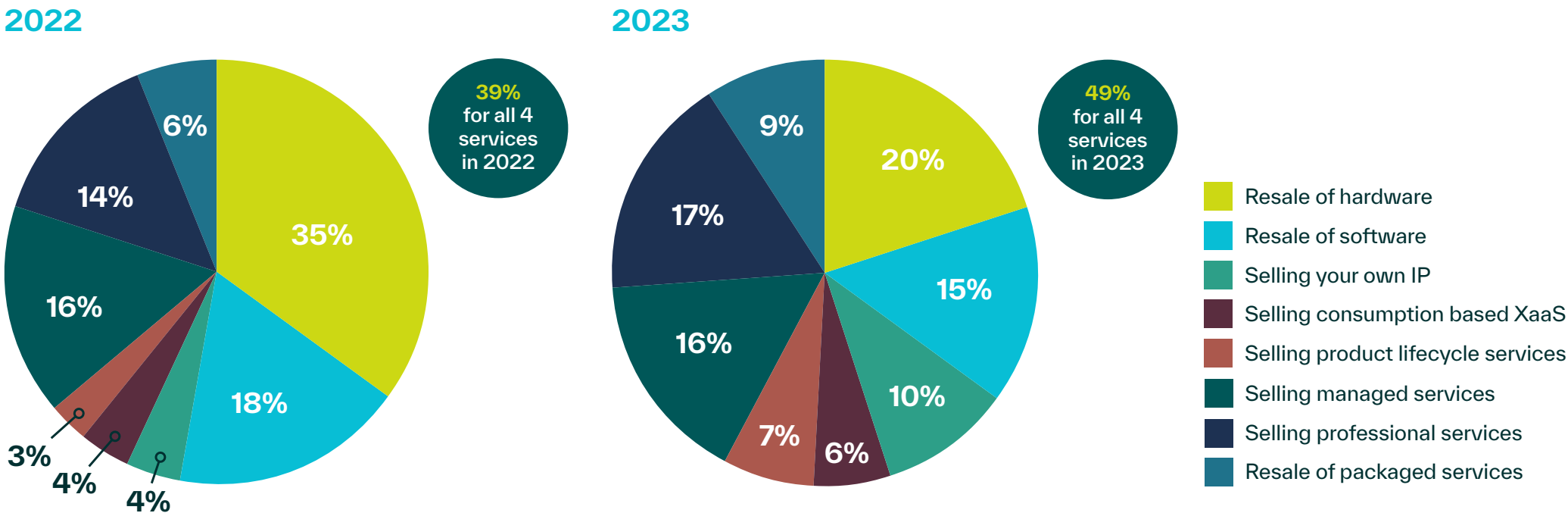


Figure 12: What percentage of your business is derived from the following today?

Notably, the resale of hardware dropped from 35% to 20% of total business, while the selling of product lifecycle services, selling own IP and the resale of packaged services each rose 150% and 200% respectively.

This is likely a direct response to end-user needs. Partners are offering a different mix of business and technology solutions than in 2022, and they are expecting things to be different in the future as well. The 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.

Expected percent of total business mix in three years: GLOBAL

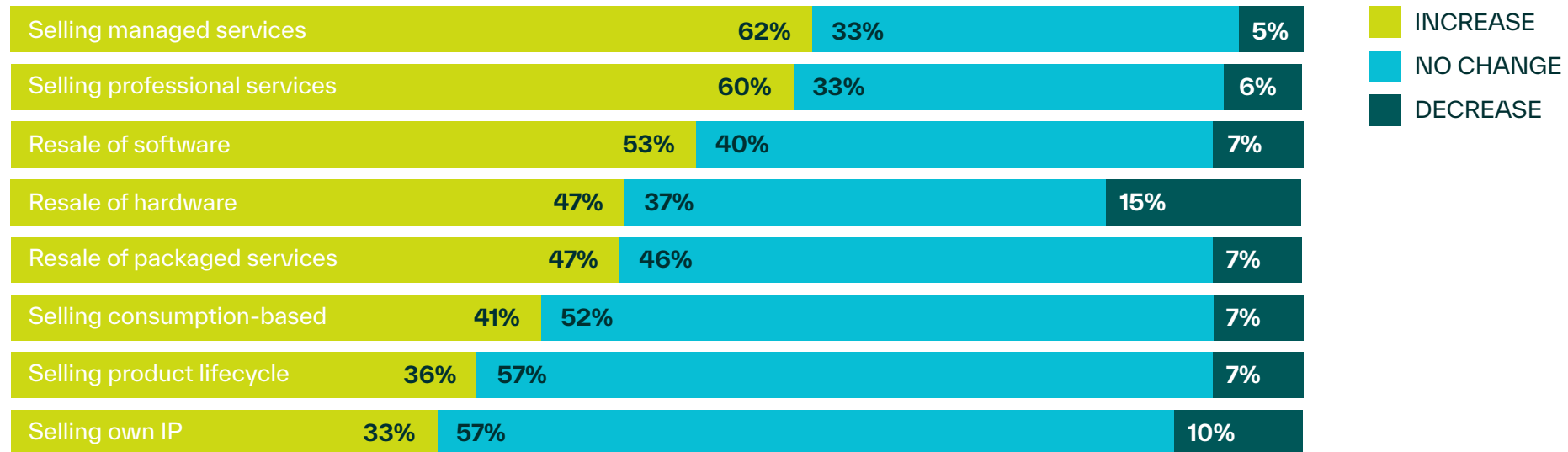
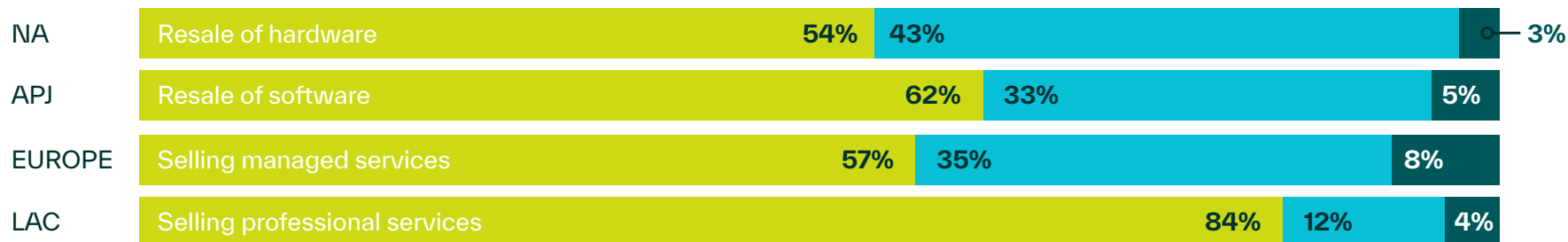


Figure 13: How will this change in three years' time as a percentage of your total business?

Source: Canalys, Candefero TD Synnex survey, 550 global respondents, May – June 2023.

North American respondents predicted the greatest growth in hardware of any region: 54% expected hardware sales to increase in three years. This is evidence that the pendulum is still swinging. The largest increase for each region is shown below:



Significant regional differences are evident

There are noteworthy differences among regions. In LAC, managed and packaged services are growing significantly (up from 10% and 4% respectively in 2022, to 15% and 9% in 2023).

NA experienced the sharpest drop in resale of hardware (33% in 2022 to 12% in 2023), but the largest increase in selling their own IP — a jump of 250% (4% in 2022 to 14% in 2023).

LAC – What percentage of your business is derived from the following today?

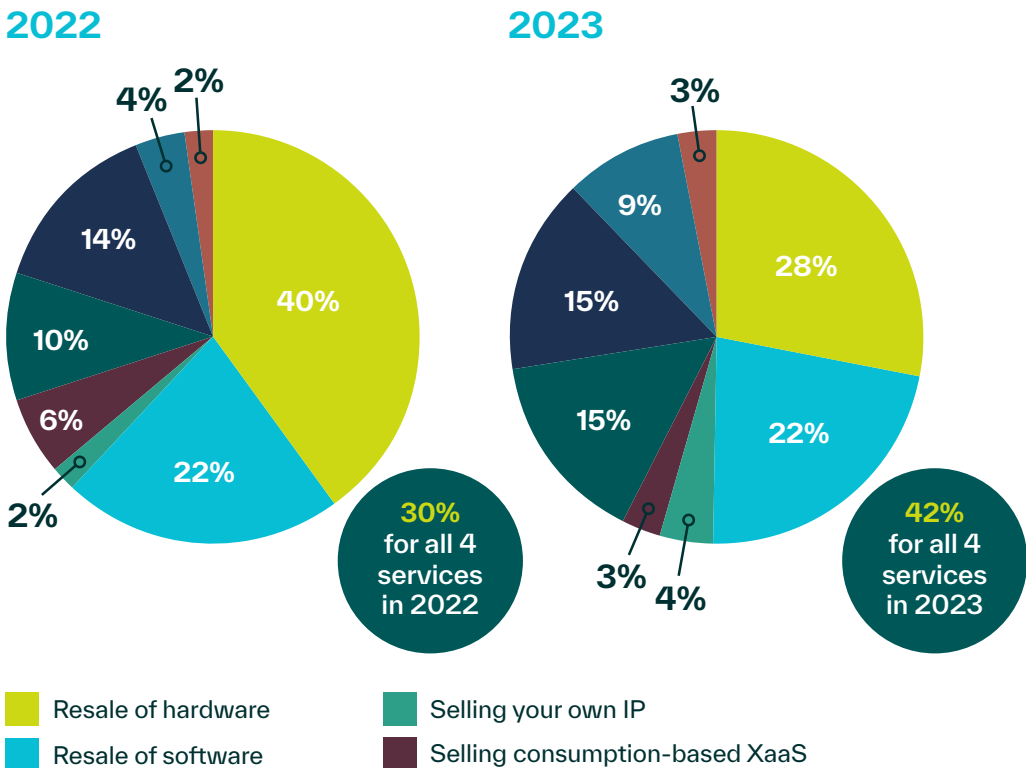


Figure 14: LAC – What percentage of your business is derived from the following today?

NA – What percentage of your business is derived from the following today?

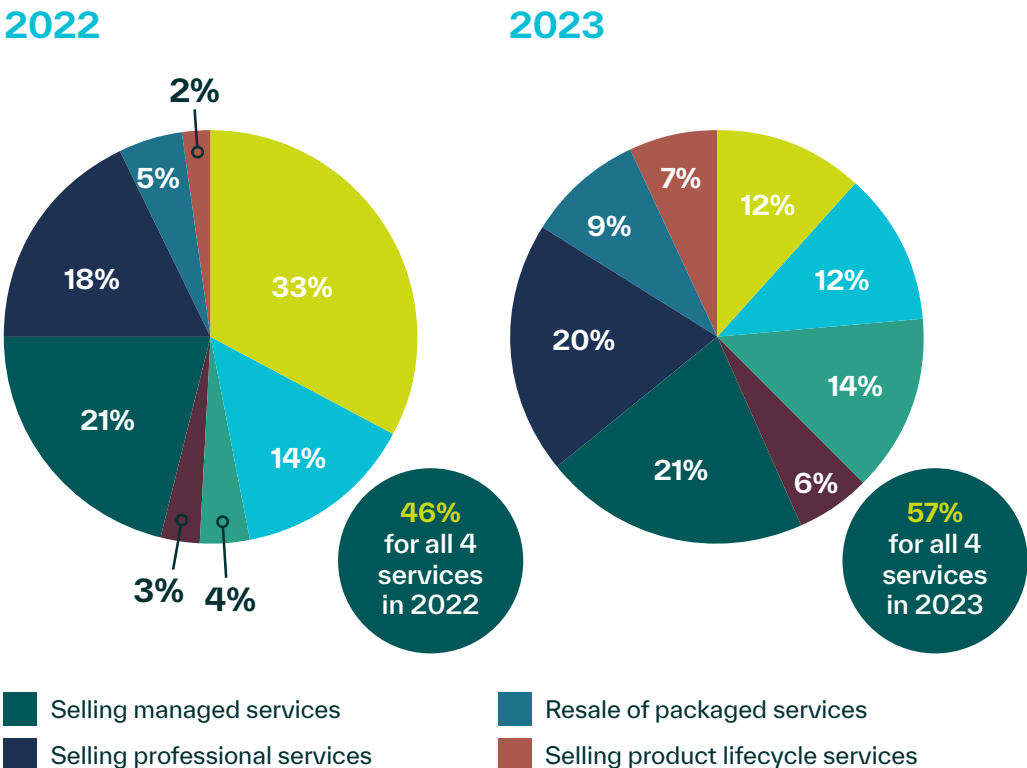


Figure 15: NA – What percentage of your business is derived from the following today?

Partner business structure is changing with greater anticipation of consolidation and acquisition

In addition to shifting portfolios, partners reported changes to their business models in 2023.

More survey participants are identifying themselves as MSPs, likely in recognition of the opportunities present in the services marketplace. This mirrors managed services market analyses, which find that the market for MSPs is expanding exponentially.¹

Compared with 2022 expectations, more partners are preparing to grow by acquiring other organizations or seeking a buyer for themselves. While the environment for acquisition has been tricky due to the challenging economic climate and high cost of money, the high valuation of businesses in the tech channel has made some owners of smaller technology channel business eager to cash out this year.

A larger growth strength in 2023



Figure 16: 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.

Greater expectation of international growth than 2022

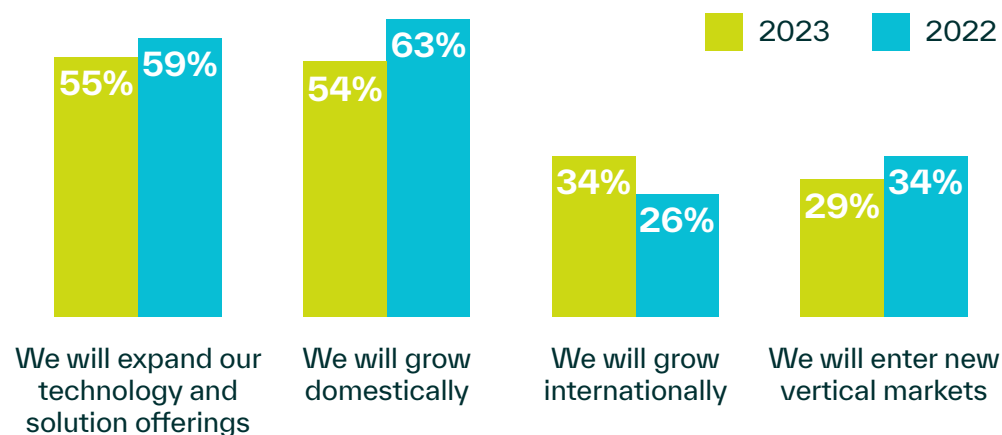


Figure 17: Which of the following statements describe your organization's growth strategy? Please rank in order of importance where 1 is not important at all and 4 is very important. (rated 4 shown).

1. <https://www.channelfutures.com/channel-research/62-of-mmps-expect-to-grow-primarily-from-new-business-in-2022-survey-finds> AND <https://www.dailyhostnews.com/managed-service-providers#:~:text=As%20MSPs%20of%20ahead%20into,dynamic%20landscape%20of%20managed%20services>.

Trend toward outsourcing business functions

This year, partners report that they are leaning more heavily than in previous years on outsourcing to meet business challenges and opportunities.

Overall, outsourcing increased across the business functions for channel partners. This shift to outsourcing may indicate a shortage of employee skills or internal infrastructure, or an unwillingness to take on the risks alone. Bringing in partners is a key way that respondents are navigating the shifting market demands and adjusting their business functions to keep up.

Respondents reported leaning on partners most significantly for business planning (up from 3% in 2022 to 12% in 2023), managed IT services (9% in 2022 to 26% in 2023), public relations (11% to 21%) and demand generation (12% to 28%). This finding is reinforced by research conducted in spring of 2023 by MIT Sloan Management Review and Boston Consulting Group. In [this study](#), 78% of organizations surveyed used third-party AI tools, and 53% used them exclusively, citing no internally-designed or developed AI technologies of their own.

In 2023, how do you perform the following business functions?

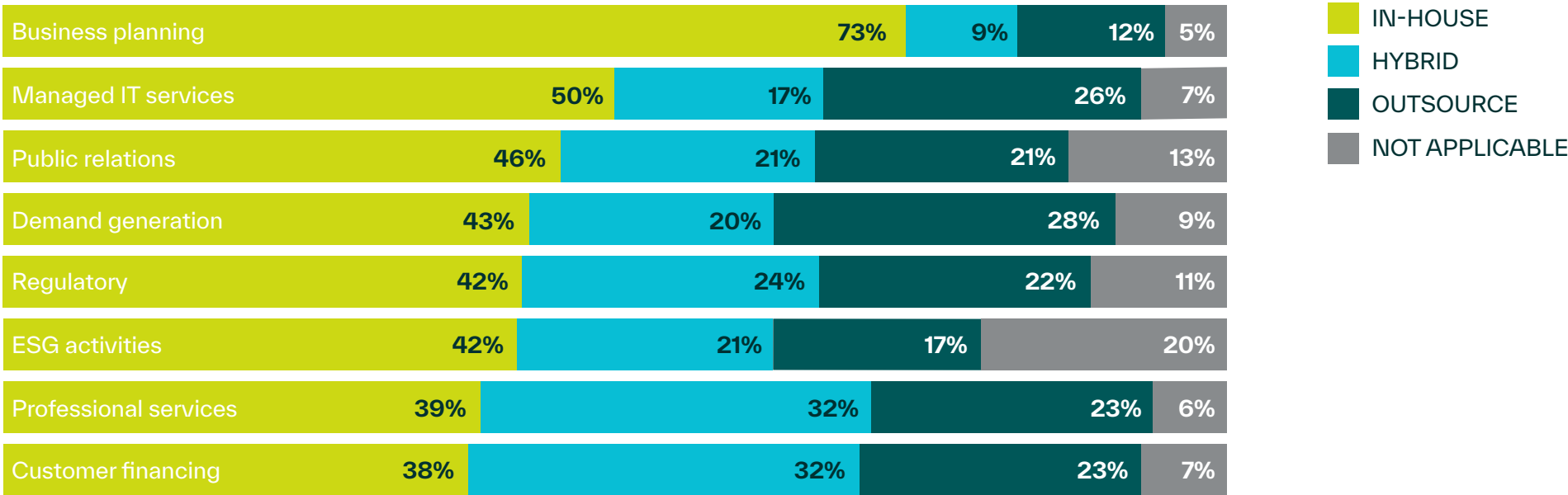


Figure 18: In 2023, how do you perform the following business functions? Please choose one option for each.

Outsourcing to partners is up from 2022

Business planning is up **300%**

Managed IT services is up **189%**

Demand generation is up **133%**

Public relations is up **91%**

Spotlight on a solution: Expanding with Global Solutions

No matter what TD SYNEX partners' growth plans entail—international expansion, acquisition ambitions or generating market demand—they don't have to go it alone. Our Global Solutions Team and programs like PACE (Personalized Active Customer Engagement) exist to allow partners to leverage TD SYNEX's global reach and expertise and add capabilities like collaborating with vendors, import/export compliance and program development. As more partners plan to outsource business functions, TD SYNEX provides ready-made solutions that can ease our partners' structural business challenges.

Trimming the sails: Rebalancing the portfolio and adjusting structure to catch the wind

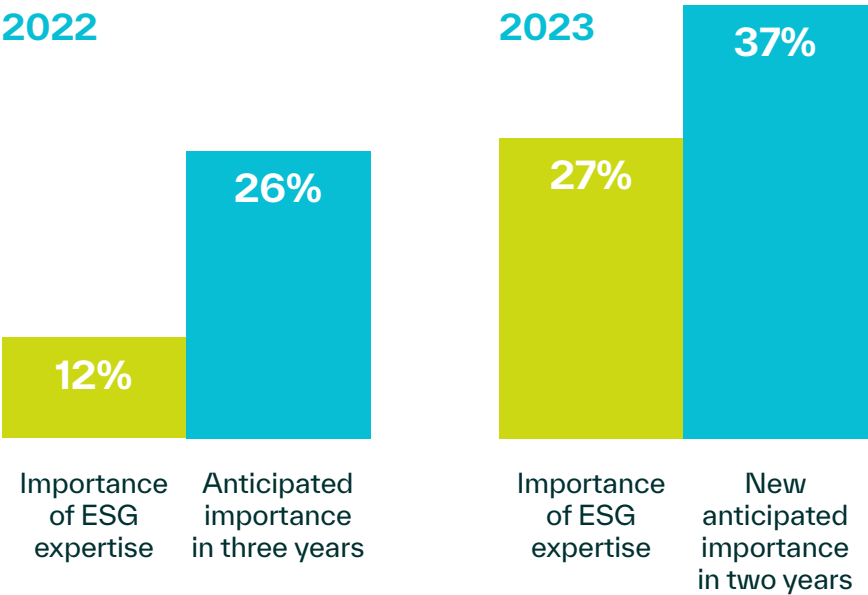
Charting a sustainable course: How ESG and transparency are shaping the path ahead

Environmental, social and governance (ESG) management refers to a business’ efforts and investments to improve practices throughout the company and is an increasing focus of audiences outside of the business, including investors and suppliers.

Environmental factors refer to the management of a company’s impact on planetary ecosystems (e.g., water, air and soil), including carbon emissions, waste and recycling, responsible water and resource use, and biodiversity. Social management refers to managing the human impact of a company, including its commitments to diversity, equity and inclusion, community citizenship, health and safety, and human rights. Finally, a company’s governance practices include ethics, responsible stewardship of data and information, supply chain engagement, risk management and executive compensation.

ESG concerns affect the technology value chain in significant ways, from the sourcing of rare earth minerals to the emissions generated by data storage. Managing ESG issues well can be seen as a proxy for good business management and has become an area of increased scrutiny and expectations by many stakeholders. Survey findings show that partners recognize this growth in ESG importance. In 2022, partners expected a jump in the importance of ESG expertise but anticipated that the increase would be realized in 2025. Just one year later, that 2025 expectation has been met, and further increases are now expected.

The importance of ESG expertise is growing faster than anticipated





Regional spotlight: LAC is focused on ESG

In Latin America, countries are adopting goals, stricter regulation and incentives related to ESG efforts. Most Latin American countries have adopted net-zero goals, pledging to reduce emissions by at least 90% by 2050. The progress toward that goal is reinforced by national legislation, such as Brazil's National Electrical Energy Conservation Program, Columbia's Green Taxonomy, Peru and Chile's Framework Laws on Climate Change and carbon taxes throughout the region. Climate-related regulation is expected to increase as countries deliver against these targets. Renewable energy projects are also gaining scale across the region, with projects such as Chile's plans to achieve 100% electrification of public transportation fleets by 2050, and to require all cars sold to be zero emissions by 2035. Additional legislation is expected to focus heavily on diversity and inclusion that will increase representation on boards and increase hiring quotas for persons with disabilities.²

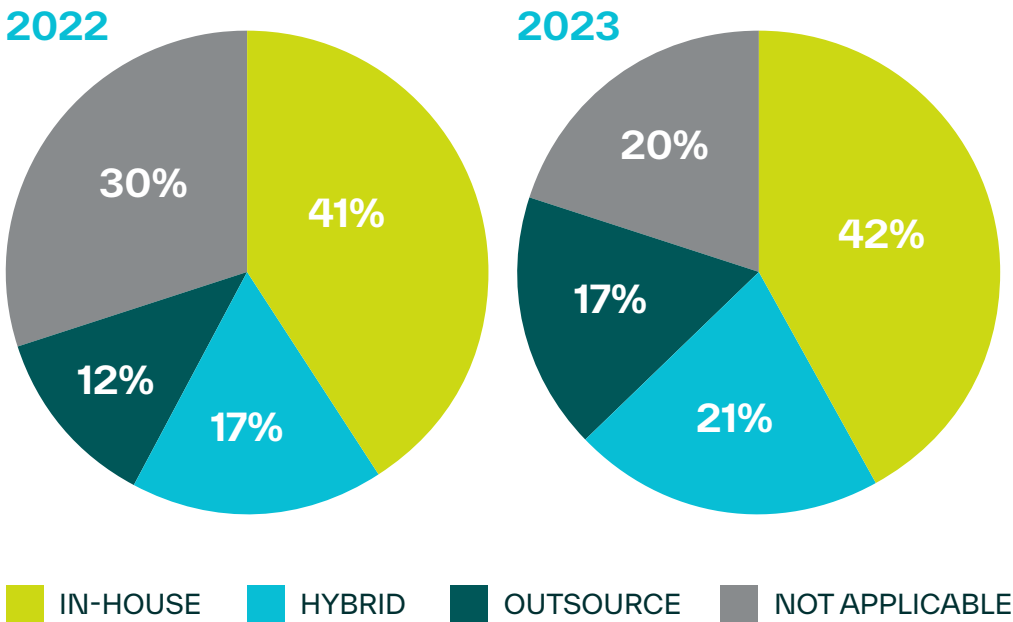
2. https://www.bakermckenzie.com/-/media/files/insight/publications/2022/06/id-latam-report-2022-eng.pdf?sc_lang=en&rev=ce8ccec387b74fe488b056df653753e3&hash=F80B3FBA194E3B65C95114D270D19ED3

Channel partners are executing on their ESG strategies

Partners’ programs to manage ESG risk address issues like access to finite resources, regulation of air, soil and water quality, reputation related to human rights, and governance issues like data privacy and security.

The 2023 survey findings show that channel partners are recognizing the rising importance of ESG as a critical aspect of their own business in addition to a product that their end users and customers will need. Since 2022, fewer partners report ESG is not applicable, and many more are bringing outside consultants on board to help them manage ESG issues.

How do you perform the business function: ESG activities



Enabling ESG for the end user: Growth expected in ESG business offerings

Businesses in all industries are facing pressure from investors to communicate transparently about ESG.

For businesses across the channel, technology that enables the tracking of sustainability information like emissions, energy use, human capital and community investment is critical in delivering the transparent information investors require. New standards and rules (like the [SEC proposed rule](#) on climate-related disclosures in US and [CSRD](#) reporting requirements in Europe) are standardizing ESG performance, and businesses around the world are seeking solutions to manage and disclose on these topics.

Not only are regulators changing the landscape, but customers are too. ESG factors are a growing influence on purchasing decisions, and end users are more interested in end-of-life recycling and refurbishment options. According to the 2023 [Canalys/Candefero global sustainability survey](#), 69% of channel players are now seeing ESG considerations influencing IT procurement and 51% say they offer recycling or circular economy take-back schemes. We also noted an increase in ESG solutions offered, with particular emphasis in North America (NA) and Europe. Even more partners plan to offer these solutions by 2025.

ESG solutions in 2023 and planned offerings in the next 2 years

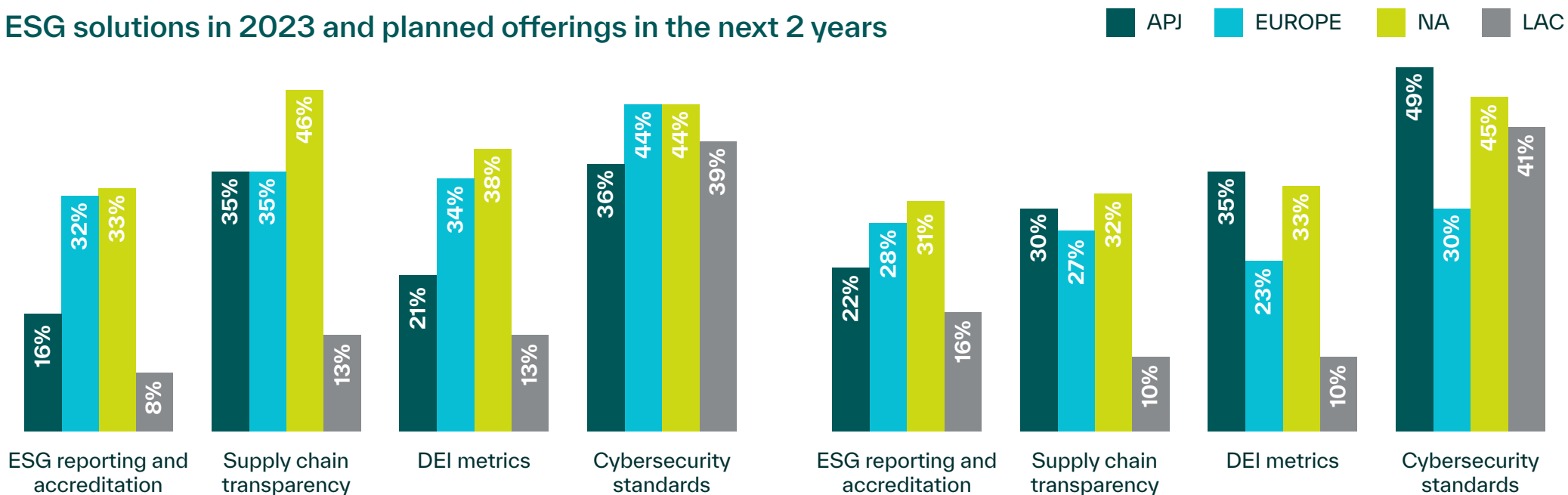


Figure 19: 2023 – Which business solutions do you currently offer?

Figure 20: Which business solutions do you plan to offer within the next 24 months?

Expected ESG investments in the next 12 months

Environmental

Product lifecycle management **33%**

Supply chain transparency **28%**

Social

Talent acquisition/management **39%**

DEI metrics and certifications **34%**

Governance

Business planning **60%**

Cybersecurity standards **53%**

Charting a sustainable course: How ESG and transparency are shaping the path ahead



Spotlight on a solution: Knowledge and tools for a more sustainable future

TD SYNEX provides industry-leading training on ESG topics where employees, vendors, customers, partners and other IT leaders can [earn badges](#) on topics such as the circular economy and sustainability essentials. For those who wish to put that knowledge into action, [Shyft Global Services](#), a subsidiary of TD SYNEX, can deliver end-to-end product and customer lifecycle management services for original equipment manufacturers and other technology innovators.

Outsourcing downstream logistics and related services to a global partner like Shyft helps technology companies adopt a circular economy philosophy, which is important in reducing the impact of their IT infrastructure, extending the product lifecycle and minimizing e-waste.

On the horizon

The findings in this year's TD SYNEX Direction of Technology report point to the flexibility of partners and underscore the stability that the technology channel offers to vendors.

Partners are navigating multiple drivers of turbulence that constitute both regular cycles of change and major disturbance. To meet these challenges, partners are adapting their product offerings as well as their own business models — and are optimistic about the results. Finding the right wave, being patient and charting a course forward are how partners are meeting the moment.

Partners can seize opportunities presented by the interconnectedness inherent to the technology ecosystem as well as the shifting needs of end users. Emerging technologies like AI and cybersecurity tools build upon well-established offerings, and partners are helping to guide customers toward high-growth products by ensuring a strong, secure base. To widen the available market, partners can provide flexible consumption models and financial options. Partners can also reduce regulatory and cost risks by increasing their investments in ESG. Opportunities abound, and as the hub for delivering many of these solutions, we are excited to see what's next.



Appendix (1/3)

Key definitions

Partner definitions

Distributor: a company generating more than 50% of revenue from selling third-party IT hardware, software and/or services to resellers, retailers, SPs, distributors and/or other non-end-user organizations.

Independent software vendor (ISV): a company generating more than 50% of revenue from developing and selling own software products (either own-branded or integrated into a third party's hardware or software solution).

Original equipment manufacturer (OEM)/vendor: a company generating more than 50% of revenue from selling own- branded technology hardware products or providing technology hardware products that are integrated into third-party IT products or solutions.

Reseller: a company generating more than 50% of revenue from reselling third-party IT hardware, software and/or services to business end customers.

Retailer: a company generating more than 50% of revenue from sales to consumer end customers.

Service provider: a company generating more than 50% of revenue from providing communication and/or IT as a service.

- **Managed service provider (MSP):** an SP generating more than 50% of revenue from managing a customer's ICT assets (physical, virtual or cloud), either owned or rented by the customer, on a contractual or as-a-service basis. MSPs are typically responsible for customer SLAs.
- **Cloud service provider (CSP):** an SP generating more than 50% of revenue from providing cloud software and/or cloud infrastructure services from IT assets that are owned and/or controlled by the service provider.

Systems integrator: a company generating more than 50% of revenue from complex IT services, such as software and systems integration, IT outsourcing (excluding managed services), consulting, and advisory and professional services.

Survey terms

Technologies, technology skills

Artificial intelligence (AI): the ability of a computer or robot controlled by a computer to do tasks that are usually done by humans because they require human intelligence and discernment.

Applications (on-premise/XaaS)

Application: a computer software package that performs a specific function for an end user or for another application.

On-premise: a method of deploying software wherein computer programs are installed right on users' computers.

AR/VR/Metaverse

Augmented reality (AR): adding to the user's real-life experience by projecting virtual pictures and characters through a phone's camera or video viewer.

Virtual reality (VR): an artificial environment created with computer hardware and software to simulate the look and feel of a real environment.

Metaverse: a virtual reality space in which users can interact with a computer-generated environment and other users.

Automation: the application of technology, programs, robotics or processes to achieve outcomes with minimal human input.

Business and predictive analytics: the use of data to predict future trends and events.

Collaboration: indicates that people or organizations cooperate on software, applications, websites or other technical projects.

Data analytics: the science of analyzing raw data to make conclusions about information.

Data warehousing: the practice of collecting data from a wide range of sources within a company into a single database that may be used to guide management decisions.

Appendix (2/3)

Endpoint devices: physical devices that connect to and exchange information with a computer network, such as mobile devices, desktop computers, virtual machines and servers.

Hybrid cloud: a combination of at least two computing environments that share information with one another and run a uniform series of applications for a business or enterprise.

Hyperscale infrastructure

Hyperscale: the ability of the system or technology architecture to scale as demand for resources gets added to it.

Infrastructure: the components needed for the operation and management of enterprise IT services and IT environments.

Internet of Things (IoT): describes the network of physical objects that are embedded with sensors, software and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet.

Machine learning (ML): a branch of AI and computer science which focuses on the use of data and algorithms to imitate the way that humans learn, gradually improving its accuracy.

Mobility: the use of mobile devices, including smartphones and tablets, to enable employees to work securely from anywhere.

Networking: interconnected computing devices that can exchange data and share resources with each other.

Refurbished IT kits

IT kit: a set of software tools and programs provided by hardware and software vendors that developers can use to build applications for specific platforms.

Refurbished: not factory-new, but used and then tested to verify it will function properly.

Security: synonymous with “cybersecurity”; the application of technologies, processes and controls to protect systems, networks, programs, devices and data from cyber-attacks.

Servers and storage

Server: a computer that serves files to multiple clients on a network.

Storage: a device that stores data to access when needed.

There are four server storage types: direct-attached storage (DAS), network-attached storage (NAS), storage area networks (SAN) and cloud storage.

Sustainability: the ability to fulfill the needs of current generations without compromising the needs of future generations, while ensuring a balance among economic growth, environmental care and social well-being.

Virtual Desktop Infrastructure (VDI): a technology that refers to the use of virtual machines to provide and manage virtual desktops.

Business solutions, business skills

Business consulting/professional services: advisory service offering to provide guidance on business changes and offerings, such as digital transformation.

Business planning: service offering to guide clients in the creation or adjustment of a business plan or strategy for growth, including to attract investors, generate demand and plan for the financial future.

Credit/financing/leasing: a flexible alternative to outright purchase of equipment, software or service; involves a contractual agreement between the owner of the asset and the other party, who provides the right to use the asset in return for a periodic payment.

Customer lifecycle support: enables customers to go through a progression of steps from consideration, purchasing, using and maintaining loyalty to a product or service.

Cybersecurity certifications and standards: proof of ability and skills to adhere to a set of guidelines or best practices that organizations can use to improve their cybersecurity posture.

DEI metrics: a way to track diversity, equity and inclusion efforts at an organization in order to measure outcomes and progress, set goals, develop accountability and ensure transparency.

Appendix (3/3)

Demand generation/digital marketing: a marketing strategy that aims to create consumer demand or interest in products or services.

E-commerce: a method of buying and selling goods and services online.

ESG reporting and accreditation: the disclosure (and potentially audit) of environmental, social and corporate governance data intended to increase investor — and other stakeholder — transparency.

Flexible payment terms: offer customers the option to buy now, or pay later or in installments.

Global capabilities: enable an organization to achieve specific outcomes or objectives in a variety of geographic locations, especially across countries or continents.

Logistics services: includes the elements of the supply chain, from transportation from the manufacturer all the way to the fulfillment warehouse.

Managed services: a model of offloading general tasks to an expert to reduce costs, improve service quality or free internal teams to do work that's specific to their business; for example, data center, network or security management.

Preferred pricing: an exclusive discount offered for a particular customer.

Professional services: service offering to perform project-based business needs with pre-determined deliverables, such as design, audit and procurement.

Supply chain transparency: the visibility into a business' supply chain at every stage, and the ability to communicate about supply chain operations internally and externally with factual information.

Talent acquisition and management: the process of attracting, hiring, developing and retaining qualified people.

Regulatory expertise

Cybersecurity: synonymous with “security”; the application of technologies, processes and controls to protect systems, networks, programs, devices and data from cyber-attacks.

Data privacy and protection

Data privacy: defines who has access to data to protect personal information and allow individuals to determine who can access their information.

Data protection: the process of safeguarding important information from corruption, compromise or loss and providing the capability to restore the data to a functional state should something happen to render the data inaccessible or unusable.

Education: providing the skills necessary to perform specific job functions.

Physical security: knowledge of how to protect personnel, hardware, software, networks and data from physical actions and events that could cause serious loss or harm.

Safe Harbor Statement

Statements in this report regarding TD SYNEX Corporation which are not historical facts may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may be identified by terms such as believe, expect, may, will, provide, could and should and the negative of these terms or other similar expressions. These forward-looking statements include, but are not limited to, statements regarding strategies and goals. These are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in the forward-looking statements. Please refer to the documents filed with the Securities and Exchange Commission, specifically our most recent Form 10-K and subsequent SEC filings, for information on risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements. Statements included in this report are based upon information known to TD SYNEX Corporation as of the date of presentation and TD SYNEX Corporation assumes no obligation to update information contained in this report except as otherwise required by law.



