compuBase

The leading ICT Channel Intelligence Company

IT & Telecom distribution in ITALY

2009

compuBase Study

CHANNEL OPTIMISATION

IMPROVE YOUR ROI ON NEW PARTNERS

Thanks to compuBase's Channel Solutions, find:

- the strengths and weaknesses of your channel
- the potential of revenue per product and per reseller
- partners according to resemblances

New

Channel Benchmarking

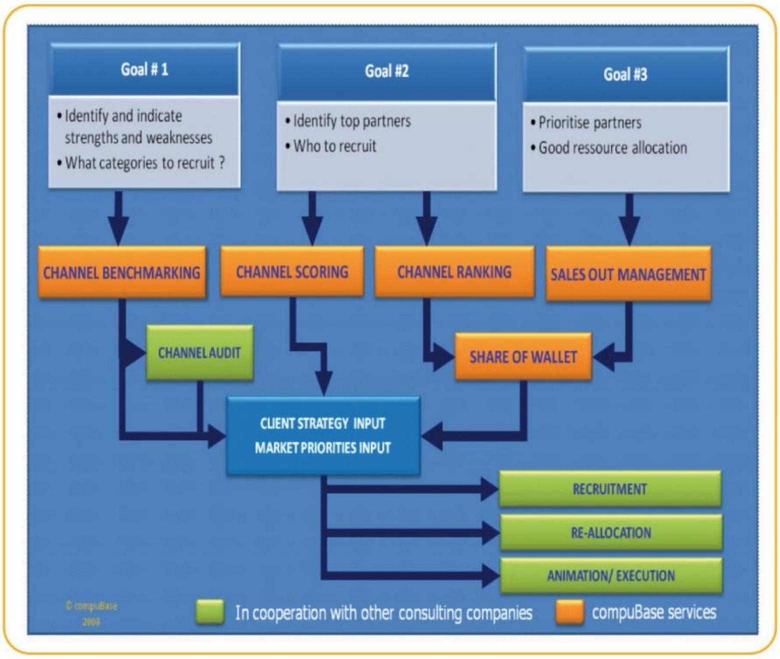
- Compare your position with other market players.
- Benchmark your channel and competition.
- Understand your distribution network's strengths and weaknesses.

Channel Benchmarking is an operational market study and analysis solution that will allow you to reduce marketing costs by equipping you with greater knowledge of your partners (micromarketing).

Channel Ranking

- Estimate revenue for your type of product for each partner.
- Identify your top partners for each product category.
- Tune your marketing and strategy according to the position of resellers vs. vendor's sales and business opportunities.

Channel Ranking provides a list of companies ranked by Business Opportunities.



Channel Scoring and Mirroring

- Take your good partners and find in our database those who match their qualities.
- Merge the qualitative and quantitative approaches to manage each reseller according to its potential.
- Set up scores according to the recruitment priorities.

Channel Scoring optimises sales team resources. It is the basic of a fully new partner approach.

Channel Mirroring helps finding partners according to resemblances. It is a qualitative approach.

Content

This study, based on the data and information contained in the compuBase database, is the result of extensive research in the field.

For additional information on this study and its content, please contact:

consulting@compubase.net

Supervisor: Jack Mandard

Analyst: Camelia Nita

September 2009.

Foreword

One of the top five European countries and the world's seventh largest economy is also perceived as one of the most dynamic in terms of economic and technological changes that have taken place within the last century. The country remains divided into two highly contrasting sub-regions: Northern Italy which very industrialized and Southern Italy which is still more agriculturally-oriented, has a very high level of unemployment and is very dependent on the northern economy.

In spite of increasing competition, Italy remains strongly protectionist as the monopoly market model is still an important part of the market. However, on the one hand, lower interest and inflation rates have positively contributed to attract further foreign investments thereby diminishing the monopoly market position. On the other hand, various reforms counterbalance the positive side, such as high taxes, high unemployment and an over generous pension system, coupled with a lack of business transparency, an uneven infrastructure and a certain lag regarding R&D growth (when compared to fellow Western European countries).

A decentralization process is ongoing in order to stimulate the use of ICT in all the sectors. Italy accounts for around 10%[1] for the total European ICT market. The most developed and highly technological sectors are considered to be machinery, metal products, chemicals and transportation equipment. Other very technologically demanding sectors are security, medicine, consulting and training.

Below are some key indicators which give a general view of the current state of the Italian economy:

General economic indicators:

Country indicator	Value	Year	Source
Population (millions)	59,3	2008	IMF
GDP/capita (€)	21,728	2008	IMF
Economic growth	-0.7%	2008	www.tradingeconomics.com
Number of IT & Telecom companies	37,040	2009	compuBase
Internet access rate	49%	2008	ITU
Trade balance (million €)	10,950	2008	www.tradingeconomics.com

[1] EiTO 2008

Volume and activity

The Italian ICT market is currently estimated at around €65 billion[2], recording a growth of 0.8%[2] for the year 2008 and it is expected to decrease for the next two years.

The market is characterized by a very strong granularity and the majority of vendors are represented by American and Asian players, most of them owning an Italian subsidiary. Overall, compuBase estimates the Italian market to comprise around 37,000 ICT players; this volume places the Italian market among one of the largest European markets to address in terms of number of partners. The granularity of the market also indicates the existence of an important number of channel marketing and sales managers (each following their own market strategies).

The compuBase database contains detailed information of 9,700 companies, covering all the major ICT market players, as well as the most important of the small players.

IT & Telecom market estimation by main business model – compuBase estimation:

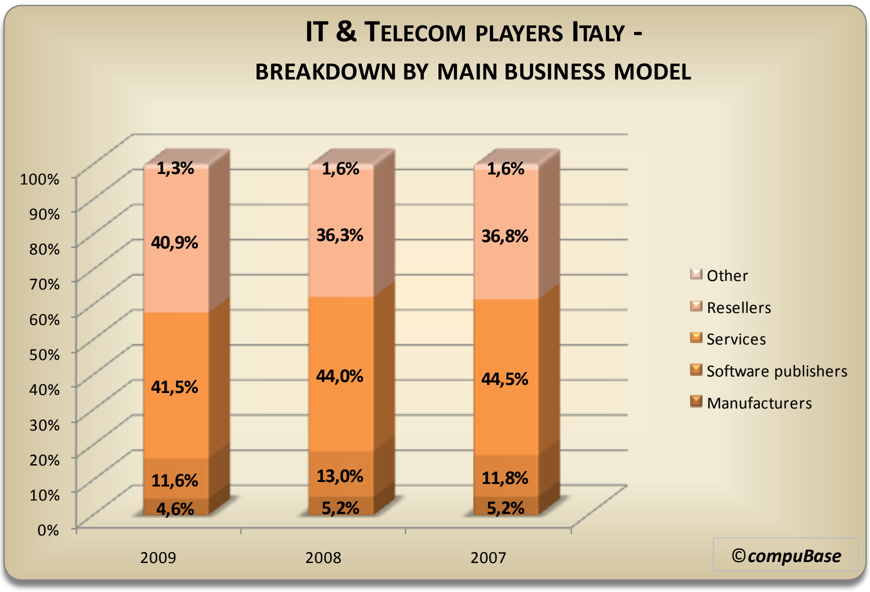
Main business model	Volume
Manufacturers	910
Software publishers	1 120
Publishers of software for a specific activity	830
Publishers of software for a specific process of companies	740
Software solutions integrators (developed by third parties)	550
IT services, Software development (hosting, maintenance, training, bespoke software development....)	7 190
Telecom services (Telecom operator, ISP...)	880
Telecom & network infrastructure integrators	410
IT infrastructure integrators	780
Consulting	840
Reselling to consumers	16 920
Reselling to enterprises (hardware, software & services & assemblers)	4 240
Wholesalers (resale of IT products to resellers)	1 030
Large assembling companies	40
Other ICT related activities	560
Total Locations	**37 040**
Total HQs	**32 890**

This table represents an estimation of the total number of ICT firms present on the Italian market by main activity. Each company can only be represented by one main activity. 100% represents all the companies listed in the Total locations field.

The following chart gives an overall view of the evolution of the channel's main business models in the Italian market over the past three years.

[2] Assinform, 2009

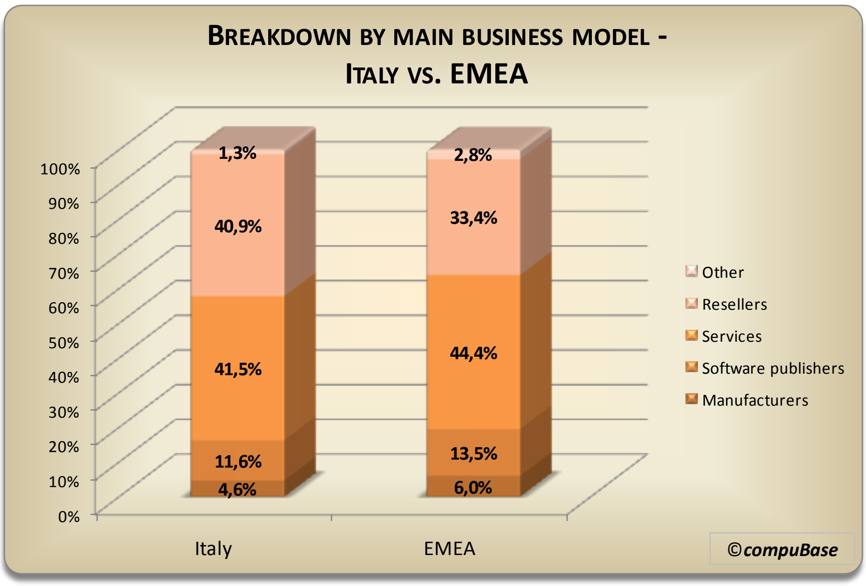
Distribution of players in the ICT channel, by main activity (2007-2009)



This chart breaks down the total number of ICT firms in the compuBase database by period and by main activity. Each company is represented by only one main activity. 100% represents all the companies listed in the Italian compuBase database.
***Manufacturers**: Manufacturers, Large system builders*
***Software publishers**: Software publishers, Publishers of software for a specific activity or profession, Publishers of software for a specific business process*
***Services**: Integrators of software solutions (developed by third parties), IT services, IT services and engineering companies (hosting, maintenance, training, customised software development, etc.), Telecom services (operators, ISPs, etc.), Telecom and network infrastructure integrators, IT infrastructure integrators, Consultants*
***Resellers:** Resale to consumers, Resale to business users (assembly, hardware, software, and services), Wholesalers (resale to professionals in the IT, Telecom, or Digital Home industries)*
***Other**: Other activities dedicated to the IT sector*

Our chart shows that the number of manufacturers has slightly diminished, while the number of software publishers has varied within the past few years. More surprisingly, the number of resellers has increased, to the detriment of service companies. This market picture can be easily explained by the wave of mergers and acquisitions which currently characterizes the Italian ICT market, particularly for service companies.

Distribution of players in the ICT channel, by region/country and by main activity



This chart breaks down the total number of ICT firms in the compuBase database by region/country and by main activity. Each company is represented by only one main activity. 100% represents all the companies listed in the Italian and EMEA compuBase databases.
Manufacturers: *Manufacturers, Large systems integrators*
Software publishers: *Software publishers, Publishers of software for a specific activity or profession, Publishers of software for a specific business process*
Services: *Integrators of software solutions (developed by third parties), IT services, IT services and engineering companies (hosting, maintenance, training, customised software development, etc.), Telecom services (operators, ISPs, etc.), Telecom and network infrastructure integrators, IT infrastructure integrators, Consultants*
Resellers: *Resale to consumers, Resale to business users (assembly, hardware, software, and services), Wholesalers (resale to professionals in the IT, Telecom, or Digital Home industries)*
Other: *Other activities dedicated to the IT sector*

The Italian channel profile is further highlighted by the comparison of the Italian and EMEA markets. The number of manufacturers and software publishers is lower than the EMEA average market model and due to the market's composition, the weight of resellers is more consistent on the Italian market.

The north-south disparities are evident even within the distribution channel organization. The IT picture is different from one region to another. The most important IT competition poles are represented in the map below by calculated weight in terms of the total population of the IT & Telecom channel players.

ICT population density by region[3]

Once again the northern region is richer in "darker" orange nuances reflecting a higher density of the IT & Telecom population. Lombardy is considered the region with the most highly developed ICT activity, with more than a quarter of the main channel players. Emilia Romagna, Lazio, Veneto and Piedmont each share around 10% of the channel players. Lombardy and Lazio have the most important number of service companies and business resellers.

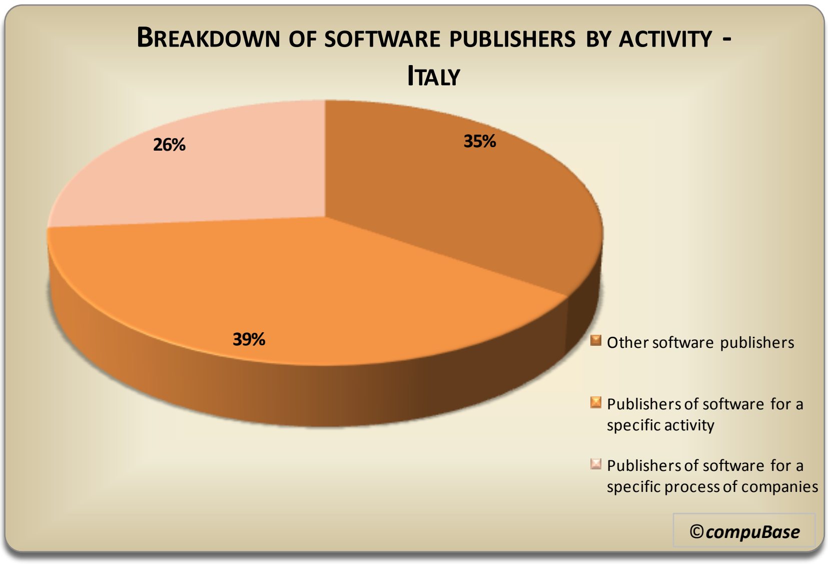
The less populated regions appear to be Val d'Aosta and Molise.

[3] compuBase database, 2009

Software publishing and services

Both services and software sectors are expected to pursue their growth trend, largely due to the software component related to applications domains, middleware and software systems.

Major software publisher categories:



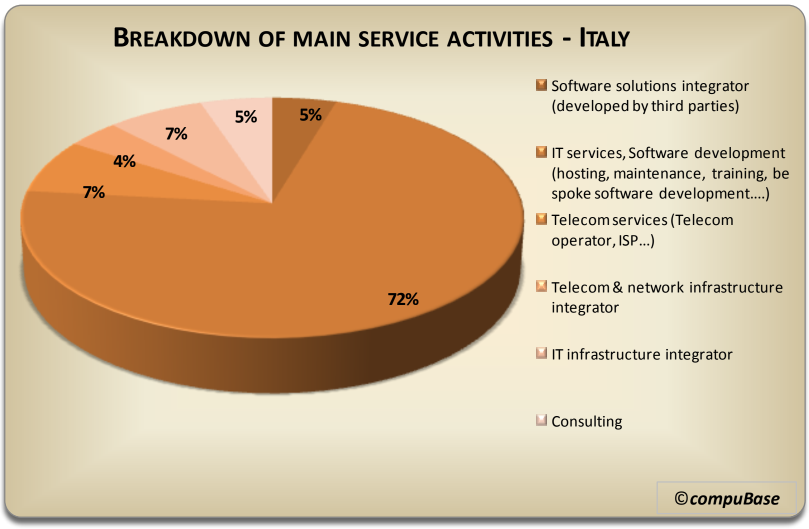
This chart shows the categories of software publishers. Each company belongs to only one category. The total of the percentages equals 100%.

Italian software publishers' activities are divided as follows: 40% of the publishers are dedicated to a specific activity, while only 26% are dedicated to a specific process, the rest are general software vendors.

The most dynamic components of the software market currently tend to be, as already mentioned, middleware applications and system software applications. There is also demand for open source software, as well as for security and system management solutions, IT management and monitoring solutions, and application servers. E-commerce applications are also growing quickly as Italians become aware of the benefits this sales model can bring. Security applications are also important for Italian companies across all sectors, as well as business intelligence and data warehouse applications through ERP, SCM and CRM. The latter are considered to have reached a mature stage on the market.

The adoption of SOA is also still a current trend, as well as the SaaS model, which is considered an easier deployment option especially for SMBs.

Major Services providers categories in Italy:

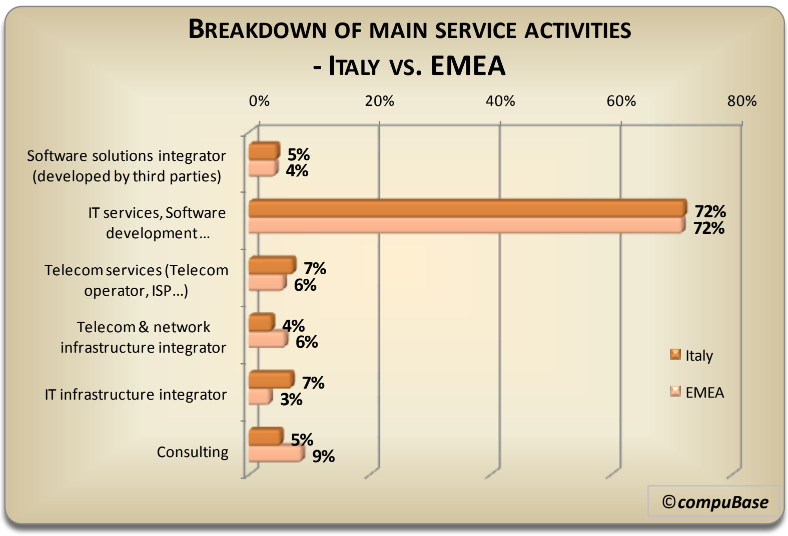


This chart shows the different categories of service companies. Each company belongs to only one category. The total of the percentages equals 100%.

Services have also seen a positive evolution in the past few years, mainly due to embedded systems, outsourcing, consulting and systems integration. Nevertheless, the current market situation is expected to highly impact Italian service companies as more and more small companies are experiencing tight budget reductions. More outsourcing projects are also expected to emerge in terms of services.

The majority of the Italian services (72%) companies are dedicated to IT services and software development as their main activity, while only 5% are in the consulting business.

Major Service provider categories in Italy vs. EMEA:



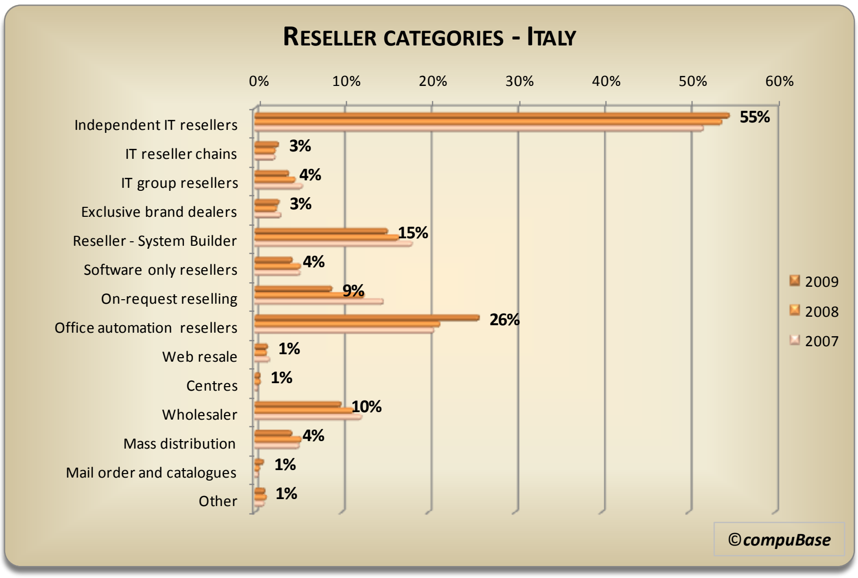
This chart compares Italy and EMEA in terms of categories of service companies. Each company is represented by only one category. The total of the percentages equals 100%.

The comparison in terms of service activities with the EMEA countries reveals many similarities in terms of service activities. However, on average, there are fewer consulting companies on the Italian market, but more Telecom service companies.

Resellers and reseller categories

With the emergence of new business models, the presence of VARs in the channel is reinforced compared to the past few years: they currently represent 49% of channel players.

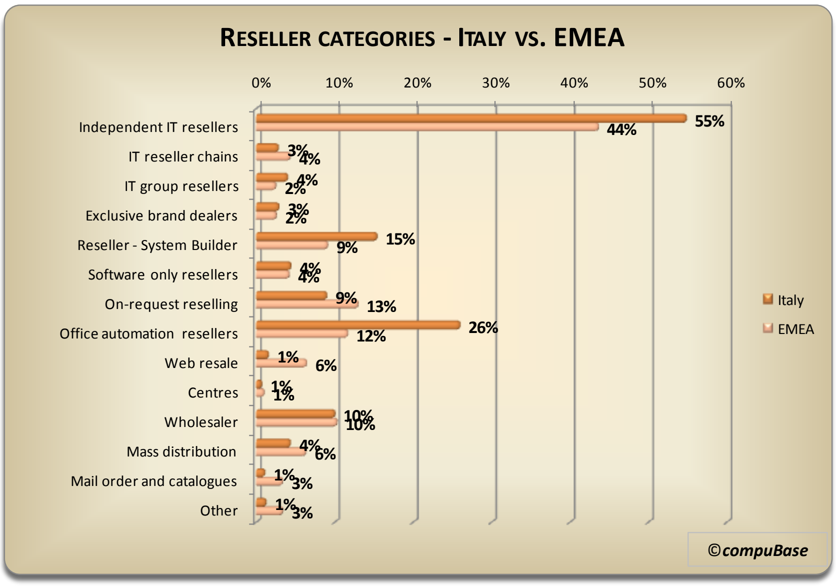
Major reseller categories (2007-2009):



This chart shows the evolution of resellers by resale category. A given reseller may appear in several resale categories. We have removed duplicate entries from the base used to calculate the percentages concerning the total number of resellers.

The chart above shows a certain dynamic in the evolution of resellers' activities. The number of independent resellers continues to grow at the same time with the office automation resellers' category (proving that hardware products remain the most commercialized products, despite a global decrease in terms of market value, but thanks to the granular market structure), while the number of wholesalers and on-request resellers has slightly diminished with system builders.

Major reseller categories – Italy vs. EMEA:



This chart compares Italy and the EMEA region in terms of resellers by resale category. A given reseller may appear in several resale categories. We have removed duplicate entries from the base used to calculate the percentages concerning the total number of resellers.

When comparing Italian resellers and EMEA ones, we can observe some important channel differences. The independent resellers, office automation resellers and system builders have a greater presence on the Italian market.

There is also a slight difference concerning the “Resale on web” category, weaker in Italy as the country is currently in the early stages of adopting the e-commerce market model.

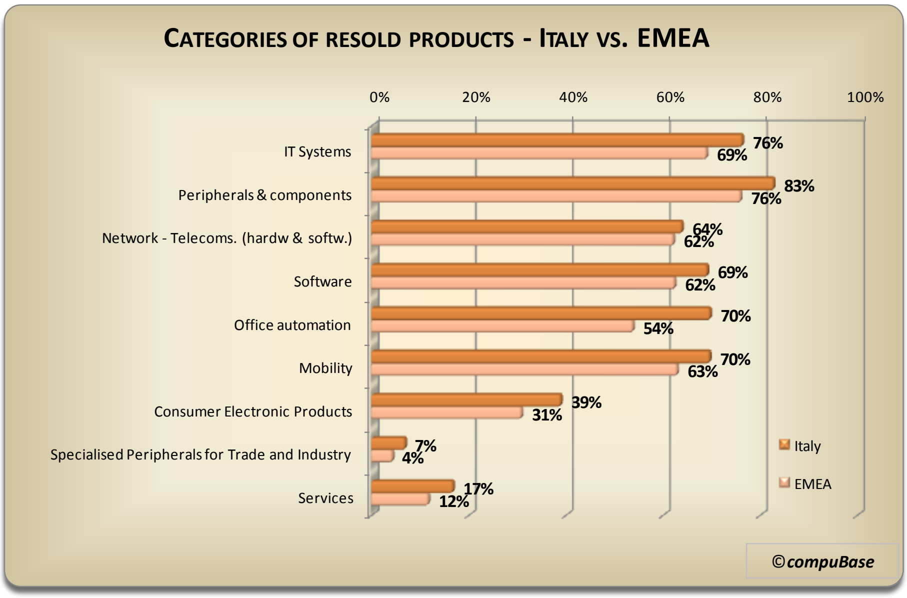
Resellers and products sold

The hardware component is the most affected by the negative trend in demand. The maturity of the market, the pursuit of downpricing and the prolongation of the non-substitution process for budget reasons contribute to the diminishing of the market value. An apparent increase in volume does not therefore imply an increase in terms of market value.

All hardware sectors are currently experiencing a downturn: printers, workstations and mainframes are counteracting the timid growth registered for notebooks and server markets. Storage, on the other hand, remains a very promising domain to be explored, while traditional printing is being systematically replaced by multifunctional devices in companies’ demands for this product category.

The telecommunications sector, one of the largest in the EU, is being driven by the convergence between traditional telecommunications and media. In the Telecom area, the mobile and mobile data sectors continue to be motors for growth. New content and services in this area are expected to positively influence the sector. As for the mobile products and services, these cannot fully compensate the decrease from the other Telecom market sectors such as Voip, mainly due to a certain level of market maturity.

Categories of resold products – Italy vs. EMEA:



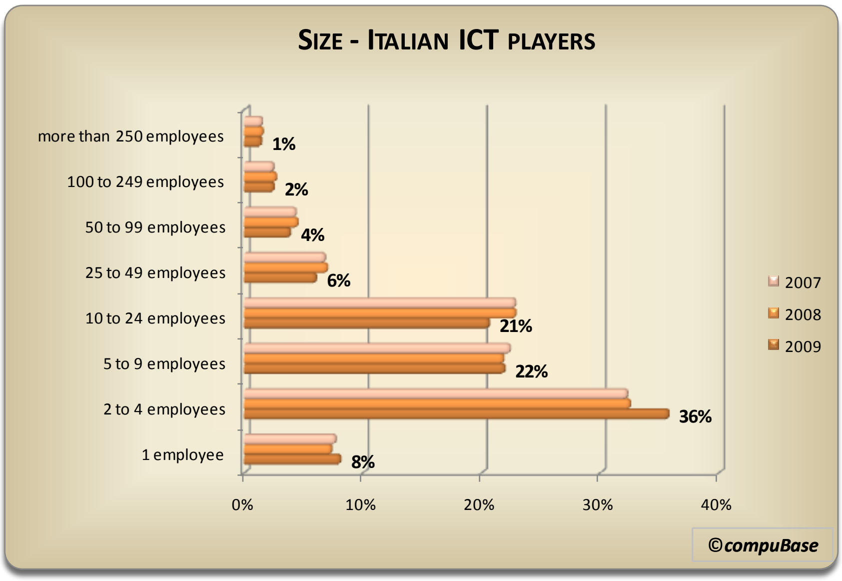
This chart compares Italy and the EMEA region in terms of categories of products resold by resellers. A given reseller may appear in several product categories as they may sell various products. We have removed duplicate entries from the base used to calculate the percentages concerning the resellers per product categories.

Despite the net decrease of the Italian hardware market value, the most resold products continue to be peripherals (both on the Italian, as well as on the EMEA market overall), followed by the IT systems and mobility products categories. Furthermore, the above figures indicate the fact that the Italian reseller's product catalogue tends to be larger than the European average.

Market size and experience

Even when considering size, one can easily notice that there are lots of disparities between the north and the south. While the Northern region is populated by multinationals and other large corporations, the south is more dominated by small family-based businesses.

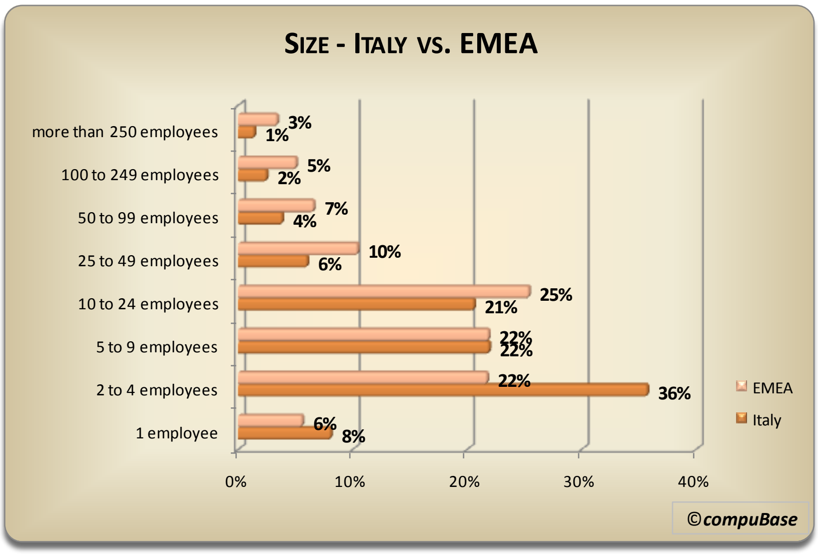
IT & Telecom players by size:



This chart analyzes the size of ICT players in the Italian region. The categories are taken from the compuBase database. Each company belongs to one category only. The total of the percentages per year should equal 100%.

Overall, the majority of the channel players (87%) are small-sized companies with less than 25 employees. While the number of middle-sized businesses has slightly diminished within the past few years, the number of companies with 1-4 employees has increased.

IT & Telecom players by size – Italy vs. EMEA:

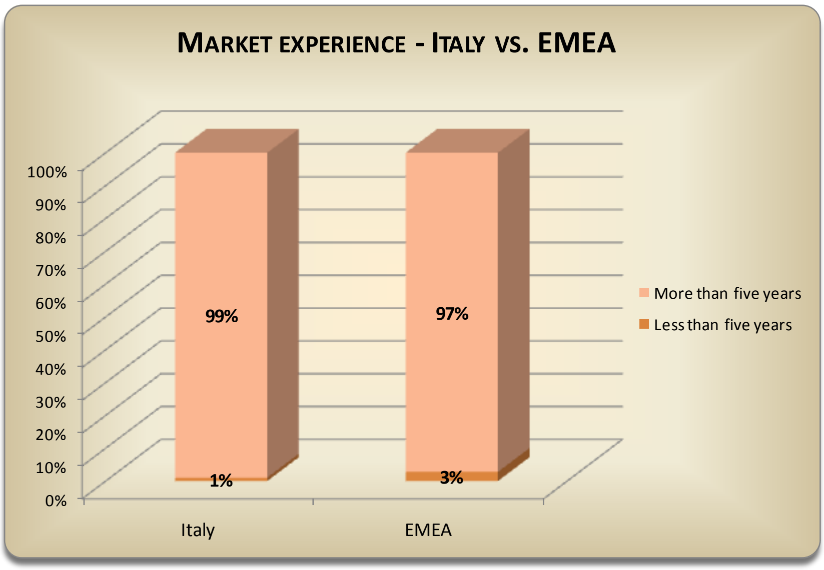


This chart compares the size of ICT players in Italy and the EMEA region. The categories are taken from the compuBase database. Each company belongs to one category only. The total of the percentages per region should equal 100%.

As one might expect, the Italian market model differs from the European average in terms of size. The granularity of the market is emphasized by the obvious difference in weight between companies with 1-4 employees.

The geographical disposition of the country in the form of a peninsula may be one good explanation of this particularity. Except for Milan and Rome, the country has a small number of economic centres. The second reason stems from the very structure of the Italian SMB market. It is well known that Italian small businesses represent an important component in the mechanism of the Italian economy. This very structure presents some advantages in terms of reactivity and innovation, but it can also constitute a barrier for marketing and sales. The size of European partners generally reflects the size of the end user businesses.

Market experience in Italy versus the EMEA region:

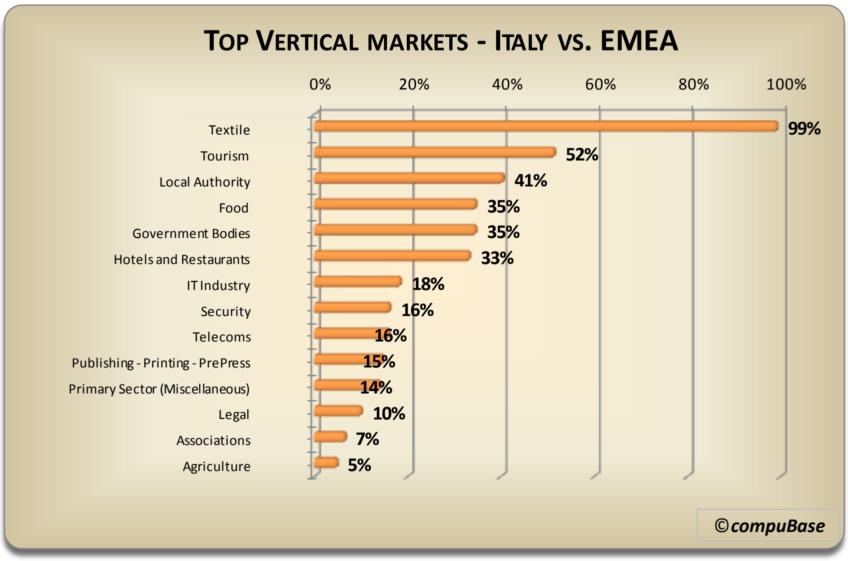


This chart shows the longevity of businesses in the Italian market compared to the EMEA market. The total of the percentages per region equals 100%.

In terms of market experience, both Italian and EMEA ICT players tend to be rather similar. A great majority of the channel actors have been on the market for more than five years, regardless of their size.

Market presence

Vertical market penetration level – comparison between Italy and the EMEA region:



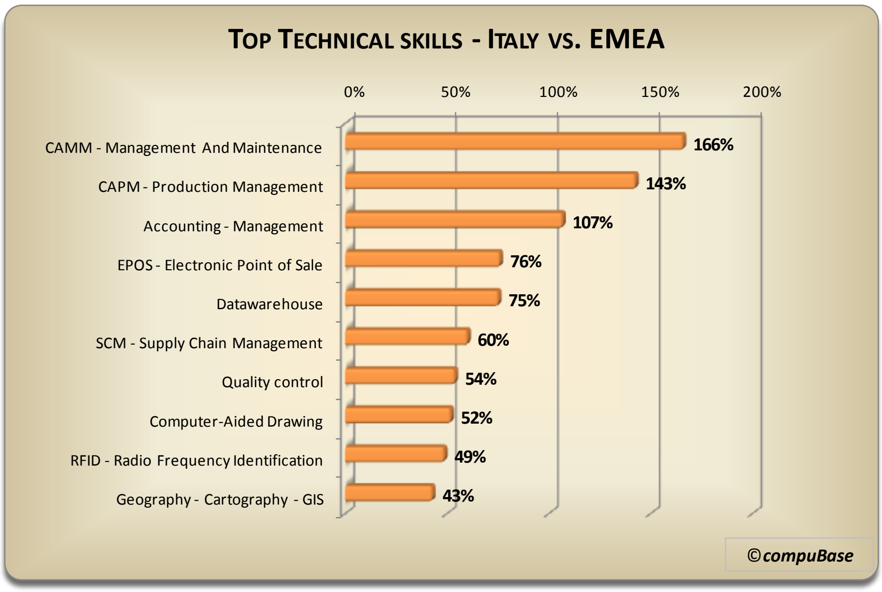
This chart shows the relative presence of Italian ICT players compared to the EMEA region players overall. A positive percentage means that Italian players are more present in the respective markets than EMEA players.

The presence of IT & Telecom players on the different Italian vertical markets is highlighted when compared to the overall European region. Thus, the demand for IT & Telecom products and services remains positive and outweighs the European average in textile, tourism, public administration and hostelry. The IT industry also appears in the top ten sectors, very close to security and Telecoms, while finances are relegated from the main picture, due to the current crisis which is highly impacting the latter mentioned market.

Technical skills

The Italian market players have built their technical skills in complete symbiosis with the software market trend which remains the most dynamic component of the IT & Telecom market. The most developed technical skills (when compared to the European average) are oriented towards software management tools: CAMM, CAPM, Accounting and SCM. Business intelligence tools such as datawarehouse applications are also in high demand.

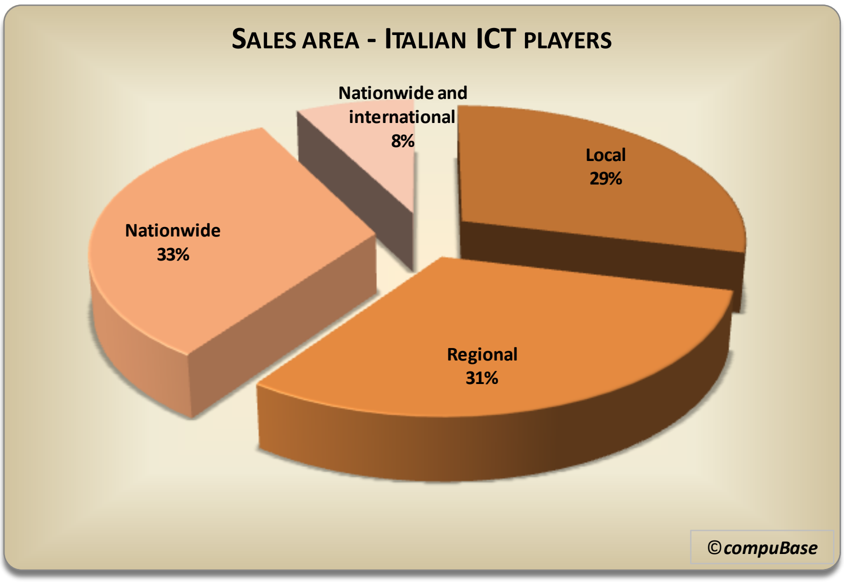
Technical skills – comparison between Italy and the EMEA region:



This chart illustrates the technical skills of Italian ICT players compared to those in the overall EMEA region. A positive percentage means that Italian players have greater technical capacity in this area than other EMEA players.

Sales areas

Breakdown of Italian companies by sales area:



This chart shows ICT players by sales area. Each company belongs to only one sales area. The total of the percentages equals 100%.

The prevalence of small and medium entities has left room for an equal development of a nationwide, regional and local sales strategy. It is true that small resellers tend to act more locally. The rate of international implant is rather reduced at around 8%.

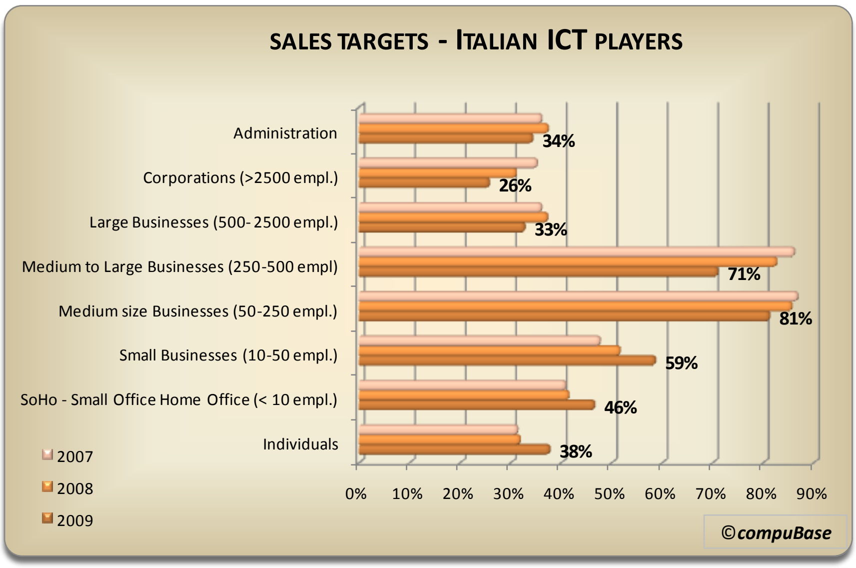
Due to the obvious disparities in terms of size between the Italian market and the European one, the weight of local channel players is more important in Italy, while the European market players tend to be more present nationwide.

Sales targets

The penetration rate of IT in the SMB sector (more than 10 employees) is considered to be around 90%. The most important investments in the sector currently concern accounting and administration management processes, mainly in the ERP software development (which affects around one third of the SMB sector). A positive relationship can be observed between the adoption of IT instruments and market productivity.

The demand for IT & Telecom products and services is divided as follows: the great majority comes from the B2B (80%) and the rest, 20%, is covered by the B2C market. The B2C consumption rate has reached a small growth peak in 2008, due to the convergence of different market components having impacted the complexity of the consumer's demand.

Target customer categories:

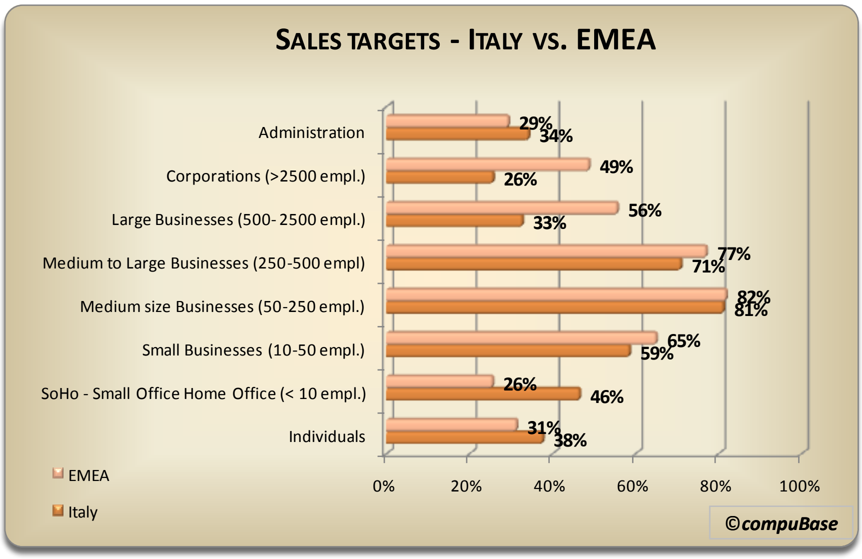


This chart shows the evolution of sales target categories in the Italian market. Each player may target several types of company, and thus may belong to several different categories. Percentages were calculated based on the total number of players having declared their sales targets.

The demand for IT & Telecom products and services tends to be less important in the case of large and small companies, while medium-sized companies continue to represent the most consistent sales target. This latter category tends to develop different market behaviour as they are most systematically oriented towards innovation. Nevertheless, the above graph shows a clear move from the top to the bottom (from the largest corporations towards the smaller entities). This means, the past three years have seen a consistent increase in sales in companies with less than fifty employees. However, the most important sales category still remains the mid-sized businesses.

Demand in the public sector has also rather decreased as only 34% of the Italian resellers currently address this market.

Target customer categories – comparison between Italy and EMEA:



This chart compares sales targets in the Italian market to the overall EMEA market. Each player may target several types of company, and thus may belong to several different categories. Percentages were calculated based on the total number of players having declared their sales targets.

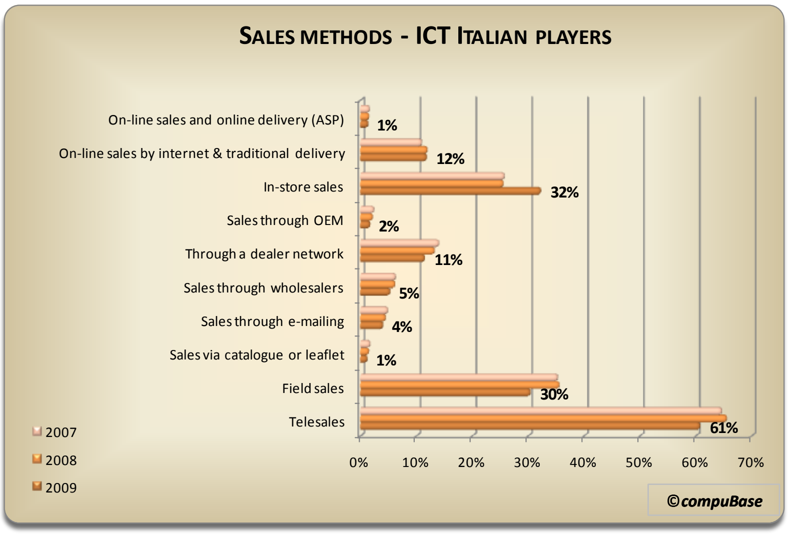
The comparison between the Italian sales targets and the European ones allows us to state once again that Italian resellers are more oriented towards the small entities than the average European resellers. This difference is also flagrant when it comes to corporations and large businesses.

Sales methods

Traditional sales methods such as telesales and field sales have seen a small decrease in popularity, despite the fact that they prevail among the other sales methods. On the other hand, online sales and in-store sales continue to grow. This scenario corresponds with the actual conditions of the granular Italian market where a lot of mergers and acquisitions take place and a lot of small actors tend to disappear; yet the distribution network needs to cover the market's needs.

The ASP sales mode still finds itself in an incipient adoption stage as it is currently used by only 1% of channel players; but the trend is definitely positive especially with the adoption of virtualization and cloud computing.

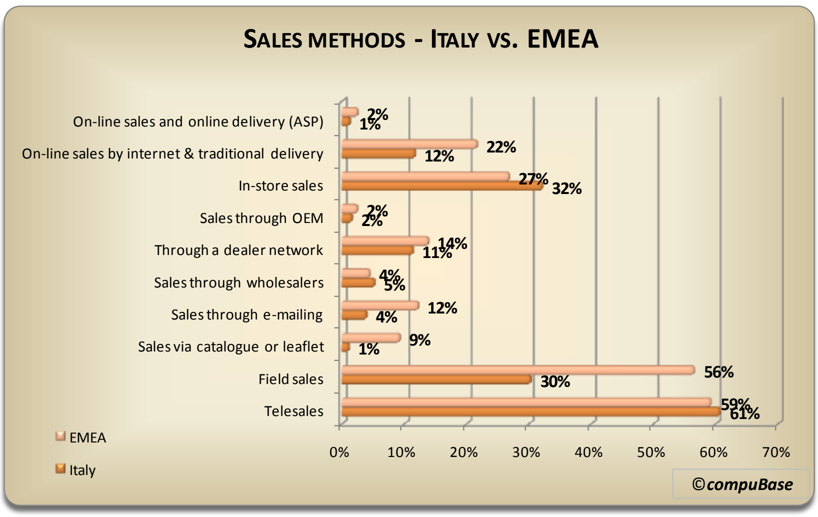
Main sales methods in Italy:



This chart shows the evolution of sales methods in the Italian market. Each ICT player may use several sales methods and thus may belong to several different categories. Percentages were calculated based on the total number of ICT players having declared their sales methods.

The comparison with the European market shows significant differences in terms of sales strategy. The dissimilarities become obvious when looking at field sales or online sales; even though they represent important components of the Italian sales strategy, they are less used on the Italian market than in EMEA overall.

Main sales methods – comparison between Italy and the EMEA region:



This chart compares sales methods in the Italian market versus those in the EMEA market. Each ICT player may use several sales methods and thus may belong to several different categories. Percentages were calculated based on the total number of ICT players having declared their sales methods.

Conclusion

The current economic situation has impacted the IT sector and Italy is no exception to the rule. Figures show an important decrease in demand (somewhere close to -6%[4]), as the relationship between economic growth (reflected by growth of GDP) and the IT market remains very close. However, strategic sectors like transport, distribution or insurance need IT intervention.

To this, one can add a lack of dynamism in the Italian market for some time, coupled with a small increase in IT consumption. According to the OECD some slight recovery signs may be expected towards the end of the current year. Rather encouraging, as Italy is predicted to recover sooner and better than other European countries, mainly due to the fact that the country has suffered from long-term slow economic growth. Additionally, the banking sector is also less affected when compared to other economies.

In spite of the current economic situation, companies are keenly encouraged to invest in research and innovation and small and medium businesses (representing the majority of the Italian enterprises) are being given financial incentives.

Our analysis and presented figures show more optimistic trends for software and service companies, whilst mature markets like hardware (servers, mainframes, traditional PCs or printing) are free falling. Companies are constantly revising their IT budgets and reducing their IT expenses proportionately. The consequences in terms of employment and productivity on the IT market should also be considered.

Value added resellers currently represent almost half of the channel players dedicated to resale, while Italy remains one of the few markets with an increasing number of resellers to the detriment of service companies. Independent resellers and office automation resellers carry more weight than on the European market, which is rather logical taking into account the fact that the most resold product categories continue to be peripherals and IT systems.

In an economy which is half based on agriculture it is also obvious that sectors such as textiles, tourism and food rank higher and outweigh the EMEA average

The granularity determines a rather equal presence nationwide, regionally and locally, while the international presence of Italian IT players is weak. Still due to the market's granularity, the most targeted companies continue to remain the middle ones, while the smaller ones continue to gain more and more in importance.

Traditional sales methods such as telesales and field sales rank highest, while online sales register a significant increase, even if still far below the European average.

[4] OECD Report, 2009

The Italian average consumer of IT products (whether B2B or B2C) is oriented towards high quality products; nevertheless price remains determinant in its choice. Furthermore, it is well known that the Italians are keen to buy more national products.

In conclusion, if you want to develop an IT business in Italy you must keep in mind the following:

- The granularity of the market is one of the highest in Europe; working with important distributors such as Esprinet or similar broadliners is not only necessary, but strategically vital.
- Italy is not an island, but there is a strong culture of working locally and in spite of a slow change, Italian managers tend to favour networking with other Italian managers.
- Italy is also an entry into other Mediterranean markets such as Tunisia, Turkey, Greece, Libya, as well as to the southern Balkan countries.

The Italian Market remains one of the top five markets in Europe with important potential, but Italian consumers and resellers expect vendors to understand their culture, provide flexibility and participate in their way of doing business which sometimes, is not exactly what goes through an EMEA HQ manager's mind.

How to contact partners on the Italian market

1. A few key wholesalers

Esprinet, Tech Data, Ingram Micro, Computer Gross Italia, CDC Point

Additional information is available at www.compubase.net.

2. Accessing the partners database

compuBase offers a range of options for accessing our information. You are free to choose your target and the depth of information required.

Whatever your budget or objective, compuBase has a solution for you.

To obtain specific statistics on your market and IT & Telecom partners, call +33 (0)1 69 18 34 34 or e-mail us at consulting@compubase.net.

New!

compuBase continues to expand its coverage of the EMEA region: our database on the Arabian Peninsula is now available.

Please contact our Sales Department for further information.

compuBase
Mini Parc du Verger - Bât. D
1 rue Terre Neuve - 91940 Les Ulis - France
www.compubase.net - +33 (0)1 69 18 34 34