

# The Netherlands finds its way back to the “good old days”

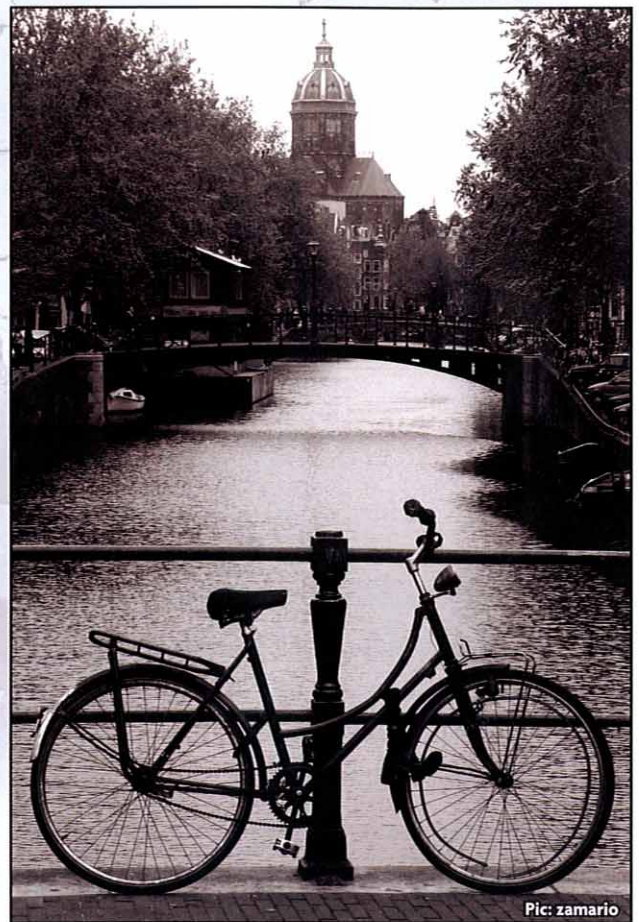
**As one of the most mature geographies in western Europe, it may come as a surprise to hear talk of double-digit growth in the Dutch IT market. After a couple of uncomfortable years, 2007 has experienced a bouyant Dutch economy and both the retail and b-to-b IT channels have profited. But, although revenues are on the up, finding good margins is as tough as ever...**

Those hoping to read of a market full with individual quirks and Dutch idiosyncrasies should look away now. Off the back of surveys in Russia and Poland, *IT Europa* has landed right in the heartland of west European maturity. A quick look at the dominant vendors in the PC market (HP, Acer, Fujitsu-Siemens Computers, Toshiba) tells you all you need to know.

The last Dutch player to have any say in the PC market, Tulip, has long since turned its attention to IT services and mobility offerings. But in this über-consolidated, fiercely competitive landscape, IT execs are beaming with reports of significant year-on-year growth.

ICT Office, a Netherlands-based research group, suggests that overall growth in the IT market in 2007 will reach 4.3%. It claims that a big driver in the hardware space is a further increase in server use at SMB level, plus a continual investment in notebooks. Indeed, ICT Office tells us, 2007 was the year in which notebook sales finally overtook desktop sales.

“2007 has been a good year, with double-digit growth across product areas,” boasts Actebis Netherlands’s managing director Egbert Putmans. “And most of my colleagues at other companies are saying the same. In general the Dutch economy has done well over the past one and half years.”



Pic: zamario

Dany Mestdag, Benelux director at local champion Copaco - part of the European Wholesale Group (EWG) - also identifies growth of 10%-plus in each product segment, which includes its telecom portfolio. And Tech Data’s Netherlands country manager, Erwin Berkhuisen, says, “We see a good and strong business arena. The Netherlands has shown a healthy economic market.”

UK-based value-added distributor (VAD) Zycko recently established an office for the Benelux market, and the company’s group sales director

David Galton-Fenzi, says that the Dutch IT market continues to “punch above its weight”. He says that IT spending has risen to an impressive level, proportionally greater than anywhere else in Europe.

According to HP’s Pieter van Woerden the economy is doing “just fine”, and this has had a “positive impact on the IT business”. Identifying good growth in the notebook and multi-function printer (MFPs) markets, he adds: “Partners have been sending positive messages back to us, and the mood has been like this since March. Before that numbers had been flat. Now, although it depends on the segment, growth rates are between 10% to 15%: it’s like the old days!”

Eric Segers, MD at broadline giant Ingram Micro Netherlands, agrees there is “solid” growth in the local economy. “The consumer and b-to-b sectors have both done well during 2007. It’s been a long time since we’ve seen such growth. In 2005 and 2006 the economy was down a bit after a couple of good years, there was less thrust. Consumer spending only showed minor growth, but luckily 2007 has seen bigger spending. People trust the economy more,” says Segers.

***“There is still a lack of confidence in Vista, especially in the b-to-b sector.”***

**Eric Segers, Ingram Micro**

However, Segers says that the drivers behind increased IT spending are coming almost exclusively from the economy rather than the industry itself. One supposed sales driver which stalled early in the year is Microsoft Vista. At this newsletter we are always prepared to admit any ill-judged predictions, and 12 months ago we made a clanger.

“There’s no doubt that the release of Vista will cause a rush of sales as [Dutch] end users - both consumers and businesses - stock up on new kit,” we said. And how wrong we were, particularly as the Netherlands has taken to Microsoft’s latest OS like a duck to the Sahara desert.

In issue 18, *IT Europa* revealed that the Dutch consumer association Consumentenbond was locked in a dispute with Microsoft and was actively discouraging customers from buying Vista. Consumentenbond alleged it had received over 5,000 complaints about Vista over a six-week period and was lobbying Microsoft to allow end-users to switch back to XP at no extra cost.

“We set up a hotline for Vista consumers and we were overwhelmed by a huge amount of complaints,” said spokesman Marcel van Beusekom.

But Microsoft hit back, claiming it had been “trying to get in touch with Consumentenbond for two months” but had not managed to do so.

Microsoft Netherlands’s Bart Jochems also criticised the call for consumers to downgrade to XP:

“Going back to XP is not a solution, as it will only expose customers to increased security risks. Consumentenbond blocked customers, whereas we helped them.” Microsoft set up its own website and help desk to deal with problems with Vista, and received 2,000 inquiries - most of which concerned drivers, according to Jochems.

Ingram Micro’s Eric Segers says that Vista has suffered a “difficult” introduction in the Netherlands. “There is still a lack of confidence in Vista, especially in the b-to-b sector. Many people are waiting for the first patch to arrive,” he says. And Segers does not believe Vista is capable of giving the Dutch market a noticeable boost, even if it were to be more accepted: “Perhaps in the b-to-b channel there will be some growth, but I can’t see it being an issue in the consumer sector.”

Given the importance placed upon Vista as little as 12 months ago, and how it would rejuvenate Europe’s flagging IT business, it is remarkable that the channel is taking Vista’s failings comfortably into its stride. One reason for this swagger may be the thriving Dutch IT retail scene.

Having concentrated on the b-to-b sector for most of its history, EWG member Copaco has spent the past 12 months establishing itself as a player in the retail channels. “We see the retail segment as very important,” says Copaco



**Ingram Micro Netherlands MD, Eric Segers**

**IT hardware shipments in the Netherlands**

by sales Euro (m) Source: EITO forecast

Sector	2007	2008	% change
Servers	912	923	1.2
PCs total	2,015	2,112	4.8
Printers/MFPs	555	564	1.7
Computer hardware	3,757	3,890	3.5



Avnet's Dennis Evers

Media Markt (along with its subsidiary Saturn) has a strong grip on the retail scene in the Netherlands. A growing force is telecoms retailer Dexcom, which last month acquired a majority stake in notebook e-tailer Coolblue. Dexcom has 400 bricks and mortar stores in the Netherlands, though Dany Mestdag sees the market quickly moving online.

"It is typical of the Dutch market, as soon as something new arrives it soon becomes a force to be reckoned with. E-tail is certainly becoming a force," says Mestdag. However, he does admit that working with e-tailers can provide "headaches" as it is difficult to control "price and product quality". He adds that Copaco conducts a thorough check of prospective e-commerce customers prior to partnering.

Dexcom's move over from the telco to ICT retail markets comes as no surprise to Dutch distributors. Three years ago Copaco acquired telco disti Revah, which initially remained a separate business but this year was finally integrated into the Copaco brand. Meanwhile, in February 2007 Tech Data established converged mobile and IT distributor Brightstar Europe as a 50/50 joint venture with US-based wireless distributor Brightstar Corp.

Copaco's Mestdag says that, although the merger between the parent company and Nokia disti Revah was partly motivated by cost-saving opportunities, he sees huge potential for the kind of converged ICT and telco distribution recently making the headlines with Actebis-owner Arques' acquisition of NT plus in Germany.

"Of course increasing efficiency was a factor, but we've talked to vendors like Nokia and they are very interested in the mobility segments of IT. So we are becoming very active in that market," he says.

boss Dany Mestdag.  
 "We are starting to address that market, so at the end of 2006 we reorganised the business to more professionally engage with retail customers. From the outside we were a starting player so we should see good growth in the retail market in 2008."

As with many countries, Germany-based retail giant

Opinions appear mixed when it comes to that classic European IT crisis - the falling numbers of skilled workers.

Local research organisation ICT Office warns: "The increasing shortage of good ICT professionals is a worry for the sector. The shortage has already risen in comparison with last year and is expected to rise further in the coming years to almost 10,000 by 2010."

Eric Segers admits some concern when it comes to recruitment, describing a future shortage in human resources as the "biggest problem in the Netherlands." Actebis boss Egbert Putmans concurs: "It is becoming a huge problem; finding good people is really hard. Two years ago it was a different story, but the situation has become much worse this year."

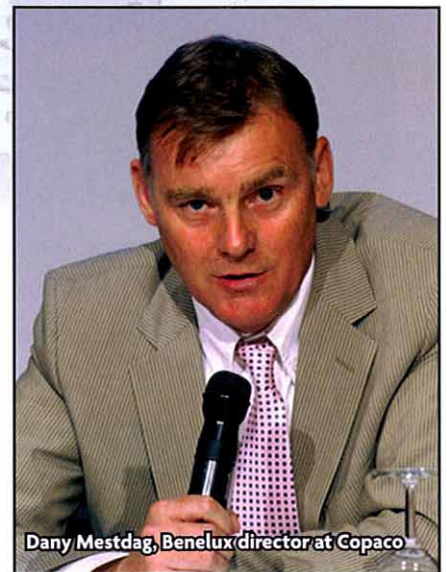
"There is a large shortage, it is the biggest problem we are facing - both distributors and our customers," claims Copaco boss Mestdag, though he says this provides an opportunity for those with the required manpower. "More and more people, like larger resellers, are trying to outsource logistics, so we have set up an outsourcing operation where we can manage their logistics."

But Avnet Technology Solutions' country director for Benelux, Dennis Evers, disagrees. "Funnily enough, I don't see a problem with skills in the Netherlands," he says. "Sure - if you're looking for a job then it's a good time, but you can still find good people." Another content with the situation is Tech Data's Erwin Berkhuisen, who reckons there is "no real skills shortage" and the overall situation in the Netherlands is healthy.

Avnet's Evers is also happy with credit terms in the country. "I don't see strange things happening with credit, at least, the situation is stable," he says. "Credit terms are always an issue for distributors, but nothing special is happening in the Netherlands.

It's no better or worse than it has been in recent periods," says Segers. Mestdag agrees that the credit situation in the Netherlands is among the best in Europe: "Looking at not only Benelux, but the whole of Europe, the Netherlands is better than the average."

Despite worries about the human resource situation, it is



Dany Mestdag, Benelux director at Copaco

yet to spark any great bout of consolidation. In a market where volume seems to pose few current problems, consolidation in the Netherlands has been dominated by those trying to add value.

Although Avnet recently purchased the IBM and HP infrastructure from Germany-based value-added distributor (VAD) Magirus, for "historic" reasons it does not offer this portfolio to Dutch customers. Instead, says Benelux country manager Dennis Evers, the company is focused upon building up its value-add.

In purchasing the services and solutions division from components distri ACAL, Evers claims Avnet is "making a clear statement to the market that it is truly positioning itself as a VAD". Much like in neighbouring countries like Germany and France, the Avnet boss says volume distributors "need a business model to deal with tight margins", which may of course drive further consolidation in the near future. But other than Avnet's expansionism, plus South Africa-based networking distributor Westcon buying up NOXS, there is surprisingly little in the way of M&As to report.

***"There has not nearly been enough consolidation in the Dutch IT channel in our opinion!"***

Erwin Berkhuisen, Tech Data

The distribution market is led by broadliners Ingram Micro, Copaco, Tech Data and local player ETC, and thereafter follows a sizeable gap. Eric Segers describes the situation as slightly paradoxical: you have 30 top distis "fighting for every penny", yet the moment any consolidation occurs some "new guys will arrive".

Tech Data's country manager Berkhuisen is disappointed by the lack of channel M&As: "There has not nearly been enough consolidation in our opinion! There are still 93 distributors in the Netherlands, though the largest distributors are getting larger and the smallest are getting smaller. I expect to see more consolidation in the next 12 to 18 months."

However, there is no doubting the mature nature of the PC landscape. The market-leading HP is followed by players such as Fujitsu-Siemens Computers, Dell, Toshiba and a rapidly-growing Acer. As revealed in issue 15 of *IT Europa*, Chinese PC vendor Lenovo is looking to boost its presence in Europe's SMB and consumer markets. According to Dany Mestdag, the market is seeing "more strategic pricing and more effort" from Lenovo, and he expects further

changes in 2008.

Conversely, Germany-based FSC is having a difficult time at the moment as it attempts to move in the other direction towards the business-to-



Erwin Berkhuisen, country manager at Tech Data

business market. A one-time leader in the Dutch consumer market, FSC has found life among the lower-price vendors such as Acer difficult and is re-adjusting its channels to better suit the b-to-b market.

HP operates with a traditional two-tier channel, and uses four broadline distributors: Tech Data, Ingram Micro, Copaco and ETC. Pieter van Woerden, channel manager at HP SPO, describes himself as "satisfied" with HP's "improving" reseller channel. He adds: "What I see is the overall quality of resellers, and what they offer to the end-users, is improving. Now they know specifically their value and what the customers are paying for."

And although many resellers are moving up the food chain towards services provision and verticalisation, van Woerden says HP is also keen to work with partners that have invested in logistics. "Some resellers are good at the logistics part, it's a value in itself. Being on time, getting good information to partners and customers," he says.

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**For largely economic reasons, these are enjoyable times to be in the Dutch IT channel. Investment in networking, security and mobility at all levels of business and down into the consumer segment is keeping the revenue growth ticking, but the good times may not last for long. There is talk that new taxes introduced in August have negatively impacted spending and this may prove an issue once the Christmas rush is over.**

**Wisely in our opinion, Tech Data's Erwin Berkhuisen is currently meeting with vendors to discuss how to increase sales in the b-to-b channel. While retail sales provide the icing on the cake, the channel cannot do without its basic sustenance from SMB end users. Therefore distis and resellers must prepare for any downturn in the economy and work out how to maintain a certain level of SMB sales. Be it by adding value or volume, a volley of consolidation is surely on the cards.**