

The APAC channel fights back against COVID-19

How are APAC channel partners dealing with the ongoing COVID-19 crisis?

- The supply chain situation in China is gradually improving, with factories restarting work and production close to pre-virus levels, but exports will suffer as demand falls in the West
- Partners need to be brave and look at alternative areas to grow their businesses
- Vendors will need to support partners, especially in terms of flexibility in payment terms and short-term sales targets

COVID-19 has affected hundreds of thousands of people and is having a growing impact on the global economy. The S&P ratings remain optimistic, forecasting economic growth in APAC of 4.0% this year, against the 4.8% estimate given in December. Some markets are either managing the crisis well, or have passed the worst of it, while others are still in a cautious phase.

China could see growth of 2.8%, down from the projected 4.8% earlier. But the number of confirmed cases in China has been falling since the beginning of March, bringing the hope of a return to normality for businesses in China. But they will now face export challenges as the epicenter of the COVID-19 outbreak has moved to Europe and the United States, and demand for products over the next three to six months will fall. South Korea, Taiwan and Hong Kong have also done a good job in containing and managing the spread of COVID-19 due to the rapid control measures and response by their governments and societies. Japan remains optimistic that the summer Olympics can still go ahead.

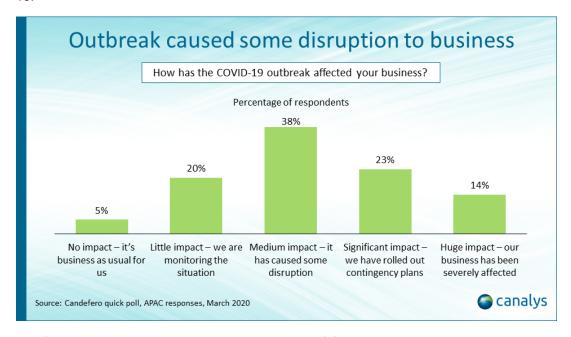
In Southeast Asia, the Malaysian government announced a two-week nationwide movement restriction to curb the spread of COVID-19. Businesses must shut down except for markets and shops that sell daily necessities. This is after there was a sudden spike in confirmed cases, bringing the total to 553, the highest of any Southeast Asian country as of 16 March 2020. This will have ramifications for neighboring Singapore, which relies on Malaysia to supply about 10% of its workforce. Singapore too has had a recent surge in COVID-19 cases, which shows that the virus is still active in the region and may continue to disrupt society and the economy in the near future. The Philippines has also closed access to the capital Manila, advising its citizens to stay at home in self-imposed quarantine, which government officials hope will curb the nation's rising number of coronavirus cases, which has reached 187.



In India, the number of positive cases has risen to 169 and 3 deaths. The infection rate remains low relative to India's population and credit has to be given to the government for its quarantine measures and visa suspensions for countries such as France, Spain and Germany, as well as China, Italy, Iran, Japan and South Korea – the five countries worst hit by the outbreak. Confirmed cases in Australia stand at 539 and the government has restricted indoor gatherings to 100 people, in addition to the ban on gatherings of over 500 people outdoors. The government has also advised Australians not to travel overseas. In New Zealand, there have been 20 confirmed cases and the government has implemented strict border controls as well as banned big public gatherings to control the spread of the virus.

Mixed news from the channel

These measures have undoubtedly affected the IT industry, especially the technology channel. Partners face business disruption, supply chain delays and economic uncertainty, exacerbated by the US-China trade war and Intel inventory shortages that started last year. Synnex Technology International Corporation, the largest technology distributor in APAC, reported a 12% year-on-year revenue decrease for February 2020, with revenue from China and Hong Kong falling significantly due to the COVID-19 outbreak. VSTECS Berhad, a leading distributor based in Malaysia, has indicated that it will be adopting a cautious outlook for 2020 due to the disruption in the IT hardware supply chain. Redington, a technology distributor based in India with a presence in the Middle East, expects some shipment delays and for vendors to help plan for any inventory shortages to minimize the impact caused by COVID-19.



In a Canalys survey, 37% of partners stated that the COVID-19 outbreak will either have a significant or huge impact on their businesses. These partners have rolled out business contingency plans, including exploring remote working and increasing online collaboration. Like many other industries, the IT channel across Asia will face many challenges in the near future:



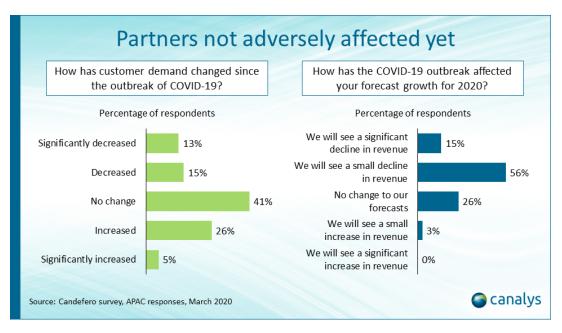
- Business operations disruption: Government-enforced lockdowns, travel bans, border closures and
 restrictions on staff movement will force channel partners to change the way they conduct basic business
 functions, such as warehouse management, delivering and receiving stock, product configuration, order
 processing, sales operations, and the provisioning of services and support. Systems integrators or consultingled partners will have to maneuver around travel restrictions and at the same time ensure projects are well
 managed and not delayed.
- Supply chain disruption: China, the epicenter of the initial outbreak, as well as the "factory to the world", has taken a big hit, with the outbreak crippling its social and business ecosystem. But as new cases of the coronavirus slow in China, the country is gradually getting back to work. Factories across the country have restarted production, though it is expected that they will not be able to operate at full capacity just yet and, in the short term, this will affect shipments of technology components, such as servers, networking equipment and storage.
- Events across the region being cancelled: Most of the IT industry's events scheduled for the first half of the
 year have either been cancelled or delayed. These include Cisco Live in Melbourne, AWS Summit in
 Singapore and Oracle OpenWorld in Singapore. These cancellations will hurt channel partners that depend
 on networking events to meet new customers and build relationships within the industry.

Despite these challenges, the overall sentiment in Asia remains strong, especially compared with Europe and the United States, which are just now entering the most dangerous phases.

Customer demand in Asia currently remains strong. Despite the uncertainties, most channel partners have not been seeing significant order cancellations, budget freezes or delays in project implementation since the COVID-19 outbreak. In fact, in a Canalys survey, 26% of partners have indicated that they are seeing an increase in customer demand – some of this will be short-term hoarding as customers look to buy available inventory before supply challenges hit (as has been seen around the world).

Other technologies are in high demand. Cloud and digital workplace solutions are technology areas where customers are increasingly engaging with partners to help with business contingency planning, ensuring minimal disruption to business and maintaining employee productivity during this unpredictable time. There has been strong demand for cloud migration (especially in China and Australia), managed security and remote management and monitoring solutions.





China's cloud industry will see a surge in use. With government lockdowns and companies implementing working from home measures, the IT industry is seeing a surge in demand for cloud-based communication and collaboration tools, as well as remote management and monitoring solutions. Chinese cloud service providers (CSPs), such as Alibaba Cloud, Tencent Cloud and Baidu Cloud, are also doing their bit to help businesses. Alibaba Cloud is offering US\$1,000 credit to businesses that have been affected by the COVID-19 outbreak to buy necessary cloud services to ensure business continuity. Tencent Cloud has upgraded its Tencent Meeting and WeChat Work solutions to provide free, unlimited use for to up to 300 participants per audio or video conference, while Baidu Cloud is offering three months of free use for services, including cloud server computing, storage and database management. These initiatives, though mainly aimed at Chinese customers, will also help Chinese CSPs expand outside of China as the appetite for cloud-based collaborative communication tools increases. This move is timely as channel partners have seen an increasing demand for technologies that help limit human-to-human contact as a result of the COVID-19 outbreak.





The channel will weather the storm

Partners will need support from vendors to navigate these uncertain times. Here are the three most important things that vendors can do:

- Be prepared to alleviate financial pressures through flexible and extended credit terms.
- Provide as much transparency as possible when it comes to the supply chain, including being clear about delivery timeframes and stock levels.
- Revise and be flexible when it comes to sales targets, especially for the first half of the year.

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