

# COMPASS

## IT Channels badly affected

*Several factors may trigger unprecedented crisis in IT industry*

In the past four weeks, the IT Industry has witnessed a series of events which has pushed the industry towards a deep crisis. The major factors being :

- Slowdown in sales after Durga Puja & Diwali – since October was a holiday month, the September stock movements were slow & inventory levels were higher.
- Flood problem in Thailand has crippled the IT Industry due to HDD shortage resulting in drop in sales of assembled PCs and PC components.
- Hard Disk prices have increased by over 100 % due to hoarding and scarcity.
- Indian Rupee is the worst performing currency in Asia having declined by over 14 % in the one year. The Indian Rupee has depreciated from a level of 44 to 52.75 resulting in rise of import cost .
- Rising interest costs, Inflationary pressure and a host of scandals along with many other macro economic factors, has made the situation extremely complex and alarming specially for the channel community.
- Sharp decline in secondary sales in the OND quarter this year is leading to a pile up in Inventory levels and is likely to see payment slowdown in the next few weeks.

After a snap survey conducted amongst some of our leading members , we have reasons to believe that there would be a increase in the number of defaults which could further trigger a payment crisis in the market place . COMPASS advises all the players in the eco system to cooperate and work towards tiding the immediate crisis ;

At COMPASS we advise the following :

### **PRINCIPALS/ OEMS / VENDORS**

- Are advised to control inventory levels with channel and should not dump excess stocks in channel.
- Refrain from appointing new Channel Partners in the OND quarter.

- Target & incentives to Channel in this quarter should be realistic.

### **DISTRIBUTORS**

- Are advised to coordinate between Principals & Channels to control and report on the inventory levels and payment situation.

### **CHANNEL PARTNERS**

- Are advised to restrain from over trading and over stocking.
- Credit sales to be strictly controlled to avoid any payment crisis.
- Smaller partners to be supported by bigger partners such that they are able to survive the crisis.

Please bring to our immediate attention if any entity in the eco system is trying to exploit the situation, such that we can take appropriate steps in time.

We are sure that with our combined efforts and initiatives we will be able to withstand and tide over the crisis and we look forward to a much better business environment in 2012. If you would like to engage in a detailed discussions on why this advisory is important or how you are affected by the current situation please do contact any of the following persons :

Mr. Rajiv Poddar : + 91 9831021270

Mr Pawan Jajodia : + 91 9831014294

*About us* : COMPASS is an association of IT channel partners and entrepreneurs in Eastern India . Members of COMPASS and partner associations represent over 80% of channel sales in the Region and have a significant contribution in promoting the IT business in the remotest locations of Eastern India. Members of COMPASS and other partner associations in the EAST collectively employ about 25,000 people and have made significant contribution to the growth of the IT business in the region.