



The Citrix Channel Index

October 2010





Executive summary

Almost all of Citrix revenues come through its channel partners. Citrix surveyed its European solutions providers as part of its commitment to its channel partners, to help create and share a view of virtualisation demand across the region.

Over 20 per cent of Citrix solutions providers across Europe were surveyed, making it the most comprehensive research into the European Citrix channel.

The findings of the Citrix European Channel Index show that desktop virtualisation is the area of software that holds the greatest growth potential for solutions providers over the next two years, with a compound annual growth rate of 99 per cent (2008-2012).

The demand for desktop virtualisation is being driven by the need for benefits of faster desktop deployment and easier desktop migration, as well as new working practices. Reduced total cost of ownership also runs through all of those benefits and is cited as a driver in its own right.

According to the Citrix European Channel Index overall costs savings delivered through enterprise-wide desktop virtualisation are currently around 20 per cent and are anticipated to rise to 35 per cent in 2014. The significant savings on offer mean that solutions providers are seeing the majority of desktop virtualisation implementations delivering a return on investment (ROI) in just 12-18 months.

Concerns over the initial outlay required to implement enterprise-wide desktop virtualisation, combined with a lack of understanding of what is a relatively new set of technologies, are the main barriers to adoption.

At a time of economic uncertainty, desktop virtualisation is one of the few technologies that are exciting the market; largely due to the substantial efficiencies it brings to both the IT department and the organisation as a whole.

Solutions providers, rightly, are focusing on desktop virtualisation. As a result, solutions providers are investing in their own technical knowledge around desktop virtualisation, supported by major vendors, to help explain and deliver the benefits it offers.

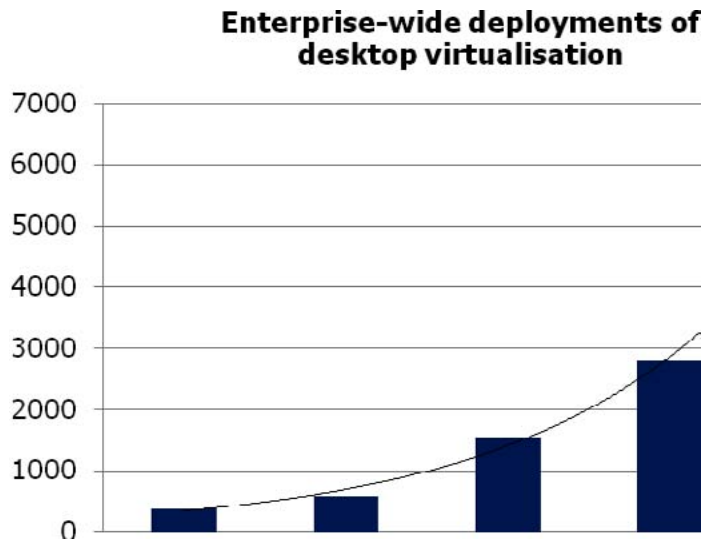
A powerful growth area

Desktop virtualisation is viewed as the area of software that holds the greatest growth potential for solutions providers over the next two years. Over two thirds (68 per cent) of the channel feel desktop virtualisation offers the most growth, with 56 per cent pointing to the migration of various operating systems. The third largest software growth area is the sale of desktop productivity software, cited by 43 per cent of solutions providers.

The anticipated growth rate for enterprise-wide desktop virtualisation is extremely robust. The definition of enterprise-wide desktop virtualisation is that the whole company uses a range of virtualisation technologies to serve all, or close to all, employees. This definition excludes the use of a single solution, such as VDI, in just a few departments of an organisation.

European Citrix solutions providers reported 375 enterprise-wide desktop virtualisation deployments in 2008 rising to 1555 in 2010. Anticipated deployments in 2011 are 2801, reaching 5876 in 2012. From 2008 to 2012 that is a tremendous annual compound growth rate (CAGR) of 99 per cent.

Such vigorous growth seems all the more surprising given the economic downturn that began in 2008, and the negative outlook over the coming two years. However, almost three quarters (73 per cent) of solutions providers feel that the cost savings benefits of desktop virtualisation make it a more compelling proposition in these straitened times.

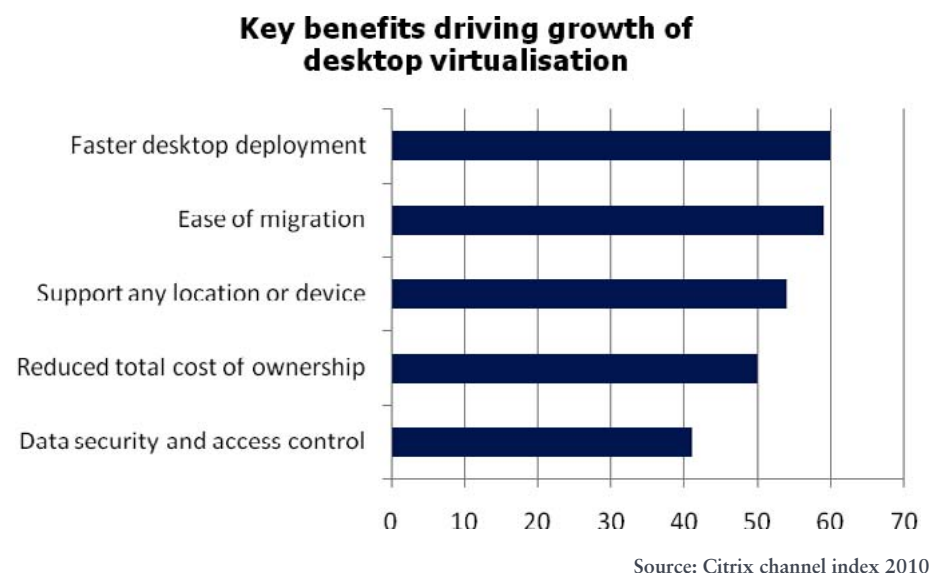


Source: Citrix channel index 2010

Drivers for adoption

Despite the cost savings it can deliver, reduced total cost of ownership is rated as only the fourth of five main drivers pushing the adoption of desktop virtualisation. Faster desktop deployment (60 per cent) and ease of migration (59 per cent), for example migrating an estate of PCs to Microsoft Windows 7, are the over-riding benefits.

This highlights the growing demand for improved desktop management, as organisations look to minimise the resources needed to ‘keep the lights’ in order to focus on more strategic activity. It perhaps also reflects the amount of employee ‘churn’ within many organisations as they restructure in reaction to the economic environment, and the amount of PC-centric activity that the release of Microsoft Windows 7 has driven.

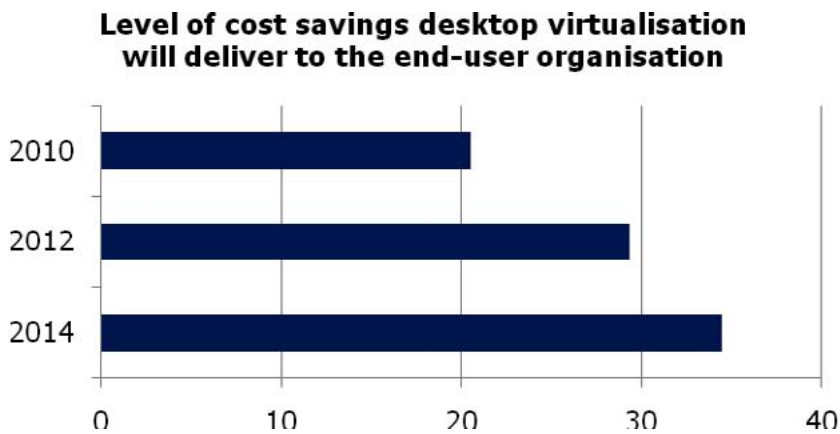


Another trend possibly accelerated as a result of external pressures, economic as well as employee-driven, is the need to support home, remote and mobile workers. As organisations cut their office space, and employees look to work more flexibly and productively, IT departments have come under increasing pressure to support workers outside of the traditional office environment. Newer desktop virtualisation technologies enable centralised management of remote and mobile PCs, significantly easing the time and resources supporting such workers has required in the past.

The final major driver for desktop virtualisation is the improved data security and access control it delivers. Various desktop virtualisation technologies can either lock-down workstations, or safely confine the operation of work-related activity to a well secured virtual machine free from malware threats. Again, this may have proved particularly popular in recent times as redundancies and increasing use of contractors raise employee malfeasance concerns.

Cost savings

While cost savings may not top the list of drivers for the adoption of desktop virtualisation, the efficiency gains it delivers are seen as significant. Solutions providers report that desktop virtualisation is currently delivering overall costs savings, including reduced management costs, such as faster provisioning, of around 20 per cent. As new technologies come on board, in particular client-side virtualisation, savings provided through desktop virtualisation are predicted to reach 29 per cent in 2012 and 35 per cent in 2014.



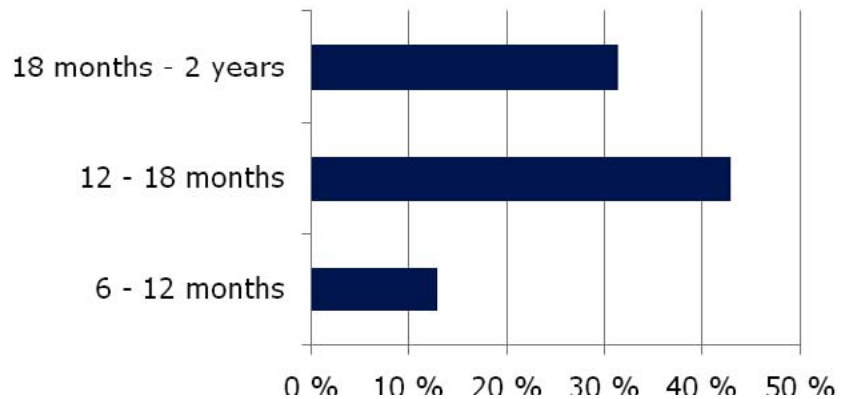
Source: Citrix channel index 2010

The level of cost savings desktop virtualisation delivers means that ROI calculations offer a fast payback. Many companies, often inspired in-part by requirements to cut power usage, are now placing operating expenditure over capital expenditure.

Based on their experience with customer deployments, solutions providers are finding that the majority (43 per cent) of enterprise-wide desktop virtualisation implementations are delivering an ROI in 12-18 months, with a further 31 per cent providing ROI in 18-24 months. Combined with exceptional ROIs within 12 months, that is over three-quarters of desktop virtualisation deployments adding to the bottom line within two years; a short enough timeframe to ensure those sponsoring and implementing desktop virtualisation projects are still in place to reap the rewards.

There are end-user concerns surrounding desktop virtualisation. The most prominent of which is the initial outlay for additional infrastructure; an understandable question at a time when IT budgets are under scrutiny. While the ROI figures hold obvious appeal, enterprise-wide desktop virtualisation is a comparatively new set of technologies and many IT chiefs will be tempted to stick with less transformative options.

Desktop virtualisation return-on-investment

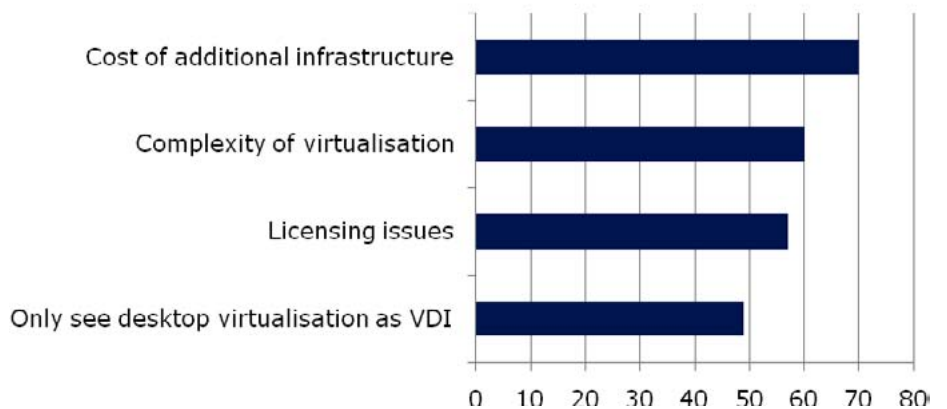


Source: Citrix channel index 2010

Likewise, the perceived complexity of desktop virtualisation can act as another barrier. It should not go unnoticed that solutions providers cite the fourth largest barrier to desktop virtualisation as being end-user organisations often failing to see anything other than VDI when discussing desktop virtualisation.

Even when there is an understanding that desktop virtualisation is a range of technologies, it can be negative. A range of technologies dictates that an organisation has to look at its employee base and evaluate how a portfolio of desktop virtualisation technologies can best complement each another. Some of these choices, on the client-side in particular, though well-established and supported by the likes of Intel and Microsoft, are still relatively new in enterprise computing terms.

Customer concerns about desktop virtualisation



Source: Citrix channel index 2010

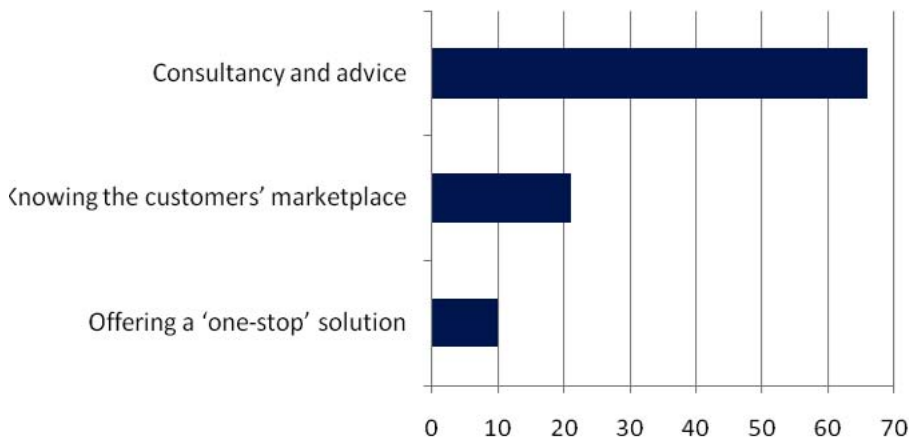
There is also a need for a much better understanding of the licensing issues related to desktop virtualisation. It is too easy to assume that licensing costs will rise, or that the sheer process of calculating the requirement and subsequent purchasing negotiations will negate any savings. There are significant benefits to be had, but many IT departments' previous experiences of licensing issues can quickly dampen enthusiasm.

The role solutions providers see for themselves

Recognising that enterprise-wide desktop virtualisation is an area of technology that is often not fully understood, Citrix solutions providers clearly see the consultancy role as their main value-add to the customer.

From the solutions providers' point of view, 77 per cent regarded their technical knowledge as of prime importance; a stance backed up by 90 per cent saying that the vendor support and investment in technical training was important or very important.

Most important part of the solution providers' role to the customer



Source: Citrix channel index 2010

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About Citrix

Citrix Systems, Inc. (NASDAQ:CTXS) is a leading provider of virtual computing solutions that help companies deliver IT as an on-demand service. Founded in 1989, Citrix combines virtualization, networking, and cloud computing technologies into a full portfolio of products that enable virtual workstyles for users and virtual datacenters for IT. More than 230,000 organizations worldwide rely on Citrix to help them build simpler and more cost-effective IT environments. Citrix partners with over 10,000 companies in more than 100 countries. Annual revenue in 2009 was \$1.61 billion.

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