

## Solution Providers Cautious About Dell Acquisition of Perot Systems

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4:29 PM EDT Mon. Sep. 21, 2009

Solution providers are taking a wait-and-see approach before determining whether or not Dell (NSDQ:Dell)'s blockbuster acquisition of Perot Systems (NYSE:PER ) will be a boom or a bust to their own services business.

Dell today unveiled its plans to [purchase Perot Systems for \\$3.9 billion](#) in a deal that is expected to close sometime in the vendor's November-January fiscal quarter. The number two PC maker will pay \$30 per share for the system integrator that is currently ranked number 51 on the 2009 VAR 500 list. Perot Systems will become Dell's services unit and be run by Peter Altabef, currently CEO of the soon-to-be acquired company.

"I'm cautiously optimistic about this purchase," said Bob Venero, CEO of Future Tech Enterprises, a Holbrook, N.Y.-based solution provider. "I hope it is the case that these service offerings become available through the channel. If and when that happens, the acquisition will enhance solution provider capabilities for partners hoping to reach enterprise organizations."

Furthermore, Venero believes that the majority of solution providers most likely won't bump heads with Perot Systems, even once it is wholly absorbed by Dell.

"The route to market with this acquisition still has to be defined," he said. "The 80/20 rule will probably be in affect here, where 80 percent of solution providers will be in too small a space for Perot to play; the other 20 percent will be bigger guys who might already have alignment with them."

The move is likely calculated to compete with Hewlett-Packard (NYSE:HPQ)'s acquisition of EDS and IBM (NYSE:IBM) Global Services solution, and while the acquisition could have been an immediate cause for concern among solution providers, most are cautiously optimistic about Dell bringing Perot's services in-house.

Still, the acquisition hasn't closed yet and it is too soon to know how Dell will digest this recent acquisition, said Steve Brown, vice president of sales for Rev2 Technologies, a Santa Clara, Calif.-based solution provider, who believes that ultimately bringing Perot Systems into it family will pay long term dividends for Dell.

"This is a good strategic move for Dell that provides a piece of the puzzle it has never had before," said Brown. "The company needed to make a service play on a serious level. I think with the acquisition of Perot they got that."

Still, for Brown the possibility that Dell might eventually bring a service play to the channel is something that he and his company will eventually have to look into.

"It would be advantageous for us to see what Dell has to offer here," he said. "Look at what the company did in the past with EqualLogic -- it seems there could be a strong partnership angle here but we'll have to wait and see."

One solution provider who asked not to be identified questioned whether or not the move will be good for Dell, noting that the company may have to dramatically drop the prices on its solutions to compete with the channel.

"The key to this acquisition will be whether or not Dell can deliver services more efficiently to the customer than the local solution provider," said the solution. "And I'm not sure that's the case. In that regard, I don't have any short term concerns about the acquisition, but it will be interesting to watch how it plays out in the long term."

Specifically, solution providers are curious to know what strategy Dell plans to take with its newly acquired services segment and whether or not it will be available to the channel.

"It will be interesting to see what Dell does with Perot over time. Will they drive cost downstream and come up with services and consulting that are commoditized? That's traditionally Dell's strategy with the channel. We'll have to see if they commoditize the services and then offer them through channel partners," said a solution provider.

For his part, Michael Dell believes that the reaction to the acquisition will be positive for Dell's partners, noting that he has already received some feedback.

"I've spoken to some channel partners and already have gotten some positive encouragement," Dell said. "Both companies have partnerships with the channel and they will only grow as we combine the companies together."