



# NOT YOUR MOTHER'S CDW: PUTTING SERVICES AT THE HEART OF DIGITAL TRANSFORMATION

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## EVOLVING FROM A TRADITIONAL VAR TO A FULL-ON IT SERVICES VENDOR

While generally known among consumers as a technology company, CDW (Nasdaq: CDW) has always been known within the IT arena as a value-added reseller (VAR) giant, one of the prime movers within that space. Without losing its market position in reselling, CDW now aims to be more: a full-on global digital transformation and IT services provider, supporting customers as they evolve their IT environments, including helping them modernize and manage their own IT or managing it for them. According to Andy Eccles, CDW's SVP for Integrated Technology Solutions, technology does not work on its own: "You need CDW. We make technology work." In TBR's view, the evolution from VAR to enabling "digital velocity" through professional services certainly will advance the company beyond "your mother's CDW." But that evolution depends on getting three things right: 1) educating the CDW sales force on how the company can deliver on five business outcome areas — innovation, cost, agility, risk, experience; 2) shifting how CDW shows up in the market by refreshing and expanding the company's brand; and 3) finding the right partnerships to allow CDW to focus on its strengths and leverage the broader IT ecosystem to CDW's full advantage.

*In December 2022 TBR spoke with Eccles and VP and General Manager of Orchestration Tara Barbieri, and the following reflects both that discussion and TBR's ongoing research in the IT services, professional services and digital transformation space.*

### **CDW Amplified Services: 'Enabling IT and business transformation'**

To set the stage, Eccles and Barbieri provided some details about CDW's services capabilities at present, including the full services portfolio: Infrastructure, including Multicloud Services, Workspace, Security, Development, Data and Support Services. Across each of those service lines, according to Eccles and Barbieri, CDW helps clients who know what they need from their IT environments and where they want to make changes and improvements, but who, critically, do not know how to get there quickly, efficiently and cost-effectively. CDW Amplified Services' strength in addressing those challenges comes from the broader company's vast IT experience and capabilities, including 100,000-plus products and services from 1,000-plus technology brands. In short, there is nothing in the IT space CDW does not understand or deliver, allowing the company to address any and every IT challenge. Complementing the massive reseller store of products and services, CDW Amplified Services, according to Eccles and Barbieri, contracts for services engagements "around the outcome. What exactly are we trying to do? What is the customer's goal?" In TBR's view, outcome-based or value-based contracting has



challenged many IT services vendors and consultancies as clients remain leery of overpaying for hard-to-measure services and the vendors themselves must convince their own leadership to take financial risks with outcome-based engagements.

## SHIFTING SALES, BRANDING AND PARTNERING TOWARD SERVICES

Of the three challenges CDW faces in growing a competitive IT services practice with scale and quality, educating its own sales force on CDW Amplified Services' capabilities may be the easiest to tackle. Salespeople across CDW currently understand at least one technology offering in depth, and the company expects sales teams will quickly adapt to bringing in additional CDW expertise to meet client demands. In TBR's view, the sales motions for products and services differ, in some ways significantly, requiring different approaches, knowledge bases and even compensation packages. But this is neither a complex problem nor a new one, and CDW's approach to building its services practice — which is methodical, bolstered by acquisitions, several of which CDW made in the last three years, and centered on technologies CDW already resells — should facilitate expanding the company's sales capabilities into services.

Evolving CDW's brand — or, as Barbieri said, understanding how CDW “shows up in the market” — will require, in TBR's view, two substantial changes. First, clients need to become aware of everything CDW does, including the full range of offerings CDW Amplified Services can deliver. Barbieri acknowledged that most CDW customers do not know the company offers multiple services, including consulting. Eccles said CDW will be looking for “aha” moments, in which customers appreciate CDW's capabilities, but he acknowledged those moments currently happen “one customer at a time” and will be hardest to achieve with existing clients where perceptions of CDW's capabilities are “entrenched.” These hurdles lead to the second necessary change and tie back to CDW's challenge around its sales staff: CDW must, in Barbieri's words, “enable sellers to emphasize everything CDW does.” Changing the brand will require changing the way CDW's own professionals describe the company, its capabilities and its place in the market. In TBR's research around IT services vendors and consultancies, innovation and transformation centers have been useful in changing clients' perception of a vendor's breadth of capabilities and services, but these centers have also been critical in helping to spread the word internally about new offerings and shifting corporate culture to reflect a different role in the technology and services ecosystem. While an “experience center” or dedicated center of excellence around CDW's services may not be a planned investment (currently), CDW's ability to evolve its brand and get clients to think about the company as innovative and a leader in IT services depends, in part, in TBR's view, on internal education and advocacy for what CDW Amplified Services will mean to the company's next decade.

Unsurprisingly, the first two challenges feed into the third: finding the right partnerships across a complex and crowded IT services ecosystem. In their discussion with TBR, Eccles and Barbieri acknowledged while CDW can address clients' issues around innovation, cost, agility, risk and experience, different personas within their client base drive those issues, bringing a variety of business needs, technology capabilities and, of course, budget considerations. In thinking about partnering to address clients' technology issues, CDW considers which client personas partners currently work with and where CDW can contribute its own strengths. In TBR's view, most players in the IT services space evaluate potential alliance partners based on mapping each partner's capabilities, strengths, clients and investments, looking to minimize overlap and maximize complementary offerings. CDW's approach starts with addressing specific client business outcome needs and how technology can deliver value, then moving to partners' capabilities, reflecting, perhaps, CDW's legacy of providing technology and understanding the full breadth of a client's technology environment. As with brand and sales, CDW's ability to drive change and benefit from smarter partnering across the technology ecosystem will depend, to a significant degree, on internal efforts to ensure everyone at CDW



understands how the company is evolving from a traditional VAR into a full-on global professional and IT services partner. TBR has written extensively about IT services vendors and consultancies testing out new solutions and platforms internally before rolling them out to their clients or the broader market — the “customer zero” approach. To tackle these three challenges, CDW may need to maintain a similar mindset, working through the corporate culture, brand permission, evaluation and compensation changes needed to make that pivot beyond a traditional VAR.

## UNDERSTANDING AND DELIVERING THE TECHNOLOGY CENTRAL TO DIGITAL TRANSFORMATION

Reflecting on the discussion with Eccles and Barbieri and reviewing CDW’s recent performance and corporate history, TBR believes CDW has honed a few characteristics likely critical to completing its evolution into an IT services provider, supported by a legacy VAR business. First, CDW clearly understands the “digital” part of “digital transformation” actually *is* all about enabling transformation through technology. Eccles noted that “customers often see digital transformation as a technology project, not a change or business project,” which accurately reflects, in TBR’s view, the perspective of the majority of CDW’s customers, who are not in the C-Suite or looking to disrupt their business, create new business models or *transform*. CDW’s customers want to achieve certain business outcomes with technology that works and know they need CDW to advise, orchestrate, deliver, manage and optimize it. Building on that approach, since CDW has been providing technology and IT staff for so long to so many clients, the company understands what works, what emerging trends matter to which customers, which customers manage their technology well and which ones need help, and — through all of that — where the opportunities are. CDW often begins engagements with a discussion of its customers’ larger business challenges. The company also understands the current technology environment and what could improve it, making the company an ideal partner for the customer and for other providers involved in these engagements, including management consultancies that benefit from CDW consulting on and providing services around the technology stack. Wanting to be “not your mother’s CDW” while leveraging legacy VAR strengths that customers have come to rely on, the company knows what it does well and is willing to partner in areas that have not been traditional strengths. This self-awareness may be CDW’s key strength. TBR has spoken with a number of vendors in various stages of evolution, from VARs to consultancies to security vendors to hardware companies, and many have not approached their challenges with as firm of an understanding of their current place in the market as has been demonstrated by CDW.

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