

Sales Pulse Research Update**October 27, 2021**

This note is an update to channel feedback we reported in our recent note ([Channel Survey Results](#)).

Key Takeaways:

- Supply chain issues getting worse and now impacting revenue, although difficult to quantify because of adjustments being made as end users and suppliers try various means to work through the issues, including, re-architecting solutions around available products, choosing more software centric projects, buying software to run in the cloud, ordering further in advance.
- Most impacted products: Switch / Routers, servers, PCs and some disk drives; "more manageable" impact on firewalls from Cisco, Check Point and Palo Alto.
- Channels state that vendor surcharges and price increases have been communicated to end users. Some vendors, i.e. **Fortinet** and **Palo**, raised prices in Q3. **Cisco** announced an average of 7% increase across product line effective Nov 1 (pre-raise prices can be extended 30 days based proposals through end of October).
- 6 - 8 month lead times on many network products from **Cisco**, **Arista**, **Juniper** and others.
- Fortinet has been claiming competitive advantage they have because they use they design / use their own ASICs, but now also admitting they are not immune. No examples of delays for Fortinet in Q3. Fortinet is still quoting lead times of 2 - 4 weeks.
- Palo - hearing lead times of 12 - 14 weeks on some products. Has announced price hikes on hardware and software subscriptions. Palo published 10 - 12 week lead times at the end of Q2, so VARs and end users have been planning on these dates and getting hardware orders in early in many cases.

Additional Channel Comments on Vendors:

- Cisco - price hikes the "average 7% across the product line". Increases on hardware are higher; but also increases on software. Lead times extended most for core switch / routers; lead times 4 - 7 mo.

Examples of Meraki product line - 3/4 of product line has lead times less than 30 days, but some products are out many months, so reps are working to configure solutions that may be over or under engineered in order to deliver something that works and that they can deliver. Cisco losing reps who are going to software companies instead of dealing with lead time issues (they get paid after product is delivered). Some reps going to Zscaler, Oracle, other vendors...

- Arista - examples of lead times on some WiFi products over 52 weeks; ToR switches 6 mo. +; Older switch products are harder to get (>9 mo) than newest models (6 - 8 mo) because of different component sets.
- Poly - Won very large deal for video bars and headsets because they could deliver vs. competitors who have extended lead times. In other examples Poly has trouble delivering some headsets and other video products.
- Dell, Lenovo - backlogs of PC products like all PC vendors; also examples of some shortages of disk drives.
- Broadcom / Brocade switches - extended lead times delaying storage projects.
- Example of Fed agency purchase of software but now waiting for servers to run it on.
- Example of 3000% increase in price of small, inexpensive components that help push vendors total BOM to an average increase of 7%; now being passed on to end users. In other cases, supply chain issues being used as an excuse for price increase that includes software.

Recent vendor reports;

- Ericsson blamed supply chain issues for their recent underperformance.

- Corning blamed supply chain issues (semis for autos) for their Q3 miss.
- Juniper attributed revenue miss on supply chain issues; channels report new “surcharge” by Juniper starting in Q4.
- F5 reported growing backlog due to supply chain constraints and some impact to margins, although overall strong report.
- Although we don’t follow the semi vendors closely, Intel and TSMC have commented on their supply situations expectations appear to be that shortages will extend through much of 2022.

As always, we are happy to discuss in more detail,

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