

## Hardware & Networking

### Channel Talk: Takeaways from a Discussion with a Large U.S. VAR on Enterprise Spending and OEM Trends

We recently connected with a large IT equipment VAR focused on devices and infrastructure solutions in the U.S. to collect feedback on broader demand and customer spending trends in recent months, as well as vendor-specific insights relevant to our coverage. Our key takeaways from the recent discussion include:

- The demand environment remains robust, and the 2026 pipeline already exceeds full-year 2025 bookings.** The VAR closed out 2025 strongly and has seen an exceptional start to 2026, with the pipeline in the first two weeks already eclipsing the total 2025 bookings, which represents an unusual start to the year. The company noted strength across networking, data center, and cybersecurity products, and the company also outlined expectations for substantial growth in 2026 based on the robust start. The VAR underscored three major budget categories proceeding in parallel for enterprises: the traditional IT (networking, data center), AI, and cybersecurity budgets, with limited cannibalization among them.
- Memory pricing is driving OEM price increases, and customers are seeking to get ahead of inflation.** Over the past 30 days, some customers have asked to place orders in advance to preempt price increases or secure supply. Most OEMs have announced price increases taking effect around February 1, with magnitudes varying by OEM: single-digit increases across broader portfolios and double-digit increases for narrower portfolios heavily dependent on memory. By product category, storage, compute, and AI products are the most impacted given their memory intensity. That said, limited demand destruction has been observed to date, and lead times have not extended to post-COVID levels.
- Nvidia supply improving; lead times are coming down and enterprise customers are gaining better access.** Nvidia appears to be managing supply well, with lead times generally decreasing, though the latest-announced GPUs still have longer lead times. The “telltale sign,” according to the VAR, is that enterprise customers now have access to Nvidia equipment, whereas previously hyperscalers and neo-clouds consumed most of the capacity.
- AI neo-cloud spend is “on fire” while the enterprise ramp continues.** Hyperscalers are building out AI capacity at a predictable pace, while neo-clouds are experiencing rapid growth driven by large deal sizes and major projects to build AI capacity for lease. That said, enterprise AI spending is still emerging, with more mature verticals—such as life sciences, financial services, and higher ed—now in their second or third rounds of AI infrastructure buildouts. Two key headwinds for the enterprise segment include power and cooling constraints in existing data centers and skill-set shortages. VARs are helping customers work around these constraints by placing infrastructure with neo-cloud providers or in colocation facilities.

#### IT Hardware/ Telecom & Networking Equipment

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- **Data center networking: Arista growth is “normalizing” while Cisco is becoming a “real challenger” and white-box solutions are emerging as #3.** Arista has been growing rapidly but is now showing signs of normalization, while Cisco is ramping up as a stronger competitor in the hyperscaler market with new products and optics that are “pretty compelling.” The VAR also observed more Cisco and Arista networking being leveraged by hyperscalers relative to earlier reliance on Nvidia, even as white-box networking products have emerged as #3 in the hyperscale market, ahead of other challengers like Juniper/HPE.
- **Campus networking is seen largely as a two-horse race between Cisco and HPE/Juniper.** The VAR characterized the campus and branch market as essentially a two-player market between Cisco and HPE/Juniper when customers want to own their networks. Other challengers have been noted for network-as-a-service models, but for enterprise ownership, competition is concentrated between these two players. Cisco’s momentum in branch and campus in 2025 is expected to continue into 2026 based on pipeline visibility. Also noted was that campus and branch networks typically represent the biggest technical debt areas for enterprise customers; wholesale upgrade conversations spanning the entire architecture are ongoing, as many office networks have remained untouched since before the pandemic.
- **In AI servers, a market shift is occurring from ODM-direct Nvidia servers toward OEM systems (Dell, HPE, Cisco) with Nvidia embedded,** particularly among enterprise customers who prefer familiar platforms supported by in-house teams. In the enterprise, Dell, HPE, and Cisco dominate; Supermicro is making inroads with hyperscalers but less so in the enterprise. Regarding private data center servers, some customers are reassessing whether their cloud lift and shift delivered the promised value.
- **Storage grew substantially in 2025, with Pure Storage outpacing peers.** The storage market grew “significantly” for the VAR in 2025, with substantial year-over-year growth across Dell, NetApp, and Pure Storage. Pure Storage was highlighted as growing faster than others, benefiting from breakout moments and strong go-to-market execution under new leadership. For enterprise deployments, customers tend to favor incumbent vendors (Dell, NetApp, Pure Storage) over newer entrants to avoid building new technology stacks or support teams.
- **F5 cyber incident is not driving rip-and-replace conversations, and transparency appears to be paying off,** with no notable discussions about alternatives to F5 or switching away from the platform. Customer conversations are focused on mitigation, partly due to limited alternatives to F5 and its critical position in customers’ architectures.
- **Cisco platform adoption likely to drive security upside.** Cisco’s Secure AI Factory with Nvidia was cited as generating strong interest among enterprise customers as a differentiated offering that combines networking, security, and operational-architecture innovation. Furthermore, the VAR described Cisco Security as having “roared back to life under new leadership” and expects it to regain share from competitors, supported by a particularly strong AI security portfolio.

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