

State of evolution

The challenge of transition

There has been much talk in the channel about how traditional resellers are adopting new business models as they move from selling hardware to offering bundled solutions and services. But how are vendors and distributors helping them make the transition?

There has been talk of the channel moving into services for years, but there have always been two problems – selling services and then making them profitable!” states Neil Bradford, chief executive of OrderWork, a skills trading website that matches up skills requirements for IT projects across the UK.

“On the selling issue, VARs are moving away from a box-shifting mentality to solution-selling, but this means different sales skills, longer sales cycles, and even different sales people to do the job. Then comes the challenge of delivering high quality services, profitably.”

All of these present a challenge to resellers thinking about changing to a solutions or service-based approach. The overhaul in the way a reseller presents their goods or services is one of the biggest hurdles they will face. It calls for a completely new

way of engaging with the customer, and for the reseller to be able to convey the business benefits of their solution to the customer at all levels of an organisation – from the IT manager to CFO.

One vendor that has experienced the shift first-hand is integrated security configuration management provider BigFix. Product-oriented at the time of its launch in Europe two years ago, the company has since developed a solutions-based approach, and has recently put new reseller programmes in place. “We’re now working with solution-orientated partners,” explains Colin Gray, UK MD at BigFix. “We train them in delivering value and taking an holistic approach rather than looking at just one problem.”

“Customers are now looking at technology as an enabler for increasing revenue or decreasing cost – and

the reseller has to reflect that in how they sell. It’s a different type of conversation. You have to articulate the message at a higher level.

“This creates a stickier relationship. Resellers have to be able to demonstrate that they are able to deliver value as opposed to just being a conduit for a product. They want to sell a solution that allows them to re-visit the customer and say ‘here’s more value we can deliver in other areas of business...’”

Here, both vendor and distributor play a pivotal role in developing their channel partners’ business processes.

“The business partners that can demonstrate the most flexibility with their offerings and deliver a complete end-to-end solution will enjoy the most success going forward,” says Trevor Evans, marketing manager, Alcatel-Lucent Enterprise activities for UK&I. “This isn’t just in terms of what hardware or software they’re able to offer – it’s also about delivering flexible pricing, support and management options depending on the size, expertise, resources and requirements of the end-user in question.

“Alcatel-Lucent is committed to helping its business partners up-skill and expand their offerings. Within this, product and technical training alone will not suffice - some business partners also require sales methodology training to help them better engage with end-users, rather than just ‘throwing’ the technology at them.



But it's not just about getting the necessary skills to deliver this new breed of service. Offering a service as opposed to equipment, for example, calls for a completely way of billing customers, and as such, a different finance model for resellers.

"A changing business model means more than just offering an expanded range of complementary products and services. It means fostering a true customer/supplier partnership, and for such partnerships to work successfully resellers need to look beyond traditional rigid payment models," argues Philip White, CEO of IT finance company Syscap. "Indeed, we've reached the stage where customers are not just expecting but demanding the likes of managed services and subscription pricing models from their suppliers; all this effectively means 'payment over time', which is in direct conflict with resellers' reasonable expectation to get paid up-front for often moderate-margin products and services.

He continues: "The best approach is to form a further partnership with a finance provider who can truly appreciate the pressures faced by both resellers and customers looking to strike a balance between tight margins and tighter cashflows. The ability to wrap intangibles such as training and support into a predictable payment-over-time structure could be the difference between success and failure when engaging with customers in this way. And not only does it increase customer commitment and therefore retention, it also removes the burden of chasing for payment.

When changing models, it is often necessary to consider new vendors and product ranges, which can be a steep learning curve. Logicalis is a prominent example of a company that changed its business model. It went from being a Cisco network partner to a successful systems integrator after acquiring an IBM and a HP reseller.

"Logicalis provides integrated ICT solutions, delivering secure, converged computing and communications

infrastructure and services, adding value to products and services through incorporating them as part of a complete solution with products from other strategic partners - IBM, HP and Microsoft, for instance," explains Tom Kelly, managing director, Logicalis UK.

It also provides the architecture, deployment, integration and management of networks and systems: "In doing so, we will also integrate products from other vendors such as Oracle, Rostrvm and VMware and supply consultancy expertise in state-of-the-art implementation using Web 2.0 technologies and SOA and even advise on environmental impact of ICT systems and offer ways by which carbon footprints may be reduced," Quite a handful for any smaller company considering a new direction!

Who can help with this? Distributors have an increasingly active part to play in developing solutions and services for their channel partners. Magirus is a major exponent of this way of working, relishing its latest incarnation as a consultancy-led distributor (see p. 21). It believes that distribution should play a pivotal role in assisting partners to broaden the depth and breadth of their business offering.

"It is a question of tailoring our offering to our business partners in the channel very specifically to their business needs," says Andrew Binding, managing director for Magirus in the UK.

"And that's not just by giving them more products, but by understanding what they need to do, how they develop their skills set - or even by delivering brand new technology areas to them, such as virtualisation or security."

"With more and more convergence of services and applications, it will become almost impossible (both economically and on a practical level) for a reseller to provide every piece of the jigsaw, therefore partnering is the key to developing new business models in the channel," says David

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Ellis, director of e-security, professional services and training at distributor Computerlinks.

He believes we will see different types of IT solutions. Some will consist of pure product bundles whereas others may be delivered through totally 'outsourced' managed services.

"In terms of offerings, these will vary dependant upon the provider. For example, a telco may sell internet connectivity and/or content which has been cleaned and is secure rather than selling the bandwidth and a number of discrete IT security products - firewall, anti-virus, anti-spam etc.

"Another example could be a reseller supplying mobile remote access solutions. These could include a secure endpoint device (i.e. a PDA), airtime/data contracts, the infrastructure to run the solution (servers, hosting etc.) and the service components needed to rollout and support the package."

He continues: "To be effective at solutions building, I think the channel needs to really understand what the end-users are trying to achieve. Only when they understand this can they can build an offering that addresses pain points and really meets business needs."

This need to understand what the customer wants is probably the key message from this. Before wondering how to acquire skills, certifications and vendors, ask what your clients will pay for. That will simplify the decision.