



# **SURVIVAL OF THE FITTEST WILL RULE YOUR CHANNEL**

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## Positioning Paper

### Powerful Information about the Recession and the Reseller Channel

The current economic recession is going to create a good deal of chaos in the reseller channel, despite predictions that the technology market will actually stay strong. Recessions in the near past provide a history that shows channel shrinkage in a magnitude similar to the magnitude of the recession itself. And this recession is purported to be a big one. But there are also some important lessons that were learned during past tough economic times; one is that adversity brings new opportunities. The other lesson is that many telecom dealers and VARs won't survive this recession. But if the Darwinian Theory is applied, the "selection" process should be a good thing for the channel overall as well as for vendors, removing some of the weaker resellers and strengthening some of the more savvy resellers.

Let's examine the challenges first. We all know the 80/20 rule when it comes to the channel.... generally 20% of resellers/dealers produce 80% of channel revenue. And it would be realistic to expect that those resellers who go out of business in the next 12-18 months will come primarily from the low-producing 80%. But wait a minute, what if there are companies in a vendor's top 20%, who until now have managed to survive primarily by selling products, i.e. focusing on technology and product rather than solutions? In past recessions, in almost every business sector all expenditures were carefully scrutinized. Companies didn't rush to buy new "products". IT departments saw their budgets slashed. This would suggest that it's going to be a very tough ride for resellers who have focused on selling products/technology, and vendors could now look at decreased revenue from product-focused reseller partners in both their top 20% and their bottom 80%. On the other side of the picture, what if there are companies in a vendor's bottom 80% who are small but growing rapidly because they've figured out how to provide their customers with business solutions? Is it possible to provide support during their continued growth so that they provide their vendor partners with growing revenue despite the economy?

### Product Selling is Going to Kill Resellers

To be blunt, a reseller – dealer or VAR – who is out trying to sell a product or promote a specific vendor isn't going to survive this recession. The impetus for customer purchases in at least the near future falls primarily into the following categories:

1. Reduce expenses and provide a fast ROI
2. Provide measurable business efficiencies that keep a company competitive
3. Enable a company to maintain or improve its position with customers while functioning with fewer resources and reduced manpower
4. Increase sales/revenue

Nowhere in the list of motivators do we see "Purchase leading edge technology", although we know that with the new technologies behind unified

communications customers can address at least some degree of each of the above motivators. When resellers attempt to use a “product sale” approach, they are ignoring the buying motivations of the customer. By ignoring these motivations, chances are very good that the reseller won’t make the sale, especially in today’s economic climate. Given the past history of the channel, the product-focused resellers, who still make up a large percentage of the reseller channel pool, will struggle in the current economy and will not survive a significant decrease in sales revenues. The fallout after the mini recession 7 years ago showed this exact scenario, and the VoIP and UC industries will see it to an even greater extent in the current, larger recession. Reality is that there are going to be business failures in every vendor’s reseller channel and a vendor needs to take steps now to mitigate the loss of channel partners through these business failures. Fortunately, the impact on a vendor can be lessened with a few tactics that are easily within current budgets, although they require thinking outside the traditional “box”. The tactics would directly address areas where resellers will be challenged as they seek to shift from their traditional sales models to a consultative selling model (see below).

## Recession Brings Shift in Customer Buying Criteria

Moving past the negative, let’s take a hard look at the “good” news the current recession is bringing to the reseller channel. According to Jim Collins in his book [Good to Great](#), “... good-to-great companies faced just as much adversity as [other] companies, but responded to that adversity differently. They hit the realities of their situation head-on.” Those resellers who thrive during the current recession will do so because they have found opportunities and capitalized on them, i.e. they identified the realities of today’s market and shifted or strengthened their strategy to address the new opportunities created by the new realities. Did these opportunities exist before? They certainly did – but with a booming economy, spending came under less scrutiny for most end-user organizations and expenditures required less justification.

At VoiceCon in early November 2008, IBM identified a number of challenges facing the business world in general. The list included:

- Speed and agility
- Growth and innovation
- Collaborative culture
- Expectations of the young workforce

While all of these challenges remain important, they have been overshadowed by more immediate challenges for almost any business.

1. Reduce expenses
2. Implement measurable business efficiencies to remain profitable and competitive
3. Maintain or improve positioning with customers while functioning with fewer resources and reduced manpower
4. Increase sales/revenue

## Focus on the Opportunities

The opportunities for resellers today center around solutions which enable customers to address the four specific challenges described above. Earlier, these challenges/drivers were used to explain why product-focused resellers will fail. Here the same challenges are listed again because they are the basis for the opportunities on which successful resellers are already focusing or will focus in the very near future. If a profile can be drawn of the dealers/VARs that are most likely to not only survive but thrive in this economy, it will provide a tool for evaluating the potential success of a vendor's own channel partners; as well as some insight into what each vendor can do to protect themselves by helping their channel leverage existing opportunities. What drives the success of some resellers and the failure of others? Informal research conducted by the Sierra Summit Group and years of working with the channel has produced the following profile for success as a dealer/VAR, and it is more important today than ever:

- Management has a clear vision for the company's future and a roadmap for implementing that vision
- Management invests in the growth of the business and the development of personnel skills and expertise
- Management works at developing close relationships with primary vendors
- The entire company embraces and practices solution/consultative selling
- Professional services account for a significant portion of revenue
- The company has developed specific areas of focus and hence both sales and technical expertise – either within verticals or solutions

## Successful Resellers

There are some increasingly successful resellers out there who fit this profile and who will thrive independent of the economic climate. The smaller sized [Enabling Technologies](#) is an excellent example of a company who until recently was in vendors' 80% group, therefore not likely to garner much attention from their vendor partners. But Bill Vollerthum, president of Enabling Technologies figured out Enabling's formula for success, and the company is following it with great results. Part of their formula involves the development of strong relationships with their vendors, which in turn creates additional growth and success. [Optimus Solutions](#) is another example of a reseller who manages with the "success formula" outlined above. Their UC strategy pulls in the other pillars of their business model – workload optimization and storage.

For every Enabling Technologies and Optimus Solutions, there are other companies just beginning the journey of modifying their company and sales strategies to address the new opportunities provided by difficult economic times. These companies stand a good chance at success also. But there are many more resellers who will never begin the journey or will begin it and stall. Fortunately, there are strategies and tactics that a vendor can embrace, even with today's tighter budgets, to identify and move marginal resellers higher up the success ladder and hence be a stronger revenue generator. These same tactics will also play a role in the growth of those reseller partners already realizing some success.

## Approach New Situation with Open Mind

Vendors of all sizes have expressed to the UCStrategies.com team that traditional messaging strategies aren't working anymore. And resellers are indicating that traditional channel programs are of little interest to them as they face new challenges in their own business modeling and in the marketplace. Resellers have a multitude of vendors from which to select and individual vendors are not providing adequate reasons to choose them from the multitude. VoIP and Unified Communications are part of an industry where technology changes constantly; yet vendors continue to use marketing strategies and encourage resellers to use sales strategies that have not changed significantly in at least two decades.

Vendors are in a strong position to positively affect the ability of their channel partners to "cash in" on the opportunities brought about by the recession. The upside is that vendors can realistically impact the revenue generation of their channel partners – when they start thinking beyond the traditional boundaries. What do resellers need to capitalize on the opportunities created by the current economic climate and what role must vendors play?

1. Resellers need to craft a unified communications strategy that aligns with their core strengths and expertise. Vendors can expedite this effort by clearly identifying the sweet spots or verticals for their own products, as well as being forthright about integration issues and limitations.
2. Resellers need to craft a Unified Communications message to deliver to their customers. Vendors can help this process by developing a program to put their own *marcom* resources at the disposal of their reseller partners for a period of time.
3. Resellers need to have their sales staff prepared to look at customers' business issues. Vendors should support the re-education/re-focus of partners' sales force through creative methods to support consultative selling training programs. This is not the same as vendor product sales training.
4. Resellers need to use the Unified Communications tools they sell, to better understand how unified communication tools solve business problems and how the tools are used by end-users. Vendors should facilitate this through creative demo equipment programs since resellers cannot afford to spend their capital dollars purchasing "demo" equipment. Vendors need to be proactive and flexible when handling "demo" equipment requests.
5. Resellers need a resource area or facility to test product integration before recommending or implementing solutions that include a number of products from a number of vendors. Vendors – see #4 above.
6. Resellers need to focus on solutions appropriate for the SMB market, which is the primary area of opportunity for the majority of resellers. Vendors need to supply case studies relevant to this market, in addition to the typical case studies focused on Enterprise solutions.

## Time for New Vendor Strategies

This is a changed world economically. Vendors cannot afford to keep recruiting unproductive resellers. Resellers are becoming much more selective about the vendors that they choose to work with. And the resellers expect much more from the reseller/vendor partnership than they have in the past. If vendors are to avoid significant diminished sales revenue over the next 12-18 months – and in fact, see continued strong revenue, it is time to re-examine and re-think their relationship with their resellers and implement some meaningful new strategies and programs that will contribute to the success of their individual channel partners.

### **Pam Avila, Founder and CEO Sierra Summit Group**

Pam Avila, the founder of Sierra Summit Group, has a strong background in sales and marketing management with significant companies in both telecom (AT&T, ROLM, US West) and data (HP, Sun Microsystems, and Novell). Her business experience includes building and managing successful sales organizations – both direct and those selling through channels. Pam is best known for turning around under-achieving sales organizations and taking them to a position of success. Her channel expertise comes from both managing channel sales organizations and mentoring a nationwide group of “convergence” VARs and telecom dealers, for which she received industry-wide recognition. As the founder of SSG, Pam is credited, among other successes, with developing the channel strategy that has taken one IP telephony manufacturer from virtually unknown to being in the top 10 in market share. Pam has a unique background and a strong record of success.

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