



PROFILES IN VAR

SPECIALIZATION

»» **By sharpening their focus, savvy VARs find they can broaden their horizons.**

By Tom Farre

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HOULD YOU SPECIALIZE OR NOT? BUFFETED BY TIGHT product margins at a time of increasingly complex solutions, VARs of every type and size are considering this question from all angles.

Specialization offers a number of benefits, starting with better profitability. "If you specialize, you don't have to reinvent the wheel every time you design solutions, customize software applications or implement professional services," says Jason Beal, group manager of Ingram Micro Services Network (IMSN). "Creating volume around repeatable solutions and services delivery is a more profitable model for a solution provider's business."

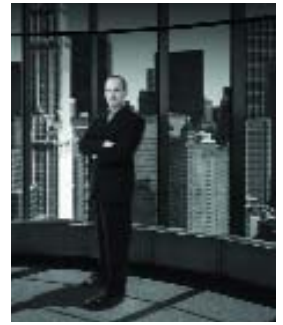
Other pluses include differentiation from generalist competitors, the chance to form partnerships, and the opportunity to become a trusted advisor to customers who value specialized knowledge in technology, in their industry and in their business processes.

But solution providers are so diverse that few generalizations apply to all. Numerous factors go into the decision to specialize, such as:

- ▶ The company founder's background
- ▶ Staff competencies and expertise
- ▶ The cost of vendor certifications
- ▶ Customer segments and needs
- ▶ Market analysis of the territory you serve

There's also that intangible, "the vision thing." Would you rather provide complete IT services for smaller customers? Work project-by-project in one solution area? Repeatedly leverage your

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expertise in vertical markets like health-care or financial services? Plunge into risky new technologies that offer high reward? Or do a little bit of everything?

Whichever path you take, if you stand still you're likely to be passed by more dynamic competitors. Getting your specializations right is critical to your company's success, as we'll see from the VARs profiled here.

ICI Networks: When Specialization Comes First



▲ Brian Casto: Always a wireless specialist.

For some VARs, specialization comes naturally. ICI Networks, for instance, has a special focus on secure wireless and mobility solutions. "We are a boutique in the IT industry, with expertise in indoor and outdoor wireless networks, and we hit all the verticals," says Brian Casto, founder and president of the Cleveland-area VAR. A degreed electrical engineer, Casto was part of the original team that developed Aironet's wireless technology — so it's not surprising that ICI drills down into wireless product development, integration and solution sales.

Such expertise is in demand at large organizations, and ICI counts as clients many Fortune 500 companies, as well as cities implementing wireless networks and several branches of the government. Often other VARs bring ICI in for its niche expertise. Such partnerships benefit both the specialist and the VAR acting as the general contractor, and specialized VARs report a high percentage of such engagements. (For more on partnership, see May-July 2006 *Channel Advisor*, "No VAR Is an Island," page 18.)

Partnership relationships can provoke anxiety, because some VARs worry about competition from the partners they bring in. ICI works hard to establish a professional relationship with partners and to make clear its value add. Since its expertise is well above the norm, most potential partners have a better chance of success with ICI on their team. Says Casto, "We make our partners happy by making their end users happy."

To increase its market penetration, ICI relies on marketing and references from manufacturer partners such as Cisco Systems, and from Ingram Micro through membership in the GovEd Alliance. Both help spread the word about ICI's expertise and professionalism. "Being specialized, you could say we have a narrow market," Casto says, "but VAR-to-VAR partnerships broaden the number of accounts we can reach."

Patriot Networks: Going Vertical Via Software



▲ Dennis Walsh: Drilling into the dental market.

Unlike technology specialist ICI, Patriot Networks specializes in broad solutions for a single vertical market: dental offices. Dennis Walsh, Patriot's president and founder, notes that dentists account for around two-



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— Jason Beal, Ingram Micro

thirds of his business, and the balance comes from other SMBs in its locale, central and eastern Massachusetts and Rhode Island.

How did Walsh get started providing dental solutions? Before forming Patriot, he worked for a VAR that had a dental-office client and saw the growth potential of practice automation. He also noted the promise of storage solutions for dental X-rays and intra-oral cameras. Armed with this analysis and a general knowledge of IT, he started Patriot in 2002 as NDM Networks and has been pleased with the results.

Key to Patriot's vertical success has been knowledge of dental-practice



► Many VARs find that by embracing specialization in vertical markets and business solutions, they increase their margins and service revenue.

Becoming Specialized: How Ingram Micro Helps

Ingram Micro has a vested interest in the success of its solution provider customers. For some time the distributor has been encouraging VARs to explore specializing as a way to boost profitable solution sales and services.

Assistance includes helping VARs master broad technology sectors such as security, storage and networking, including:

- Technology and sales training
- Market research
- Manufacturer-partner events
- Field sales support to VARs

Beyond these basics, Ingram Micro has developed specific solutions that hold promise, such as document management, IP surveillance and data capture. "In IP surveillance, for instance, we put together a solution that includes every component you'd need to make up a surveillance solution," says Brian Wiser, senior VP of sales, North America, at Ingram Micro. "This includes the best-of-breed manufacturers, the typical SKUs that we think you'd need and the service-delivery capabilities to offer a total solution to customers."

Reference solutions help VARs move quickly into specialized areas. Ingram Micro also offers strategy sessions for VAR principals and technical boot camps to train VAR engineers, as well as field sales overlays to help VARs bring specialized solutions to market. It's an integrated approach among Ingram Micro's sales force, marketing team, technical support team and manufacturer partners to help VARs enter different technology categories with specific solutions.

Ingram Micro also helps VARs understand vertical markets such as healthcare and financial services. Resources include customer assessment tools that VARs can brand as their own, as well as training on industry issues such as HIPAA and Sarbanes-Oxley compliance.

How do VARs benefit? Says Wiser, "Imagine a VAR that didn't sell security before. Now the staff not only understands the security market but has a surveillance solution to introduce to customers, and maybe it can approach a new vertical or two, such as regional banking. That's the beauty of the whole thing."

VARs thinking about specializing would do well to discuss strategy and tactics with fellow VARs — a key benefit of membership in Ingram Micro's communities such as GovEd Alliance, Ingram Micro Services Network (IMSN), SMB Alliance, System ArchiTECHS and VentureTech Network (VTN). "If it weren't for VTN, I wouldn't have been able to deliver my first business continuity seminar," says Ron Cook of Connecting Point of Las Vegas. He also benefits from frequent discussions with fellow VTN and IMSN VARs.

Alan McDonald of AllConnected seconds this endorsement. "Working with Ingram Micro through VTN has been fantastic," he says. "One of the biggest benefits is the peer-to-peer networking. Even though some VTN members could be viewed as competitors in a sense, we've had great conversations that help us fine-tune our specializations and business model. Also, we can't be everything to larger customers. To avoid fragmenting ourselves, we partner with other VTN members we know and trust to meet our clients' needs."



▲ Brian Wiser: Ingram Micro offers rich resources to help VARs specialize.

management software and the business processes it supports. Walsh is certified on Dentrix and Easy Dental, the two packages used by most dentists. This expertise eases the minds of many sales prospects. "No one wants to be a guinea pig," Walsh says. "Prospects are more comfortable buying if you can name 50 successful practices in the region that use the software."

Such specialized knowledge helps Patriot become a trusted advisor to its dental clients, the Holy Grail of profitable solution sales. Becoming known for vertical expertise brings in a steady stream of word-of-mouth referrals. Walsh solidifies his expert status by writing several articles each year for a national dental publication. "Sometimes even a couple of months after an article appears, a customer or prospect calls asking for advice about this or that project, and I had no idea they were pondering that," he says.

Since becoming a dental solutions specialist, Patriot has had some difficulty convincing nondental prospects that its expertise applies to them as well. Thus, Walsh is considering becoming certified on a vertical package for legal firms. He also hopes to deepen his involvement with dental clients, and boost recurring revenue, by offering them managed services. "Our managed services can help clients be more proactive about their network health, data security and HIPAA compliance," Walsh says. "It's a service many of them sorely need."

AllConnected: A Specialist in Two Worlds

Different customer segments require different kinds of specialties, according to Alan McDonald. As president of AllConnected, an integrator and managed-services provider in the Los Angeles area, McDonald targets both small businesses and enterprise-class customers. "The smaller the customer is," he says, "the less they require specialization. Smaller customers expect our SupportConnect managed services to cover everything, so for them our specialization is being all things."

Providing complete managed-care services requires a depth of expertise and streamlined processes that would challenge any VAR. McDonald notes that to fully support a company of 100 users, he needs certifications in Microsoft applications, in RSA Security for token-based authentication, in Citrix Systems software, in a SAN/storage solution, in backup and security software, and in a server manufacturer or two. And manufacturers like Cisco require specializations for preferred pricing. Says McDonald, "We really have to be careful about selecting vendor partnerships because maintaining them takes a lot of work and commitment."



▲ Alan McDonald: Content with two business models.

AllConnected leverages such expertise with its larger clients, where specializations are usually called for. Company specializations include Citrix-based mobility solutions, business continuity, and the education and healthcare verticals. AllConnected is also pursuing a new specialization, data center virtualization, by deepening its relationship with industry leader VMware. "For larger customers, having a core set of competencies — you could call them specializations — is superimportant," McDonald says. "If we don't excel, if we don't have a depth of knowledge and experience in storage virtualization, in thin client technology, in security or something else, we're not going to be different, and we're not going to save customers time and money by hiring us."

Four tiers of technical staff support AllConnected's managed services and its larger clients:

- ▶ Field technicians specialize in desktop support.
- ▶ Engineers have Microsoft and Cisco certifications.
- ▶ Senior engineers have greater depth in an advanced technology.
- ▶ Senior engineers with a specialization are the highest tier.

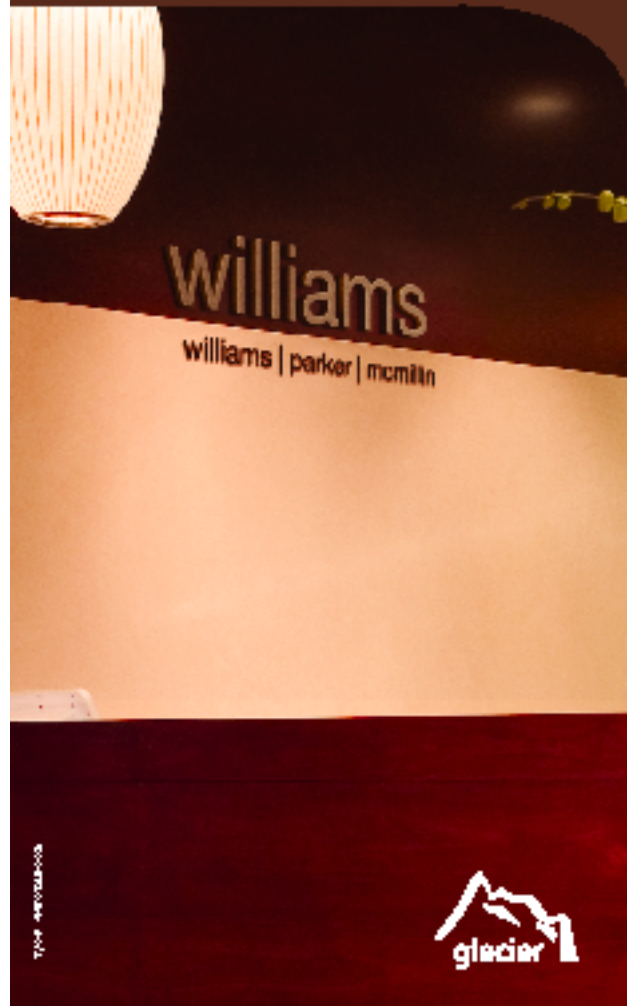
"Senior engineers might be really good at Citrix, security, storage or virtualization," McDonald says. "Generally they work with our larger clients and with our managed-services clients and our own infrastructure if the need arises."

How does McDonald feel about being in two worlds — managed services aimed mainly at smaller clients, and specialized, project-based solutions for the larger ones? He's quite content. "Specialized security, mobility and storage projects are an important part of our business and will continue to be, but I'm also excited about the recurring revenue from 100, 200 or 300 managed-services customers," he says.

What's more, AllConnected does provide managed services for larger clients, but in a different way than small businesses. Its managed services consist of seven core services, and larger customers often choose one or two, rather than the whole package. Says McDonald, "In my mind, the two businesses complement each other very well."

It begins with a question.

Can we do this? There's a new case to be tried, but proper evidence needs to be in place before the verdict can be known. Only the counsel of Ingram Micro's dedicated, Cisco-certified technical support staff can ensure all the facts come to light. One call can tap the largest, best-trained technical support staff in the industry, making their expertise in Cisco solutions the edge you're looking for.



NDIS and Ojo: New Specialization, New Company



▲ Angie Wong:
Founded a
specialized
company.

Angie Wong is the founder and president of two solution providers in northern California, Network Designs Integration Services (NDIS), an IT service provider to SMBs, and Ojo Technology, an IP video surveil-

lance startup. How that came about is a study in specialization.

Founded in 1994, NDIS today focuses on product sales and professional services centered on Microsoft technology. During the dot-com boom, sales rocketed to \$15 million in a short time, and then dropped just as quickly after the bust. NDIS downsized in 2002 and began selling contract services to SMBs. Hoping to grow revenue and margins through specialization, Wong also began

researching a new business to enter. "We looked for a market or technology that was growing quickly," she says, "something that would leverage our experience, knowledge and vendor relationships."

Wong considered focusing on a vertical market, but didn't want to work in a single industry every day. "Lawyers, no! Doctors, no!" she quips. "We are technologists at heart, so we chose a convergence technology specialty, IP surveillance." NDIS's IT expertise gave it an edge — knowledge of switching, firewalls and bandwidth is rare in the surveillance business. But Wong discovered that the physical side of surveillance, with its hard hats, climbing harnesses and outdoor installations, was a challenge for NDIS's white-collar IT pros. And the sales cycle was longer. These differences caused Wong to spin the company off in 2003 as Ojo Technologies, an IP surveillance specialty VAR.

Today Wong is confident of IP surveillance's potential and is working to leverage both companies' customers and back-office functions. In concert with its technology focus, Ojo is targeting three main verticals by default: government, education and manufacturing. "When convergence becomes more widespread, everyone will want IP surveillance. But today and in our area, the main appeal is in certain markets," Wong says. "Those are the ones we specialize in."

Specialization: The Vendor View

Hardware and software manufacturers alike have been bitten by the specialization bug. "We believe specialization is the path to solution provider profitability," says Margo Day, vice president for the Small and Midmarket Solutions & Partners organization in the U.S. at Microsoft. "Partners should invest in and build out capabilities in areas that they're really good at. They should partner with other VARs in areas where they don't have expertise, because customers are looking for a total business solution."

Microsoft's embrace of specialization is clear from its Partner Program, with its emphasis on 14 technology competencies and numerous subspecialties, and on customer segments by size. Partners who specialize in Information Worker solutions, for instance, or in the small-business market, can expect revenues to rise 20 percent to 30 percent, Day says.

At Cisco, the Channel Partner Program centers around a specialization model and aims to drive partner growth, differentiation and profitability, says Surinder Brar, senior director of worldwide channel strategy and programs at Cisco. To address customer needs for a single partner to support the integrated network, Cisco has introduced an Express Foundation specialization, which includes basic training in security, wireless and routing/switching. There's also an Express specialization in Unified Communications (voice), along with more advanced specializations in Security, Routing/Switching, Wireless and Unified Communications.

What about vertical markets? "We absolutely want partners to differentiate themselves based on vertical focus and have a whole incentive program, called SIP (Solution Incentive Program), that rewards them for such solutions," Brar says. "Our partners are much closer to the vertical needs of their customers, so we rely on them to define this vertical value add, which is built on top of their technology specialization."

Even at HP's Imaging and Printing Group (IPG), specialization is the rage. "Successful VARs aren't pushing products, they're drilling down into solutions like content capture, workflow, security and document management," says Jeff Winters, emerging channels manager at HP IPG. For VARs who commit to the printing and imaging specialty, the IPG Solutions VIP Elite program offers support from third-party ISVs, MDF, financial incentives and more.

"Specialization is a win for all," Winters says. "Customers benefit from the solutions, partners gain higher revenues and profits, and we vendors benefit from the sales made by a healthy channel."

Connecting Point: Customers Lead the Way



▲ Ron Cook:
Common sense
led to business
continuity.

For Connecting Point of Las Vegas, customers are leading the way to new specializations. Its founder and chairman, Ron Cook, considers this type of change the essence of successful solution providing. "In our industry, if you're too consistent you're not able to meet the needs of customers," he says. "Not being afraid to change the model is how you stay ahead of the curve."

Cook's background is in accounting, not technology. His core approach is to put himself into the shoes of clients, always working to identify and fulfill their business needs. This has taken Connecting Point from a computer retail store in the 1980s, to outbound sales in the 1990s, to a network solutions and service focus, including managed services, since 2000, and now to something new: specializations in business continuity and compliance, as well as the healthcare vertical market.

These specializations came about from common sense — and being in tune with customers' everyday concerns: "After Sept. 11, after Hurricane Katrina and all the disasters we hear about every day, each one of us goes home and thinks, 'What would I do if something like that happened to me?'" Cook says. "I saw a real lack of knowledge, a real need for assistance, in business continuity and disaster recovery." He also realized how complementary the managed services Connecting Point already offered would be to a business-continuity practice. Says Cook, "Managed services are nothing if not business continuity, so it all ties in."

To jump start his business continuity specialization, Cook partnered with Mike Semel, a certified expert, and started offering marketing seminars. They noticed that many attendees were from local healthcare organizations, with special concerns for HIPAA regulatory compliance. That's how Connecting Point's healthcare specialization was born. "My advice is to take care of the people banging on your door to get in," jokes Cook, "the ones who seem a little desperate." In reality, Cook invested in specialization only after he saw the customer need *and* the lack of local competition — a key to ensuring that specialization will lead to competitive differentiation.

Though he's still ramping up his specialty practices, Cook finds them complementary to the company's broader focus on networking solutions and managed services. "If a client has a need for business continuity and disaster recovery, they'll have a need for managed services," he says. "They'll also need storage and upgraded services for data protection and security. And they'll eventually need hardware replacements and new telephone systems and cabling and all the things that go with that." All profitable sales arising from Connecting Point's specialty practices.

About the author: Tom Farre is the editor of Ingram Micro Channel Advisor.

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