



No VAR Is an Island

Sawvy VARs like Brian Casto (l) of ICI Networks and Phil Ardire of Western DataCom are partnering their way to higher revenues and profits.

By Tom Farre



PHOTOGRAPHY BY ROGER MASTROIANNI



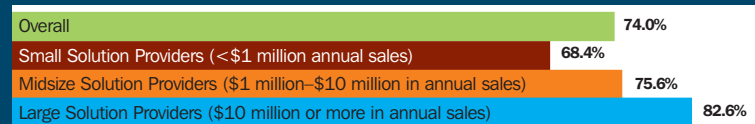
COVER STORY

WHEN THE NEW YORK-NEW JERSEY PORT Authority needed to improve its emergency communications for first responders after 9-11, it turned to a partnership of solution providers. The result was an ingenious and portable network operations center (NOC) in a box, which provided secure, wireless communications via satellite and the internet, whatever the status of conventional networks.

The lead systems integrator brought in two Ohio-based solution providers for their niche expertise — ICI Networks for wireless networking and Western DataCom for cellular and cryptography. The partnership was so effective that when Hurricane Katrina hit, a modified version of the NOC was sent to New Orleans. There a FEMA executive used it to call President Bush in the White House.



Percentage of VARs that Partner with Other VARs



Source: VARBusiness, 2006 State of the VAR Market

► Approximately three-quarters of VARs partner with fellow VARs, according to VARBusiness research. On average, partnering accounts for nearly one-quarter of annual revenue.

Coopetition Rules

Such coopetition is the rage among successful solution providers. Despite traditional fears of letting competitors into an account, VARs are partnering to deploy hot technologies like wireless, security, VoIP and storage area networks; for basic infrastructure solutions, pre-and post-sales support and national technology rollouts; and to deliver traditional break-fix and maintenance services.

"The coopetition thing has really caught on in the VAR channel," says Joe Oster, president of Structured Technologies, a storage specialist and frequent partner to other solution providers. "There are very few 800-pound gorillas that can be all things to all people in all places." Whether using partners to complement their own specialties, extend their geo-



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— Philip Ardire, Western DataCom

graphic reach, speed up deployments or augment staff, VARs are working together to deliver complete business solutions. "The customers' need for integrated solutions that result in real business value often goes beyond what a single solution provider offers," says Ryan Morris, director of channel intelligence for the Institute for Partner Education and Development. "To move into the sweet spot of the solutions that customers expect today, VARs need to partner."

Still, profitable and rewarding partnerships don't happen by themselves. They require a range of skills and resources that many solution providers would do well to refresh. Where to find trusted and competent partners, how to set partnership guidelines, how to handle finances, how to arbitrate inevitable disagreements — these and other competencies discussed here differentiate winning VARs from those less likely to succeed.

Finding Trusted Partners

"If your company specializes in a technology area, partnering with complementary firms is essential," says Philip Ardire, president of Western DataCom, a cryptographic communications firm so specialized that 95 percent of its work involves VAR partnerships. Where do such trusted relationships originate? And how can you broaden your contacts to improve your chances of success?

"It would be nice if you could just search the web or scan the Yellow Pages to find companies that are good to work with," says Ardire, "but it doesn't happen that way. You've got to earn it." Ardire and other successful VARs develop contacts over time through membership in professional associations, manufacturer alliances, industry groups and communities such as those hosted by Ingram Micro (see sidebar, Leveraging Ingram Micro's Communities).

In the case of ICI Networks and Western DataCom, the "NOC in a box" partners, their presidents know

Leveraging Ingram Micro's Communities

One competency many successful solution providers share is leveraging Ingram Micro's extensive partnership resources. Through a series of communities such as GovEd Alliance, SMB Alliance, VentureTech Network (VTN) and System ArchiTECHS for system builders, Ingram Micro brings premier solution providers together for education, joint marketing, manufacturer access and networking.

Ingram Micro also hosts the Ingram Micro Services Network (IMSN), a 700-member community of cream-of-the-crop VARs in North America covering a diverse range of technologies, expertise and geographies. Members can access an online partner search engine and dispatch system, a transactional partnership platform, partnership best practices, dispute resolution and a call center staffed by live experts. Such resources make it easy to find and deploy competent partners and manage service engagements — all in a contractually protected environment. IMSN also offers staff augmentation and SKU'd services to non-member Ingram Micro customers.

"Our communities are designed around helping VARs understand whom the quality players are in their markets, and then tapping and delivering them as partners via the IMSN, the transactional platform that runs underneath all our communities," says Justin Crotty, vice president of North American channel marketing at Ingram Micro.

Members of Ingram Micro's communities report many new business opportunities from partnering with other members. "When we talk to solution providers, they often say things like, 'I don't plan to get into VoIP, but I've found a VoIP partner through VTN,'" says Janet Waxman, vice president at research firm IDC. "Certainly the comfort level of working in IMSN has led to a substantial increase in our partner-based business," says Evan Leonard, president of CHIPS Computer Consulting.



▲ Phil Ardire and Brian Casto working with the "NOC in a box" partnership solution that a FEMA executive used to call the White House during Hurricane Katrina.

each other because both firms are based near Cleveland, and both are Cisco partners with advanced certifications. Brian Casto, ICI's president, reports that Cisco's business development account managers help to co-market ICI's technology and expertise to other Cisco VARs. And both firms belong to Ingram Micro's GovEd Alliance, a good place to meet potential partners.

"The GovEd Alliance helps us develop partnerships by hosting get-togethers with other VARs, both locally and nationally, and by helping us market our technology and expertise through web seminars, meetings and demonstrations — just getting the word out," Casto says. "Sometimes the folks in the GovEd Alliance will break down barriers by making introductions — vouching for potential partners, providing references."

"Ingram Micro is very proactive in helping to connect us with others," agrees Ardire. "It's been a rewarding relationship."

Weaving a Partnership Web

Evan Leonard, president of CHIPS Computer Consulting, an information security, network infrastructure and business intelligence solution provider, reports a similar process for finding trusted partners. Currently CHIPS is building a large data center for a client in New York City, where a SAN will provide centralized storage to a number of branch offices. Instead of going it alone, Leonard brought in Structured Technologies, whose president, Joe Oster, he knows and trusts through membership in a professional association.

"We're doing everything but the storage, for two reasons," Leonard says. "First, the project had a short time-frame and we didn't have the time and resources to do everything ourselves. Secondly, this is such a significant project that we wanted to bring in someone who knows everything about SANs. Joe Oster's company fit the bill."

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Manufacturer alliances have also led CHIPS to fruitful partnerships. Microsoft, for instance, has recommended large account resellers (LARs) whose software expertise complements CHIPS' network and security solutions. As a result of working with Microsoft LARs, they will call on CHIPS when they need networking services — a nice reward for being a good partner. In addition, CHIPS belongs to Ingram Micro's

VentureTech Network (VTN) community, which has brought Leonard together with complementary VARs in his locale.

One Throat to Choke

But informal, one-off partnerships aren't useful in the special situations that make up an important part of Leonard's business: when he needs to partner in geographies or technologies where he doesn't have a prior relationship.

This often happens when national clients need a solution provider to service branch offices around the country — one throat to choke — where they have no local presence. "Because we are a local company, we can only stretch so far without getting on an airplane," Leonard says. "It's important for us to offer customers a single point of contact and still be able to service those remote locations."

In such cases, Leonard relies on the Ingram Micro Services Network (IMSN), which Ingram Micro purchased from Intelligent Electronics in the 1990s and has been perfecting ever since. IMSN membership allows him to search through more than 700 proven solution providers across North America using a number of criteria, such as technology specialties, manufacturer authorizations and geography. He can then select partners based on service-level capabilities and end-customer satisfaction ratings gathered after every partnership engagement — IMSN members must maintain a rating of 4.5 out of 5 to stay in the network.

Selected partners have the opportunity to accept or decline the business — with pricing based on preapproved rates for different service and expertise levels. When a partner accepts the job, IMSN offers a mix of online and telephone resources to facilitate everything from communicating the statement of work, to ensuring that SLAs are met, to handling the payments and debits, to arbitrating any disputes.

Leonard appreciates the speed and efficiency of the IMSN process. "IMSN's big differentiator for us is that whether we need something

Scoping Out a Profitable Partnership

Like a promising sales lead, solution providers expect a partnership opportunity to be both qualified and quantified. Qualified, meaning that the customer has the budget, and quantified, in the sense that they know what they want to do.

These criteria are usually defined in the scope of work, a document created between the customer and one of the partners that sets out a predetermined set of tasks and parameters needed to complete the job.

When partnerships go bad, the culprit is often a poorly written or incomplete scope of work — including incorrect parameters, underestimated timelines, wrong level of expertise and failure to pin the customer down to specifics. This latter error can lead to scope creep — the customer adding requirements while maintaining the same time frame.

"Scope creep is horrible," says Joe Oster of Structured Technologies. "If you have all the responsibility and none of the authority, you're in trouble." Having been burned by scope creep when a partner wrote the scope of work, Oster will provide professional services only when his company is involved in setting the scope.

In most cases, the lead VAR works with the customer to develop the scope of work, which gets passed along to the secondary partner. Quality scopes of work include:

- Description of the solution
- Product specifications and authorizations required
- Technical skill sets needed to complete the job
- The exact actions that technicians will perform
- Number of hours of approved labor
- Schedule for completion
- Pricing, billing and payment expectations

Solution providers note that IMSN members have an edge over non-members when creating scopes of work: IMSN's experts review problematic scopes of work to help ensure partnership success.

Beyond the scope of work that gets entered into IMSN's automatic dispatch system, Mark Apruzzese of Martek Solutions believes in developing a personal relationship with the IMSN members he partners with.

"IMSN's online system is set up to make things happen automatically, but we like the insurance of direct contact, Apruzzese says. "That way, if we have to pull some strings to hit a tight schedule, or to clarify the scope of work, the relationship is there."

Interested in IMSN Membership?

Ingram Micro customers can e-mail imsnmembership@ingrammicro.com, call their Ingram Micro sales representative at 1 (800) 456-8000 or visit www.ingrammicro.com/reseller and choose VentureTech Network or Ingram Micro Services Network from the Communities drop-down menu.



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– Justin Crotty, Ingram Micro

done today, tomorrow or a week from today, we get a quick response,” he says. “IMSN streamlines the process all around. It’s so easy that I often turn it over to my receptionist.”

Qualifying VAR Partners

IMSN’s efficiency pays off in the early stages of qualifying new partners. Outside the network, the process is tedious at best. At worst, when partners don’t live up to expectations, they can put customer relationships at risk.

Richard Glenn, director of technical services at systems integrator System Source, has considerable experience at partnering within IMSN. In a recent month, his company engaged in more than 60 IMSN partnership events, 40 as a partner dispatching VARs to service clients around the country and 20 as a service provider to other VARs. Glenn greatly values the time and aggravation IMSN saves him, compared with performing due diligence on his own.

“Outside the network, you find yourself having to immediately qualify the VAR,” Glenn says. “You may be talking to a sales or operations guy that wants to get your business. No matter how many questions you ask, you pretty much have to take on face value what they tell you. In trying to determine the certifications they have and their qualifications to perform the work, there’s always a bit of a question mark.”

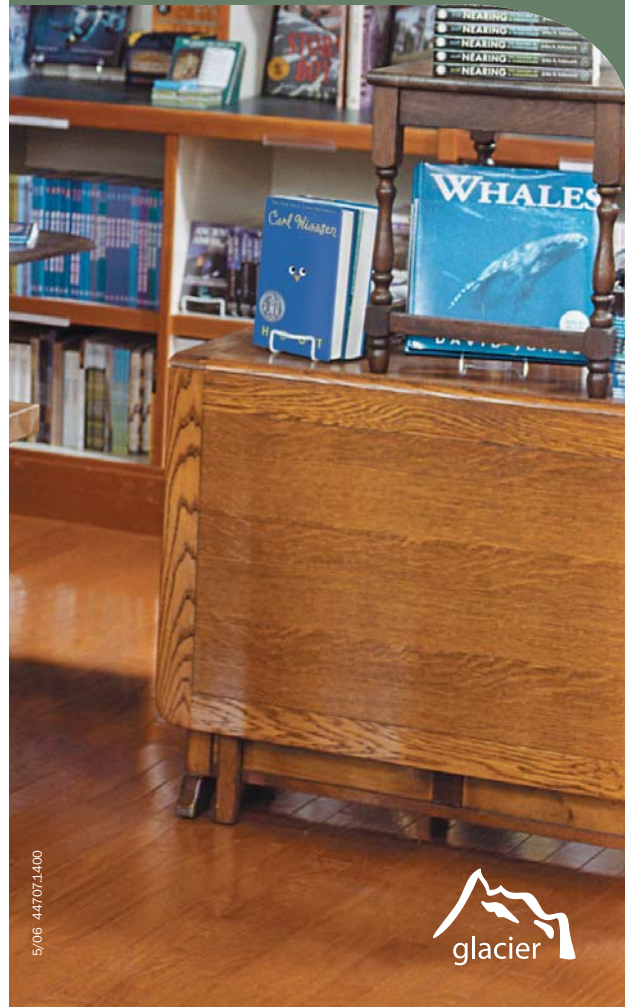
When Glenn contrasts these options with the ease of qualifying partners within IMSN, it’s no contest: “One of our top-10 customers is an educational organization with classrooms in 40 to 50 different places. To partner directly with someone in each of these places would be a disaster,” he says. “There would be no profit in it, because you’d have to spend excessive logistical time and money to maintain the relationships in so many places. In that kind of situation, we rely on IMSN.”

Fox in the Henhouse?

You could try to locate partners via online listings of PC technicians that are springing up all over the internet,

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but such sites offer no assurances of expertise, quality or a commitment to honest business practices. “Your customer relationships are your most valuable assets, and it is too risky to send an independent PC tech out who may try to steal your customer,” says Jason Beal, group manager of IMSN at Ingram Micro. “That is why the confidential, non-compete contractual provisions of IMSN are so important.”

Beal is referring to the agreements all IMSN members sign — nondisclosures, confidentiality clauses and noncompete agreements contractually binding them to fair and honest partnership practices. There is also a member code of conduct and an operations manual that specifies IMSN’s quality and service delivery compliance objectives. This all but elimi-

nates the “fox in the henhouse” syndrome — the fear that if you bring another VAR into an account, you’ll soon be fighting for that account.

“When you send another IMSN VAR out, you are assured that it’s a high-quality VAR representing either IMSN or your company,” says Beal, “They don’t represent their own VAR organization, they don’t wear their own VAR shirt, they don’t leave their business card and they don’t take the end user to lunch. They are there only to represent your company.”

Mark Apruzzese, vice president of IT service provider Martek Solutions, agrees. A frequent user of IMSN for dispatching VAR partners and being dispatched by other VARs, Apruzzese likes how IMSN allows him to boost revenues without worrying about the fox in the henhouse.



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— Jason Beal, Ingram Micro

“The beauty of the program is that it allows you to reach out to places that you’re not, with the safety net that everyone’s contractually bound not to steal your client,” Apruzzese says. “I’ve gone out to service a client when I wasn’t the lead reseller, and they say, ‘I want to deal with you directly.’ I explain that I can’t do that, so there’s built-in protection. It’s a real community — we treat other IMSN members the same way we would like to be treated.”

Arbitrating Disputes

Even with the best of intentions, however, partnership disputes do arise. “Anyone who tells you that they have achieved flawless service delivery is kidding you,” quips Justin Crotty, vice president of North American channel marketing at Ingram Micro. With overall responsibility for Ingram Micro’s solution provider communities, Crotty has seen his share of partnership disputes, which, he says, usually involve two issues: the skill of the technical asset that’s been sent out, and a poor quality scope of work.

Sometimes a VAR will send out a technician who’s not quite as skilled as needed for the service to be delivered. It could be accidental, but often it’s due to a poor-quality or inaccurate scope of work, which typically results

Partnering Dollars and Sense

Solution providers agree that getting partnership finances right can be tricky. With a typical web of three parties involved — the lead, the sub and the customer — there’s ample room for misunderstanding.

When a partner is subbing to another, cash flow can be the sticky wicket: In the sub’s mind, the lead partner is the customer and should pay in net 30 days or before. If the lead firm is cash-strapped, they may wait for the customer to pay — often much later.

“If a partner is carrying the paper, they are our customer, on net 30-day terms, and usually that works itself out,” says Brian Casto of ICI Networks. “But sometimes the partner forgets, and when their customer hasn’t paid them for 60 or 90 days and I’m looking for my money, that can become frustrating.” Savvy partners often split the project, one handling project management, for instance, the other selling the hardware, each billing the customer directly.

IMSN members have another option: As a partnership transaction platform, IMSN handles the partnership finances. Fees for different services and expertise levels are standardized, so there’s little need to negotiate, although members can negotiate if a deal requires it. Once a deal is complete, IMSN handles partnership payments by moving funds within members’ Ingram Micro credit accounts.

“With IMSN, the big plus is that what you’re owed and what you owe just goes into your Ingram Micro account,” says Richard Glenn of System Source. It eliminates the issue of chasing after people. And because the pricing’s all the same, the customer knows that the work they get done in Phoenix will cost the same in Chicago and West Virginia.”

“Outside IMSN the challenge is cash flow,” says Mark Apruzzese of Martek Solutions. “Within IMSN it’s all credits and debits to your account, and you can clear that up any way you want. It’s a lot easier.”

in poor service delivery. When expectations are not understood, all kinds of things can go wrong (see sidebar, Scoping Out Profitable Partnerships).

Such problems can be tough to solve when working in ad hoc or one-off partnerships. "If the customer is unhappy because someone didn't show up on time or didn't perform well, you need to escalate the situation, but who are you going to escalate it to?" says System Source's Glenn. "You've got to escalate it to the other VAR, but there's no intermediate party to step in and help resolve the problem. With IMSN, you don't have to worry about such things."

Reason is, IMSN has developed a formalized process for handling disputes. Central to the process is a call center staffed by experts in service delivery, project management and dispute arbitration. The call center is open from 5 a.m. to 5 p.m. Pacific time, with cell phones and pagers for after-hours — all in support of fair and profitable service delivery for IMSN members.

"Let's say you send another VAR on site and authorize two hours of labor, but it turns out to be a three-hour job and they come after you for three hours of labor," says Beal of IMSN. "Because we have dedicated resources internally, we can get both parties on the phone to help reach a compromise. IMSN is fundamentally different from just leaving it to the VARs to work out, or pointing customers to a web site and saying, 'Good luck, hope everything goes well.'"

Keeping It Real

Whether it's creating a "NOC in a box," collaborating on a SAN, supporting technology nationwide, or in countless other engagements, most successful VARs don't like getting hung up on the details of partnership. That's why they try to partner only with companies they know they can trust.

Not having to sweat the details is a key advantage of IMSN membership, as summed up by solution provider Apruzzese: "By taking the hassle out of partnering, IMSN lets you focus on what's really important — satisfying the end customer."

About the author: *Tom Farre is the editor of Ingram Micro Channel Advisor. He has spent more than 20 years in high-tech journalism, including senior editorial positions with VARBusiness and Reseller Management.*

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