

HIGH ANXIETY

WINNING a deal is not a cakewalk. Right from identifying an opportunity, negotiating with vendor, quoting right price, competing with rival channel folks, a partner often walks the tight rope between vendors and customers. Consider a few of the many complex scenarios encountered:

- Lock the account with a vendor, get the MAF for quotation but price is not received till the last day. When the final bid opens, there are multiple partners with more aggressive prices.
- Conducting demos and POCs, but another partner known well to the customer comes into the picture whom the vendor prefers.
- Unwillingly conducting time consuming tasks that are not part of SLA. The fear being non-release or delay in payment.
- Quoting a competitive price including services to a customer. Another unauthorized partner of the same vendor quotes a lesser price and walks away with the deal.

Such circumstances are jittery enough to increase anxiety and uncertainty about a particular deal in a partner's mind. Partners have to exhibit intelligence, patience and determination to handle such situations without burning bridges.

ChannelWorld explores real-life stories of five solution providers who displayed proficiency and entrepreneurial skillfulness to sail through tight situations.

By Yogesh Gupta

Client Delays; Partner Pays

DM SYSTEMS was successfully implementing the entire IT infrastructure (servers, laptops, desktops, etc) of HP at Cosmic Business School (CBS) located in Delhi since 2007. This included networking, firewall, anti virus and other IT services too. CBS was a key account as DM Systems headquartered in Delhi was rapidly increasing focus on educational institutes in and around the capital. A routine order of approximately 60 lakh rupees (comprising more than 90 percent were HP products) in 2009-10 at CBS suddenly hit a serious roadblock.

STUCK PAYMENT

The CBS management indicated paucity of funds. "There was too much dillydallying from the customer end. We understand niggling payment issues can occur with loyal customers too," recalls DK Bajaj, Director, DM Systems.

After few months, DM Systems was astonished as a new order (to the tune of Rs 35 lakh) at CBS was awarded to another channel partner. HP did not inform DM Systems about the new query and routed the order through this partner. Somehow, the order did not get executed and CBS management came back to DM Systems. "We executed that order as the payment for previous order was not delayed much till then," recalls Bajaj.

However, numerous phone calls and regular visits went in vain for the previous payment. DM Systems continued warranty and post sales support (of last order) as per business ethics. After few months, D M Systems stopped doing business with CBS and finally lost the account as this kind of payment delays make hefty losses.

VENDOR GRABS OPPORTUNITY

For another order, CBS neither contacted DM Systems nor new partner (who could not execute the previous order) but approached HP directly. The direct order with advance payment was executed by HP. "The vendor should have supported not to execute the new order

of the customer unless they released our much delayed payment first for a previous order," says Bajaj in a complaining tone. When Bajaj confronted CBS management about this change of supplier with each order, they gave an excuse of single party contact directly with the vendor.

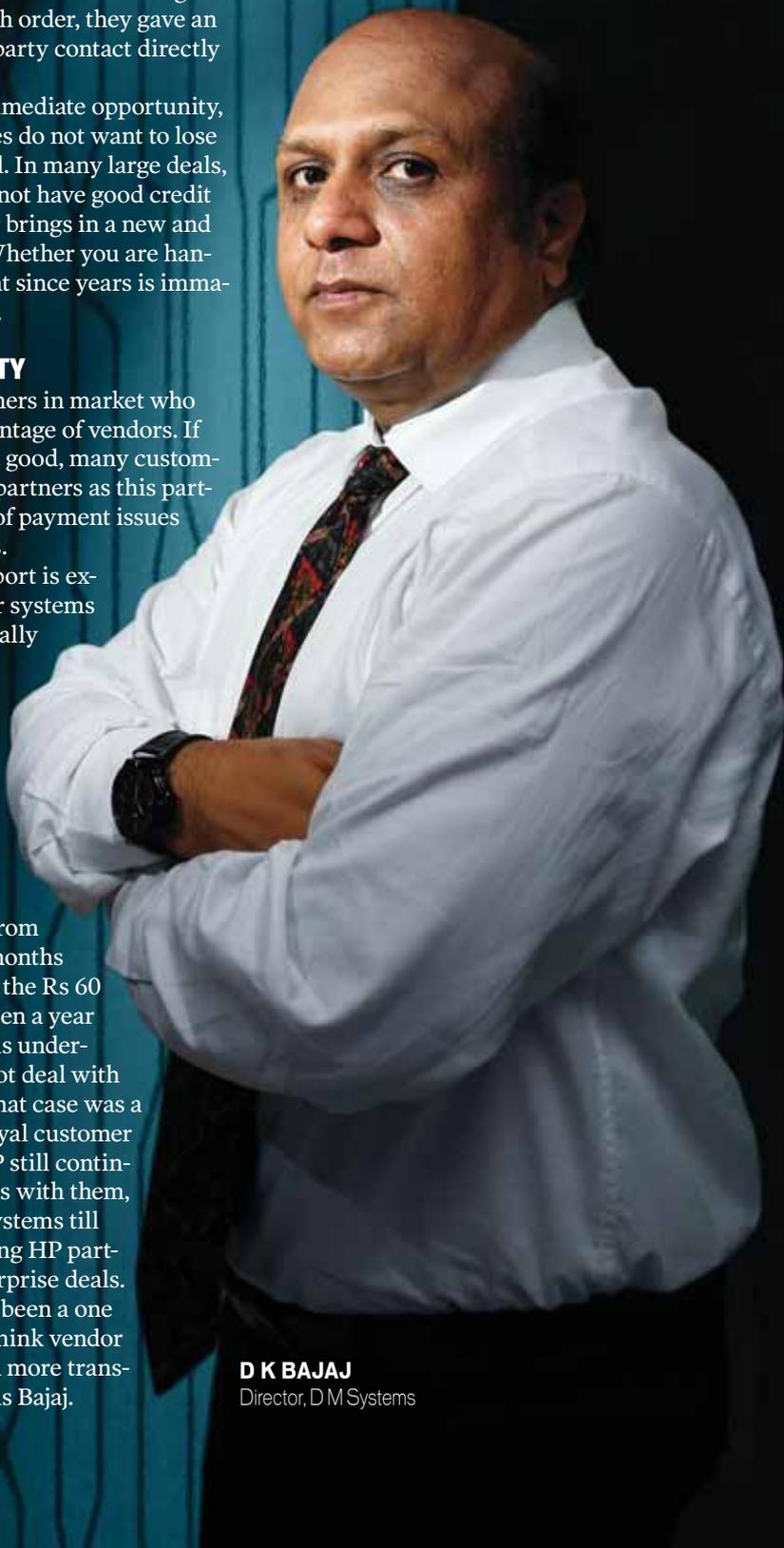
"Because of immediate opportunity, vendor companies do not want to lose any business deal. In many large deals, if a partner does not have good credit value, the vendor brings in a new and bigger partner. Whether you are handling that account since years is immaterial," Bajaj says.

MISSING LOYALTY

There are customers in market who kind of take advantage of vendors. If their credit is not good, many customers look for new partners as this partner is not aware of payment issues till first few deals.

Customer support is extremely tough for systems integrator especially for delayed payments. It means an extra cost for us as customer's next order might go to another partner through your vendor.

Payment was finally received from CBS after eight months of deployment of the Rs 60 lakh order. It's been a year since DM Systems understandably does not deal with CBS anymore. That case was a direct loss of a loyal customer for us, though HP still continued their business with them, says Bajaj. DM Systems till date is still a strong HP partner in many enterprise deals. "It may just have been a one off case, but we think vendor should have been more transparent to us," feels Bajaj.



D K BAJAJ
Director, DM Systems

Customer Retention After M&A



SHAHJAHAN MOOSA
Director, N&N Software & Solutions

PHOTO BY FOTOCORP

A SPECIALIST PROVIDER of advanced security solutions, N&N Systems and Software was renewing a security infrastructure project at a leading financial services organization last year. N&N had deployed two appliances, one each of web security and email security, of IronPort in 2007-08 with three year subscription for the customer. But the high renewal price by vendor (now Cisco) was unacceptable to the customer.

CHANGE OF VENDOR

With IronPort getting acquired by Cisco, the pricing policy of Cisco came into effect which was a bit rigid.

“The company acquiring another vendor brings their set of big SIs that affect smaller SIs. The vendors then should show more loyalty to earlier partners too.”

Usually the renewal of IT project is priced marginally high than the original contract price.

“Being early days for IronPort in Indian market, their flagship product ‘email

security’ was aggressively priced including licenses for unlimited users for this customer,” remembers Shahjahan Moosa, Director, N&N Software & Solutions.

Cisco did not offer feature of unlimited users. “It was extremely difficult to make the customer understand the increased subscription prices. What we spoke three years ago would look bit different now due to M&A,” he says.

THE CONVINCING ACT

The customer looked at other options including cheaper hosting services model, there was a bleak chance of N&N losing the account.

Cisco had a challenge to match earlier prices offered by IronPort. N&N did not suggest any other vendor technology to the customer.

“If the earlier deal of appliances with unlimited users was ‘x’ amount, the renewal amount was crossing ‘x’ with limited users,” he says. It took over a month as N&N worked closely with Cisco to arrive at a solution wherein both don’t lose the account. Importantly the customer was content with a trouble free product and we wanted them to stay invested in this technology,” he says.

THE MIDDLE WAY

Cisco executives in India did understand the importance to close a good deal with this large customer. Finally, N&N offered a product refresh which was on roadmap of Cisco. Product will be refreshed in the last quarter of this year and the customer can keep earlier appliances too. With email traffic having grown over the past three years, this deal ensured new product and overall discounted price agreeable to all. The customer declared the upper limit of users as per new policy.

M&A: GOOD OR BAD?

M&A deals often pose problems for channel partners including RMA, support, pricing policy, change in team of vendor, etc.

“The company acquiring another vendor brings their set of big SIs that affects smaller SIs that help them set shop in India by investing for training, acquiring customer accounts. They should be more loyal to earlier partners too,” says Moosa by adding, “Despite M&A, we displayed confidence to ensure the customer stays invested in same technology,”

Too Many Partners Strike a Deal

SECURE NETWORK Solutions (SNS) received a potential query for a UTM solution from Netvision, a BPO located in Chennai about 4 years ago. "As one of the earliest partners of WatchGuard in India since 2001, we understood security requirements of customers and aligned the products accordingly," says NK Mehta, CEO, Secure Network Solutions. Netvision needed a scalable solution which was not too expensive over the product lifecycle and WatchGuard met the requirement.

LOYALTY OR OPPORTUNITY

Initially for 500 users and later scaling upto 1000 users, WatchGuard X5000 model was short listed. As Mehta says, "The vendor had a feature of upgrading to next higher performing model, as users increased, with a software upgrade only." After few rounds of discussions, POCs, and demos, SNS received a good price from vendor and Select Technologies (distributor of WatchGuard). "We were waiting for the PO," says Mehta.

Just at that time, a leading ISP conducting an audit at Netvision smelled additional business opportunity at the site. As Chennai headquartered SNS conducted the initial product pitch, Netvision management was convinced about merits of the technology and expertise of SNS as a partner.

However, the ISP took prices from another distributor – Inflow Technologies -- and pitched the same product. "They came in at last moment, quoted a lesser price than us and walked with the order," recalls Mehta.

THE DEADLOCK

The ISP was in for a shock when WatchGuard refused to execute the order through Inflow Technologies. The logical reason for denial being the vendor did not see much merit in an opportunity deal doing justice to the customer and it also meant their loyal partner SNS did not get the deal despite investment of time, energy, and money. Vendor was not convinced about long term promise of the ISP as a security provider to the

customer, feels Mehta.

It was a deadlock as the ISP made a last minute up sell into an account, which continued for two to three weeks as there were logically 2 distributors, 2 partners and 1 vendor for a single customer. But the deadlock has to be broken as WatchGuard did not want to

"The deadlock continued for two to three weeks as there were logically two distributors, two partners and one vendor for a single deal."

leave the deal and there was a ready PO from customer.

CUTTING MORE SLICES

WatchGuard favoring SNS as implementation partner was not possible. Mehta at SNS suggested an innovative collaboration kind of a deal. He says, "To avoid shaping of a dirty deal, I thought of a transaction channel where all are content and customer gets the lowest quoted price point."

As an arrangement, WatchGuard sold to Select Technologies which in turn billed SNS. It then made a transaction to the other distributor Inflow Technologies, which in turn billed the ISP. Finally the ISP got the product from Inflow Technologies.

It was not a very big deal, just around Rs 4-5 lakh per UTM, but due to too many hands in the deal, the margins were reduced for all to a large extent, says Mehta.

Many partners compete on a same platform in terms of their profile. "But ad hoc opportunity deals hurt the vendor and its loyal channel partner," says Mehta.

N K MEHTA
CEO, Secure Network Solutions



Same Customer Lower Price

MUMBAI-BASED KALYX Infotech received a large enquiry to the tune of Rs 2-2.5 crore late last year. The query was for networking equipment and solutions from a KPO located at Mumbai, which also happened to be one of its existing customers. Kalyx quoted the list price of a networking vendor minus discounting rate to the customer

After few days, Kalyx team came to know that the same vendor sent a quote to the same customer for the same enquiry. "And the price quoted was with a 50 percent discount on the list price. That was actually my transfer price which the vendor shared with the customer," says Vasant Vartak, Director, Kalyx Infotech, in a perplexed tone.

THE DAMAGE CONTROL

Realizing the goof up, the vendor went on the back foot and wanted Kalyx to pursue the deal. "The sudden discount to customer reflected our high margins which was not the case," he says. This led to an unwanted delay of four months. The order eventually got split between two vendor companies. "This vendor was not present during initial enquiry. The price difference and consequent time lag prompted customer to look for other viable solutions in the market," Vartak says.

Kalyx received part of the

order but the large chunk drifted to another networking vendor. "It was just face saving that we did not lose the customer but the vendor lost its credibility," he says.

AGGRESSIVE PRINCIPAL

According to Vartak, the individuals at most principal companies don't understand how business works. And this goof up was from a senior person in the vendor organization. "They seldom understand the intricacies of a customer account and live for a quarter to execute top line revenues," he complains.

The biggest problem today is that most transactions are cost minus. "It's a catch

22 as most vendors control transfer price till the last moment, It is better to be transparent to the customer than to the vendor," he says.

NOT AGAIN

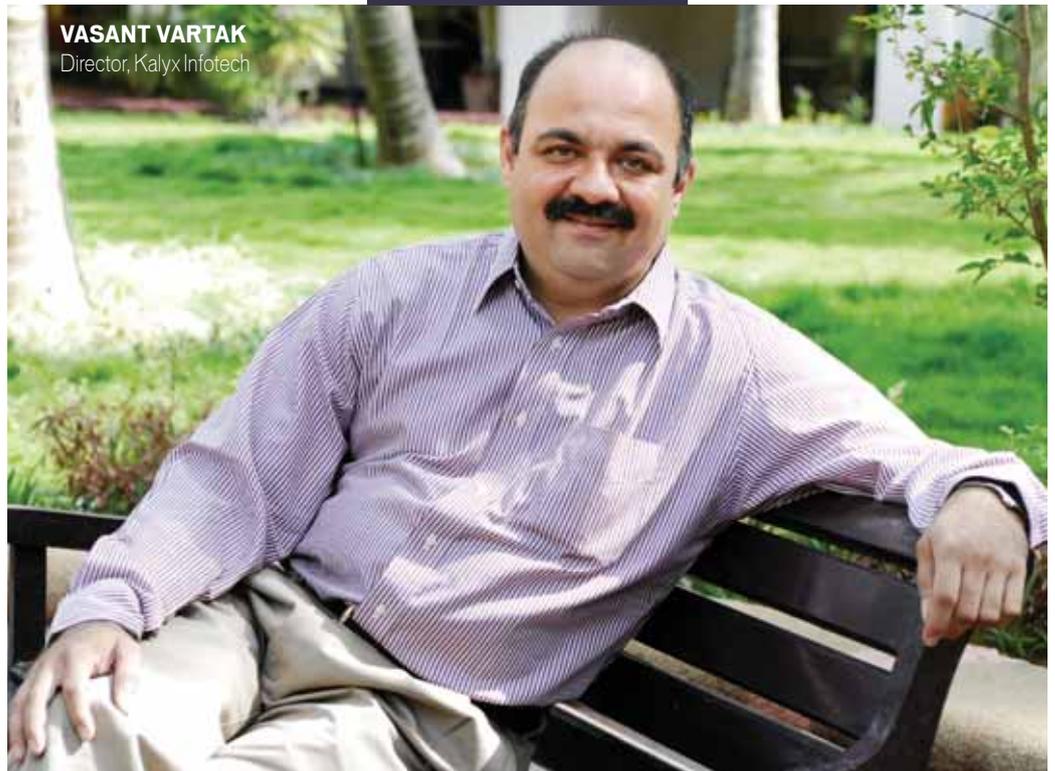
Another varied prices inci-

"Vendors need to educate their channel executives to avoid disparity in price and hand hold partners professionally till closure of a deal."

dent from a different technology vendor occurred less than a year ago. For a distribution company, Kalyx was doing indirect business for multi transaction pan India deal for integrated portfolio (servers, laptops, desktops, storage etc.). The customer also asked for a price to local ISR (Inside sales representative) of the same vendor which was almost 40 percent less than its transfer prices. Most large multi technology principals have regional ISR which brews internal competition within their organization. The order went directly to the vendor but somehow did not get executed. "The customer came back to us. It was a 100 percent win though at a much lower price," says Vartak. Both vendor and Kalyx lost on margins.

Vendors need to educate their channel executives and hand hold partners." Vendors need to streamline their processes to protect partners," feels Vartak.

VASANT VARTAK
Director, Kalyx Infotech



Two Many Technologies to Integrate



ASHISH TANDON
Chairman & CEO, Indusface

PHOTO BY FOTOCORP

DEPLOYMENT of a two factor authentication software solution of a security vendor at a private bank, about eighteen months ago was not the end of the deal for Indusface. The bank wanted Indusface to integrate both solutions to enable authentication through access management solution purchased by the bank from another security vendor four year ago.

Baroda-based Indusface provides information security solutions and services to enterprise organizations. Being one of the 10 largest private banks in India with headquarters in Mumbai and having multiple locations across the country, Indusface sensed a crackling

“We now double check with vendors if there is a reliable reference case for integration of two different vendor technologies with all the proper documentation.”

business opportunity. “This value addition of integration would showcase our capability as a solution provider,” says Ashish Tandon, Chairman & CEO, Indusface.

CAUGHT IN BETWEEN
Being different security

vendors, we confirmed with vendor (of two factor authentication) if both software can integrate, he says. But Indusface were soon caught in a dilemma between two security vendors and a bank customer.

An employee of security vendor (who sold two factor authentication) related a similar integration project in the past. There was no documentation of the case study, The customer got a slight sniff about dilemma faced by Indusface. They started doubting the capability of the SI.

WALK THE EXTRA MILE
An extensive R&D and display of domain knowledge was the order of the day.

Partnering with global security vendors to provide end-to-end security solutions, Indusface has serviced 350 plus satisfied customers. “Our reputation was at stake,” adds Tandon.

Indusface conducted research which included more man hours and called in resources from Bangalore. Both security vendors understandably supported the team as the onus was on Indusface to provide a breakthrough. And the time was ticking away.

The bank realized that the customized solution was taking more than stipulated timeframe. The initial project deadline of 25 days was stretched to 60 days. Today, the bank customer is happy with the solution running live at his site. “For project size, it was large deal. But the integration was a small part but very crucial,” Tandon says.

With company revenues doubling every year, Indusface ensures to deliver the product or service at whatever cost.

LESSONS LEARNT

For an integration project which is not our product or which is third party product, Indusface is now extremely cautious. We now double check with vendor for reliable case studies for integration projects of two vendor technologies supported by proper documentation, he says.

“It was a unique project and great case study for vendors now. I must have lost on money, but product companies realized our worth as a good solution partner. Furthermore, the bank’s faith grew manifold as they gave us more business after this breakthrough in other areas of security,” says Tandon.