



The Handshake Of Fidelity

Vendors have realised that without loyal partners their survival might be at stake. This is why they are leaving no stone unturned to befriend partners and keep them happy. But is the channel truly happy with these overtures? Is vendor loyalty a thing of the past?

The crux of any business is profitability and so it is with the channel business. But apart from profitability, channel also helps customers in showing them right directions. Against that backdrop and the growing competition in the market, channels need to partner new and emerging vendors, like many solution providers have done in the past (finding that doing so augments growth and increases margins).

It is also observed that adding new vendors provides building blocks to larger new solutions. But vendors on the other hand are trimming their channels and often replacing or dropping resellers.

It's imperative that the channel also gets its business more aligned with the specific vendor policies. There is no doubt that a loyal partner is the ultimate weapon the vendor has while battling competition. But are the vendors doing their bit to ensure that their partners stand by them when it is moot?

Innovate to stay

There could be multiple reasons why a partner can shift his loyalties. Vendors working with them should bring in the most innovative products and technologies that creates an impact on the people, forge relationships based on trust and understanding with the partners, bring in learning and training initiatives and create an ecosystem that is aligned to growth for the partners.

Sharing his thoughts, Anoop G Nambiar, Country Manager—Business Partner Organization, IBM India/South Asia said, "We do understand that a sustained and collaborative relationship is quintessential for developing and building a partnership which is mutually beneficial to both the partner and the vendor. IBM has taken the initiatives like the periodic training on products, sales incentives as well as various platforms that gives partners direct access to us. We launched the Partner Sales Service Center in India across four regions to provide channel partners with services specific to sales opportunities. All of these help us connect with our partners well."

IBM is also focusing on factors such as partner ennoblement, training and scalability. The IBM STG University is one such initiative, which has training and certification program that enables channel partners to better understand IBM's system portfolio and also reiterates their commitment to channel partners.

Nambiar further added, "Over the years, we have watched our partners evolve and play a larger role than before in

the overall IBM business. We have put in place a series of initiatives that facilitate not only the partners working with IBM, but also partners working with partners. As we go forward, success will be about partners having to collaborate to grow and evolve."

For effective collaboration, IBM has launched the 'value net connections', which is part of the 'Partner World' tools for partners. There is a place to develop a value net, right from selection of partners to deciding how to develop a solution and go-to-market and generate demand. Initiatives comprise a number of offerings like incentives, co-marketing funds or special benefits from IBM.

Sharing his thoughts on the issue, Kandarp Jhala, AVP—National Channels, D-Link India noted, "While partners are loyal to one brand, they would continue to talk to others. This is very critical for a partner's growth. Even as they continue to build their strategies around the products and solutions of one vendor, partners need to work with others in order to grow to the next level. This would help them in expanding to new geographies, verticals and market segments. We must keep in mind that partner exclusivity is only for a particular product category most of the time rather than the whole portfolio."

D-Link India has devised a structured empowered partner program, which gives partners enough room to reach out to new technologies and do business while also enabling others to reach out to new growth areas and benefit from the same. Jhala believed that growth is a key driver for channel-vendor partnerships and multiple vendor tie-ups would become the order of the day given that customers look for holistic solutions.

According to S Ram Prasad, Business Manager—Consumer Product Group, Epson India, vendor loyalty is built over a period of time because of brand image, the product performance, quality of systems and people in the organization besides consistency and transparency of policy. "Today we are in a customer-driven market and partners need to provide a choice to their customers, which means they cannot survive with just one vendor or brand. More than the shifting of loyalties customer fulfillment is a key factor for partners to work with multiple brands and vendors," he said.

Alamuri Sitaramajiah, Director—Sales and Marketing, Fluke Networks, India said that multiple factors that affect are technology, fit, price, ease of purchase and support. According to him the channel-vendor

partnership that is best able to cater to the above and become the customer's choice consistently provides the basis for channel-vendor loyalty.

"While the vendor needs to work on product, price and promotion, the channel needs to work on the marketplace ie the customer account. This makes for a winning combination and repeated wins create loyalty," said Sitaramaiah.

Collaborate to win

Voicing his opinion Parag Arora, Regional Manager—Channels, Cisco India said, "At the highest level, we redefine 'channel' to denote an ecosystem of collaborative relationships, rather than just a one-way pipeline for products or services. These relationships tie Cisco to its many partners, and partners to end-customers; but they also tie partners and customers to each other."

Through increased collaboration with its partners, Cisco can measurably improve both partner satisfaction and loyalty. The company has introduced the Partner Access onLine (PAL) tool to aid tracking both customer and partner satisfaction and loyalty. PAL, with its Partner Relationship Assessment (PRA), helps Cisco measure partner satisfaction with Cisco channels account teams, direct sales, service account teams and TAC, online tools, and channels programs.

Echoing similar sentiments Sudha Jagadish, COO, Dax Networks, felt that if partners have chosen a particular brand, then it's the brand name which comes first because that encapsulates their past experience with the product and vendor. Better margins come next while a mix of commercial and technical support to the partners follows. According to her good relationships are a must, as far as partner loyalty is concerned.

"Partners work with multiple vendors since customers ask for different brands. Partners want to offer all the brands in the marketplace. Staying with multi-brands means more work technically, even though the partner may be able to give greater value-add to the customer. Partners shifting loyalty when a brand under-performs is logical. Market pressure can only result in everyone selling the same brand at wafer-thin margins," said Sudha.

A personal partner relationship in addition to the marketing value additions will make the partner remain attached to the vendor, felt Sudha who added, "We place a lot of emphasis on providing partner training. This gives them confidence to offer solutions rather than sell products and make more money with Dax products. We also run an

incentive program called 'Dax Drona', to motivate the partner marketing and sales team."

What clicks?

According to Durganadh K Venkata, VP—Business Development and Operations, Locuz Enterprise Solutions, loyalty is prompted by three factors—strength of the technology/brand and the pull it enjoys with customers, an engagement process that is truly oriented towards the sustenance and growth of the channel and the pre-sales (technology ennoblement) and post-sales support (help in escalation and trouble shooting in case of customer issues) provided by the vendor to the channel.

He felt that occasionally if a brand is not well accepted in the market a shift in loyalties can happen. "The channel, waits for the vendor to resuscitate the brand. However, if over a period of time there is distinct erosion in brand value, the channel shifts to ensure that they are able to continue to meet customer needs," Venkata said.

When vendors start to approach customers directly, build solutions directly and get involved in aspects like pricing directly, the partners feel encroached and lose value before customers and in such a situation the partners' role get limited. Hence the partners may want to opt for more vendors, as this will at least give them more topline and hence more absolute bottomline, Venkata noted.

The value-add that Locuz has got from its vendors according to Venkata is the ability to provide post-sales support on the technologies, which has helped them learn as an organization. It has also provided additional profitability and build deeper customer relationships.

The incentive for performance, which vendors offer especially in technology areas of interest, which directly helps the profitability of the partner, is another value-add. Lastly, vendors have included Locuz as part of their marketing communication for doing joint customer events, or joint use of logos in sponsoring television programs thus helping building the brand.

Sharing his thoughts, T Asokan, VP and Head of Business Operations, Accel Frontline said, "Better margin and support offered are some of the keys for choosing a vendor. Partnering with a single vendor may not be very advisable today given the changing market dynamics. While quality and commitments are the key things that Accel looks for in its vendors, a consistency in quality and business ethics have been some of the value adds that our vendors have given us."

"The channel-vendor partnership is best able to cater to multiple factors that affect business like technology, fit, price, ease of purchase and support. While the vendor needs to work on product, price and promotion, the channel needs to work on the marketplace ie the customer account, for a winning combination and repeated wins that create loyalty"



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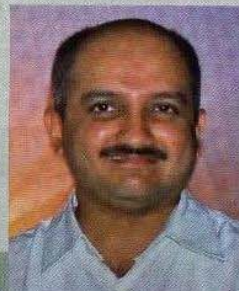
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Director, Future BusinessTech

"The comfort in doing business is very crucial for channel-vendor partnerships. When you are loyal to single vendor, you are just an extended arm of the vendor in all respects and you work transparently. You grow together with lot of interdependency which will make the binding tighter for a longer time"



RS SHANBHAG
Director, Value Point Systems

Meanwhile E Manikandan, CEO, Vitage Systems felt that a mix of brand name, better margins, support offered, and personal relationships prompt vendor loyalty although the emphasis is higher on the reliability and commitment of the partnership.

Indicating a possible risk to partners with one vendor, Manikandan said that the risk would be higher if that brand does not do well. However, if the partner is able to take position on the technology/ expertise of the product or service offered, it may help to hedge the risk to some extent. "Partnering with multiple vendors is largely driven by market pressure for risk mitigation and value add," added Manikandan who indicated that a shift of loyalties happen due to change in a partners approach to business or change in market segment unless it is a lack of vendor support.

Comfort zone

Jayesh Mehta, CEO, Future Businesstech felt that it is the vendor's attitude towards the channel, which is the major factor that forges relationships. Support offered, margins and personal relationships come later. "I think business is about stake/risk and it could work both ways. What if the vendor gains the marketshare? Or if the vendor loses marketshare then the channel partner might have a temporary setback but might not sink. As a trader, a channel partner can adopt to the change quickly and as a value added partner he can balance product portfolio effectively and overcome the situation," said Mehta who felt market dynamics drive partnerships.

"A single vendor cannot have too many dedicated partners and so some will have to work with multiple vendors. I don't think anybody needs multiple vendors for survival. Product portfolio along with the brand pull are the biggest value adds that we have got from our

WHY PARTNERS SHIFT LOYALTIES

- Continuous and consistent loses in few deals by sticking to one brand
- Deterioration of relationship, both at professional and personal level
- Bad management of channel conflicts
- No clear differential for loyal and multi-brand partners
- Frequent change at vendors' team
- Relationship limited to transactions only (pressure tactics during end of the month/quarter/year)
- Delay in receiving claims and back-end incentives
- Delay in deliveries
- Frequent change of product specs without notice
- Operational challenges
- Favoritism to other channel partner of the same vendor
- No growth or value addition and inconsistent channel policy
- No loyalty bonus
- Taking loyal partners for granted and poaching people from partners

WHY PARTNERS STICK TO THEIR VENDORS

- Brand image and name
- After-sales service, warranty and personal relationships
- Improved service quality
- Additional margins that would be available by sticking to one vendor
- Multiple options for increased credit availability, and faster deliveries for most orders
- Mutual growth, recognition in the marketplace
- Sustained business, which helps to diversify and earn handsome gains
- Higher services revenue and bottomlines, technology refresh and faster adoption

vendor that has prompted us to work with them," he noted.

Sharing his thoughts, RS Shanbhag, Director, Value Point Systems said, "The comfort in doing business is very crucial for channel-vendor partnerships. When you are loyal to single vendor, you are just an extended arm of the vendor in all respects and you work transparently. You grow together with lot of interdependency which will make the binding tighter for a longer time."

Commenting on the likely risks of such an association Shanbhag added that the

situation differs from region to region and vendor to vendor. For example, channels down South are predominantly loyal to a single brand where as the rest of India, one sees most partners tying up with multi-brand vendors.

Off late one has seen large MNCs getting very aggressive in the marketplace, especially SMB, government and education segments. This has put tremendous pressure on PC, notebook and server vendors across India. As they excel in operations, delivery and prices besides latest specs, it is an additional opportunity for partners to tie-up with them and capture the business where they are not present.

Shanbhag further noted, "In the SMB market and upcountry locations, there is tremendous pressure to work with multiple brands and it is definitely a question of survival for the small to mid-sized channel."

His reasons for shift in loyalties with a vendor include continuous and consistent loses in few deals by sticking to one brand, deterioration of relationship both at professional and personal level, bad management of channel conflicts, no clear differential for loyal and multi-brand partners, frequent change at vendors team, relationship limited to transactions only

(pressure tactics during end of the month/quarter/year), delay in receiving claims and back-end incentives, delay in deliveries, frequent change of product specs without notice, operational challenges, favoritism to another channel partners of the same vendor, no growth or value addition and inconsistent channel policy, no loyalty bonus, taking loyal partners for granted and poaching people from partners.

The biggest value adds he has got from his vendors include mutual growth, recognition in the marketplace both at domestic and international levels, sustained business which helped to diversify and earn handsome gains, higher services revenue and bottomlines and technology refresh and faster adoption.

Creating value adds

According to Ravi Verdes, Director, Frontier Business Systems, understanding how or why a sense of vendor loyalty develops in customers remains one of the crucial management issues today. "We feel it is a behavioral intention to fall back on the same vendor for more business and recommend it to others. As a result, increased customer loyalty typically leads to increased profit and growth. Many a time it may not be the name of a particular brand that influences a customer to make his decision but other factors like after-sales service, warranty, and personal relationships do matter to an extent. The key to retaining the customers, and thus having to show a profit, is improved service quality," said Verdes.

He further added, "Service quality, is important for creating loyal customers across industries. We strongly feel that the deciding factors for vendor loyalty are better margins, with good support levels including the personal relationships. Brand name really does not matter most of the time as end-customers would not really worry about who is the shipping source for us."

Increased margins on every transaction, faster deliveries, excellent logistics coupled with good understanding of business by vendors are a key to vendor loyalty believed Verdes who said, "Referring us to niche customers, where we can cross sell multiple solutions, presence of good pre-sales resources, and committed relationships are the biggest value adds that prompt us to work with our vendor partners."

S Girish, CEO, Quadrel Systems, a loyal HP partner stated that a product portfolio that is broad and spread across segments helps partners work better with a vendor. Additionally, a focused partner and customer

approach helps improve marketshare. The other reason that has prompted him to stick to his vendor is service offerings and support besides products and solutions. "Relationship with the vendor is very crucial. If one is looking for multiple-vendors it is better to choose non-competing brands. Our vendor goes big on solutions, which incidentally is our focus area. The vendor also builds its people capabilities as well as ours on technology and gives us regular training. This gets us good projects and helps us grow better."

Aniruddha Shrotriya MD, Shro Systems, an HP partner said, "Brand becomes important along with the portfolio of products it offers. A vendor like HP gives us a big basket of solution offerings. This helps us grow exponentially, focus on one brand and benefit from it. Personal relationships too improve between us."

Multi-vendor partnerships help as long as they are not competing products. Choosing complimentary vendors helps offer comprehensive solutions and grow better. Partnering with multiple vendors according to Shrotriya is based on the need to innovate oneself and add new solution portfolios to grow bigger.

"Good brand acceptance and wide portfolio and support have been the biggest value adds we have got from our vendor which gives us a sense of overall development," he said while adding, "The partner also should be aggressive to demand best from the vendor. That helps accelerate growth."

Sharing his thoughts on the issue, Harish Shetty, CEO, Binary systems said, "Trends today have shifted from vendor-centric to customer-centric loyalties. The need of the hour for partners is to work with vendors who can help them provide customers with holistic solutions that completely meet their needs. Towards that end, partners look to tie-up with more than one vendor and while doing so they choose vendors who can offer good support to help them grow. It is not so much about the brand name or marketshare but rather the kind of solution and technology that a vendor can provide that draws us to partner him."

The picture that emerges from the above said is that technologies and solutions that a vendor offers are crucial for partner tie-ups. However, sustaining partners is largely dependent on personal rapport as well as the vendor support and capability offered to provide customers with holistic solutions.

SUBBALAKSHMI BM
(subbalakshmbm@cybermedia.co.in)

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