

Best practices for IT channels

Business has become very dynamic with the evolving channel network. IT industry is very competitive and demands high quality product and services within low margins **ARUN DIXIT**

Channel business is under extreme pressure if it is not managed with proper discipline. Channel partners should be aware about their challenges so that they can work out a better strategy to tackle the same.

Territory restriction: Partners generally have territory restrictions. If they decide to go beyond their territory, it will ask for recurring fixed and variable expenses. Restricted territory means limited opportunity. Restricted territory can be lucrative if it comes with exclusivity. But exclusivity demands lot of investment and commitment.

OEM companies with niche market generally prefer offering exclusivity, because of limited opportunity. Limited market opportunity has typical problem of reaching market because they all may be scattered. Scattered market will have very few media vehicle to reach. In case of niche market, reaching target client is critical success factor.

OEM companies having mass marketing product can go for multiple partners within the same territory. It ensures higher chances of reaching maximum and penetrates faster. Accessing client is easy because, they may be available everywhere and any media vehicle will be a help to reach. Selecting innovative media to reach market is

very important in mass marketing. Parent company will have to give higher importance to Advertisement & Publicity.

Generating leads: IT business is less "On the Counter" and more "At the Door Step". IT products are generally marketed through direct marketing. Personal presence is very much needed in IT market due to ignorance and low tech savvies. Sending just brochure or updating website is not enough for IT companies.

Hence generating inquiries means one has to hit client requirement or problems.

Every IT requirement generally starts with

some problem. For e.g. Need for a statutory compliance software arises when there is problem in filing e-returns, where as it should have been in place from the beginning, considering various benefits of statutory software. Hence it is very important to design your advertisement, tele-marketing, or direct marketing dialogue from client/prospect requirement's point of view, so that it will make client/prospect to realize need of the product of services.

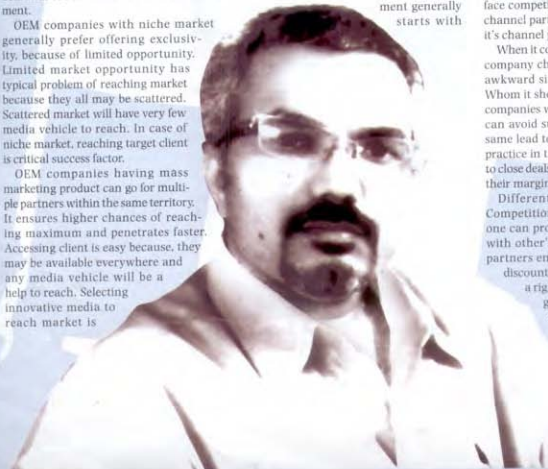
Channels need more aggressive marketing and quicker deal approvals.

Competition: Channel partners more often face competition from the same company channel partner, competitor's company or it's channel partners and the substitutes.

When it comes to competition from same company channel partners it may create awkward situation for parent company. Whom it should give upper hand? Parent companies with proper lead tracking CRM can avoid such conditions. Transferring same lead to multiple partners is general practice in the IT, hence partner will have to close deals as soon as possible, by cutting their margin.

Differentiating sales and services: Competition will never be a problem if one can prove clearly the differentiation with other's services or products. Many partners end-up giving more services or discount to close the orders. That's not a right way of business. One should get premium charges for their specialty. And specialty should be unique selling proposition for partners. Winning client should be on the basis of merit and not on the basis of compromise.

Knowledge based differentiation is best differentiation in IT industry.



because Indian industry is not yet tech savvy. Channel partner should ensure that his sales and service staff is able to deliver solution to client's problems, that is the key.

Maintaining quality sales force: Sales force is the first impression of any company. Considering channel partner's margin it may not be easy task to maintain quality sales force. If channel partner wants to have quality sales force then they will have to offer better pay package so that they can retain his sales force. But that may not be possible because of thin margins. Alternate ways to maintain sales force is to go for commerce or Arts graduates rather Engineers. Enforce fresher into marketing. Give better training to these graduates and show them future growth path that they want to achieve. Showing future growth path will ensure their interest and long term commitment. Sales man working for long term will definitely show positive results. Continuous training, motivational Programs by OEM Company and proper growth path will help to improve output of sales force.

Managing knowledge: IT business means only and only knowledge. One who has zeal for knowledge will excel higher in IT industry. Company with maximum people who wants to grasp more knowledge will have brighter future in a long run. Person who will saturate in acquiring knowledge will have stagnation in his or her growth. Channel partners should ensure that knowledge about his product or services should flow from every department to department. Staff may come and go but every new comer should undergo induction training so that level of knowledge can be maintained within the company and ultimately customer gets the desired satisfaction. Regular training and online forum should be a constant support from the parent company to its channel partners.

Working capital rotation: Channel partners work on margin and they have to manage their all expenses within their margins. Partner margins depend on category of products. If it is fast moving with minimum efforts and services then it may come with low margin. If it requires more sales and services efforts then it may have bigger margin. Under both the cases partners are supposed to work on credit terms. OEM Company offers credit and partner supply material and services on credit basis. But it is very important to have lesser or equal credit period in sales than in purchase. Otherwise partner will keep on investing funds from his own pockets. Recovery department should be very strong in Partners Company. Apart from that terms of sales should be clear in sales so that

there will not be any point of arguments at the time of collection. Generally collection is a problem when there is no clarity in sales terms. Clarity in sales terms means faster collection, faster collection means higher ROI.

Attrition: Entire industry is facing greater threat from attrition ratio. Every enterprise is worried about retaining employees. While retaining employees everyone is willing to pay higher salaries. Irrespective of knowledge and skills. That will hamper quality of product and services and is too risky. One should not increase his salary burden just because of lack of manpower. Having higher salary employee means partner will have to work on high margin product or projects or higher quantity. Partners should offer better salary to good employees and retain few employees who can be pillar of his organization. Rest of the employees can be in supporting role.

Discounts: Discounts is the only major hurdle for any channel partner. For any partner, discount is the only and last weapon to gain orders. Discounting practice is worst in any sales. One should think of offering quality services and product at reasonable rate is mantra of successful business for any channel partners. Partner works on margin which cannot be more than 10 to 50 percent. If every partner thinks of giving something better and different it will reduce chances of offering discounts. To offer discounts, partner must have purchased licenses or products in bulk – but constant upgrades in the versions, products becoming obsolete are other key challenges in investing. Parent companies should have a 'buy back' offer to its partners if it is not sold. ■

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