

Research finds SME partners want a deal that fulfils on a margin basis

Nortel to focus on partner profitability

by Christopher Walton

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Nortel insists that some vendor partner programmes are failing the SME reseller as it looks to make partner profitability central to its expanding and diversifying channel base in a bid to increase reach in the SME space.

The vendor surveyed its own and rivals' channels in the UK and Germany, using marketing services company **bChannels**, to discover how SME-focused dealers were aligning themselves with vendors and what they wanted from accreditation programmes.

The results were unveiled by Nortel during a round-table debate in central London last week to a selected group of resellers and distributors.

According to the research, 39 per cent of SME dealers are accredited to only one vendor and 28 per cent are aligned to two.

However, the key concern for UK dealers in forming relationships with vendors was the margin offered and discount received, closely followed by promotional rebates.

Matt Rowlands-Jones, general manager at **bChannels**, said: "It is very simple to understand what the bottom line is. [Resellers] do not want a deal that will not fulfil on a margin basis."

Attracting dealers on a margin integrity basis will become critical for Nortel, given targets of increasing revenues through the SME channel by 40 per cent (see *MicroScope*, 18 September), and with a background of Cisco's SME partners claiming its current accreditation scheme inhibits growth (see *MicroScope*, 2 October).

Amanda Giddins, distribution business director at Nortel, insisted: "In our SME programme we are treating everybody as equals. Of course there are different partners and different requirements, but we are trying to retain a profitable business for the channel."

Tom Fellowes, sales director at SME voice specialist Spitfire, widened the margin argument out of accreditation programmes, insisting the squeeze was being felt as the voice and data channels converged.

"Margin is important, but all the traditional voice dealers have smaller margin structures," he said. "They are smaller now that the IP network is growing in this space and there is more of a data orientation to margins. We tend to look at our buying prices and our RRP and there seems to be a steep change for vendors looking at lower margins."

"The discounts that voice resellers are used to will not be there in five years' time and some vendors' discounts are so complicated they do not help. The cost of up-selling is hard at the SME level. VoIP has made this market very interesting and is going to have a very real impact — these will be a challenging few years," he added.

Others echoed that there was an increasing margin challenge for voice-orientated dealers.

Tom Jacques, managing director at First Communication, said: "The voice profits have diminished but the products Nortel [has launched] have given us much more of an up-sell opportunity. We are now going into our areas with skills we need to acquire and the part we are



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struggling with is the convergence of [voice and data]."

Concerns have been expressed in the channel about the nature of relationships that vendors such as Nortel are forming with partners such as BT and Microsoft.

"Transparency is the key," commented Neil Moulton, head of voice sales at Westcon. "From a reseller perspective it is difficult, a lot of the time, to understand a programme and to benefit from it. There are other vendors who will not get there in providing transparency."

One area awaiting transparency is the nature of Nortel's relationship with Microsoft, which according to Tony Bailey, vice-president of UK and Ireland channels at Nortel, is still in its early days.

"There is a huge amount of interest from the user and the reseller. Just having the attachment to that brand is valuable and it will drive a different channel approach. We are looking to move to desktop software and services and this is a different sort of skills set from our current reseller base," he said. ■