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# Research

## SMB Strategies

# Riding the Wave: The Elusive SMB Provider

By T.C. Doyle and Rich Cirillo, VARBusiness

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From IBM to Microsoft to Cisco to every vendor in between, virtually all vendors are trying to increase sales to small-business customers. Due to the economies of scale, though, virtually all agree that the only way to cost-effectively engage those customers is through partners. But because many of those partners themselves are small companies, many vendors have trouble tracking, recruiting and then retaining the elusive SMB IT solution provider.

Who sells to the SMB market, and what makes them tick? To better understand this distinct industry segment, VARBusiness teamed with Ingram Micro to gather exclusive information from 100 partners that target this market.

What we learned was quite revealing. Despite a slowdown in capital spending elsewhere, SMB customers continue to make investments in IT automation technology, according to VARs. For example, 75 percent of VARs met or exceeded their sales projections in the SMB market for the first six months of 2001, according to VARBusiness/Ingram Micro research. In fact, nearly 10 percent said they beat expectations by a full 20 percent or more. Furthermore, a majority of those polled said they expect the SMB market to fare even better next year than in 2001. By then, of course, they'll have a host of new options to provide to customers, including more advanced Pentium 4-equipped systems, Windows XP and sub-\$500 large-screen LCD displays.

If you are thinking about entering the SMB market, or possibly considering partnering with someone who already serves it, it is important to remember that these organizations are very different from their bigger counterparts.

Though the services they offer often resemble those of companies targeting the enterprise, SMB computing companies have fundamentally different go-to-market strategies. Contrary to what many believe, most small-business resellers aren't pinning to cater to the enterprise. Wheeler, a growing solution provider based in Chicago, is an example. Founded in 1991 as a three-person shop, the company is "focused on the big world of small-business consulting."

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"With smaller businesses, there are no committees, no long lead times or bureaucracies to get in the way of getting work done," says founder and CEO Keith Wheeler.

Wheeler's eight-person company caters to customers in and around the metropolitan Chicago area, providing consulting, software and Web-integration services. After years as a reseller, the company dropped hardware sales in order to focus on higher-value solutions sales, particularly to the legal community, where 21 percent of the VARs polled who sell to the SMB market do business, according to VARBusiness/Ingram Micro research. To make sure that it provides the highest level of expertise possible, Wheeler even added a lawyer to its payroll. Although it works with companies that have IT staffs in-house, its best customers are businesses that do not have full-time IT professionals. "We, in effect, become the IT staffs for most companies that we deal with," Wheeler says.

Although providing consulting services today is the primary business activity of 41 percent of companies polled in the VARBusiness/Ingram Micro study, fewer companies say that will be the case during the next 12 months. Implementing total custom solutions, which one-third of companies today say is their primary focus, will actually become more popular during the next year than consulting services, according to the research.

Bicky Singh, president and CEO of Yorba Linda, Calif.-based VAR Future Computing Solutions, says it has taken his company almost three years to transition itself from a product reseller to a solutions-oriented company. Singh says the whole approach has to be solutions-based and centered around understanding the customer and adding some kind of value to the relationship. "You have to have a broad breadth of service offerings," explains Singh, whose company focuses on areas like storage, security and e-services. "That way you can differentiate yourself from mail-order houses, which are typically playing off price alone."

Another key trend for the SMB solution provider: resellers who have switched from a hardware/software model to a services model and have found that high-end services don't have the expected return on investment that some had hoped. As a result, many companies are switching back to product-based businesses.

While Indianapolis-based Eviciti works with a number of large clients, the main chunk of its revenue comes from working with SMB clients in the manufacturing, wholesale distribution and retail industries. That's primarily because the company can position itself as an end-to-end solution provider that also has one hand on the product business.

"We're focused on that area because the very nature of Eviciti is about long-term, high-touch, high-feel customer satisfaction," says Scott Abbott, CEO. "The biggest differentiator is that we certainly feel our value proposition is that much more appreciated [in the SMB space]. We are the one-stop-shop, single-source solution. So if a customer is too big, they may look at us and say, 'Yeah it's nice but it's not broad enough.' And if they're too small, then they don't see why they should pay the premium to get 25 WebSphere Commerce suite developers as opposed to two."

That re-dedication to selling products in addition to services has moved Eviciti into a much stronger position when it comes to serving SMB clients, Abbott says. "We're back in the VAR business again, and that complements our position in the SMB space. Traditionally, VARs in the SMB space have not been [offering] the same services we were--they were just selling hardware. But now we think we can be even that much more of a go-to partner for them."

Although companies that cater to the SMB space pursue a wide variety of business

models, many agree on what remains their best prospect: providing new solutions and upgrades to existing customers. More than half of those surveyed say that's where the money is now. Among the most popular services offered to clients include hardware maintenance and upgrades on equipment, and hardware and software integration. Almost two-thirds of companies surveyed say they provide the former, while 59 percent say they provide the latter.

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