

Channel Vision 2006

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2006 is going to be a year of change for the reseller channel. The following 12 months are going to be a consolidation period, which means drawing together skills and knowledge and more often than not, pulling companies together in the growing fest of mergers and acquisitions that are shaking up the marketplace.

This year is not going to be pretty or easy, but it will also not be financially depressing according to industry pundits. "It will be a hit and miss market in 2006," Andrew Jay, managing director at Aonix UK, explains. "It won't improve financially or competition-wise, but it will stay the same. But it all depends on what the economy will be doing. If the market grows, people will make investments and that includes changing out old telecommunication systems."

2006 is going to be a competitive one, Jeff Elliott, managing director at du Pré, warns. "I can't help thinking it's going to be a very competitive market this year. I've noticed an increase in competition over the past few years, which is driving down margins. The only way to quell that is to push services rather than hardware."

Suzanne Chappell, managing director at TMS, warns: "There is going to be a lot of consolidation in the market. If smaller resellers can't get into selling IP and virtual solutions, they won't make it. They will become victims of the new technology that's coming in. Resellers have got to grasp the new technologies and be able to sell and sustain them."

Jay says the more credible manufacturers will be pushing a lot more IP training into the voice channel, where large learning curves still need to be addressed. "I can see a lot of resellers on the voice side still having problems connecting systems to existing networks. Many fall into the trap of doing these things wrong, getting burnt fingers, trying it a second time and finding another issue, because they just don't have the skills needed to install IP kit."

More training is needed and is going to happen across the channel in 2006, Jay says: "Skills now have to be network orientated. And that's looking at multi site networking, not single site. Sales guys also need more training; they need to be able to talk to the IT manager and director on his level. If the voice channel isn't careful in carrying out this training, it will lose credibility in front of the IT manager, as the data VARs will know that stuff but we won't."

IPT skills is an area that du Pré is also focusing on over the year. Elliott explains: "We are very much focused on IPT here, particularly in Cisco accreditations. We'll have five guys Cisco IPT trained by the end of the first quarter this year. I'm trying to move my IT guys and engineering guys together, so they have joint skills. From a sales point of view, we're there already on IPT and have been for the past 18 months."

Training is again a major factor for 2006 according to Peter Moseley, managing director of Datasharp. He states: "We've recruited another specialist IP and networking trainer for our sales and engineering staff. We have rapidly increased the size of our training department. We also have two MCSE guys on board to ensure our sales people can understand which networking opportunities to put together for customers. Those guys are also ensuring our engineers are fully qualified and capable of getting our solutions into LANs and WANs."

Moseley adds a word of caution: "If resellers don't adopt this approach to training, they will be in trouble. You have to be able to do it right, which is why you have to invest heavily in training."

Simply avoiding the technology that is causing the training issues in the first place is not an option, Moseley states: "You'll see a number of resellers that don't adopt this technology fall by the wayside in 2006. People these days want more than just the standard offering of ISDN and extensions. Convergence is no longer a trend we're being pushed into; it's a case of customers demanding it. If a reseller can't provide converged solutions, the customer will just go to someone that can, and importantly, that can maintain and support that system."

Moseley continues there will be an enormous push into the next phase of convergence, as applications begin to spread in popularity throughout the UK. "There will be more IP in 2006 and applications will become more relevant and numerous as a result of this spread of technology. This means there will be more data products for the SME marketplace coming forward from traditional voice vendors as well, as they see there is money to be made there now. That's more incremental business for us!"

2006 is the year of the app, Richard Chapman, managing director at NEG, claims. "It's all going to be about applications, and bundled solutions in applications. I think we'll be finding software applications taking over hardware in sales during 2006. A lot of customers aren't onto applications yet, but I think we're in the midst of 'sizzle factor'. We have to take suggestions and sizzles to customers to show them what it's all about, even though a lot of it won't be taken on."

Yet Elliott states that the SME market is not yet ready for applications: "Over 2005 we saw a gradual move towards converged infrastructure, but SMEs haven't quite prepared themselves for converged applications yet. While it's a different story in the enterprise space, SMEs are not sure of the kit and are still wary due to scares about reliability and quality, plus the cost. But I do think there will be more demand for applications in IPT."

As solutions become more complicated for customers, the market will move more towards a one stop shop, Chapman believes. He says it is the only way for the market to go. "We have to give the appearance that an entire solution is out of one box in 2006," Chapman states. "Services have to look simple, otherwise customer decision-making processes will get longer and we will suffer."

"I believe we're at the start of a complete ethos change in telecoms," Chapman evangelises. "The ethos change is the complete solution sale, where the customer feels no effect other than harmony. It's a must, it has to happen. There will be many smaller resellers going under this year as they won't be able to keep up."

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Box:

Hot trends for 2006

- ❖ IP training for sales staff.
- ❖ Applications set to flourish.
- ❖ IP growth will continue.
- ❖ SME market will be targeted by vendors.
- ❖ Mobility, mobility, mobility.
- ❖ Rife consolidation in the reseller community.
- ❖ Market sales set to look the same as 2005.