A QUOCIRCA CHANNEL SURVEY

Quocirca Channel Survey

Reseller-supplier relationships

Quocirca asked readers of The Register who work for UK channel organisations (resellers) for their views on the relationship they have with their suppliers (IT vendors). We got some interesting results.

- **Most resellers make a profit from product sales**
  Whilst margins are tight for many, most resellers admitted that they do make a profit from product sales. However, some survive on no product margin or even see products as a loss leader for their services.

- **Services are the key differentiator for resellers**
  Most resellers develop their own service offerings; this is what differentiates them from each other.

- **Resellers are guarded about sharing information with suppliers**
  Leads are hard to come by and having found business opportunities resellers will guard them closely.

- **Most resellers will introduce suppliers in to sales situations**
  The majority manage the selling process themselves, only introducing their suppliers on a discretionary basis. A small minority think it better to keep the supplier at arm's length, but an equal number say they work closely together during the sales cycle.

- **The majority of resellers believe their own reputations are more important that supplier accreditations**
  By a significant margin, resellers believe that their customers do business with them because of their own reputations rather than because of the supplier accreditations which they hold.

- **Resellers have seen an increase in spending by their customers over the last 12 months and expect this to increase**
  The majority of resellers say that spending by their customers has increased over the last 12 months and an even larger number are optimistic that the increase over the next 12 months will be even greater.

- **The majority of resellers say they receive satisfactory technical support from their suppliers**
  Two thirds of resellers say that they receive an acceptable level of second line product support from their suppliers - but one third believe it is unsatisfactory or even useless.

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In conjunction with:

The Register

RESEARCH NOTE:

This survey of UK resellers was carried out in May and June 2004 by The Register, and Quocirca, an independent research and analysis company.

We did not request responses from resellers of any particular suppliers, but of the 200+ respondents the most cited suppliers were **Microsoft, IBM, HP, Cisco or Dell**.

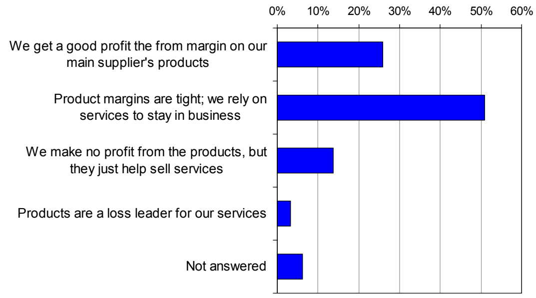
Reseller-supplier relationships

We polled employees of UK channel organisations, who read The Register, for their view of the relationship they have with their main suppliers. This report examines the health of the UK channel and its relationship with suppliers. For convenience, throughout this report we refer to channel organisations as resellers. Fig 10 gives a break down of the actual types of channel organisations the respondents were employed by. In this report, where the term customer is used, it refers to customers of the reseller. The term supplier is used for the IT vendors whose products the resellers sell to their customers.

The 200+ respondents cited a wide range of suppliers in their responses, the most common being Microsoft, HP, Dell, IBM and Cisco.

The questions asked gave respondents plenty of room to have gripe, but few chose to do so when it came to making money. Less than 5% said that the products they sold were a loss leader, whilst over 75% said they did make a profit on products. This may sound like a 'no-brainer', but many resellers make their money from their value add services and might select a product to sell because of its reputation rather than the margin they will receive.

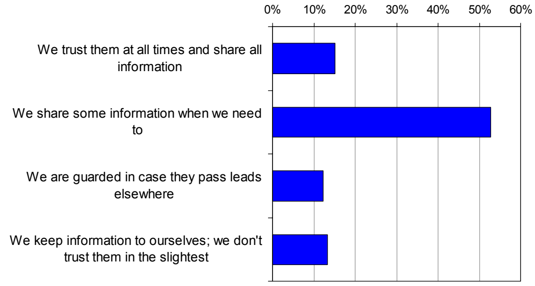
Fig 1: What statement best matches your company's view on making a profit?



Resellers have an encouragingly trustful relationship with their suppliers (fig 2). Nearly 70% of resellers share information with their suppliers on a least a 'need to know' basis. A certain amount of guardedness might be expected; most resellers do not rely on their suppliers to provide them with business (Fig 3). If a reseller has worked hard to generate an opportunity they are going to think twice about telling the supplier, lest it, inadvertently or otherwise, ends up in the hands of another reseller.

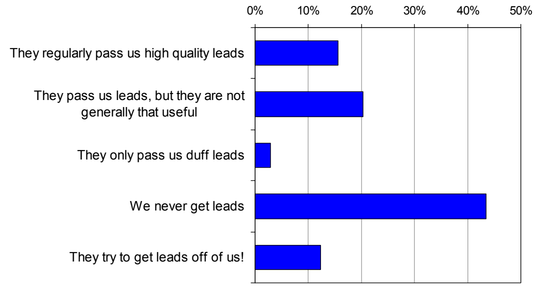
However, not surprisingly, trust and the sharing of information go hand-in-hand. Over 50% of those resellers who said they trusted their suppliers and shared all information with them also said they regularly received high quality leads. These resellers also made slightly higher profits from product sales; this could reflect a direct relationship (i.e. no distributor margin to be paid) or higher margins. And, if it is the later, it is probably deserved. The majority of these resellers had gold or premier accreditations from their suppliers, indicating that they have invested in the training and notched up the experience that is necessary to gain these.

Fig 2: How do you regard sharing information about new business opportunities with your main supplier?



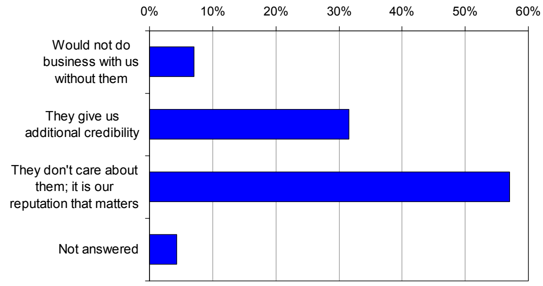
Vendors may only share leads with their most favoured and experienced resellers, but they continue to work with other resellers as an important source of incremental revenue.

Fig 3: How do you rate your main supplier's efforts to help you find new business?



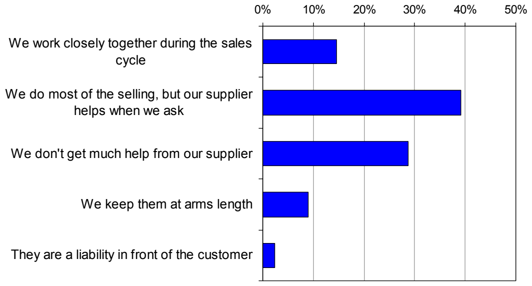
To find business, most of these resellers believe that their own reputations count for more with their customers than the accreditations they hold from suppliers (Fig 4). This does not mean that resellers do not hold, or do not value, suppliers' accreditations but that, in the reseller's view, they are not as important to their customers as the reseller's own knowledge and experience. This is not a bad message for suppliers, providing they are working with resellers who have a good reputation.

How do you believe that your customers rate the value of the accreditations that you hold?



The majority of resellers did acknowledge that when they had a sales opportunity, their suppliers were at least helpful (Fig 5). However, nearly 40% believed they did not get much help from their supplier or indeed avoided involving them at all.

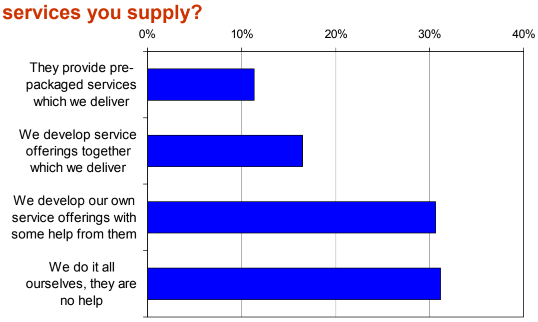
Fig 5: How good is your main supplier at helping you in sales situations?



Service led?

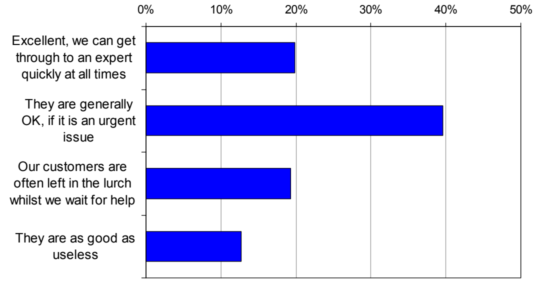
Resellers who had the highest supplier accreditations tended to work more closely with their suppliers to deliver services, some using pre-packaged offerings. However, whilst most resellers take their suppliers' products and sell them as they are, when it comes to services the majority prefer to apply their own brand, by developing their own offerings (Fig 6). For most resellers, therefore, services are their chief differentiator.

Fig 6: How good is your main supplier at helping with the services you supply?



What ever skills resellers have, they do need to turn to their suppliers at some stage, when there is a problem with the product. 60% believe their suppliers provided an acceptable or excellent support service, but a substantial 30% did not (Fig 7). Resellers favour products where ongoing support costs are minimised, so suppliers providing poor support to resellers will suffer in the long term.

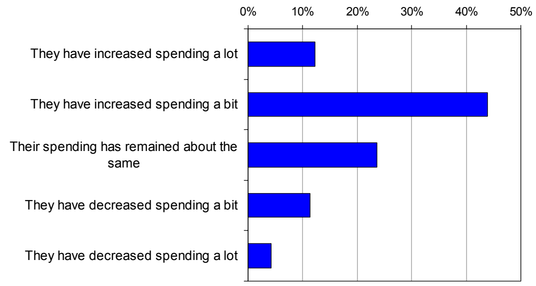
Fig 7: How good is your main supplier at providing 2nd line technical support to your company?



Grounds for optimism

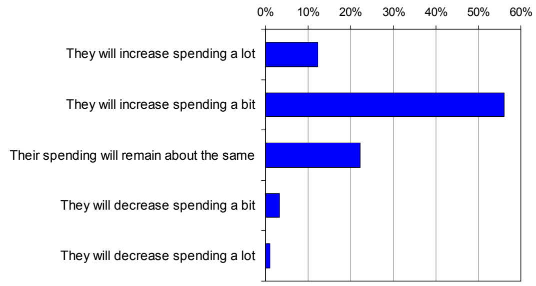
Over 50% of resellers say they have seen an increase in IT spending over the last 12 months (Fig 8) and even more expect this trend to continue for the next 12 months (Fig 9).

Fig 8: Thinking about your customers spending on IT, would you say that over the last 12 months



This is backed up by other Quocirca research conducted amongst IT directors across Europe (see www.quorica.com for other Quocirca reports), so the resellers' optimism should be rewarded.

Fig 9: Thinking about your customers spending on IT, would you expect that over the next 12 months



Profile of respondents

Throughout this report we have referred to channel organisations as resellers for simplicity. Of course this does not recognise the varied nature of organisation that work in the channel. Fig 10 is a breakdown of the type of channel organisations that those who chose to respond actually work for.

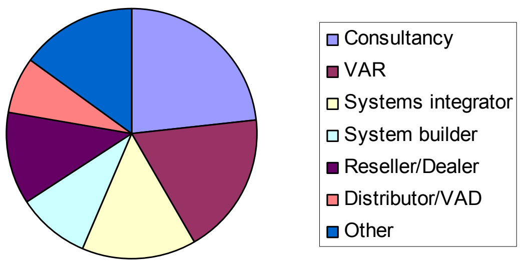


Fig 10: What type of organisation do you work for?

Nearly half the respondents had a senior management or commercial role at the reseller they worked for. Slightly more than this had a technical role (Fig 11).

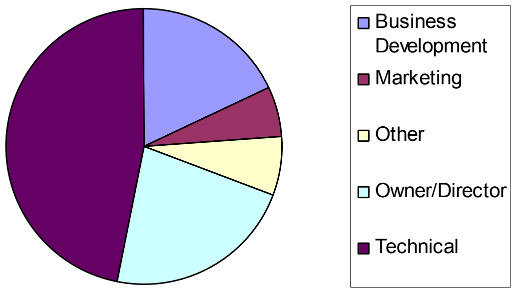


Fig 11: What is your job function?

Well over half of the respondents said that they were involved in at least an advisory capacity in selecting the products that their organisation chose to resell (Fig 12).

Fig 12: What is your personal involvement in selecting products that your company chooses to resell?

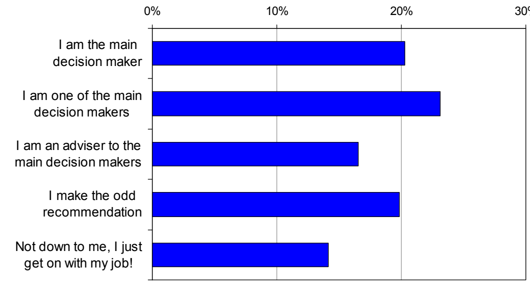


Fig 13 shows the target markets of the respondents and Fig 14 the number of employees working at the organisations by which the respondents were employed.

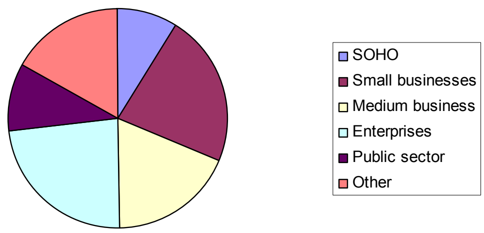


Fig 13: What type of businesses do you sell to?

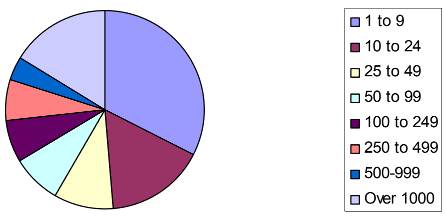


Fig 14: How many employees work at your organisation?

Acknowledgement

The Register and Quocirca would like to thank all the channel organisations who took part in this survey.