Face-to-face interaction still vital in the digital age

By Anton Vukic   17 Jul 2013

Yesterday's value chain had three stages: The "equipment" stage, with IP manufacturing development and system design; then came "retail" - product distribution; finally, content providers created content for the consumers. Today's chain is more complex, with digital and mobile channels fundamentally changing the way we do business.

Analyst house Forrester Research predicted that, by 1999, half of all software would be dispensed electronically, putting resellers under severe threat, as a result of the lower costs that electronic software distribution offers. Software, after all, is the ultimate digital product - bits that can be sent anywhere over the internet. The reality of the move into the digital age for software resellers was slightly different from those predictions and, today, we are seeing a similar disruption because of the increased uptake of mobile technologies.

With vendor companies such as iTunes and Google offering direct sales, software resellers are once again left with a smaller piece of the distribution pie, leading to more predictions of the end of their line of business. However, as with the move to electronic software distribution, this change will not necessarily mark the funeral of reseller companies, rather providing an opportunity for an evolution of their business.

Services that vendors can't provide

The channel is still important because it can provide services that vendors can't. The channel adds value that can't be delivered online: support and service. Channel partners are still best suited to helping a company navigate all the alternatives in adopting new technologies because they are closer to the company than a vendor and better understand the nature of the industry vertical in which the customer operates. Channel businesses can use their knowledge to enhance their offering, add value for their customers, and enter new markets in the months and years ahead.

Would you buy a product from a salesman who didn't seem to know the product range or didn't understand the environment that you planned to use the product in? Probably not. In fact, most people would rather shop online than deal with an incompetent salesman, but the reverse is true if that salesman really knows his stuff. Being able to deal face to face with a person who is not only knowledgeable about the product range, but also understands you and your needs makes the purchasing decision that much easier and leads to a win-win situation.

There is no doubt that resellers and other channel partners are in the midst of a transition period that can be quite challenging for them as they have to re-engineer their business models. The human tendency is to apply what worked before to what's happening now, but what you were doing before won't work now. The pricing, distribution and compensation models are changing, and the increasing fragmentation of the value chain is putting pressure on resellers to

evolve.

Just like the way that digital has disrupted the publishing industry's centuries-old business model, forcing those publishing companies that wanted to survive into a new direction, these changes will not replace all channel sales, but will instead transform the way software resellers do business. Software resale has comprised a large portion of VAR cash flow, but cloud vendors have adopted a consumerised sales approach, emphasising simplicity in the purchasing process and selling directly to customers. Also, without the need for hardware set-up and other ancillary services, local resellers are less important. Resale opportunities have declined, but new opportunities have arisen.

Specialisation is the key. With a specific focus on a vertical market or application category, rather than defining your company by its geographic territory, customers will still use these companies for consulting advice on which products to choose, which applications to choose, how to integrate apps with their existing infrastructure and other advice. Support and customer service are still crucial to technology success, and while products can be purchased online, you can't beat face-to-face interaction.

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