

The journey from 'JAR' to VAR

*Are you in danger of becoming 'just another reseller' in a margin-squeezed industry, asks **Darren Spence**?*

When I joined Bytes in 1997 I remember a series of posters being plastered all over the office that read: "Change is the only constant". Reinvention was one of the things that Bytes was very good at and still is today. In 1997, it was a generalist IT reseller, or 'just another reseller', or 'JAR', with a UK turnover of £12m. Today it is a specialist value-added reseller (VAR) with a UK turnover north £400m.

As IT and buying habits are changing constantly, the "change is the only constant" reseller mantra remains as true today as it was 20 years ago. However, fewer resellers today are adapting their business models at the rate they did back then, thus affecting their business performance.

Without reinvention and new beginnings, resellers run the risk of drifting and dying. You only need to look at the latest *CRN Top VARs 2017* to understand the impact of change latency. Despite revenues from the top 100 VARs soaring 15 per cent year on year to £13.6bn, the average operating margins have slipped from 4.4 per cent to 3.4 per cent, down 25 per cent.

When you have such a disparity of metrics, you see two outcomes. Firstly, companies running out of money and going into administration. Secondly, you get market consolidation. If you are the consolidation architect and have access to capital — either from your own reserves or that of your shareholders — then this clearly is a good time to buy as there are some bargain acquisitions to be had. That is not revolutionary, though: for years underperforming organisations have been snapped up for less than they once would have been. The more interesting point is to look at why operating margins are falling.

Why are operating margins falling?

Put simply, many VARs of yesteryear have not done enough to embrace the changing business and IT landscape and as such have not kept pace with developing compelling propositions that are materially different than every other reseller — they are no longer VARs therefore, but JARs.

Their sales model is largely order-based (versus annuity-rich contractual based) and their competitive differences are largely price-orientated and the capability of the salesperson winning and maintaining client relationships.

While JARs can make good money, their dependency on their most capable salespeople can be very risky. Salespeople leave, and when they do it is common for client relationships, or at best margins, to deteriorate. A salespeople-centric business model is also expensive as resellers will often poach salespeople from their competitors to help replace those they have lost — often paying a 10 to 15 per cent premium in the process. The result? Higher costs with no guarantee of a 10 to 15 per cent increase in sales.

So if you have slipped into JAR territory and want to develop a stronger and more valuable business, now is a very good time to start the transformational process.

Here is a 10-step journey to profitable success.

1. Understand your current and desired state

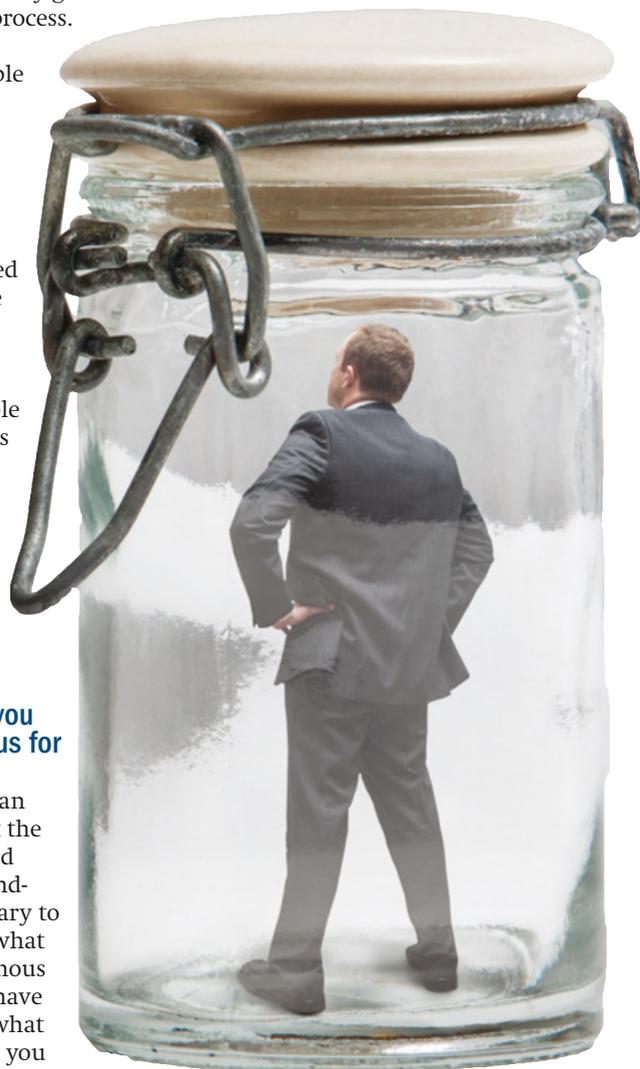
Before you can transform, you need to ask yourself: are you satisfied with your profitable revenue growth? Are your predictable profitable revenues strong or weak? Depending on where you are and where you want to be will determine which actions you need to prioritise.

2. Choose what you want to be famous for

If your value proposition needs an overhaul to reflect the changing needs and buying habits of end-clients, it is necessary to pause and decide what you want to be famous for. This does not have to just be around what [annuity] solutions you



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want to be best-in-class at, but in many cases, will concern which verticals you want to focus on. A simple review of your sales ledger will help stimulate thought here and the desired path or paths of travel.

3. Do your research

Every vertical is different and as such, needs different services and solutions from its resellers. Boost Performance recently commissioned studies of 15 of the largest industries to understand what their business priorities are and where they intend on allocating their IT budget and the results are vastly different. Being armed with this level of insight enables resellers to start thinking about and bolstering their offerings.

4. Choose your partners wisely

Once you're clear on your proactive go-to-market strategy, it's important to form strong partnerships with organisations that will help you reduce your time-to-value and increase your ability to execute. It is important to note that no two vendors or distributors are the same. Some vendors (even the big ones) have a "partner-first" approach where they will develop unique commercial and service models to suit the needs of the individual reseller.

5. Define your proposition

Your proposition needs to be outcome-based and easy to understand as it will be more effective at capturing the interest of your target audience and easier to sell/buy. Remember that clients need resellers to do their thinking for them – they need partners that understand their priorities, challenges and problems and who are able to surface relevant solutions to them. The greatest technology solution can be quickly derailed by an outdated commercial model.

6. Define your ideal customer journey, and broader customer experience (CX)

Research conducted by Gartner found that 89 per cent of respondents believe CX will be their primary basis for competition. It is important therefore that resellers really think about the whole CX and not just how their salespeople are

interacting with their clients. If it's defined, it is repeatable and can be optimised. Every member of the team needs to understand their role in the CX.

7. Optimise your remuneration strategy

It is important that any reward strategy recompenses the right behaviour. Specific consideration needs to be given to the role of internal sales teams and external teams. If you have done a good job of "operationalising" the customer journey and the broader CX, less emphasis will have been placed on the role of the primary salesperson and more on the supporting and operational functions.

8. Optimise your people strategy

As you go through the transformational process it is important you have the right people with the right skills with you. Recruitment and up-skilling are key pillars to success in this regard, with sales training being near the top. With the changing role of the CIO, it is more important than ever that salespeople are trained to be business savvy first and technology salespeople second.

9. Give your people the tools to succeed

It is important to ensure you have the sales and marketing assets needed to help your client-facing teams succinctly articulate your offering and help establish your organisation as a relevant and capable thought leader. Whitepapers are powerful assets as they can form the basis of a multitude of supporting multi-media sales and marketing content, including blogs, vlogs (video logs), explainer videos, infographics, event themes and PR campaigns.

10. Make some noise

All that's left is to metaphorically shout about it from the rooftops, always remembering, however, to engage your audience rather than simply preach to them. You are looking to draw your target audience into meaningful conversations and always demonstrate your credibility and your ability to listen, learn and where appropriate, lead.

