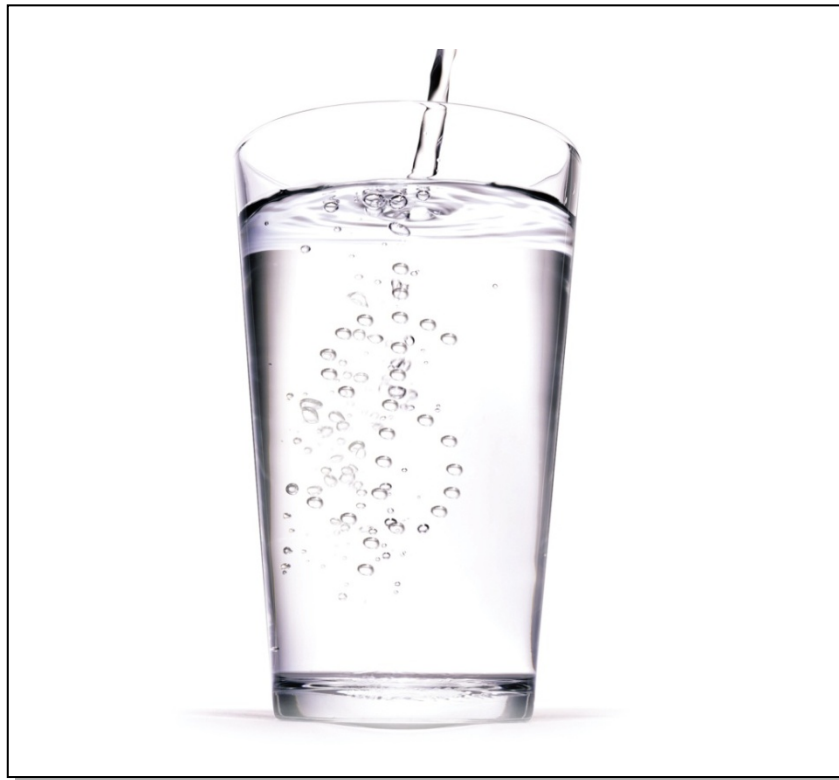


Which one of the following is *Really* Your Technology Partner: The IT Manufacturer or the Value-Added Reseller?



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You've decided to make that big ERP/Financial System, CRM or Enterprise Content Management (ECM) technology purchase. You've gotten the green light to move forward. You can see it now ... manual data entry is reduced, manual work processes are automated, off-site paper storage costs are down, efficiency is up, and your new system has been a real help with current compliance efforts. It's a beautiful thing.

However, somewhere between where you are now and your technological utopia, you've got some work to do. And, as with any big purchase decision, there are a lot of questions to answer.

One of the biggest questions faced by companies seeking to make large technology purchases is which firm to partner with to get the job done. Will you work with a local Value-Added Reseller (VAR) or purchase directly from the hardware and software manufacturers? Where can you get the best price? How can you tell a good VAR from a bad one? Do you really need a VAR/integrator if you have a capable IT staff? Who is going to be there to help you through the process, so your project is deemed a success rather than a crash-and-burn-catastrophe? After all, even the best-intentioned decisions can be disastrous if implemented poorly.

To begin, it may be helpful to define who the possible players on your team may be:

Manufacturer - The company that makes the actual product, whether it be hardware or software. These companies may or may not have a direct sales channel. It is quite possible that the manufacturer of your product only sells its products through its partners - its VARs. Microsoft serves as a great example of this model. They manufacturer and publish software, but resell it through a network of indirect channel partners.

VAR - The term "VAR" or "value-added reseller" is a term used to describe various types of solution providers (SPs), such as: application service providers (ASPs), Internet Service Providers (ISPs), e-business and IT consultants, Web developers, independent software vendors (ISVs) and traditional resellers of hardware and software. Generally speaking though, a VAR is a company that takes an existing product and adds its own "value" before selling to the consumer. This added value can be in the form of things like professional consulting services, custom development, hardware, vertical industry expertise, specialized services, complementary applications, etc.

Systems Integrator - A systems integrator - in the truest sense of the word - does not sell product. Instead, after the purchase, integrators work to install the base software product(s), and customize the product(s) to make them work together with your existing systems.

Likely, you'll have a combination of the three types of players working with you on your projects. The important thing is to get the balance right. Of course you want a manufacturer who produces a quality product. And, of course you want an integrator who will get you up and running smoothly. But how do you know that the manufacturer's product is really the right one

for you? Do you want to bring in an integrator mid-stream, after the “homework” has been done and product decisions have been made? Further, will the integrator you select be an IT generalist, versus an expert in Content Management?

That's where a good VAR comes in -- one that can bring together the most appropriate products to create the best solution to fit your unique needs. Seek a VAR that has true expertise in Financial Systems, CRM or Content Management (meaning the VAR has relationships with several key product manufacturers, giving you multiple product options) *and* one that has in-house integration capabilities. This “super-VAR” doesn't just resell a product. They are there with their customer from start to finish to ensure project success and solution performance. In fact, you'll be surprised to find that it is not unusual that VARS will outlast the manufacturers as manufacturers get bought and sold quite frequently (i.e. Optika -> Stellent -> Oracle or; OTG -> Legato -> EMC; or; Great Plains -> Microsoft Dynamics GP).

Overall, there are three main areas to evaluate when looking for your ultimate technology partner. In the coming pages, we'll examine them all -- Product Knowledge and Selection, Service and Support, and of course, Cost.

Product Knowledge and Selection

You know your business. The manufacturer knows their product. A good VAR will know both. They'll take the time to walk through the process of really understanding your current business processes and issues in order to take the next step with confidence - selecting the right products to help you get the job done.

As discussed in Part I of this series, [What Mid-Market Companies Should Know Before Buying ERP/Financial Software](#), it is of the utmost importance that you fully identify your business problems before you select your products. You need to answer broad questions such as: What are your pain points? What can't you do now? What are your strengths and weaknesses? If you're upgrading or replacing a current system, what aspects of the current solution were you lacking? What's your vision?

- *You know your business.*
- *The manufacturer knows their product.*
- *A good VAR will know both.*

In this process, a good VAR should be able to assist with a complete Requirements Analysis. This Analysis helps you identify and clearly state the business problem(s) at hand, then details the components and work processes involved, leading to the ultimate solution for your company. Working with a good VAR to complete a full Requirements Analysis will save you many headaches down the road. Before investing a large sum of money in technology, you've got to know exactly what you need and want that technology to do. Where, specifically, do you want to automate work processes? How can you make them better or more efficient? After all, it doesn't help anything to automate a process that was bad to begin with.

Your VAR can help tremendously here. A good VAR isn't a box pusher -- they're a solution provider. It's important to them to have a full understanding of your business and goals because they want to select the best product(s) for you. A good VAR's job is to make the most

appropriate recommendations that address your issues. And like you do, they should focus on individual client needs, no matter how small. When working with a good VAR, you'll be more than a product code or a support ticket routing number.

Chances are, if you're working for a mid-market company, you're beleaguered with wearing multiple hats. If you're in manufacturing, you're focused on streamlining your supply chain, attempting to squeeze every dollar of fixed and variable costs to an absolute minimum. If you're a CPA firm, you're focused on broadening your services beyond producing quarterly reports and financials, payroll, and tax returns - you want to offer more value-added services such as: wealth management, retirement planning, 401k services. The last thing you want to hear is that now you'll be tasked with adding one more hat: to scour through endless web information, product reviews, and white papers and sift through the numerous available ERP/CRM/ECM solution sets that may or may not work best for your business. After all, your core expertise is finance, healthcare, manufacturing, etc. not ERP/CRM or ECM. That's why it's important to work with a VAR that not only knows **your** business but stays current in its own industry.

Figure 1: A Lesson in Finding the Single Source Super-VAR

Finding a technology partner that has expertise in several areas, and partnerships with several manufacturers, can be a huge help when you're tackling a large initiative. To illustrate this point, take the case of one of IDT's current customers. Before they found each other, the then prospect had gotten themselves into a nightmare of a situation with their Requests for Proposals (RFPs).

This particular prospect had the need for Enterprise Content Management (ECM), forms processing, and Business Process Management (BPM). As a result of these needs, their IT staff took it upon themselves to seek the various software and hardware products and services from four vendors in *each* of the aforementioned markets. As you can imagine, weeding through multiple suppliers in these three major markets was more than they could have or should have had to put up with.

In their selection process, three separate RFPs were issued to a dozen or so companies. They now had 12 different companies giving them 12 different opinions *without* any of the 12 working in a collaborative effort for the betterment of the prospect. Nor did they share with these vendors the fact that they had issued multiple RFPs for each part of the project – or that there even **were** other parts of the project. Such information would certainly have benefited the vendors, and also the prospect.

In this case, the prospect thought they were doing the right thing. They thought they were giving separate companies the opportunity to concentrate on just one part of the system and therefore, each vendor would truly be able to focus on getting them the best product. However, they in fact were really hurting themselves by not sharing with all the vendors that there was a much bigger initiative at hand. Because the prospect treated the three needs as separate and distinct, *they ultimately burned cycles and expended more dollars* than if they had realized the value of searching for a technology partner who could help meet all their needs.

It wasn't until extensive, exhaustive questioning by IDT that we learned that the prospect did in fact have a single project that drove the need for the three different solutions. After IDT understood the big picture, we were able to educate the prospect about the products that could adequately serve both their immediate requirements as well as their long term needs, and, how these products fit together to provide the best overall solution set.

The prospect was now able to see the benefits of having a firm like IDT manage nearly the entire process – from package selection, implementation, training and ongoing support. Since IDT was the only vendor that “connected the dots,” the customer ultimately disengaged with their original course and embraced IDT's expertise and value.

What can I do that will dramatically improve my monthly financial reporting and forecasting? What's the best scanner to use to capture information in a departmental healthcare system? How about the best content management software for an insurance company's enterprise-wide system? Are SANs really the next big thing? Can my ERP and ECM systems be integrated? A good VAR is going to know. They'll have a variety of product options available for each aspect of your system. They will have enough experience to know how these products work together, and what the best combination is for your particular business.

- *Having options is always a good thing.*
- *Having someone with the expertise to help you sort through them is even better.*

When considering product knowledge, it's obvious that the manufacturer will be knowledgeable about what they produce and sell. After all, they are their product. They developed it. They commercialized it. They know it. And most likely, the manufacturer isn't just trying to "sell, sell, sell." Odds are they truly believe in their product and that it really is the best fit for your business. However, because manufacturers can't help but be partial to their own products, you're not really getting an objective recommendation, which means you're not getting the best recommendation.

Working with a VAR that is knowledgeable about several products that perform essentially the same tasks will result in a better product choice - one that fits your unique needs. (A good VAR should also be able to customize products to fit your work processes.) And if your VAR offers the full scope of overall system components, they can also help you choose the best product combinations. They will know from experience which products work the best together in different business situations. Because the VAR has access to a number of different products and services, they bring much more value to the table than any single manufacturer can. In short, having options is always a good thing. Having someone with the expertise to help you sort through them is even better.

Service & Support

As mentioned, the acronym VAR stands for Value-Added Reseller. And when we talk about service and support, that's usually where the "Value-Added" comes into play. Manufacturers can supply you with their product and offer support. Maybe that's sufficient for your business, but a good VAR can do so much more. It's got to be worth looking into.

VARs have to undergo rigorous manufacturer training to obtain authorization to sell and implement their products. Manufacturers ensure their VARs are qualified to provide you with what you need. That's not to say any or every VAR is worthy of your business, though. It's no secret that you'll have several VARs to choose from. That's why it's important to know how to weed out the bottom players to help narrow your search. In Figure 2, nine basics every VAR should offer are discussed. After you've found a prospective technology partner that meets these basic requirements, it's time to dig in to see where their individual value lies.

What are some of the Value-Added services you're likely to see from a good VAR? We've discussed the importance of product selection, experience, and references. Here are some other things to look for:

- **Additional service offerings** - In addition to reselling products, what else can the VAR do for your business? Can they perform a thorough Requirements Analysis and walk your team through their findings? You'll benefit by finding a reseller partner that is able to provide consulting services along with experience in hardware and software solutions. Their expertise installing systems for other businesses in your industry will be especially helpful in defining what you really need, and in ensuring a smooth implementation.

Another added bonus service is the ability to integrate and customize your solutions. A VAR who is also an integrator can take your new solution to new levels. They can make sure it integrates with your existing systems to maximize efficiency and boost your return on investment. For instance, if you are looking to implement an enterprise content management system and you find a VAR that can integrate that system with your current ERP system, you'll be able to get a full picture of your business. You'll be able to pull up supporting financial documents from within your ERP system; data from scanned documents may be automatically entered into the corresponding fields on the ERP side, eliminating double data entry, among many other benefits. From integrating entire systems to little customizations like enlarging a field to make it easier on your data entry person's eyes, these added customizations can make a huge difference in your daily operations.

- **Support** - When evaluating your prospective technology partner check out the technical support options. Does the VAR offer multiple support plans for you to choose from? Whether your business needs 24x7 support or just the basics, make sure the VAR you select has the support level you need. If they don't, it never hurts to ask for a custom plan. Who knows, they may be willing to modify an existing program to better fit your needs. VARs are often agreeable to alterations like this if the new option can be used to help other customers, too.

An authorized VAR is supplemented or backed by support from every manufacturer as well. This is something many people don't think about but should consider. The reason, essentially, is that you have two firms (two minds are better than one as they say) supporting you as the customer - rather than just a single supplier - and it costs you no more dollars for the added support.

Figure 2: **Back to Basics**

We know that a great VAR brings something extra to the table. But what are the basics – the bare minimum qualities a VAR should have before even gaining your consideration? We've put together this short list to help you begin the sorting process:

1. **Quality Product Lines, with Flexible Options.** Don't settle for a one-trick-pony. Make sure your prospective VAR offers a range of quality products to ensure you're getting a solution that fits *your* business – not a one-sizes-fits-all, standard-issue product that gives you the bare minimum of performance.
2. **Buying Power.** Because a VAR typically serves more than one customer, it buys more product than any one single end user would purchase. Therefore, a VAR has substantial buying power over any single end user. Since we have previously established a *complete* ECM solution comprises of more than one software or hardware product, a VAR has much more to offer when it comes to price than any single manufacturer. Remember, VARS are also customers of the manufacturers they represent. As a result, manufacturers have a significant interest in keeping VARs (as well as customers) in good standing.
3. **A Single Maintenance and Support Agreement.** Eliminate the administrative headache and associated expense of maintaining numerous maintenance and support agreements with differing commencement and termination dates. A VAR should be able to offer you a single maintenance and support agreement regardless of the number of manufacturers behind the scenes. Additionally, annual maintenance and support fees can potentially be negotiated between the VAR and customer to be fixed and constant across all product lines – something manufacturers typically are reluctant to do.
4. **One Purchasing Agreement.** When you work with a VAR, you should only need to deal with one party when it comes to negotiating the terms and conditions of the purchase including license agreements, establishing venue, international patent and trademark infringements, etc. When you buy from a number of parties you increase your costs by the number of vendors you buy from. It makes sense to work with a VAR who is able to offer you just one, complete purchasing agreement.
5. **Training and Certifications.** Make sure the VAR has secured the necessary technical and sales certifications from the various manufacturers. These certifications are not easily obtained and demonstrate a bi-lateral commitment between the VAR and manufacturer. Current certifications are a key indicator into the health of the VAR and manufacturer relationship.
6. **Dedicated Support Staff and Systems.** Inquire if the VAR has a dedicated technical support department that is made readily available to your internal support staff. Ask what kind of internal problem resolution tracking system they use to log incidents, manage knowledge bases, and provide reporting, feedback and monitoring.
7. **Good Communication.** There's nothing more frustrating than calling, leaving a message and then calling back two days later because you never got a response. A first impression is often the right one. Make sure you're dealing with a company that knows this.
8. **References.** You wouldn't hire someone to work for you without checking their references. The same goes for this major decision. Who have they helped? What are their strengths? Checking out current clients will help you answer these questions.
9. **Easy Ordering.** Whether you're ready to move on a large system purchase or a one-time, small consumable product purchase, is it easy to get what you need? Is there a dedicated contact for you? Perhaps a special web site for on-line ordering? You should never be sent on a treasure hunt to get what you need.

This point alone is worth establishing a VAR relationship. Here is why: An Enterprise Content Management solution is comprised of four major components: Capture, Content Management, Infrastructure, and ERP or Line-of-Business Integration. If you choose the route of securing each product by way of a manufacturer directly, then you will most likely end up with four separate support agreements. In the event any one of the four components is at fault, you as the end-user will be required to diagnose and troubleshoot where the problem ultimately lies. Watch out for potential finger pointing here! A hypothetical, yet realistic, example of this common scenario:

You have an index value that is supposed to be extracted at time of data capture, then passed through to a workflow rule for routing and final posting in the accounts payable module of an ERP system (such as SAP R3). Sometimes the entire process works, sometimes it doesn't.

Is the problem with the capture vendor's recognition module, or with the Content Management vendor's integration technology? Or, perhaps the problem lies with the capture vendor's export module ... or is buried within the HLLAPI layer of the emulator for the AS/400 solution hosting the ERP application. Or, the issue may be with the firewall configuration (neither the ECM, Capture, Infrastructure or Professional Services vendor)... or perhaps with the ASP that is hosting the applications on behalf of your organization.

Enterprise Content Management solution is comprised of four major components.

If you choose the route of securing each product by way of a manufacturer directly, then you will most likely end up with four **separate** support agreements.

Inevitably, the customer will end up in the middle, attempting to broker multiple technical support departments of different companies to solve the problem. By contrast, the problem could easily be resolved through a VAR that maintains credentials with all four components of the ECM solution.

What happens if your system is having a problem, yet you can't pinpoint where it is occurring? If you've been working with a VAR that sold and implemented your entire solution, you'll just have one phone call to make for support. Rather than having to call multiple support desks to figure it out, your VAR can be your one-stop-shop to getting back up and running smoothly. The VAR will have intimate knowledge of all the various components, thus troubleshooting, diagnosing and problem resolution will much faster than working with four independent companies that do not have a common goal. Thus, one significant added benefit of

working with a VAR versus direct through individual manufacturers: administratively, you will have one support contract instead of several.

- **Maintenance and support agreement simplification** - In addition to a single support contract, working with a VAR also offers the added benefit of being able to simplify the maintenance and support agreement process. Instead of dealing with the headache and associate cost of keeping up with multiple agreements - all with different commencement and termination dates, you'll only need to manage one

agreement, regardless of the number of vendors behind the scenes. Take a look at the diagrams at the end of this document (Appendices A and B) for more on this point.

- **Relationships with vendors** - Though all authorized resellers have some sort of relationship with their manufacturers, it pays to know what this relationship is like. For instance, if your VAR is on Product Advisory Boards or other panels and groups, chances are, they've got some influence and insight into the product development and support, as well as access to key players on the manufacturer's side. While this might not make or break your deal, it can only help you to partner with someone who's got the "inside scoop."
- **Extras** - What other perks does your prospective technology partner offer? Can they provide you with white papers and educational materials? Do they distribute a customer newsletter to keep you informed on the latest developments in the industry? How else will you be kept informed? Free seminars or on-line events might be offered. On-line ordering may be available to you to help make things easier. Maybe you're just more comfortable working with a local firm - one that has the expertise and services you need and is nearby for faster, on-site service. Whatever small bonuses are important to you should be considered in making your decision.

A Question of Cost

Let's face it. Decisions are driven by dollars. A common misconception held by consumers searching for technology solutions is that buying direct from a manufacturer is **always** going to be less expensive than purchasing from a VAR. This just isn't true.

The suggested retail price of hardware and software is set by the manufacturer - not the VAR. And VARs can discount just as the manufacturers can. Here's how it works: A value added reseller buys the product at a discount (usually determined by the amount of marketing, advertising, and promotional commitments, technical and sales staff certifications, their gross volume of sales, etc. that the reseller subsequently commits to the manufacturer) and in turn sells the same product at or close to the manufacturer's suggested retail price.

A common misconception is that buying direct from a manufacturer is **always** going to be less expensive than purchasing from a VAR.

Though the manufacturer sets the suggested price, the reseller has the freedom to sell the product at **whatever price it deems appropriate**. If that means discounting, then the reseller will discount in a similar manner as the manufacturer would. It is entirely conceivable for a reseller to sell the same product for less than the manufacturer sells it for direct - even though the misconception exists that VARs mark-up their prices. Also, because there are many VARs in the market, it pays to take advantage of competition in the reseller channel. They are going to compete against each other for your business and this can often lead to added perks you can't get from a manufacturer. Remember though, that like any business, a VAR must be profitable. While you can benefit from discounts and perks, be realistic in your expectations for negotiating a full package of products and services.

A final point to remember with respect to cost: Just because something is less expensive doesn't make it the better solution. What exactly are you getting for that price? Is the savings really worth it? Are you losing out on something else by going with the cheaper choice? Are you going to get cut-rate service along with that cut-rate software? Make sure you're comparing apples to apples.

Decision Time

In addition to highlighting the benefits of working with a qualified VAR as your technology partner, this final piece in IDT's three-part Mid-Market Briefing Series was intended to give you insights into evaluating and selecting a VAR.

All VARs are not created equal. Therefore, you'll need to consider more than the bottom-line cost. Choosing based on a combination of knowledge, selection, experience, relationships with customers and manufacturers, and value-added services and extras is essential in finding the technology partner that is right for you and your business.

###

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- [IDT Mid-Market Briefing Part I: What Mid-Market Companies Should Know Before Buying Financial Software](#)
- [IDT Mid-Market Briefing Part II: How Enterprise Content and Records Management Enhance Financial Systems](#)
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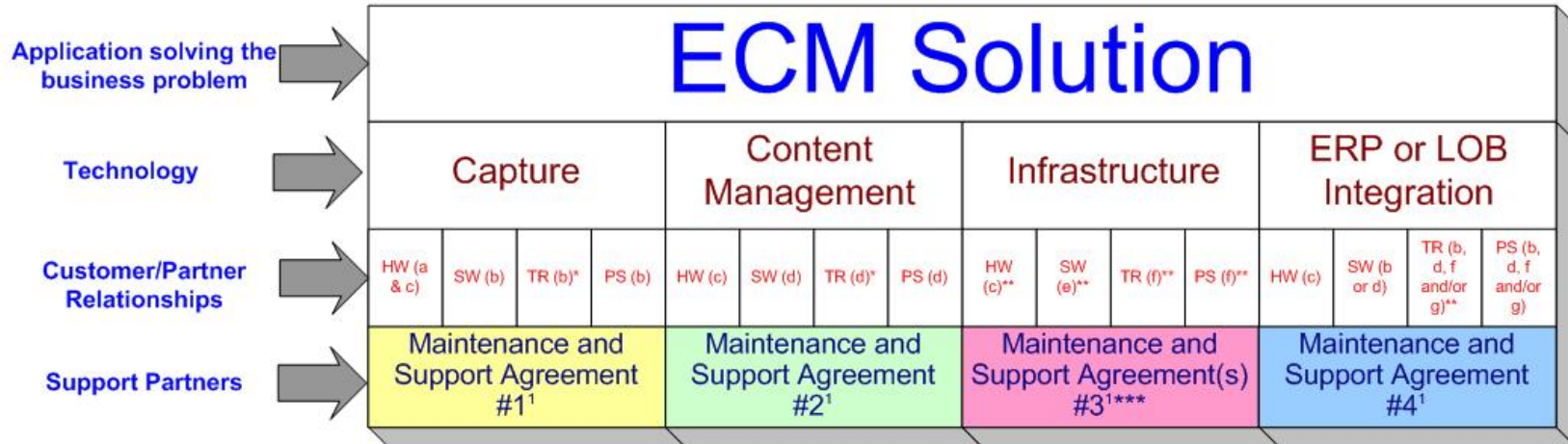
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Working with Multiple Vendors:



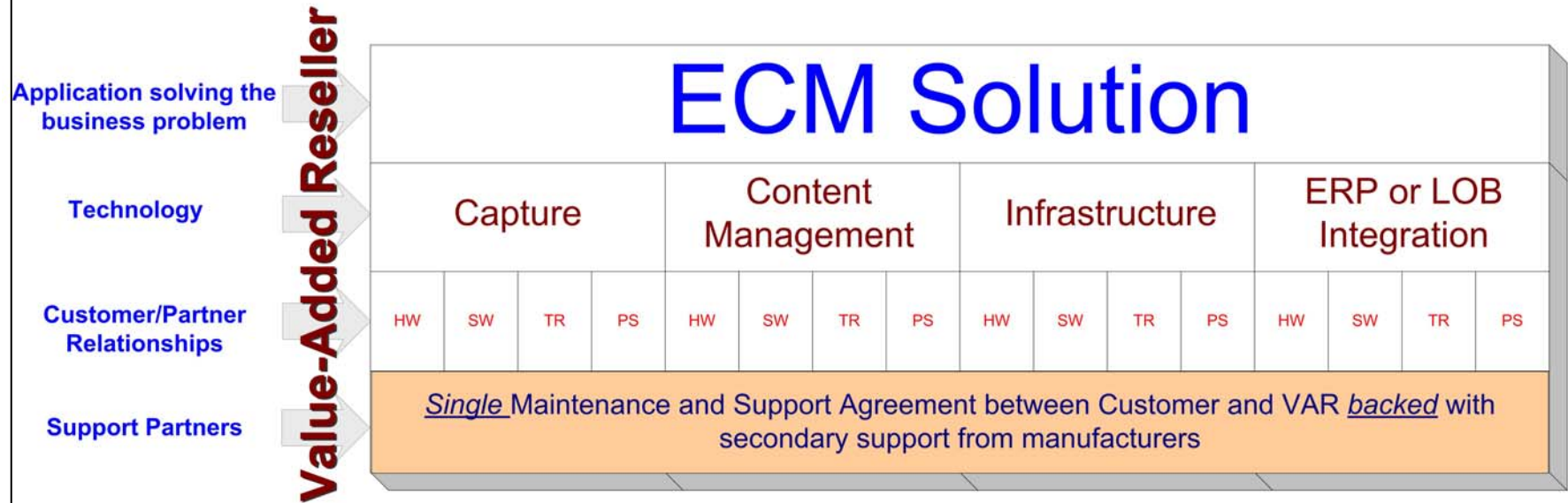
- Legend:**
- HW (a) - Specialized capture hardware from Eastman Kodak, Bell & Howell, Canon, etc.
 - SW (b) - Production and test/development Capture software from CapSys, Kofax, Prevalent, etc.
 - TR (b) - Onsite, offsite and/or CBT training services from capture vendor.
 - PS (b) - Professional services from software vendor (b) including: installation, configuration, customization, etc. for production and test/development platforms.
 - HW (c) - Dedicated application servers, network switches, storage (SAN, optical, CAS, tape, etc.) workstations, SQL relational database server including servers and workstations for test/development systems, etc.
 - SW (d) - Production and test/development Content Management software (Oracle, Microsoft SharePoint, IBM, EMC, etc.) for document imaging, process automation, fixed content, universal content, active content, document management, records management, and/or compliance, etc.
 - TR (d) - Onsite, offsite and/or CBT training services from CM vendor.
 - PS (d) - Professional services from software vendor (d) including: installation, configuration, customization, etc. production and test/development platforms.
 - SW (e) - Infrastructure software licenses such as terminal emulators, server operating systems, Windows client licenses, SQL client licenses for production and test/development platforms.
 - TR (f) - Onsite, offsite and/or CBT training services from infrastructure vendor(s).
 - PS (f) - Professional services from infrastructure vendor (e) including: installation, configuration, customization, etc. production and test/development platforms.

TR PS (g) - Typically, this is where the large systems integrators are heavily relied upon when an end user elects to purchase each of the components independent of each other. After the product purchase is made, the end user will typically turn to a general systems integrator to tie all of the disparate products together and integrate them with an ERP or LOB system.

- Special Notes:**
- * Denotes that since the vendor is a technology provider, rather than a solution provider, the training is not focused the ECM solution, rather it is focused on the vendors *technology*. As a result, the end user is dissatisfied with the training because it does not focus on the customer's business problem, objective, or need.
 - ** Denotes that hardware, software, training and professional services more than likely come from more than one supplier as this segment of the market has become commoditized, thus are purchased usually through the use of a lowest price, bidding or RFP model.
 - *** Denotes that maintenance and support agreement(s) most likely equates to numerous suppliers with no-coterminous dates and differing, reoccurring renewal rates and costs.
 - ¹ Denotes that because each vendor's products, professional services, training services are purchased mutually exclusive and without regard to the other vendor's products, professional services and training services, the customer's buying power is significantly reduced - not only on the initial purchase, but also it is negatively reflected in the ongoing annual costs of the reoccurring maintenance and support agreements.

Your Technology Partner: Benefits of Working with a Value-Added Reseller
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Working with a Single Value-Added Reseller:



VAR Key Differentiators:

- ✓ Flexible options, high-quality, complimentary and differentiating product lines.
- ✓ One party - the VAR - held accountable for every aspect (hardware & software products, contract administration, technical support, upgrades, enhancements, integration) of the ECM solution.
- ✓ A single support and maintenance agreement for entire ECM solution.
- ✓ The entire ECM solution can be purchased from a single entity, thereby increasing the customer's buying power.
- ✓ A single instance of terms/conditions, pricing, annual support agreement and statement of work negotiations.
- ✓ Rounded real-life experience in deployment of entire ECM solution, not just a single aspect or segment of the market.