



Definition of "Value Add" Varies Widely

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This quarter, I decided to focus on the subject of "Value Add" from IBM Business Partners. We hear and talk about "value add" often, yet the meaning of the term varies widely from person to person, organization to organization, and industry to industry. In this article, I discuss the term in the context of the IBM Business Partner world.

What is "Value Add?"

IBM has a distribution model known as the partner channel. Some IBM products (e.g. pSeries) require that partners "add value" in concert with delivering products, while other IBM products (e.g. xSeries, Storage) do not carry such requirements. IBM will not allow partners to sell products like pSeries without adding value. I happen to agree with the spirit and intent of what IBM is trying to accomplish, at least in part; however, certain details within the program, in this author's opinion, can be problematic and discourage partner investment as well as the convenient purchase of IBM-based solutions by customers. Over the last couple of years, in an effort to improve the value add model, IBM has "tuned" the program based upon the customer feedback this office fields. The program today is better in some ways, and worse in other ways, yet we will continue to provide feedback to IBM and strongly advocate on behalf of our customers.

It is important for customers to understand where IBM is coming from in greater detail than is probably generally understood in the marketplace. Conversely, it appears that IBM can learn some lessons from customers and continue to improve the value added model and the compliance program that polices transactions.

IBM's definition of value add varies, but generally centers on:

- "What is driving the transaction?"
- "What is supporting the business initiative leveraging IBM technology to better serve?"
- "What is the partner providing the end user in the form of a solution above and beyond hardware?"
- "Is the partner providing value in IBM's definition and in concert with specific IBM VAEs (Value Added Enhancements) assigned to or approved for that partner?"

Stiff penalties can be assessed by IBM against partners for selling certain products without proper value add. In some cases, this can impact end user satisfaction and/or support.

The Idea Behind the Requirement

From what I have gathered over the years, IBM has developed the value add model for a variety of reasons. First, partner qualifications must include certain levels of training, certification, and experience to be approved to distribute certain products. IBM's logic here is that in forcing partners to develop certain technical skills and overall capability, the more likely that the customer will be happy, the more likely the project will be successful, the more likely the solution will work (stick), and the more likely that an IBM product will be associated with a positive experience. IBM has several levels of partners including "advanced" and "premier" with the latter being the designation most coveted by partners and reflective of higher end-user satisfaction survey grades and more partner certifications/skills.



The second reason for the IBM value added model is to ensure that the delivery of specialized services accompany certain products for a complete solution and a satisfied customer. Each Value Added Enhancement (VAE) stresses for customers that the products purchased reflect more than merely a box and an invoice. The products often have complementary services depending on the type that are necessary for a complete and quality-assured solution. IBM does not want the value of its products to erode due to "price only" action in the field. They want to be sure the client is selecting a given partner for a solution to receive the best service and have the highest possible satisfaction.

Customer Viewpoints

However, what a customer views as "value add" may or may not align with what IBM has approved as a specific VAE. IBM defines each VAE independently, making each VAE's format and Business Partner compliance requirements autonomous from the others. An IBM VAE may align with designing and implementing a high availability solution, developing and implementing an application port from one platform to another, providing a storage management solution, or designing and implementing a SAN, to

name a few. There are many IBM VAEs, and not all partners are approved for the same VAEs. IBM requires with certain VAEs that partners perform and bill for integrated services; this does not often sit well with customers and many partners. Packaging of services and price negotiations between the customer and Business Partner are challenging in themselves, without the addition of IBM's efforts to impact services pricing. Despite inconveniences in the process, IBM maintains VAE enforcement for one primary reason: to uphold the standards of success. By allowing partners to sell "wide open" based upon certification and firm skills alone, the possibility and the fear is that end users would be encouraged, despite the skills a partner has, to adopt a "lowest price tag only" buying paradigm, which would counteract some very important principles - encouraging the partner to get involved in the business initiative being served to really understand the customer's goals, proposing a complete solution rather than merely a piece of hardware, demonstrating total cost of ownership savings rather than the narrow view of lowest hardware price tag, and ensuring a successful implementation and, hence, a completely satisfied customer.



Recent Changes in Policy

In today's era where end users have good skills and valuable experience, IBM has become more realistic. In most cases with VAE-governed products like pSeries, IBM is now only requiring a VAE with only the first product sold at a given location (address). This supports a situation where a partner made an investment over time in demonstrating the virtue of an IBM-based solution, sold the solution in accordance with the customer's business initiative or problem requiring resolution, provided the services to adhere to the IBM VAE model, and provided skills transfer and/or facilitated the client's skill development to a point of technical self-sufficiency ... thus paving the way to maintain the client account moving forward. To clarify, in this scenario, a partner would be free to sell products without requiring additional value add provided that the products sold are at the same location as where the original VAE-associated transaction took place.

I can recall countless situations where my company began a relationship with an end user company that did not use solutions based upon IBM pSeries technologies. In such situations, we would seek out a customer sponsor that would be interested in giving us the opportunity to discuss an IBM AIX-based offering to address the customer's need or initiative. For discussion purposes, let me present a realistic scenario based upon some of our actual experiences.

Take, for instance, a customer who is a Sun Solaris shop. After years of patronizing Sun, and based upon a variety of factors, this customer reaches a point whereby they are amenable to considering an IBM-based solution as an alternative to their Sun-based solution. In order to ultimately be successful in selling a pSeries solution, an IBM Business Partner like Datatrend would have to provide a view into future IBM product plans and a commitment by IBM to deliver and support AIX for many years to come. In addition, the partner would need to help the Solaris team (within the customer organization) understand and appreciate the AIX operating system, invite the Solaris-trained systems administration team to learn more about AIX and hear actual examples of where AIX is thriving in customer organizations (e.g. Datatrend's AIX user groups accomplish these types of objectives), develop a solutions architecture that makes sense, and provide a host of incentives to acquire the first pSeries solution in the enterprise.



In going through all of this with the customer, a partner can become familiar with the customer's business requirements and processes, thus yielding an outstanding and trusting partnership with the client based upon the knowledge gained by time and investment. In addition, the partner can perform or assist in the port (migration) from Solaris to AIX, and along the way provide cost-effective training and support services that are attractive to the client. In this scenario, the customer's definition of "value add" is in concert with total project ownership whereby the business partner addresses the specific need of the customer.

Some clients do not want to hear about IBM's VAE rules; they want IBM and its partners to focus on what the clients need to solve a problem or to support an initiative. Certainly, focusing on the customer needs is job one. Partners need to be able to address IBM requirements without compromising client needs. Realistically, this takes open communication on the part of the client and the given partner in order to accomplish.

Conclusion

In summary, it is important that clients realize that IBM imposes specific value added rules upon business partners. Ideally, the solutions and services provided by partners must be judged to be appropriate by the customer and align with an approved IBM VAE. In this way, the customer gets what is desired and IBM has a "legal" transaction which translates into uninterrupted service for the customer. Furthermore, a customer need only be concerned about IBM's VAE policies one time with a specific partner (at a given location of installation) as all future transactions (with few exceptions) will not be subject to additional VAE stipulations. The

policies and their administration may seem complex; however, the complexity stems from the goal to ensure quality, solution delivery, and a successful implementation.

The burden should be on business partners to comprehend IBM's VAE program, to provide convenience and excellence to customers and to provide value that the clients require or view as "value" in their definition. Business partners and customers continue to lobby IBM to simplify/streamline the IBM VAE program. Aligning with a business partner that respects IBM's rules yet meets customer needs will yield the best level of overall service.

Datatrend's TrendSetter eNewsletter
July 15, 2003