

In today's economic climate, MTSIs have become increasingly important in helping technology vendors increase incremental revenue

Annual incremental revenues of \$200M, with attractive margins, would offer a tremendous boost to any technology vendor's bottom line at any time. In today's tough market, where sales are growing too slowly, buyers are aggressive and sophisticated about managing their technology costs, and sales cycles are long and complex, such incremental increases are difficult to come by. Yet Crimson Consulting's Partner Programs Practice has helped some clients uncover opportunities of this magnitude by building closer alliances with Mid-Tier Systems Integrators (MTSIs). (To see a list of the largest MTSIs on a global basis, [click here](#).)

Crimson's study of the MTSI partnering opportunity, in conjunction with earlier work involving Global Systems Integrators (GSIs), has given us unique insight into the benefits that technology vendors can achieve by partnering with MTSIs and what makes for successful vendor relationships with all types of systems integrators.

An Idea Whose Time Has Come

Crimson has discovered that strong alliances with MTSIs can provide vendors with access to growth opportunities, the differentiation that supports healthy prices, and the resources to successfully sell technology in today's difficult environment.

A Chance For Growth

Crimson estimates that MTSIs will deliver almost \$150B in services worldwide in 2003 and will sell, or influence, tens of billions of dollars worth of associated hardware and software purchases. Various analyst firms believe the market for MTSI services will grow at 15% per year in the coming years.

Historically, the leading consumers of IT solutions have been enterprise accounts. Many MTSIs have realized success at the departmental level of these enterprise-class companies, often acting as prime contractors for regional implementations or as regional subcontractors to GSIs on multi-regional projects. Many enterprise accounts are also turning to MTSIs as a less expensive alternative to GSIs for smaller projects.

GSIs, MTSIs and VARs: How Crimson Defines it's Terms

Global Systems Integrators (GSIs) can be distinguished by their global presence and overall size. The GSIs include IBM Global Services, EDS, CSC, Accenture, Cap Gemini Ernst & Young, BearingPoint and Deloitte Consulting.

Mid-Tier Systems Integrators (MTSIs) generally have \$1B or less in revenues, with limited geographic coverage although notable exceptions exist. While MTSIs can resell hardware and software products, they generally prefer to generate most of their revenues through consulting and integration offerings.

Value Added Resellers (VARs) generate most of their revenues by reselling technology products and providing some "value added" services, such as support or basic professional services. VARs are usually limited in their geographic scope, are often quite small, and generate most of their profits through their ability to efficiently purchase, stock, deliver, and install products.

Equally important, MTSIs serve small and mid-sized businesses (SMBs), widely considered the new growth market for IT products and services. Enterprise applications now offer the maturity and the standardization necessary to attract SMBs. SMBs are cost conscious organizations and many outsource IT and non-core processes to improve their bottom lines. MTSIs are extremely well-positioned to capture this business because they employ business models that enable them to sell and deliver to SMBs more profitably than GSIs.

Higher Prices

Lack of differentiation is hurting technology vendors. Vendors today find themselves attempting to satisfy the desire of cost-sensitive IT and procurement managers for low costs and high returns, (see Crimson's article [Why ROI Doesn't Work](#)). While demanding customers today evaluate competing, qualified vendors on the basis of price, fulfillment, and support, the industry's maturity means that these criteria offer vendors little opportunity for differentiation.

In contrast, MTSIs typically pitch their services by offering business managers attractive business benefits, such as lowest system TCO, faster time to market, or increased profits through increased business process efficiency. A vendor-MTSI team, committed to delivering a solution that demonstrably improves the client's business, can set prices based on business improvement and, thereby, maintain adequate margins.

Greater Sales

While vendors today find themselves newly mired in sales efforts that are complex, inefficient, and risky, MTSIs have long dealt with this sales environment. Has the customer lengthened the sales cycle? MTSIs have historically faced cycles of two quarters or longer. Is the customer demanding "business justification" for a purchase? With their consultative sales process and focus upon applying IT to business processes, MTSIs can help a customer justify a major systems purchase. Is the customer tying purchases and payments to the achievement of implementation milestones? MTSIs have the methodologies and project management resources to keep a multi-phase sale "sold" and to hit project milestones. Is the customer demanding a single point-of-contact to assume responsibility for a mission critical implementation? In the role of prime contractor, a MTSI can serve as the "one throat to choke" for a customer.

The Four Steps to Successful MTSI Programs

Successful alliances of any type are complex and require significant investment. But the rewards can greatly outweigh the costs. The following are some of the key factors that will help vendors build productive alliances with MTSIs.

Clarify Your Solutions Strategy

MTSIs value the benefits of the solution far more than the features and benefits of products. They are looking to offer deeper, more compelling solutions and for vendors to support them in that effort. A vendor that can clearly articulate why their solution supports that of the integrator will win the loyalty missing from most MTSI-vendor relationships. In addition, vendors must make it clear that their

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1. Clarify your solutions strategy
2. Build an MTSI partner program
3. Don't try to please everyone
4. Measure success and act on measurements

solution depends on an integrator relationship and that they will not compete with MTSIs for professional service business.

Build an MTSI Partner Program

Typically, the best way to begin building an MTSI Partner program is to learn about competitive offerings, best practices, and market requirements. Study what your competitors are doing, particularly in the areas where you have focused your solutions. Study vendors within and outside your industry to evaluate how you can incorporate their best practices into your program design.

Next, learn about the needs of the MTSIs. Examine how they make money, how they sell, how they manage, how they deliver on their value proposition, and so on. The MTSI business differs from the GSI and VAR business, with different margins, expense structures, business models, sales cycles, and so on. To give MTSIs a reason to advocate their products, vendors must structure their offerings to meet the needs of MTSIs and of their clients.

Don't Try to Please Everyone

Many vendors are unwilling to choose one partner because that requires rejecting other potential partners. A vendor attempting to realize the benefits of alliances with MTSIs must commit to close relationships with a small number of integrators that are aligned with the vendor's strategic goals, and support the rest with lower-order entitlements.

You may discover that some current MTSI relationships are appropriate for your new program, but that you also need new partnerships. Determine your partner recruitment criteria and recruit only the integrators that align with your strategic and revenue goals, while offering much less comprehensive programs to other MTSIs.

Measure Success and Act on Measurements

Develop clear ground rules and metrics to determine how each party will work together and whether the relationship is bringing the expected benefits. Technology vendors should be very selective in certifying partners, as well as in decertifying them as the relationship outlives its purpose. Well-understood and communicated ground rules should govern the competitive as well as cooperative behavior of both parties.

The changing economic landscape has made MTSIs more important than ever in the technology buying process. Technology vendors that leverage the position and influence of key MTSIs, with the proper investment, will see significant incremental growth in their revenues.

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About Crimson

Crimson provides strategic marketing consulting, and on-site marketing consultants, to technology companies.

We can manage strategic engagements and take responsibility for their successful completion, or our expert consultants can work directly for you.

Many engagements focus on one of our specialized practice areas:

- Market Assessment – analyzing segments, vertical marketing best practices, go-to-market programs
- Partner Programs – optimizing strategic alliances and channel partnerships to generate revenue
- Sales Tools – developing economic justification approaches, competitive sales guides, field marketing programs

Our consultants are marketing VPs, Directors, and Managers with operational experience in product marketing, product management, channel marketing, marketing communications, market, research, and other marketing disciplines.