Navigating the Service Channel with IGS

Analyst: Anne MacFarland

Management Summary

When the deliverable is measured in terms of satisfaction, effectiveness depends on being in the right place, at the right time, with the right stuff. **For the service provider, it is always a stretch between specialization and a sufficient range of offerings. It is a stretch between the economies-of-scale available to a large-scale service organization and the consistency-of-touch that many customers prefer. And the profile of demand for services is seldom static and never guaranteed.**

Customer needs also span a gamut between the straightforward delegation of a task for which the customer has neither time nor expertise, and engagements where the deliverable is a less-easy-to-quantify matter of expertise. Straightforward delegation can be a productized service, with a roster of deliverables and firm pricing. Where the customer is looking for access to a range of expertise to sort out the relevant parameters from the more run-of-the-mill peculiarities in order to find a solution, the services are classified as practices.

In enterprise IT services, the value of the self-sufficient craftsman has been eroded by the rapid currents of product and architecture evolution. The knowledge base and range of expertise entailed in delivering comprehensive IT services is huge, and there are some huge IT service organizations, like IBM Global Services (IGS), that reflect that need. This largeness matches well with the demands of large, global enterprises – businesses that need global consistency to derive productivity economies-of-scale. For smaller enterprises, they can be daunting towers of anonymity. **As more and more midrange enterprises extend and evolve the IT component of their businesses, there is a growing demand for comprehensive IT services that are limited in scope, locally delivered, and priced for the constrained budget.**

Like all of us, consumers of IT services want the best of all the options. They want IT services delivered by someone familiar with their situation, who knows everything about everything, and who will deliver standard services cheaply and consulting services as quickly and effectively as possible. But self-sufficient paragons of pervasive expertise that are sensibly priced are rare indeed. **The answer lies in cooperative relationships** – in a service channel.

IGS has been delivering services to the mid-range enterprise for some time through partners. Now, inspired by IBM's Express offerings, they are developing a comprehensive framework for a more pervasive and extensible federated relationship with its partners. How they do this is an important prototype, and relevant to any enterprise that will use IT services, which, over time, will be most of them. For more details, read on.

Service Channel Basics

Classic product distribution channels depend on firm parameters to control channel contention, particularly in this era of globalism, where locality may not be important and time is measured in increments of *soon*. In service industries, for anything beyond the deployment of automated tools, **time and locality are critical elements of the deliverable**. While opportunity can be divided, fulfilling the opportunity is often a matter of negotiated partnering to get all the pieces in the right place at the right time. **The customer does not want to know the details of this complexity, and has short patience for waiting to receive a service once its need has been determined.** So there are a lot of policies and real-time liaisons that must be set up behind the scenes to get the full range of flexibility that these engagements require. As the patience of customers has shortened, IBM Global Services (IGS) has worked to get a simple, fair set of policies to determine quickly how they will play with others in the large market space that lies beyond the fringes of their competitive arena.

It starts with channel basics. **Like any relationship, a service channel depends on trust and consistency.** There are certain basic rules of etiquette that are almost universally espoused.

- *Don't compete with partners. There should be a clear division of opportunity.*

- *If a partner brings you business, the partner should be compensated, and vice versa.*

- *If a partner brings you business, the partner should be included in future engagements with that customer.*

Modes of Co-operation

In spite of these rules, fuzzy situations arise, particularly in extended and modulating service encounters. The standardization of modes of cooperation, like the standardization of product components, can help the build out of complex relationships. IGS has reduced a welter of possibilities to five modes.

1. *Fee-for-Lead compensation*. This is the classic, straightforward approach.
2. *Partner selling on IGS paper*. This could also be called the gorilla assist. A regional systems integrator (RSI) can use the size of IGS, and the flexibility of IBM Global Financing (including subscription pricing), to get competitive advantage.
3. *Partner resells IGS services*. This pertains to maintenance and product affinity services

like migration, integration, optimization, and security enrichment, which are best done by RSIs.
4. *IGS as prime contractor, partner as subcontractor*. This arrangement allows a local partner (RSI) to leverage their expertise to enhance opportunities for revenue.
5. *Partner as prime contractor, IGS as subcontractor*. This one is new, and it flips the previous paradigm, and allows a local partner to leverage IGS's expertise to bid on opportunities that would otherwise be beyond their reach.

Each of these modes has a clear-cut contract. Together, they can stabilize the choppy and unpredictable profile of service demand for the smaller partner, while allowing IGS to leverage its expertise more broadly. Often, the labor-based services are locally delivered, and the asset-based services are performed by IGS, whose data centers have the scale to offer aggressively competitive prices. For instance, with *Maestro* Desktop services, IGS may manage the desktops remotely while the local partner does the local service. The customer does not want to know the underlying complexity, only that the arrangement is flexible enough to make comprehensive services attainable, and fair enough to be sustainable.

Conclusion

Last year, IGS proposed to develop more services for the mid-market enterprise. It seemed an unlikely initiative at the time. They needed to build out a portfolio of right-priced solutions (predictable in nature, limited in scope) and needed to structure and support a number of partnering relationships – in short, to find a solution that benefited partners and customers – one where risks and benefits were sensibly shared. IBM's Express initiative[1] provided the vehicle by which such offerings could be developed. It is a fine alternative to the imperialism and guerrilla warfare, punctuated by smash-and-grab opportunism, that could otherwise take place. **While it is still a work in progress, the IGS approach to services looks promisingly civilized**.

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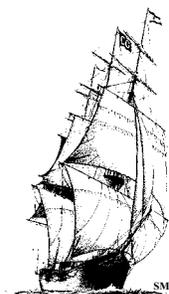
[1] See **The Clipper Group** *Captain's Log* entitled *IBM Express Redefines How the Smaller Business Buys IT* at http://www.clipper.com/research/TCG2004068.pdf.

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About the Author

Anne MacFarland is Director of Enterprise Architectures and Infrastructure Solutions for The Clipper Group. Ms. MacFarland specializes in strategic business solutions offered by enterprise systems, software, and storage vendors, in trends in enterprise systems and networks, and in explaining these trends and the underlying technologies in simple business terms. She joined The Clipper Group after a long career in library systems, business archives, consulting, research, and freelance writing. Ms. MacFarland earned a Bachelor of Arts degree from Cornell University, where she was a College Scholar, and a Masters of Library Science from Southern Connecticut State University.

➢ *Reach Anne MacFarland via e-mail at Anne.MacFarland@clipper.com or at 781-235-0085 Ext. 28. (Please dial "1-28" when you hear the automated attendant.)*

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