



## **Satisfying Mid-Sized Business Demands for Consumable Solutions**

Analyst: Anne MacFarland

### **Management Summary**

Technology ecosystems have been around for years. People sell other people's stuff and pledge eternal friendship to strategic partners. Recently, many vendors have produced products aimed at the "mid market", all those business between the "too big" and the "too small". We call these Mid-Sized Enterprises (MSEs). All vendors seem to have developed partner networks to extend the sales arena to include local systems integrators and resellers. But MSEs are still not well served because, generally speaking, the vendors' corresponding go-to-market initiatives have been structured in terms of the vendor, not in terms of the organization that will consume the solution.

The mid-market is a design point in its own right. If an inexpensive solution does not solve the problem, it is a waste of time and money. Yet scaled-down large-scale solutions don't work necessarily, either. MSEs may not aspire to grow large, but they desire to grow profits. They just have insufficient volume to use solutions that are effective only marginally. MSEs focus their technology budget on the functionality that will ensure business survival and will help address revenue opportunities, as they become available. The functionality is delivered, ideally, as a tested, deployed solution, well integrated into the existing environment, not as an aggregation of piece parts. MSEs need an ecosystem focused on their needs that can deliver flexible, reasonably-open, well-tailored, complete solutions through someone local, knowledgeable, and interested in a long-term relationship – a custom solution delivered at a price the business can control by someone whom they are able to trust.

The development of appropriately sized and accessorized applications and hardware and services is only the beginning - the ante to play at the table. There also needs to be a rethink on the relationship between the vendors and the business partners -- the resellers and systems integrators that sell products to mid-sized enterprises. If the vendor thinks of the business partners as vassals, qualified only by the amount of product that they sell, the opportunities are limited. On the other hand, IBM's Express program has grown to hundreds of products and services and thousands of partners. It now addresses the challenge of distributing the opportunity by turning its partners into an ecosystem that may negotiate, partner, and develop with each other, as well as with IBM. IBM has also opened more areas of IBM, including Research and Engineering and Technology Services, as a partner resource. This greatly expands what the MSE customer can demand. They are not merely a consumer, but diners at an extensive (but not necessary expensive) restaurant – one that can support fine service and eminently consumable solutions. Read on for details.

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## Step 1 - Assemble Basic Ingredients

The IBM Express Program several years ago by developing Express criteria, based on the dictates of smaller enterprise customers (see list in Exhibit 1 in the next column). Growth of the program was abetted by the trend towards more granular modularity and open standards. The initiative spread across IBM, as most business units took up the challenge of designing products for moderate and moderated scalability, and products that could be purposed and enhanced for particular industries. The Express effort was encouraged by IBM's local business partners. They wished to sell into what had been heretofore an unprofitable size of business (too large to be easily satisfied, and too limited in budget to be addressed by dedicated salespeople). Finishing touches were added by IBM Global Financing, in the form of leasing, subscription, and/or pricing options on the whole solution, no matter what the source of the components.

IBM Global Services, in particular, changed its paradigm, broadening its business model to be more accommodating of deals in which it plays a subsidiary role<sup>1</sup>. It developed fixed-price service offerings for Express and now has an Express service catalog that includes all but its most custom, speculative services.

## Step 2 - Add Industry-Specific Elements

It is clear that a complete solution must go beyond the elements offered by any one vendor. Yet, for a program with rigorous criteria, the need to maintain the criteria without imposing demands on very independently-minded partners could have been a problem. Application developers saw great benefits and wished to join without ceding any of the independence of their products to IBM. IBM wished to keep their Express criteria intact and enforced. To keep the evaluation non-coercive, customers were asked to evaluate and certify the solutions for reasonableness of price, ease of deployment, etc. And, for many buyers of technology, customers give the most credible validation in any case.

This momentum has continued. Both established software vendors and startups have found in IBM Express the completers that allow

### Exhibit 1 - Express Criteria

- Easy to Install/Deploy
- Easy to Manage
- Reliable and Dependable
- Easy to learn and Use
- Modular Solution
- Enabled for Growth
- Priced for Midsize Business

them to offer their products to a wider audience. Customers have found more options that work with the technology they already have.

## Step 3 - "Plate" the Deliverable

The rich inventory of hardware, software, and services begged a few embellishments to give a way to compare and choose from multiple solution approaches. PartnerWorld Industry Networks give partners a forum for exploration of industry challenges and customer pain points. A database now allows IBM business partners to find the skills they need to meet customer demands. IBM compensates partners on opportunities delivered, not just on the breadth and quantity of IBM products sold<sup>2</sup>.

But there is more. IBM has integrated Open Source applications, like *GlueCode*, which is now available as *WebSphere Application Server Community Edition*. Supported Open Source software does have a cost, but it is a price that most small businesses with minimal technical expertise are willing to pay.

## What's In It for the Customer?

The development of what is really a full and complete business model targeted at the mid-range enterprise can profoundly change the focus from shopping to consuming. It allows a customer to come to the table with the expertise he or she already has – knowledge of his or her company and how it works. Customers also come with a set of business requirements, technology preferences, and a budget cap. Within their parameters, they can explore and leverage the ecosystem that IBM has fostered.

Customers also may come to the table with a laundry list of processes that are now insufficient

<sup>1</sup> For more details, see **The Clipper Group Navigator** dated September 12, 2004, entitled *Navigating the Service Channel with IGS* at <http://www.clipper.com/research/TCG2004075.pdf>.

<sup>2</sup> Many IBM partners sell products from many vendors.

and pose a bottleneck to business prosperity. IBM's business units and partners have the experience to develop a variety of solutions that might work with a particular business, and the knowledge to explain the trade-offs of each one.

Additionally, customers may come to the table with another list – a list of business ambitions looking for a way to happen. With the conversation firmly grounded on the business and its needs, different possibilities can be explored. Fads, acronyms, and the buzz of technology may all be discussed, but not as a central part of the discussion.

Customers seem to be pleased to work with people who are focused on their markets, and not merely doing them a favor while waiting for bigger business to come along. As Harris Warsaw, Vice President SMB IBM Americas, IBM Sales and Distribution, put it, “These businesses don't want to be big. They also don't want to work with inadequate technology. They want someone who takes the time to understand their problem, and who has access to the resources to come up with a solution that addresses and solves it all. They want to buy capability, not just capacity. The opportunity to help these businesses to be innovative is what makes my job the best in the entire company.”

## Conclusion

It may have taken a vendor the size of IBM to make a business model to fit this market. Other vendors, most of more limited scope, have not really moved to support for multiple business models, but instead offer a limited children's menu for the mid market. Having a business model tuned to the needs of the mid-size business certainly makes more business sense for the customer. And a richer ecosystem supports the greatest variety of opportunity – for both suppliers and consumers.

If you want to spend less time shopping around, less time buying and installing technology solutions, and more time using them, look for an open ecosystem that is not only large but also rich in functionality. Look for partnerships that go beyond precious metal status. Demand more. IBM, the company that coined the *On Demand* phrase, may be the one best able to meet your needs.



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- ***The Clipper Group can be reached at 781-235-0085 and found on the web at [www.clipper.com](http://www.clipper.com).***

### ***About the Author***

***Anne MacFarland is Director of Infrastructure Architectures and 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](mailto:Anne.MacFarland@clipper.com) or at 781-235-0085 Ext. 128. (Please dial “128” when you hear the automated attendant.)***

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