How the Fastest Growing Got Ahead

Learn what current and past GTDC Rising Star award winners did to reach the top.
Anatomy of a Rising Star: How 12 Technology Leaders Grew Their Businesses with Distributors

If you're a technology vendor seeking to expand your partner base, look to distribution. If you want to go deeper with your current partners, or get them trained, or find other vendors to integrate with your products or penetrate a specific vertical market, look to distribution.

Distributors represent the most powerful and valuable allies to help vendors do all those things and much more, according to companies that would know — current and previous winners of the Global Technology Distribution Council's Rising Star Award. The GTDC gives this award to vendors with the highest annual revenue growth through distribution, as tracked by The NPD Group’s Distributor Track service. This year marks the ninth annual Rising Star Awards, and now includes the addition of the Rising Star Awards in Europe, based on CONTEXT SalesWatch data.

We talked to 12 current and former U.S. Rising Star winners, from companies doing less than $100 million a year in sales through distribution to industry bellwethers with billions of dollars in annual sales. In each case, we heard the same sentiment: distribution is the best route to market to reach partners and customers serving the small- to medium-sized business market up to the enterprise — and continues to provide more value each year.

It’s simple, the executives said — the more you work with distributors, the more value you get. In particular, the Rising Star winners’ business increased as the companies leveraged additional services and programs from distributors such as partner recruitment, partner enablement, vertical market expertise and the aggregation of cloud and other services.

Distribution – The Best Route to Market to Reach Partners and Customers

It’s unanimous. These 12 current and former GTDC Rising Star Award winners all agree that distribution provides the best value for serving businesses of all sizes.
From Afterthought to Leading Provider

If you’re still thinking of distributors as only pick, pack and ship specialists, you couldn’t be more wrong, said Mike Marusic, senior vice president of marketing and operations at Sharp Electronics. However, for a long time, his company didn’t recognize the value that distributors could bring to his business.

“Until three years ago, we looked at distributors as an afterthought to fill in gaps to reach customers,” Marusic said. Sharp primarily used its distributors as fulfillment houses — a more efficient means to ship product sold directly to solution providers and their customers. And that was it.

“Then we started to look at distribution as a way to run our business,” he said. “In the three years since then, our overall business in those categories through distribution has increased 500%. We moved from viewing them as an afterthought to being a leading provider in the segment.”

What changed? First, Sharp leaders realized that the market was pulling toward more complete solutions, Marusic said. Sharp’s displays and other products were becoming pieces of a larger puzzle, one that distributors were helping solution providers put together. Second, Sharp found that much of its own sales resources spent too much time tracking orders and credit lines, rather than focusing on helping customers understand the value of Sharp’s products and how they could sell them.

Sharp appointed a director of distribution, with several other resources focused on developing partnerships with each of the company’s distributors. Soon, the results were conclusive — business through distribution was booming. Sharp won the Gold Rising Star Award for the $100 million to $500 million in hardware sales category last year.

“Distributors helped us expand our reseller base. They know where people who buy your products are. They worked with us to get in front of potential resellers and engage with them. That’s changed the way we do business. It allowed us to talk to hundreds of resellers where we used to talk to tens of resellers,” Marusic said.

Top 3 Advantages of Distribution

Distributors provide significant value beyond shipping — and vendors that take full advantage of this relationship can attest to the business-changing results.

- Partner Recruitment and Enablement
- Vertical Market Reach / Solution Selling
- Pre- and Post-Sales Support

Source: 2014 GTDC survey of Rising Star Award winners.
Selling Better, Selling Smarter

Many Rising Star winners, all of whom have experienced increased business after additional engagement of distributors’ services and programs, echoed Sharp’s story. Several of the companies have received multiple Rising Star Awards, continuing their high-growth trajectory over a period of several years, even after moving to a higher revenue category.

The benefits of tighter, closer links with distributors are many, said Marusic and the other Rising Star winners. Their flexibility and scalability connects buyers and sellers. Distributors provide services to those who need them: from mom-and-pop shops to large enterprises, from vertical-market specialists to developers of niche technologies. If you have a round peg, distributors will find a round hole to match. If you have a peg that simplifies the way medical HR personnel fill out forms using only Windows-based tablets, they’ll find a hole for that too.

Distributors have spent years not just selling products, but also collecting rich information about buyers and sellers. With advances in Big Data, they now are able to analyze that information in new and powerful ways to help vendors and solution providers sell better and sell smarter.

Enabling More Sales

Pete Kobs, vice president of North American sales at CommVault, knows firsthand how distributors can help a vendor improve its channel sales processes. When he started at CommVault near the end of 2010, the company was a blip on the radar of its distributors. “We didn’t have the right philosophy or the right critical mass for distribution,” Kobs said.

Like Sharp, CommVault scheduled a series of frank discussions with its distributors to unearth what the vendor could do better. The two parties agreed that a joint business plan was necessary, with both sides setting goals and expectations to accelerate growth. It took time for CommVault to view distributors as more than logistics engines, but there’s no going back now, Kobs said.

“We look at distributors as an extension of our sales team. We do regular business reviews with their teams. That alignment comes from us being transparent in our goals and where they intersect with their goals,” Kobs said.

In some cases, those goals may conflict or not match, but honesty creates a happy medium that suits both parties, he said. “We don’t look at distribution as a necessary evil. Some organizations in my past looked at it like that. Distributors are partners you can have tough conversations with, solve problems with, and at the end of the day we’re both aligned in our business goals,” Kobs said.
For example, CommVault launched a new partner profitability program this year, Partner Advantage, to reward longtime partners and those investing in focus and resources around the vendor. Developing and aligning the program with CommVault’s distributors has been crucial to the program’s initial success by identifying and targeting the right partners.

“We didn’t have the right resellers. We were on everybody’s list, but relevant only to a small, inconsistent number of resellers,” Kobs said. “Distribution helped us identify the right partners. Now it’s about how to make our program more meaningful and profitable. Distribution works with us to provide the right back-office support, and the right amount of resources, whether it’s financial or technical, that resellers can leverage. That’s the benefit for the business partnership that we have with distributors.”

Better Data Equals Better Partners

Distributors help many vendors struggling to identify and develop relationships with “the right partners,” solution providers that either fit specific technology, vertical market, geographic or solutions-oriented needs that the vendor wants to embrace.

Brocade Communication Systems is a well-established market leader in the SAN space, but when it comes to IP networking the company is gaining traction against larger, more established players like Cisco Systems. Laurie Potratz, senior director of global distribution and channels at Brocade, turned to distribution to help recruit and enable partners, and generate demand for the company’s newer networking technology.

“By leveraging their data mining capabilities, distribution helps us find the right partners, so that we can invest in the right partners. We work closely with distribution to take advantage of their skills in managing several aspects of our relationship with these partners,” Potratz said. “If you want healthcare partners, they find partners that have healthcare solutions and sell this as part of a stack, as opposed to simply selling a standalone switch. If you want K-12 partners, they will find those that specialize in this area.”

Primary Reasons the Rising Stars Leverage Distributor Services

Technology distributors provide integrated end-to-end value worldwide, and here’s what vendors find to be the most beneficial to business:

1. Supports channel in ways we do not or cannot

2. More efficient or cost effective than if we offered the same service

3. Quality of services is higher than we can deliver

Source: 2014 GTDC survey of Rising Star Award winners.
Brocade’s distributors shared an impressive array of statistics, including heat maps comparing where Brocade’s partners were located (and where there were gaps) and an analysis of which partners focused on technologies such as virtualization and networking. Leveraging that knowledge, Brocade has added 400 new partners (defined as partners that have not transacted with the company in the last eight quarters) in the first half of fiscal 2014.

“It’s not a shotgun approach. It’s very targeted. These partners are aligned with our six data center functions; they know which partners are true data center partners and sell at least four of them,” Potratz said. “These are high-quality partners. The way I measure distribution is not just recruitment and enablement, but that they deliver revenue. They continually funnel business into Brocade.”

Brocade expects to add new partners in Fiscal 2014, thanks to distributors’ recruiting efforts. Brocade won Rising Star awards four consecutive years from 2010 to 2013.

“[Our] channel account managers focus on Elite and Premier partners, but there are thousands of others that want to sell our solutions. We rely on distributors to help with that. If they did not, we would not be able to realize our current success,” Potratz said. “Our distributor reps work together, in lockstep, with us. You could stop a Brocade rep at a distributor and they would know our mission, business plan, our targets, our customers. There’s no deer in the headlights look. We are in total alignment. They are evangelizing Brocade’s differentiation and value.”

**Most Valuable Services: Recruitment, Enablement, Development**

Not surprisingly, a survey of Rising Star Award winners found that partner recruitment, enablement and development ranked as the most valuable service from distributors, followed by vertical market reach/solution selling and pre- and post-sales support.

In separate interviews, nearly all the vendors were eager to share their experiences relating to distribution’s partner recruitment, enablement and development success. For example, distribution has been instrumental in LG Electronics’ strategy to integrate its display products into industry-specific solutions and to identify and reach solution providers with vertical market expertise.

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“As distribution develops its value-added resources around vertical technologies, our ability to use those resources continues to grow,” said Matthew Waidley, national sales manager at LG. “What LG provides to its partners is a great vertical attack. So whether it’s quick-serve restaurants or hotel chains, we’re using distribution to go after those specific markets. Without distribution creating those attack teams, we would have a really hard time going after all of those very specific markets on our own.”
Developing a true symbiotic relationship with its distributors allows both companies to succeed, Waidley said. "We need each other to survive. Like a clown fish and a sea anemone, we can’t do it by ourselves."

The survey results also were no surprise to Andrew Sage, vice president of Americas distribution at Cisco. The networking giant credits distributors for helping to find new partners and further enable current ones — no small task considering Cisco’s dominating market share in many areas. Despite a long track record of channel success, Cisco still sees significant revenue increases through distribution, enough to have won multiple Rising Star Awards in its history and as recently as 2012.

“We wouldn’t be able to sell what we do, accomplish nearly what we do, with a longer tail of resellers and midsize systems integrators across the Americas without the help of the distributors that we work with every day. These companies are amazing,” Sage said.

**Getting Started with Distribution**

When Palo Alto Networks was founded in 2005, executives planned right from the beginning to leverage distribution to get their products to market. Now that its channel business is flourishing with a solid core of partners, Palo Alto is ready for distributors to help take those partners to the next level, said Tom Kelley, global head of distribution at Palo Alto, which won the 2014 Gold Rising Star Award for companies in the $25 million to $100 million category.

“We don’t need to recruit mass numbers of new partners, we need more productive partners. We look at it in terms of a more mature channel: Are the partners empowered to work independently? Can they build a security practice, leading with Palo Alto Networks?” Kelley said. “The GTDC members we use are extremely talented at that. The sales process for our technology really is about a proof of concept that needs to be executed at the end user site. Our distributors are very good at teaching and enabling resellers to do that. The more resellers we have doing that on their own, without a Palo Alto Networks touch, the better we are.”

Several years ago, VMware was in a similar position as Palo Alto is now — a newer, smaller company making its name by leveraging distribution to bring its technology to market. VMware won Rising Star Awards in 2009 and 2010 and continues to count on distributors as major enablement partners.

Source: 2014 GTDC survey of Rising Star Award winners.

Expect to engage distributors for more services in 2015 than in 2014

Source: 2014 GTDC survey of Rising Star Award winners.
“I think the biggest value that VMware gets from distributors today is that we have three common goals. First, and foremost, it’s to profitably scale our business. Second, is to unify our three solution pillars: software-defined data center, end-user computing and hybrid cloud. Distribution completely supports those,” Lisa Wight, director of global distribution at VMware. “Finally, it’s all about partner reach. It’s enablement, it’s scale, it’s the foundational business and the long-tail partners. Without distributors, we simply don’t have the reach to get to those markets.”

Who’s Going to Manage All These Guys?

Another invaluable asset of distribution, according to Rising Star-winning vendors, is the day-to-day management of thousands or tens of thousands of solution provider partners. This service would be extremely cost prohibitive for vendors to manage themselves, said Bill Fawcett, director of North American distribution at Autodesk.

“In fact, many small-business solution providers up to enterprise-sized partners find it easier to deal with distributors than with Autodesk, Fawcett said, making it a win-win for both sides of the supply chain. “We have some of our largest resellers making a conscious effort to buy through distribution now rather than from us. Distributors are committing to taking their business and working in an effective manner. In fact, they’ve gone out of their way to make it happen.”

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Distributors have the scale, resources and experience to administer multiple partner programs, including those that overlap from disparate parts of a vendor’s business. Factor in that the manufacturers would rather focus their resources on business development, not administration, and you have a recipe for success.

“It’s a burden for our sales reps to manage hundreds of resellers, maintain credit and keep an eye on where people are. Moving all that to a distributor really frees up your company,” said Sharp’s Marusic. “We are able to run multiple programs at a given time with distributors doing all the processing and credit. It’s totally streamlined our operations. That’s the number one value of distribution for us.”

Aggregation Without Aggravation

The recruitment, enablement and development of partners illustrate distributors’ ability to aggregate partners and programs into groupings that make it easier to do business. In fact, several Rising Star winners pointed
out that aggregation — in many different forms — is perhaps the biggest opportunity for distribution going forward. After all, distributors already have developed a knack for combining multiple manufacturers’ technologies into proven, ready-to-sell bundles.

Increasingly, the Rising Star vendors said they recognize that solution providers sell multi-vendor solutions and they’re seeking help from distributors to produce ready-made solutions that include their products to target specific vertical markets or specific business problems. It’s a competence that many vendors don’t have — and don’t want either.

“We hire distributors to extend our reach and create product sets. And we leverage that across a broad platform of partners versus us trying to do it one-to-one. They take our go-to-market material, our product launches, and customize them and create much deeper reach for us,” said Paul Mayes, senior director of worldwide volume sales at NetApp.

As converged infrastructure and other solutions-oriented technologies take root, single-stack vendors don’t have an advantage and rely on distributors to develop deep integration packages with other vendors and compile a complete solution for VARs to take to market. It would take vendors too long and too much money to find the right partners themselves, while distributors already own the relationships and have the bandwidth to mix all the ingredients into the right recipes.

“Distributors are very good at being able to find those partners and rapidly accelerate that solution to market. They make sure a solution is not a science project but something that includes configuration, integration and services,” Mayes said.

Clark Brown, vice president of digital signage at LG, adds, “In the display technology world, we’re just one part of the total solution. We depend on distribution. It’s like an ecosystem. And it’s not just our part; it’s all the other parts. Distribution brings all those pieces together to have the final solution for the end customer.”

Aggregation also takes the form of providing pre-, post-sales and technical support calls on behalf of vendors, services that — again — distributors have the economies of scale to deliver more cost effectively than manufacturers, said Rising Star winners. In 2013, GTDC members handled more than two million support calls in the United States, and managed more than 1.3 million online communications and more than 400,000 integration orders.

“Distribution has evolved with the times, and with the needs of the partners, customers and vendors. We feel that distribution is the perfect partner to leverage and scale our business. There are very robust pre-sales tech support resources that we can leverage,” said Jonas Brown, director of North American distribution sales and strategy at Dell, which has won Rising Star Awards in four of the last five years.
Early in Palo Alto’s history, the company also decided to have distributors provide support services. The company did not want to build them from scratch and detract from its core capability of developing technology, Kelley said.

“What was important to us was the partner enablement, recruitment and onboarding, the pre- and post-sales support,” Kelley said. “That’s something we asked our distributors to do from Day 1. If you wanted to be a distributor with Palo Alto Networks, you bought into being a tier one and tier two services partner for us. We knew we needed to leverage our key distribution relationships.”

Looking Forward: Cloud and More

With cloud computing becoming more prevalent, distributors are adapting their aggregation skills to include cloud and other value-add services, a trend that many channel observers feel is the biggest prospect for distributors to succeed around the cloud.

The opportunity stems from distributors’ ability to combine multiple cloud service offerings into one bill to solution providers, which in turn gets delivered to end users. It saves vendors from having to manually track and bill for services and allows solution providers to consolidate billing, a benefit that end users prefer too, said the Rising Star vendors.

Aggregation of cloud services only scratches the surface of distributors’ potential value in accelerating the demand and delivery for cloud services, said Maureen Perrelli, senior director of global channel distribution at EMC. Distributors keep her team abreast of demand for the latest technologies and vendors that EMC might look to collaborate with on bigger solutions, she said.

“Distributors are researching hot trends like cloud and Big Data that affect the future of technology. We expect distributors to continue that research, consequently providing extensive vertical knowledge and business intelligence that enhances EMC’s leadership. Our distributors serve as valuable resources,” said Perrelli.

Distributors in the Cloud

The GTDC report, “Tech Distribution’s Role in the Cloud” discusses the many ways distribution continues to add value through diverse cloud strategies. The report is available for free download at www.gtdc.org/research and examines these distributor cloud benefits:

- Network Security and Monitoring
- Virtual Desktop
- Collaboration Hosting
- SaaS
- IaaS
- Web Hosting
- Application Hosting and Management
Vendors also rely on distributors to instill the institutional knowledge necessary to keep their solution providers enabled. EMC’s Perrelli said her company works closely with distributors to enable solution providers through programs like EMC’s Cloud Partner Connect program, where EMC provides incentives to both distribution and solution provider partners in reselling EMC Cloud Service Provider offerings.

"EMC understands that distributors provide reach for our organization. We provide distribution with the right tools and resources and marketing alignment to support our key initiatives and help get into areas of business to grow together," she said. “Without communication we’re not successful. You need communication at every level of distribution. Those partnerships are important to our success. We have to be open with what our goals are and be prepared to support each other in the field.”

Palo Alto’s distributors also help enable solution providers, another area in which distribution’s competency exceeds that of the vendor, said Kelley. "Our distributors understand adjacent technologies, mobility, cloud and virtualization. Their knowledge of that technology can be brought to resellers, which makes the reseller more relevant to end users. Given where we are in that curve, we’re still very dependent on them for enablement," Kelley said.

Aggregating cloud services is key for distributors looking to remain relevant to vendors going forward, said Brocade’s Potratz. Over the years, industry pundits and some vendors have expected distribution to be disintermediated by changes in how technology is procured — from the Internet to the direct model to electronic software licensing. But each time, distributors made the necessary adjustments and grew more valuable than they previously had been to vendors.

“Our intention is to be a market leader in cloud and we will work with our distributors to help us. They have the consumption-based tools to do aggregated billing for MSPs and CSPs. But what they are uniquely positioned to do well is aggregation. That’s a skill and talent most vendors don’t want to develop,” Potratz said.

Indeed, distribution will play a critical role in helping vendors chart the course for selling and marketing cloud and other solutions, said Cisco’s Sage.

“A lot of the value that distributors provide today will be exactly the same as the value they provide in the future: enabling [solution providers], helping them with the financials, preparing them to be more effective sellers, helping them to choose the right vendors to partner with,” Sage said. “All of these things, in addition to things we can’t even see yet around new business models they are going to deploy. It’s a very exciting time and I think distribution’s right in the front seat with us.”

In 2013, GTDC Members Handled More Than...

Source: GTDC research/annual U.S. figures
Cloudy Forecast Is OK with Distributors, Vendors

The message is clear, said Rising Star winners. The more you work with distribution and the more you are willing to invest in developing those relationships, the more success you will have and the more your business will grow.

For Lenovo, which captured the 2014 Bronze Rising Star Award in the $500 million and above category, distribution’s value escalated after both parties shared the same focus, said Chris Frey, vice president, North America commercial channels and SMB.

“Where some vendors might struggle, and we did for a time, is when you try to do everything at once. You pick everything distribution has and don’t realize there are certain things that they’re good at and then match what your strategic focus is. Tactically, we made it happen together,” said Frey, who was recognized in 2013 with the GTDC’s first Excellence Award.

Lenovo expects to reach $50 billion in revenue after the anticipated acquisition of IBM’s x86 server business, up from $15 billion five years ago. Its channel contributions through distribution cannot be minimized, Frey said.

“The value that distribution brings to Lenovo is huge. Four years ago, we made distribution the hub of our business. Distribution started as a fulfillment engine but then it really turned into an activation and recruitment engine for SMB partners, as well as their ability to take our devices and put them inside of their solutions,” Frey said. “Distribution has shown over the course of time that their business models can mature and will mature and meet the needs of customers that look different than they look today.”

Each Rising Star winner interviewed agreed with Frey. Their success with distribution increased in proportion to how much they let distributors do. Usually, even more.

“At the end of the day, you need to involve distributors to do more than you think,” said NetApp’s Mayes. “Most people talk about pick, pack and ship. We talk about creating stacks, break/fix, parts depots, being able to provide services around asset utilization and migration. There are many things distributors are capable of doing that you might not want to do yourself. That makes you more important to each other in creating growth in the channel community.”

Vendors with a vision of driving growth, scale and reach will achieve those goals much faster with distribution than by themselves, said Palo Alto Networks Kelley. “I would encourage anybody who wants exponential growth and geographic expansion to consider distribution,” he said. “Even if you’re doing a lot yourself today, in the long run you can’t do it all yourself, and you’re hurting your ability to scale.”
About The Global Technology Distribution Council

The Global Technology Distribution Council (GTDC) is the world's largest consortium of technology distributors. GTDC members drive more than $130 billion in annual worldwide sales of products, services and solutions through diverse business channels. GTDC conferences support the development and expansion of strategic supply-chain partnerships that continually address the fast-changing marketplace needs of vendors, end customers and distributors. GTDC members include ABC Data, AB S.A, ALSO, Arrow Electronics, Avnet, Computer Gross Italia, D&H Distributing, Esprinet, Exertis, Ingram Micro, Intcomex, Logicom, Office Distribuidora, Redington, ScanSource, SiS Technologies, SYNNEX, Tarsus, Tech Data, Westcoast LTD and Westcon Group.

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About CommCentric Solutions

Founded in 2006, CommCentric Solutions is a full-service marketing communications and public relations agency focused exclusively on the technology channel. The company's fast-growing national and international customer base includes FORTUNE 500 global market leaders as well as emerging manufacturers, distributors and solution providers.

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