

New Wrinkles in Software Distribution



With careful planning and implementation, value-added resellers can benefit from electronic software distribution and services.

I believe there are only two reasons why a VAR should embrace a new operation and its associated technologies; both reasons are grounded in sound business practice. The first is that the operation can improve the profitability of an existing product or service. This is the basic business concept of applying technology to improve the productivity of existing operations. The second reason is that the operation can profitably leverage a VAR into new products, services or markets. This is the basic business concept of applying technology to grow a business.

These rationales underlie most transactions between customers and their VARs, and they are equally valid for the VARs themselves. If a VAR cannot quantify the benefits that will accrue to the business under one of these two criteria, it's not worth the effort. VAR margins are too slim to allow for technological money pits.

However, do not take the above caution as an absolute argument against taking calculated risks on new technology. VARs thrive on technology that has not yet become a commodity. Not embracing the right technologies at the right times is a sure way for a VAR to become less valuable to its customers and lower the barriers to entry for its competitors. The point is that VARs need a careful methodology to accomplish the required business planning and technology evaluation.

One of these emerging opportunities comes in the area of software distribution. Let's consider some of the ways it can help you leverage your strengths. (For a look at electronic forms of software distribution from the user's point of view, see page 32.)

Steps to Success

How can VARs ensure that software distribution, particularly electronic software distribution (ESD), meets these criteria? The first step is to assess the amount of time and money currently being consumed by software distribution. All VARs are involved in software distribution in one form or another. It can be as simple as reselling a manufacturer's update for direct shipment to the customer site; or as complex as upgrading dozens of applications and systems software modules in a large network for which the VAR has a management contract. The trick is for the VAR to examine its operation and attach specific costs to this activity. Which costs could be reduced or eliminated with ESD?

A related task is to determine what the VAR's software suppliers are doing about software distribution. Do they have plans of their own to distribute software to their VARs and/or directly to their customers? What support are they planning for ESD and configuration control activities on the part of VARs and users? Are there financial incentives, based on supplier cost sav-

ings, for converting to ESD?

The second step is to determine the market acceptance of the service and its underlying technologies. Can the VAR sell this to existing customers as a value-added service or will it have to justify the investment through productivity improvements? Is this a critical tool to win over new customers, launch a new business initiative or enter a new market?

Finally, the third step is to assess the incremental costs associated with software distribution services. A VAR with robust networking links to its customers and an intimate knowledge of MIS software update procedures will have much lower startup costs than a VAR in the habit of only occasionally dropping off a master tape of new software.

Once a VAR has assembled the necessary data, it can do a simple profit-and-loss statement for the new service. I always start with a one-line calculation over some time period (e.g., one to three years) to see if an idea is in the ballpark:

cost savings + new revenue - new costs

If this yields a significant positive result, it's time to continue with the planning process. If not, put the idea on the shelf or revisit your three sets of assumptions.

Network Management Services

The issue of new revenue bears some more thought because software distribution ties into one of today's hottest VAR business opportunities: network management.

Most VARs working with open systems technology are now involved in networking. Network design and network configuration have been the two most common VAR services in this area, while network management was largely done in-house. Now MIS departments are outsourcing some or all aspects of network administration. This creates an opportunity for VARs to provide ongoing man-

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agement services for the networks that they originally designed and installed.

Network management services that VARs provide include network administration, remote monitoring and diagnostics, asset inventories, backup to a remote site and, of course, software distribution.

Checking Out Tools

Software manufacturers are responding to the need for integrated network management by developing suites of tools that VARs can use to implement their services. VARs evaluating these software suites should look carefully at each package to ensure that they support all facets of software distribution. Here are some questions to ask.

- Are both media-based and electronic software distribution supported?

- Do the suite's software distribution functions integrate with the configuration control and asset inventory functions? Accurate configuration and inventory data are critical for the successful execution of software distribution. By the same token, the results of software distribution must be reflected correctly in those other databases to ensure future accuracy.

- What about license compliance? Does the network management software handle all the various forms of software licensing, ensure adequate protection and maintain clear records? I have discussed in previous columns the problems that can occur when freeware attitudes are applied to commer-

cial software. MIS departments expect reasonably prudent procedures, controls and documentation to be in place during software distribution; these measures limit the exposure of the VAR and its customers to legal and financial penalties.

Software distribution services, like most VAR business opportunities, are neither simple nor obvious. Yet with careful planning and good tools, they have the potential to strengthen the ongoing relationship between VAR and customer. **IT**

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