

INSIGHT

Never Say Never: Avnet Differentiating in IT Distribution

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IDC OPINION

In a market that is rapidly consolidating and commoditizing, IT distribution is often challenged by investors, suppliers, and partners about their ability to add value to the supply chain. Numerous reports have been published showing both sides of this argument, but IDC believes that this is not an argument that will be easily won, if at all or if ever. This discussion has been going on since the time IT started to rely on distribution and, most likely, it will continue for the duration of the practice. As distributors, these companies serve two masters — the suppliers whose products they represent and resell and the partners that buy from the distributors to sell to the end user. With margins eroding and the complexity of many of the products diminishing, distributors are constantly challenged to find compelling business differentiation that sets them apart. Some but not all have. Avnet Technology Solutions stands out as a "poster child" for innovation in the IT distribution market with Avnet SolutionsPath, a methodology designed by Avnet to help partners achieve solution-selling specialization in high-growth vertical and technology markets. The three practices included in SolutionsPath are Avnet HealthPath, Avnet GovPath, and Avnet VirtualPath. In detail:

- Avnet has defined its role in bringing vertical and technology solutions to end customers with partners that are prepared to address the client's specific industry needs and business requirements.
- Through these practices, Avnet has shown that distribution can in fact add value and is beginning to change the rules for IT distribution. Avnet calls this its solutions distribution advantage.

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IN THIS INSIGHT

This IDC Insight reviews and analyzes Avnet's current technology and vertical practices targeted at healthcare, government, education, and virtualization under the umbrella titled Avnet SolutionsPath.

SITUATION OVERVIEW

Avnet SolutionsPath was started three years ago with a very specific and singular focus: profitable growth for Avnet. This is nothing that is new or unique to any company, especially in this economic climate. However, to accomplish this is difficult at best and can require some risk. This risk can in some cases require significant

investment with an unknown return on investment. However, Avnet Technology Solutions decided to take a leap of faith, albeit starting three years ago under different economic circumstances — but a bold and risky move nonetheless.

IT in healthcare is often a diverse set of "islands" with limited centralized IT buying practices. The various units in the healthcare organization operate under different funding rules and have very different needs. Most solutions are designed to address a specific area, and there is little or no interoperability between the systems. Therefore, in addition to understanding the healthcare industry, resellers have to build many relationships to gain traction.

It was clear to Avnet after conversations with knowledgeable healthcare experts that healthcare was the area where Avnet could have the most initial impact. But what was not clear was whether the reseller community would understand the need for education. Resellers historically have assumed that selling into healthcare is like selling into any other market. But healthcare organizations are wary of engaging with resellers that don't understand the workflow, processes, and lexicon of their establishment (whether a hospital, urgent care facility, or a doctor's office). The organizations expect that the reseller will know the technology needed to solve the current issues but cannot afford the time to educate them on how it's applied or how it fits within the overall environment. This is where Avnet HealthPath — the first of the SolutionsPath practices — comes in.

Avnet HealthPath

Avnet HealthPath practice offers a university curriculum designed to provide resellers with market intelligence, information, and insight needed to gain and maintain a share of the IT spend opportunity in healthcare projected to be \$22 billion in the United States by 2012 (see *Worldwide Life Science IT Spending Guide, 2007–2012*, Health Industry Insights #HI214458, October 2008).

HealthPath University is divided into modules. The first two modules teach resellers how to identify challenges and opportunities in the healthcare market; understand healthcare terminology, key market policy, and regulatory pressures as well as patient safety and information standards; identify key opportunities and decision makers among healthcare providers and payers; navigate the complex healthcare enterprise, including hospital environments; and determine how best to position the business and market capabilities to win and close deals faster.

In addition, the HealthPath University includes a week-long internship program for HealthPath University 101 and 202 graduates. This add-on component of the university program includes lectures, observations, and workshops during which participants are exposed to the daily routine of vice presidents, administrators, medical directors, and other hospital staff members at a local hospital in Scottsdale, Arizona. Participants see "through the eyes of the patient," according to one reseller participant, how healthcare professionals engage in the day-to-day process of administering to patients. The intent of this program is to develop "trusted advisors" that are committed to the healthcare industry.

Avnet GovPath

The public sector market is like no other vertical market due to strict protocol and complex request for proposal (RFP) processes, and, according to IDC, it is estimated to reach \$52 billion in 2012 in the United States (see *U.S. Federal Government IT Spending Guide, Version 1, 2007–2012*, Government Insights #GI212942, June 2008). After researching the government/education space, Avnet felt that the level of complexity and barriers of entry for the channel offered an opportunity for it to add value and therefore instituted the second university called GovPath two years ago.

Because of its unique challenges, the GovPath dedicated team develops customized programs encompassing:

- ☒ **CapitolSmarts.** Consultation and assessment to identify and assess the reseller's business infrastructure, capabilities, strengths, and goals to determine how Avnet can support and accelerate the partner's success on an individual basis
- ☒ **GovPath University.** Training curriculum that delves into the intricacies of the market, such as identifying opportunities in federal, state, and local government and education markets; navigating the government market's hierarchy of opportunities, identifying key market players and contacts; determining how to best position the business and market capabilities within the target market; and understanding the nuances involved in government budgets and buying cycles
- ☒ **Avnet's Government Market Expansion Process (GMEP).** Provides strategic planning with resellers and utilizes the Government Contract Watch database, which is powered by Federal Sources Inc. and The Center for Digital Government (This centralized information assists resellers in mining data; identifying target areas of opportunity; and assessing target prospect needs, key contacts, and other vital sales data.)
- ☒ **Avnet's Partnering Ecosystem.** Provides connection to partnerships; technology and resources collaborative opportunities within the channel; and industry-specific solutions such as virtualization, consolidation, disaster recovery, security, connectivity, and human capital/IT workforce
- ☒ **Specific government resources.** Provides specific government resources beyond the standard Avnet resources: GovPath Flash newsletter, Government Contract Watch, and specific marketing/demand generation campaigns

Avnet VirtualPath

According to IDC, IT virtualization solutions are expected to grow to \$1.8 billion in the Americas by 2011 (see *Worldwide Virtual Machine Software 2007–2011 Forecast*, IDC #208015, August 2007). For organizations in nearly every industry, virtualization presents a very real way to reduce IT costs and return value to their businesses. The unique nature of virtualization solutions has led to various market challenges that many resellers are unaware of or are unprepared to address, including licensing complexities, integration difficulties, and extensive training and certification

requirements. Avnet VirtualPath, begun in summer 2008, offers a dedicated team, which includes both VMware sales (VSP) and technically certified professionals (VCP), as well as specialized training programs and services to assess and analyze each customer's IT environment, determine the right virtualization approach, and then integrate and implement the virtualization solution.

As with HealthPath and GovPath, Avnet resources first take the time to understand the reseller's business — including current infrastructure, capabilities, competitive strengths, and goals — and then designs the support and solutions offering to assist the reseller in building a virtualization-focused business.

Also, like the other two paths, VirtualPath University offers education specifically tied to virtualization, including targeted certification and training on leading virtualization solutions from VMware, PlateSpin, Double-Take, and more. Through this program, students gain an understanding of virtualization and its place in the market, insight into key virtualization decision makers and buying criteria, familiarity with leading vendor solutions, and consultative sales guidance to optimize selling into this market.

In addition, VirtualPath has VMware Authorized Training Centers (VATCs), which offer the only authorized training on VMware Infrastructure 3 that satisfies certification VMware requirements. Its instructors undergo a rigorous VMware-approved preparation program.

And unique to VirtualPath is the Avnet V-Rewards Program, which enables partners to earn certificates based on select virtualization solution sales each month. These certificates can then be redeemed for valuable training and other services.

Avnet wraps around each of the SolutionsPath practices a set of resources and services:

- ☒ White papers and sales collateral
- ☒ Information on appropriate vendor solutions
- ☒ Access to online communities
- ☒ OneTech implementation services
- ☒ Avnet's presales solution configuration and design
- ☒ IT DemoCentral solution demonstration service
- ☒ Financial services

Analysis

While many distributors seek to add higher-end value to their offerings, Avnet alone has accomplished an environment that truly assists its resellers in becoming solution-sales experts in targeted technology and vertical markets it is currently focusing on. In fact, it is quite interesting that other distributors have not made similar types of investments. Or if they have, they have been very quiet about their programs.

While Avnet has realized great success, it has also made significant investments, which at this time are paying off. Other distributors feel that they have their own uniqueness and do not feel the need or do not feel they can catch up in a head-to-head competition. On the other hand, Avnet has not been as successful at notifying the market of what it has been doing, and this same limited market push may be happening with other distributors, causing their efforts to not hit the radar screen of the market.

FUTURE OUTLOOK

In a rapidly evolving IT market, not to mention the difficult economy, it is critical for partners to become more to their clients than just a hardware reseller or even a packager of hardware, software, and service "solutions." It is incumbent upon these companies to change the conversation to a true solution of the customer business problem and not just work to fit together the technologies they sell to make a sale. Avnet SolutionsPath goes a long distance toward providing education that will — if taken advantage of properly — enable partners to morph into the trusted advisor in each of these technology and vertical markets. As the IT market continues to mature, so do the partners. The need for differentiation and deeper understanding of the customers' business problems, using IT as a part of the solution, is without question going to be the bellwether for continued success. Long gone are the days of IT for the sake of IT, which is further heightened by the current economic downturn. It takes money to make money is the mantra of those aiming high for larger returns. To remain relevant, especially in this current economic environment, it is becoming essential for those that want to stay healthy in the larger, more complex IT solutions market to think outside the box, take well-monitored risks, and raise the bar on competitors to command the type of sales quotas and margins to ride the ever-changing tide of IT solutions.

ESSENTIAL GUIDANCE

Much credit goes to Avnet for taking the bold move to invest in vertical and technology markets and do so in such a comprehensive manner. Standing still in a market that changes faster than the tides and can change at tsunami speed does not insulate or protect against the changes. Rather, putting a stake in the ground, taking a risk and monitoring it carefully, and measuring the investments versus the returns is a method of measuring and bolstering sustainability.

IDC believes that Avnet has an opportunity to continue to lead in the area of solution specialization and has a recipe for investment that can and should be replicated. There is nothing that has been done that cannot be replicated, but Avnet has the advantage of a long head start. Therefore, IDC believes it would be in Avnet's best interest to continue to build out Avnet SolutionsPath to include other emerging areas of interest and profitability such as security, mobility, VoIP, and the convergence between data and voice technologies. It is important that Avnet moves quickly in these areas to further cement market leadership in the enablement and empowerment of resellers in these areas and drive a stake in the ground of its overall leadership and differentiation in a market that is so often brought under scrutiny. The success of the Avnet SolutionsPath methodology is the type of business model that leaves little room for question about the role and the capability of the distributor.

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