GOING GLOBAL: 5 REASONS TO EXPAND YOUR BUSINESS BEYOND US BORDERS

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FEBRUARY 2016 | US$25

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RECENT SURVEYS, INCLUDING THE DUKE CFO GLOBAL BUSINESS OUTLOOK REPORT, SUGGEST ABOUT HALF OF ALL U.S. businesses now consistently report foreign sales. Further, according to Deloitte's most recent CFO Signals report, the average CFO believes at least one market outside North America will be important to company revenue growth over the next five years.

With more and more of your customers looking to establish international outposts to serve their local customers, the demand for connectivity between U.S. offices and far-flung facilities has never been greater. For solution providers, this trend holds plenty of opportunities for both IT and communications sales.

But while considerable rewards are at stake, there are also major pitfalls to avoid. This report provides key guidance to help channel partners successfully expand their businesses to serve an increasingly multinational client base.

REASON #1: SIGNIFICANT PROFITS AWAIT

There's much to be gained from globalizing. Experts we spoke with for this report say you can expect deals approximately four times larger than similar U.S. contracts. Plus, they add, contract lengths are typically twice as long — four years as opposed to two — increasing the stickiness of your relationships while simultaneously reducing contract renegotiation costs.

“Global enterprise networks are entering a time of rapid technological evolution driven by enterprise adoption of cloud IT service delivery and availability of new SDN technologies.”

Source: Gartner, Magic Quadrant for Network Services, Global, January 14, 2016

In addition, commission rates are appealing. “International commissions are typically paid at a somewhat higher percentage of billing revenue than domestic commissions,” says Vince Bradley, CEO of master agent WTG. Added to the larger contract size and longer contract durations, this makes international compensation much higher overall, says Bradley.

REASON #2: YOUR COMPETITIVENESS IS AT STAKE

Although revenue potential is critical to entering any new market, expanding geographic reach is about more than revenue: Your firm’s ability to stay competitive is also at stake.

“It’s vital for your existing clients to know there are no physical or logical limits to the services you can offer,” says Jordan Whyard, director of Western indirect channel sales for NTT America. “As the world becomes flatter, and the Internet of Things continues to drive how your customers consume, support and manage technology, they’re looking for guidance on how to monetize and control it.”

In other words, as your customers’ trusted adviser, it’s your job to work with them to explore business opportunities in emerging and established foreign markets. If you fail to do so, sooner or later someone else will.

REASON #3: CHANNEL MATURITY IS IMPROVING

Until a few years ago, channel relationships with international telecommunications carriers and network services providers were immature at best. With no true firewall between direct sales and the channel, pricing requests could become a marketing lead for a global provider’s internal sales team and result in a direct sale — leaving solution providers out in the cold.

Today, many global service providers recognize the value of solution provider partnerships and are building channel organizations to match.

“VARs hold the key to decades-long customer relationships,” says Mike Kopp, vice president of U.S. channel sales for Colt Technology Services. “Their customers trust them to stay ahead of trends, vet out options and implement when the time is right. Global service providers are now seeing the value of partnering with VARs and other technology solution providers.”

In addition to valuing solution provider partnerships, Kopp points out that global service providers have also made significant investments in developing the necessary legal contracts, commission structures and local technology organizations to ensure they can service accounts entrusted to them.

Provider technology systems have also improved. For example, channel CRM and quote systems have now adopted international addresses, boosting efficiency and effectiveness.

As technology and legal infrastructures modernize around the world, the ability to tap into new markets improves in tandem.

REASON #4: GEOGRAPHIC BARRIERS CONTINUE TO FALL

As technology and legal infrastructures modernize around the world, the ability to tap into new markets improves in tandem. Here's a rundown by region, roughly sorted by business barriers from lowest to highest:

Canada. Unsurprisingly, the lowest barriers to doing business efficiently, effectively and profitably are in Canada. Geographic proximity to the United States, a stable government, technology maturity and solid trade agreements all play significant roles. However, don't expect Ethernet everywhere, as remote areas will still require utilizing broadband or other off-network solutions.

Western Europe. Outside of North America, Western Europe is the most common geography for U.S. companies to establish satellite locations. Due to the longevity of this trend, international channel maturity in this region most closely resembles Canada.

Asia/Pacific. Developed Asia/Pacific countries such as Australia/New Zealand, parts of India and Japan offer similar levels of maturity to Western Europe. Naturally, among developing countries in the region, entry barriers are higher.

Latin America. Barriers vary among and within countries in this region. For example, state-controlled Venezuela operates more like the China/Russia region (see chart, "Networked Society City Index," on Page 7). On the other hand, selected cities in Argentina, Brazil and Mexico hold emerging opportunities.

Networked Society City Index
(Latest Available Data)

RANK	CITY	RANK	CITY
1	STOCKHOLM	21	ROME
2	LONDON	22	DUBAI
3	PARIS	23	ABU DHABI
4	SINGAPORE	24	ATHENS
5	COPENHAGEN	25	SAO PAULO
6	HELSINKI	26	BEIJING
7	NEW YORK	27	ISTANBUL
8	OSLO	28	SHANGHAI
9	HONG KONG	29	JOHANNESBURG
10	TOKYO	30	MEXICO CITY
11	LOS ANGELES	31	BUENOS AIRES
12	SEOUL	32	MUSCAT
13	TAIPEI	33	MANILA
14	MUNICH	34	JAKARTA
15	MIAMI	35	CAIRO
16	BERLIN	36	DELHI
17	MOSCOW	37	MUMBAI
18	BARCELONA	38	LAGOS
19	SYDNEY	39	KARACHI
20	WARSAW	40	DHAKA

Source: Ericsson, November 2014

Middle East. With the Middle East, cultural barriers combine with infrastructure and legal hurdles to raise barriers. In a nutshell, Middle Eastern telecommunications carriers prefer direct sales to working with channel-friendly global service providers. This places solution providers at a disadvantage during both sales and execution.

Africa. Insufficient infrastructure and unstable governments combine to create significant barriers in this region. Yet, on such a big continent, exceptions rule. For example, Johannesburg scored similarly to Mexico City and Buenos Aires on Ericsson's Networked Society City Index, which takes into consideration both technology and business climate. In addition, respected global service providers operate in this region, creating stable channel opportunities.

China/Russia. It's no secret that governments complicate doing any type of business in China or Russia, where rules and regulations perpetually fluctuate. Although partnering with a global service provider can help, considerable risks remain. NTT's Whyard has seen the problems firsthand. "You can sink millions of dollars into a data center only to have a government either fail to provide, or revoke, the needed licenses," he says. "All you're left with is a big paperweight."

REASON #5: THERE'S AN ESTABLISHED ROAD MAP TO FOLLOW

Like many emerging opportunities, you won't find a conclusive "how-to" guide for expanding your solution business internationally. Fortunately, industry insiders suggest the following road map:

Identify and educate target customers

Research your customer base and prospects for companies with international locations you're not yet serving. Discuss an expansion of your relationship, and explain the benefits of working with you to bring all locations onto a single network, rather than maintaining a network-to-network interface (NNI) approach.

Gather customer intelligence

While it seems like a no-brainer, insufficient intelligence from customer leadership is frequently an obstacle. Be sure to form relationships with local decision-makers, not just your U.S. contacts, to ensure they're on board. "Get precise information on remote location budgets and the bandwidth required over the life of the contract," says Whyard.

Conduct location due diligence

Investigate the situation on the ground, starting with the correct address, advises Kopp. "Naming structures vary widely and can make the difference between appropriate service availability and no service at all," he says. Don't take anything for granted.

After establishing the proper address, find out which service providers other building tenants — or those in nearby buildings — are using. Tenants with more advanced IT functions may even be able to tell you which specific services are available and, importantly, which are not, adds Kopp. This information will assist you with selecting an appropriate service provider and conducting negotiations.

Consider a best-of-breed global service provider

Just as you might work with multiple hardware or software vendors to supply the best solutions for your U.S. clients, the same holds true for international network services. Review the providers serving a given area to ensure they can meet your customer's needs, or can do so when new requirements or opportunities arise in the future. "A best-of-breed provider not only offers the types of services needed but also maintains an extensive local presence to eliminate legal, cultural, language and time zone barriers," says Whyard.

Additionally, numerous global service providers are now establishing U.S. channel operations, making it easier to do business with them.

Understand the international pricing methodology

Unlike the United States, where only one price quote is needed during negotiations, obtaining international service quotes requires a two-step approach. This is largely due to the length of time required to obtain pricing.

First, request what's called a 'budgetary price,'" says Bradley, which you'll receive within hours or a few days. As this is a ballpark price based on other recent quotations, present it to your client accordingly.

Once you receive client approval on the approximate cost, the service provider will supply an official quote based on its local capabilities and capacities. The average turnaround for an official quote is one to two weeks, but can take up to a month for complex networks or newer service channels.

Protect your customer relationships

Even though poaching of channel partner leads is on the wane, it still happens. If you have concerns or are dealing with a newer international channel, Bradley suggests submitting budgetary pricing and official quotes using an acronym or pseudonym, rather than a company's real name. "Later, when you've located the right fit and are ready to sign contracts, then register the company's full legal name," he says.

However, Bradley cautions this system isn't bullet-proof. "If another solution provider registers the lead in the correct name first, you could lose the deal," he says. "In short, the international rules of engagement are definitely different, and more political, than in the U.S."

Invest in robust project management

If there's one area where solution providers frequently stumble, it's post-sale project management. Language and cultural nuances often muddle communications, causing progress to halt. Plus, the challenges created by working across time zones are often underestimated.

Although establishing an execution plan is critical, it isn't enough, says Bradley. "Ensuring everyone sticks to the plan often proves to be more complicated than it appears," he says.

The solution is excellent project management. Whether you rely on a global service provider's team or your own experienced project managers, empower them to get tasks done.

TIME TO DIVE IN

Armed with the fundamentals, your company can begin exploring international opportunities with confidence. Along the way you'll encounter experts with considerable expertise who can help you navigate the currents. After all, leveraging your trusted customer relationships is mutually beneficial for you and your global partners. Now, it's up to you to make the move.