

# Middle of the road

Neither big nor small, the mid-market neatly fits in between the two extremes. **PATRICK BUDMAR** caught up with several industry leaders to get their insight into what makes the mid-market tick and what opportunities lie within.

**A** lot of Australian businesses may start small in the SMB sector. However, if they are fortunate enough to experience large scale growth, they might see their ranks swell, as well as their business and IT requirements.

Too big to be classified as an SMB and still too small to be viewed as an enterprise, the expanding business may find itself slotted into the mid-market, a segment that comes with its own set of unique characteristics.

The attraction of the mid-market for Avaya A/NZ channel director, David Elliot, comes from it being a fast growing sector. "Unlike the enterprise, where sales tend to be a bit flat, the mid-market continues to grow," he said. "The other immediate benefit over other sectors is shorter decision making time frames."

The big trend that is impacting the mid-market now is that technology that was once only available to enterprise customers is now making its way into the segment.

"The advent of BYOD has brought enterprise grade applications to handheld devices," Elliot said. "What was once the big room based telepresence system is now available to people on their smartphones and tablets."

In addition to BYOD creating opportunities in the mid-market, the other draw Elliot highlights is a bigger reliance on consulting. With mid-market customers, resellers can take a consultative approach to better understand their requirements, their business direction, and their challenges. "This leads to consulting revenue and longer term customer retention," he said.

For a mid-market reseller, Elliot sees the barrier to entry being somewhat

lower than it would be for an enterprise reseller going and selling to large corporations. This relates to how the resellers services their customers and how they continue to offer a level of service, without having the investments potentially required to be able to sell to large enterprise customers. "The barrier of entry from a staffing point of view is definitely not as big," Elliott said.

In addition to smartphones and tablets, Allied Telesis Australia country manager, Scott Penno, said that mid-market businesses typically also have a reasonable number of connected devices in terms of desktops and IP phones. In his opinion, this high level of interconnectivity translates to an opportunity.

"These clients are likely to have a presence in multiple locations across the country and be open to alternatives that are likely to deliver a greater level of service and support while allowing them to reduce their total cost of ownership," Penno said.

## A MID-SIZED APPROACH

As the mid-market may lie between the SMB and enterprise sectors, it shares traits from either side. For one thing, Riverbed A/NZ channel director, Joe McPhillips, said the mid-market, like SMB, is "open to new ideas" and "eager to get things done" from an IT perspective.

"That means that there are less layers of management to deal with," he said.

McPhillips attributes this need by the mid-market to adopt new technologies to an overall demand for more collaboration, stemming from less people being skilled in IT. "This means you are likely to use more channel partner engagement," he said. "This is when channel programs will aid in ensuring partners are focused to get the client's job done."

The mid-market itself is not a homogeneous market, and Sage Business Solutions A/NZ marketing manager, Charles Pludthura, said it requires segmentation. After all, no two clients are similar, even if they are in the same industry of similar size. "Consequently, a mass market approach will generally be ineffective," Pludthura said.

At the same time, Pludthura admits that with each target segment, a true differentiated value offering is needed. "We have found that those who come into the sector with a one-size-fits-all approach usually don't last long," he said. "Mid-market clients require a degree of configuration and tailoring in the product or service to suit their business."

As with any sector, the mid-market client is looking for a product or service that is proven, so word-of-mouth, reference sites and testimonials are seen

*"We have found that those who come into the sector with a one-size-fits-all approach usually don't last long"*

SAGE BUSINESS SOLUTIONS' CHARLES PLUDTHURA

as key components in the prospecting phase. "Once the proven aspect has been validated, the other key criterion is that of price," Pludthura said. "Mid-sized businesses generally have specific start and end points as to their budgets, and most mid-market clients will be looking for the best value for price they can get."

When it comes to the business software sector where Sage operates in, Pludthura said this value can also go beyond the mere cost of the product or service. "Time and people costs are part of the equation, but it also extends to requirements such as ease of use and implementation, performance and maintenance," he said.

#### METHOD TO THE MADNESS

Although it has been established that the mid-market is not a large homogeneous group of companies but covers a diverse range, Kilimanjaro Consulting managing director, Ronnie Baskind, admits there are businesses that "operate in chaos" and "achieve success in spite of themselves."

These types of clients are probably the most challenging as they are looking for a silver bullet to solve all their problems," he said. "Many of the problems are not enterprise resource planning [ERP] system related but are due to poor management."

With these clients, Baskind said the

## *"Leverage your customer relationships and customer success stories or case studies as a powerful selling tool"*

KASEYA'S DERMOT McCANN

sales process is more of a case of building a relationship of trust. "Implementers have to have business analytical skills as well as technical skills to achieve good outcomes for these clients," he said.

On the other end of the spectrum, high growth companies may have clear requirements and project champions internally. "Dealing with these divergent types of businesses requires a mix of skills that few companies can offer," Baskind said.

One tricky area to manoeuvre is within the budgets of mid-market clients. "Typically, there are budget constraints so project management is critical to ensure delivery within a limited budget," Baskind said. However, as project management is an added cost, there is a tendency by clients to "resistant to paying for this as they do not perceive the value".

Hitachi Data Systems A/NZ commercial sales director, Anthony Clarke, has also found that mid-market clients are faced with more financial constraints. As such, putting the right

solutions at a "palatable commercial position" can pose a challenge.

"Clients may increasingly look to service providers or vendors to provide infrastructure on a pay-as-you-go/usage model with capital expenditures [capex] budgets challenged," Clarke said.

Because the opportunity in the mid-market is large, this has meant that many companies are fighting for their share of the market. "Building a reputation is not just another supplier creating brand awareness. It is very difficult for companies targeting this sector," he said.

Clarke added price is still a factor in organisations' decision-making.

"Putting forward a strategy that can deliver a true ROI [return on investment] has never been more important," he said.

Presenting simplicity in the solutions being proposed and implemented is also a challenge. "Organisations want a simple solution with fewer management issues that can handle all types of information being thrown at it," Clarke said. ■

## The power of differentiation

Opportunities in the mid-market exist, but only if the correct approach is undertaken in capitalising on them.

As for what a reseller can do to better navigate the mid-market, Kaseya A/NZ managing director, Dermot McCann, suggests aligning closely with chosen vendors and staying up-to-date with their progress and innovation.

"In our case, we have evolved in the past year from being a remote management solution to being a true enterprise systems management company," he said.

When there is a closer relationship between vendor and partner, McCann expects that resellers will gain the market and marketing information pertinent to their business objectives.

"We find that those who use us the most get the most out of us, and this is true with every vendor," he said.

The reason for this is that the vendor will have the market data and market presence to enable resellers to position themselves in the mid-market sector.

"Is important to work closely with them so vendor and partner are communicating the same value proposition and message," McCann said.

Another useful skill that he identifies is making use of what has made the reseller successful amongst its clients.

"Leverage your customer relationships and customer success stories or case studies as a powerful selling tool in this space," McCann said. "If you don't, work with your vendors who will have and will also have a vested interest in helping you create some."

#### BUSINESS OBJECTIVES

Establishing your point of differentiation early in the mid-market is also recommended, especially while setting up business objectives.

"It is important not to stretch yourself too far in one particular vertical or technology whilst you're getting your operation of the ground," McCann said.

After all, he has seen numerous partners fail to take the "basic but necessary baby steps with technology", such as training and certification.

"This only leads to shortcomings in service delivery further down the track, the effects of which can have a direct and negative impact on profit," McCann said.