



The Transition from VAR to VAP

VARs need to look at SaaS as a Business Line

The Access Markets International (AMI) Partners, Inc (AMS) predicted in its [Top Ten Trends Among SMB Business in 2007](#) the rise of the Value-added Provider (VAP) as Trend #9. That was in 2007 and now in 2008, that prediction is real with the growing popularity of Software-as-a-Service (SaaS) amongst Small to medium-sized Businesses (SMB). Value-added Resellers (VAR) that have started to offer SaaS are offering more value-added services to their customers. Reselling and configuration technology is no longer a competitive advantage and VARs need to look at other options to maintain their value-add.

The predictions in the AMS article are materializing as the IT channel state of flux continues to grow with VARs looking at other services to maintain their value-added status. SMBs are continuing to spend a significant portion of their IT budgets with local and regional VARs, the nature and scope of what they purchase through these providers is changing. With hardware becoming a commodity purchase, and as manufacturers improve direct service and support capabilities, the percentage of direct hardware purchases through retail will continue to rise.

Likewise, SMBs are starting to buy SaaS solutions directly from SaaS providers putting pressure on VARs to expand their services to augment SaaS or look to other value-added services required by SMBs that have transitioned to SaaS.

Channel partners will need to invest in building integration and business consulting skills to maintain their market advantage. In addition, they will also need to partner with SaaS providers and other on-line service providers to bundle offerings that focus on a specific customer demand or vertical market niche. Traditional VARs and distributors need to re-examine their offerings and become more of a service provider. As providers incorporate more value-added integration and infrastructure managed services into their business models, they will start to see a greater percentage of their business coming from the SMB segment.

So how does a VAR transition to become a VAP? The transition needs to be gradual with low risk. The lowest risk option with immediate ROI is achieved by introducing a SaaS business line using a white label service from a SaaS provider.

The first step is to invest some time into understanding the SaaS model and the affect it will have on your cash flow and compensation schemes for your sales staff. SaaS reduces the traditional large capital outlays paid by your customers for the setup and configuration of systems and spreads it out over multiple years – creating an annuity cash flow that will deepen customer relationships. The next step is to perform a SaaS pilot with a small sample of your client-base interested in moving from an on-premise to a managed service solution coupled with SaaS.

The SaaS trend has started and is experiencing steady growth. If you are late, you may lose some customers to a SaaS provider and be forced to ramp-up quickly. This will increase your risk in building a sustainable SaaS business line.

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Software-as-a-Service (SaaS) continues to enjoy explosive growth as companies realize the added value that hosting providers bring with business-class e-mail, anti-spam, virus detection, remote accessibility and collaboration tools. ITUtility hopes you find the information contained here to be of value to you. Each quarter we will select a fresh topic that we believe is important to share and invite your comments and ideas for future issues.

About Us

ITUtility is a white label Software-as-a-Service provider for hosted solutions based on Microsoft software. Hosted solutions are delivered through a channel of value-added partners to small and medium-sized businesses as a subscription service that can be turned on/off like a utility.

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