

AVAYA **The Unique Communications Needs of Midsize Businesses**

May, 2007

Interview with Michael Speyer, Forrester Research



Overview

In this interview Forrester Research mid-market expert, Michael Speyer, defines the unique communications needs and related best practices for midsize businesses, and by implication, the best ways for midsize businesses to leverage and buy communications technology.

In Speyer's opinion, mid-market companies do not need to restrict themselves to "price-only" purchases as some small companies do, but rather they should consider the return on investment and total cost of ownership for the right solutions that meet their organizational needs.

On the other hand, with budgets more restricted than larger enterprises, mid-market companies almost never purchase technology for technology's sake, but instead purchase it to solve pressing business problems or to move their existing business processes into higher levels of efficiency. The implication is that mid-market focused vendors should focus first on the individual business, its processes, its problems, and its opportunities for improvement and evolution.

How do you define a "mid-market" business?

At Forrester Research we define businesses that have from 100 employees to 999 employees as "mid-market." The lower end of the mid-market consists of companies with 100 to 499 employees; 500 to 999 employees would put a company in the higher end of the mid-market. These definitions may seem arbitrary, but they are in frequent use today.

Also, the segmentation between lower-mid- and higher-mid-market is useful. The larger mid-market companies tend to look like small enterprises, while the smaller mid-market companies share more characteristics with small businesses.

What differentiates mid-market companies from smaller businesses in terms of the way they purchase technology?

Smaller mid-market companies are like small companies in that pricing is very important, because they don't have the resources of large enterprises. On the other hand, they are large enough and have enough resources to make more decisions based on return on investment and total cost of ownership rather than ruling out solutions on price criteria only.

How does the way they purchase technology differ from larger organizations?

Because of more limited budgets, when they buy technology there must be a valid business driver behind every purchase. They will almost always look at the value of the technology in terms of the specific business problem they are trying to solve.

Secondly, they can be more agile than larger enterprises and their procedures can be more flexible. One result of this is that the sales cycle is almost always much shorter. They will act more quickly in making a decision.

Do you see patterns in the way mid-market companies, in particular – vertical sectors buy technology?

You can't generalize about SMBs even when you classify them in vertical industries. I've heard numerous re-sellers and vendors say that you can be selling a solution to, say, an insurance company in Nebraska and sell the same one to an insurance company in NYC and they can be totally different in the way they run their businesses, what business processes they have, and how they apply technology to their business.

This is quite different from, say, the oil industry, where there are a handful of big players and they all use SAP in a similar way. So vendors and resellers need to be flexible enough to accommodate large variations within each vertical market. At the same time, they should be alert to some verticals that are growing more quickly than others, which could be the result of macroeconomic trends.

Can you think of examples?

If a company has a mobile sales force or workforce, and they normally get their messages from a variety of sources, unified communications can allow them to get all of them from one source.

Are most midsize companies to strengthen their culture of collaboration?

I really can't generalize because there is so much variety in the mid-market. What is collaboration to one company might be something entirely different to another. So when we talk about collaboration we mean companies that have collaborative business processes and have invested in the tools to make them work.

For example, a company could be coming out with a new product, in a situation where the design team is in one part of the world and the production management is in another. It might be necessary for these different groups to work together using a common set of documents. In this case, unified communications would be important to facilitate an important business process.

Would you say the mid-market is moving toward a more strategic concept of unified communications?

If a sales force can be made more profitable, if a company can work more efficiently, then a mid-market company might decide a unified communications investment makes sense. I hesitate to say that companies begin by asking how they can use unified communications in a strategic way. They are more likely to identify a problem and find the technology tools to fix it.

Would you say then that some companies in the mid-market are using unified communications to provide competitive differentiation in terms of brand?

It is hard to define the benefits of, for example, unified messaging per se. In the mid-market it makes more sense to identify the benefits in terms of what the technology does for your business processes.

It may have this strategic effect if they use unified communications to increase customer satisfaction, or to make their sales team more effective. But I don't see evidence that they approach it this way.

Do you have a feel for the growth of unified communications in the mid-market in the area of customer contact? And if mid-market companies are connecting customer contact also to intelligent analytics, for example?

The business intelligence analytics market is a very active area in the mid-market today, but it is difficult to quantify it.

Are you seeing any best practices concerning the purchase of converged IP – both data and communications systems?

A mid-market company is most likely to be buying this kind of technology from one of the manufacturers' channel partners. To do it correctly, they need to find a channel partner that has facilitated this kind of thing before and really understands it. There is a need to relate to the channel partner as a trusted advisor.

Can you talk about the way communications impacts mid-market companies' technology purchases in their relationship within their eco-systems, for example, their technology supply chains?

I don't believe the mid-market has as much clout over their supply chains as a larger organization has. But the relationships between these partners also is never a static one; it evolves over time. New relationships come into being as companies develop new needs.

In terms of technology vendors, I would be careful about designating a channel partner as a "strategic partner." Technology channel partners develop the eco-systems that best enable them to deliver the right solution to the right customer at a reasonable price point. So, depending on the situation, the partners will bring in whatever products they need to get the job done. For example, a channel partner may have to look to several manufacturers to provide the particular pieces of software for a solution. That is the way this "eco-system" works.

Who are some of the primary vendors going after the mid-market?

All the large technology providers have a mid-market strategy: IBM, Microsoft, Oracle, Cisco, Avaya and a whole range of smaller companies that sell similar products. There is no shortage of vendors going after this market.

What kinds of vendors are the most successful in the mid-market?

In the area of applications software, the more successful vendors combine rapid deployment, tend to be right-sized for the mid-market, price their products for this market and have well-developed channels to get their solutions to market.

What advice would you give to mid-market companies for best practices, and a good approach for leveraging their suppliers?

First of all, because there are many good suppliers, it pays to ask around for information. They should go to peers and colleagues in similar companies to find out what they have done. If they don't have such contacts, they should ask vendors to put them in touch with similar companies. For a major upgrade, it pays to shop around.

What is the best way for a mid-market company to work with technology vendors?

First, do your homework, find out what other people's successes might be. Second, understand technology in terms of what it can actually do for your business. Finally, involve a good selection of people in your organization in the decision process. Ensure that all of these people believe that a certain technology will help them meet specific business objectives.

Can you recommend any metrics people might use to measure these processes?

I would look at financial measurements like: cost of ownership, return on investment, net present value, etc. But I would also look at the potential effect of the technology on the softer attributes of the business: the quality of the customer experience, the morale of the sales force, etc.

Is there any way to compare the mid-market's use of technology today versus, say, ten years ago?

We can do so much more today at a lower cost. We have, among other things, converging voice and data systems. There are many more possibilities today.

So it makes sense for a mid-market company with somewhat limited resources to do an "environmental scan," and get a handle on what is available. Also, most mid-market companies

have lots of experience with voice communications, so they should keep their eye on what the new technologies can do first in terms of their existing business processes and goals.