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For VARs, 2007 will be the year of the smart network

By Karen D. Schwartz
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Channel News Update

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New technologies and new realities are forcing businesses of all sizes to upgrade their networking infrastructures, creating significant opportunity for resellers who understand the market and the changing technology landscape.

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During 2007 analysts expect to see continually increasing demand from customers for more intelligent networking infrastructures to support wired, wireless and Internet computing applications; solutions that address an increasingly mobile workforce; and a greater emphasis on network security.

Businesses are pursuing these changes to their networking infrastructures in an attempt to remain competitive while meeting the growing real-time enterprise need for increased speed, performance and security of enterprise applications, according to a September, 2006 report from Forrester Research Inc. of Cambridge, Mass.

For VARs, these trends will cause significant changes to the way networking products and solutions are sold.

Networking technologies can no longer be sold in a vacuum -- installing a wireless LAN in a branch office without worrying about the underlying security infrastructure, for example.

Both networking products and services have to be sold as part of an overall networking solution that includes more intelligence, more security, more synergy with storage and server assets, more data center consolidation, and more emphasis on the distributed nature of business today, according to Robert Whitely, Forrester's senior analyst for enterprise networking.

"VARs are going to have to decide: Are they going to be a high-volume VAR focusing on products or concentrate on a handful of targeted solutions," Whiteley said. "The big push will not be how narrow, but how deeply you go. Even though a healthcare organization and a financial services organization might need the same technology, for example, it's up to the VAR to understand the differences between the two so it can be customized properly. It's about finding your niche."

With the host of regulations many companies must comply with and the number of publicized security breaches reported last year, network security will remain a huge issue in 2007, Whitely said.

"In years' past, it's been very easy to get network security devices like firewalls and VPNs, but today we're seeing much of this getting embedded directly into the network. That has big implications for organizations looking to adopt the technology and a big impact on the channel as far as how they have to sell it."

To address the network security issue, many companies are becoming more interested in Network Access Control (NAC), technology that helps improve network security via specific policies.

The NAC market was red-hot at this time last year, Whitely said. Although it has stalled a bit while vendors like Cisco and Microsoft try to get their products to catch up to the complex demands of effective access control, Whiteley expects NAC sales to surge again in late 2007.

WAN optimization will be another hot area for networking VARs and integrators, though it may now be billed as application acceleration.

The trend, which is driven by the need for geographically separated business units to share data and applications in real time, will continue to grow, Whitely said, though WAN optimization functions will probably become features of routing and switching infrastructure by the end of the year.

Cisco, for example, has already begun adding application acceleration functions to its many of its multiprotocol routers.

"Companies have begun to realize that they can't just throw applications out to their customers, suppliers and employees like they would with a traditional client/server application and expect them to perform securely," said Mark Sollazo, president of SynerComm Inc., a Brookfield, Wisc., VAR specializing in security and application infrastructure. "With today's networking, which optimizes delivery of packets, those same networks aren't optimized to deliver applications. We see application delivery and WAN optimization as being our heaviest growth segment."

John C'de Baca, director of practice development at INX. Inc. of Houston, Tex., agrees that WAN optimization, along with network infrastructure upgrades, will increase in 2007.

"The network has become the application platform of choice, and IP is the lingua franca of all communications methods," he said.

A Forrester report from September 2006 concluded that the vast majority of network equipment decision-makers at North American and European businesses prefer smarter networks with embedded intelligence like security, virtualization and optimization technologies to dumb networks with simple plumbing that simply routes and switches. Whitely believes that VARs will struggle with this transition.

"It parallels the move from product to solution selling," Whiteley said. "VARs must understand the business pressures of moving away from the network as a simple transport mechanism to an enabler of IT strategies like datacenter consolidation, server virtualization, branch office migration, workforce continuity and compliance frameworks. VARs will need a higher level of 'business IQ' and be willing to make a significant investment in decoding the solution-level offerings of vendors that sell smarter gear."

Solution selling really is the key to success in the networking arena in 2007 and beyond, said Joseph Rog, director of marketing at Carousel Industries, a Peace Dale, R.I., reseller specializing in IP telephony and enterprise networking. The company made a major shift in 2006 to focus more on the data infrastructure market, while verticalizing its sales team to take advantage of networking opportunities in specific sectors.

"VoIP opportunities are starting to mature, so you have to look for other ways to grow your revenue and profitability. When you're talking about VoIP now, you're integrating telephony with the data infrastructure, so we need salespeople to ask companies what they are doing with their data infrastructure now."

The strategy clearly has paid off for Carousel, which grew from $60 million in revenues in 2005 to nearly $100 million in 2006.

"It's about adjusting your business model as things shift," he said.

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