

Leading Edge

by Valdi Pereira

WestconGroup Southern Africa

Paul Conradie, CEO,
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New Frontiers New Opportunities

The leadership team at WestconGroup Southern Africa share their perspectives on the benefits of a global footprint, the evolution in distribution channels, the powerful platform the merger of Westcon SA and Comztek created and the importance of putting people first.

Paul Conradie, CEO, WestconGroup Southern Africa

WestconGroup Southern Africa provides ICT solutions in what is a fast moving and complex business environment. How do you stay informed and aware of the current and future challenges within the various sectors in which you operate?

What is interesting is that if you work in the industry, you experience it differently from people outside the industry. We tend to live and breathe the changes, and opportunities that our fast paced environment provides. It eventually becomes part of your organisational DNA.

From a practical perspective, the company is divided into various technology groups. Experts in these groups locally, in Southern Africa, and globally keep their finger on the pulse of developments.

This means there is a lot of sharing of information through geographic areas, where people have experiences, identify opportunities or develop new learning. So something may happen in Latin America, it is shared and we may see an opportunity here in Southern Africa to capitalise on it. We don't try to reinvent the wheel we try and leverage best practices first, if there is no benchmark we would then elect to innovate.

To a large extent, because of our own community wide WestconGroup, a lot of opportunities present themselves. We have also learned that there are important caveats in each opportunity – just because it is hot and sexy does not mean there is a sustainable business model that can be built around it.

The discussions between WestconGroup and our vendors are also quite deep. To a large extent, vendors will share their strategy and their positioning for the future, in much more detail than they would on a regional level. In this way we get insight into bigger opportunities and are also able to position ourselves timeously for on going developments in our markets.

With a strong presence on the continent WestconGroup appears ideally positioned for growth. What do you think are the biggest opportunities in Africa?

WestconGroup has been repositioned into two areas; Southern Africa and what we call Africa. As a result we are now represented in the whole of Africa, where previously we were only in 26 countries. We are very excited about this re-positioning as we believe it is going to create new prospects for us across the continent.

Opportunities on the continent are driven by two factors. The first is the increase in connectivity, more countries are connecting to the sea cables (SeaComm) and from a technology perspective this is opening up opportunities for

companies to leapfrog older technologies. One already sees evidence of this in many African countries.

WestconGroup is a distributor who sells to resellers, who in turn sell to end users. In generic terms this makes us a wholesaler. Currently our resellers are themselves expanding into Africa as the customers they service move into this space. Therefore, the second factor driving our expansion is our customer's customer.

From a distribution viewpoint we need to have the infrastructure on the ground, otherwise we simply cannot effectively service them. Consequently we are expanding

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our representation on the continent to track the growth of our resellers and their customers.

There is hardly an enterprise today that doesn't have some sort of pressure on their business model. If we take a look at your business sector, there is an opportunity where vendors can go directly to customers and put pressure on your model. How do you counter that?

We don't feel that it needs to be countered because we are a value added distributor. In fact, we are not even a broad-based distributor and we have got nearly 4000 active customers throughout Southern Africa.

If a vendor decides to take up the challenge to go direct to the customer they have many questions to consider. How will they connect with the customer and in what manner will they communicate their message?

There are also the hard business issues to consider. How to determine credit lines, set limits and collect your payments to name but a few. If you want to do this on a global scale there are many variables and multiples thereof, which you need to add into the mix.

I am not suggesting it can never be done. Some vendors have used the cloud opportunity to go direct, but most of them are reverting back to the distributor channel model. They still have their cloud offering, but have changed it, because they realised they cannot create the scale distributors offer.

I think some of them have also realised that distribution is not core to their business. It is what companies like WestconGroup do and in our case it is our business focus and the DNA of our business.

The cloud seems positioned to have a massive impact on the way business is going to be conducted in the future. Do you think this development will be an enabler for small and medium enterprises, allowing them to compete with big business?

I believe the cloud will play a big part in ICT in the future, but it will be part of ICT, it will not be ICT. Does it present certain opportunities for smaller companies to box above their weight? It does, but only to a certain extent.

The cloud has certainly made an impact in our sector. For example, platforms have emerged that aggregate the different vendor company offerings. It is very important to recognise that these platforms change behaviour and change the role that everyone plays in the ICT industry.

The platform can serve as a wholesaler, the way that distributors are wholesalers. These aggregation platforms are clearly an important opportunity for vendors to gain exposure for their products. However, it also creates challenges.

If I am a reseller and deal with vendors directly, it means that I have to deal with every vendor and every vendor's requirements. Some of it is monthly, some quarterly and some annually. The billing becomes an issue and cash flow becomes an issue.

I also need a platform that allows me to bill my customer on a monthly basis. This can quickly become a costly exercise and it deters a lot of people in the market.

What we have done in the WestconGroup is to buy a company that developed quite a unique platform, which allows us to be the aggregator of various vendors. What makes our offering unique is that the platform allows our resellers to have what we call a 'white label' offering for their customers. This means they can do invoicing using their branding.

An added advantage of this platform is that resellers can invoice their customers based on usage, which is quite a step away from the traditional on-premises relationship you have with vendors, which ties you into a fixed number of licences for a predetermined period.

Resellers using this platform can also give their customers one invoice for multiple vendors. That is a big change in the market and creates different opportunities for our reseller base. It also illustrates the type of opportunities the cloud unlocks for a number of stakeholders in the sector.

What do you think the future role of the ICT distributor will be?

I think for a long time we will still have products that we move in the traditional way. Of course new technology creates new openings in the market. Our opportunity is definitely in capitalising on the development of cloud services. It gives us the platform to provide professional

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services to our reseller base and allows us to do post-sale support on behalf of our resellers.

It (the cloud) has the potential to create lot of stickiness between us and our resellers. They will be on the platform, their customers will be on the platform. We will monitor them and supply migratory services for them, ensuring they can move and be on the cloud.

We can, if they wish, actually do it for them, or if they want to do it themselves, we will supply them with the tools. It depends on their size and where they want to really put their focus. So the relationship will become a lot deeper than what it was before.

We also believe we will increasingly become involved with post-sales support. Although I would like to stress that we will always do this through our reseller. We are a confirmed two-tier distributor, so everything that we do, is done with the focus on how we can strengthen our partners' businesses going forward.

You are part of a global company that has offices all around the world. What benefits of being part of a world-wide engine can you translate back home for your local customers?

To be honest, it is actually quite incredible to be part of a global group. The discussion that you have with your customer is completely different. The discussions with the vendors are also on a different level. From a customer view point we have intellectual property that is unique because we can literally access perspectives and knowledge from around the globe.

In this regard Africa is very important to us. We have in-country knowledge of the potential pitfalls of people moving into a particular market. Things that seem like standard business requirements can trip you up if you are not aware of the challenges, ultimately costing you a lot of money.

One of the things that we have done in Southern Africa and the rest of Africa is that our branches are manned by locals, not expats. They understand the culture and the way of doing business in each country so that we can convey that knowledge to our customers and their end users, who will want to expand into these countries.

Andries Coetzee, COO & CFO, WestconGroup Southern Africa

In 2014 the company again won several awards; among them Microsoft's Fastest Growing Distributor of the Year as well as Microsoft Volume Licensing and Cloud Distributor Partner of the year for SA. As your customer base expands how do you ensure that WestconGroup continues to render the same high levels of service?

Firstly, solid infrastructure is needed to accommodate the growth that you are referring to and in our specific case, the merger (with the former Comztek) created the opportunity to create a well-balanced organisation. Well-balanced for us means if you look at our vendor base and the building that we are located in, and the people we have on board. All of these factors created the opportunity for us to strike a balance between all of these components and it obviously makes it easier to accommodate the growth that we have experienced in the past two years.

Secondly, you have to have scalability to take care of the highs and lows. If you have a Cisco or Microsoft year-end, where the transactions you process in a few days are substantially more than you processed in the previous week or two, you need to rapidly upscale your processes to deal with this.

As CFO your responsibilities include providing a distinct value proposition to vendors and end users. What, in your opinion, sets WestconGroup apart from its competitors?

There are five issues that come to my mind. The first, is obviously having the WestconGroup structure behind you. It makes an impact in the vendor and customer space and carries over into internal organisational strength.

Second, is financial stability, which is critical in our business. Once again having



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the group behind you plays a big role. If you look at our history, Westcon and at Comztek, we could always offer that to our customer and vendor base. Financially we were always two solid and stable organisations and I believe we have built on that.

The third and fourth factors are a mixture. If you look at our product offering and our African footprint, no other distributors in South Africa can offer this. Couple this with our experience and the understanding we have of doing business on the continent and it becomes clear we are pretty competitive.

Lastly, it's not only what's being offered. I think the workforce in WestconGroup Southern Africa is something very special. I think we need to give credit to all our colleagues that made use of the opportunity of a stronger, merged organisation, and who saw the opportunities consolidation of businesses would bring.

In our business we have always respected our role in the value chain. It is important not to overplay it and not to underplay it.

You offer incentive programmes to a number of your resellers and channel partners. Has the uptake of these significantly improved your distribution numbers for the company?

The nature of incentive programmes has changed over the last few years in the sense that our approaches and also the approaches of our customers, is now one of partnership. This means we will agree to a pricing structure, using our total offering as a base, which will then, obviously benefit the partner or the customer.

Typically these types of agreements will be with the larger companies and there is always the opportunity to increase your product selling into these customers. The programmes that we have in place work very well for our customers and for ourselves.

If we look at the future of where IT is headed, particularly around convergence, software-defined and cloud computing, do you believe that collaboration across multiple niche industries and IT players will assist companies in reducing the costs related to implementing IT solutions?

It has the potential, but you need to keep in mind that the complexity of either the business or the software will always be the determining factor. You can never get around that. If you look at the world we are living in, it is becoming solution-driven. Whereby, the offerings from the most complex systems to what we are looking at on our cell phones are all designed with a view to providing solutions.

For corporates, it's the centralisation capabilities of this software, which will reduce the cost per transaction. This process is already ongoing and it is not as if this still needs to happen. We are fortunate in the case of WestconGroup in that we do have a vendor and a product base that play a very important role in this process.

We are comfortable with where the WestconGroup is going, specifically regarding software and we are confident that Westcon will play an important role as the process unfolds.

As a distributor how do you manage supply and demand with your overheads, ensuring that the amount of stock you have on the shelves doesn't impact your bottom line?

In our business we have always respected our role in the value chain. It is important not to overplay it and not to underplay it. Get either position wrong and it can be equally dangerous. If you look at the triangular relationship between the vendor, the customer and WestconGroup, on going balance is important.

Yes, there will always be a competitive element out there which makes the balance more difficult. But the moment that you go out of balance in this triangle, you will find yourself making news headlines for the wrong reasons.

Good working capital management is critical for any distributor. That being said, it is important to understand that you will always have forces challenging that. These forces are not something unnatural; every account manager's customer wants special payment terms, every account manager's customer wants a fixed exchange rate for the next two or three months and every account manager's customer wants us to keep stock, which they can buy at any time, at any given point in inventory.

Knowing these forces, you have to understand your role and you have to balance it - sometimes it's tough to say no, but it's essential to survive.

Looking towards the future what opportunities do you see?

The merger between the old Westcon and Comstek businesses could not have been a better merger. In terms of customer base, the fit is just perfect. Westcon having a few large customers; very much Cisco-driven. Comstek with 3000 or so customers and more SMB market focused.

We are fortunate to have kept not only the large ones of the old Westcon, but also the smaller ones of the old Comstek. I think that has created a massive opportunity for us. We are in the fortunate situation to have a WestconGroup Africa taking care of the non-SADC business, which allows a much better focus for us as management.

Finally, if we look at the consolidated vendor base that we are running with right now, the opportunities regarding the 4000 odd customers (resellers), is a very rich opportunity indeed.

It provides vendors and resellers with a great deal of confidence when they see willingness to develop technical competence.

Uwe Brandkamp, Sales Director, WestconGroup Southern Africa

WestconGroup clearly prides itself on its relationship with vendors and ultimately how that benefits the customer down the road. What is your perspective on the benefit for the vendor in terms of the strong relationship that you seek to build?

There are a number of aspects in this regard. The skills of our people are important, especially our pre- and post-sales staff. This basically gives the vendor an extension into the reseller space through our company.

The vendor sees that as an extension of their business, where we can service the channel on their behalf, especially in areas where they don't have resources themselves or where they don't have the appetite to invest.

Our resellers see it as a good platform to build their channel model from. We then, on their behalf, take our partners through training and boot camps, to get them to a certified level - ultimately helping them within our resellers' customer-base to identify opportunities and develop new business on behalf of the vendors.

You can ultimately see us as an extension of a lot of our vendors in the type of things they want to achieve in the channel.

Technical expertise is obviously key in gaining an advantage. Why does WestconGroup Southern Africa view it as important?

It provides vendors and resellers with a great deal of confidence when they see willingness to develop technical competence. We provide certification

training on behalf of some of our vendors to the reseller channel. We also get involved from both a pre- and post- sales point of view in quite complex environments where customers want to partner with us because of the level of skill that we have.

What is at the core in the type of training that you provide?

Certification is an important element for us. Each vendor has official programmes - some very rigid - for certification training. We try and get as close to that as we possibly can, because ultimately that is going to enable our reseller to provide a superior level of service to their customers, or qualify for certain status with our vendors.

Technological solutions seem to be getting larger and more complex all the time. What is an example of the type of project you are involved in?

There are obviously a number of new and old technologies that have evolved in terms of the how they are being used. Wi-Fi is probably a good example in this regard. We are currently involved in a number of large implementations in South Africa and across the continent.

Typically Wi-Fi is implemented in a shopping centre and the free access provided to shoppers is used by retailers to gather data on shopping trends. It's an older technology, coming to the fore because of enhancements in the technology and software that is available.

Ultimately our partners and their customers want to see value out of technology, rather than implementing technology just for technology's sake.

The ICT sector is generally speaking a very competitive space, how do you keep your team motivated and focused on reaching objectives?

We have developed a very high performance culture within the company. That being said, while we work in a fairly high tech environment, we also try to keep a very close-knit family feel within the culture.

We always operate with an open door policy and our senior team certainly likes to

get out there and help as much as possible. At the same time, we do have lots of rewards, monetary obviously being one of them. We try and remunerate our people in the upper quartile – so we attract and retain good people to the company.

Some of our team have been with the company more than 15 years, providing a very stable environment for our customers. Our team also knows that they benefit from training and other efforts to keep them abreast of technological development.

I think that contributes to building a good team of sales people that are well motivated and provide a good service to our customers. We do sometimes see people leave us and we often see them come back again, because our environment is a good one where they can flourish.

How has the sales channel evolved in the last few years? There are seemingly endless ways to interact with clients. What approach does WestconGroup Southern Africa take?

We always try and organise ourselves in a way that we provide the best possible services to our customers.

We have senior account managers in the company that deal with the top 100 resellers in the country. They are out there face-to-face, advising and helping our customers introduce new technologies and trends, in some instances in partnership to their end user.

To support this we have two contact centre environments. The one is a telesales area. This is a more proactive sales engine where we deal with resellers and partners telephonically on a regular basis. It is also a space where we are using technologies such as Skype and Lync, and any other means in which customers want to communicate with us.

The other is a contact centre that deals with customers on a reactive basis. Any customers that call and want advice and want to transact with us, come through the contact centre. In the contact centre we use an email management system much like a standard call centre. So if a customer mails or calls Westcon, it gets allocated to a contact centre agent that is free, or is next in line to be free and that is skilled in certain technologies.

We then track metrics such as how quickly the mail or call is resolved. This obviously helps us in measuring customer service and makes sure we are on top of things when it comes to our customers.

We try and embrace whatever is new that comes our way and try and get our people skilled up on these trends as quickly as possible. Our partners look to us to provide advice and guidance when they get questions from their customers.

Our experience centre in our new building is probably an equally important aspect of our sales expertise. It allows

us to show customers technology at work. One often talks about technology, but it is another thing showing them how it works and how it interacts with various elements and systems.

What percentage of your business is attributed to services and is this a growth area of the business?

Services have always been a focus for our company. We probably have services still below 10%, but it is one of the fastest growing areas in the business and not by accident, but by design. We have put a lot of focus and investment behind services, and we now carry a service number in the company. So there are a number of people that are responsible for making sure that we drive our services revenue in aspects of training, professional services and spares holding to name a few.

Ultimately our partners and their customers want to see value out of technology, rather than implementing technology just for technology's sake.

We have also tapped into the WestconGroup globally, which has a lot of services focus elsewhere in the world. We have consciously tried to get those services into our Southern African markets.

IT procurement trends are changing dramatically which is also having an impact on sales cycles. What in your mind is defining new procurement trends and what do you see as the big hot buttons in technology in the future, and lastly how are you gearing WestconGroup to capitalise on these?

For our resellers the pressure is not so much the speeds and the feeds and availability of product, but rather being assured that the solutions they purchase will make their end customers more agile, competitive, and actually deliver value to their business.

I think procurement started taking all of those things into account. How do we encompass that? I keep telling our sales people they need to be more strategic to our customers (resellers) and less transactional. That strategic involvement should ultimately flow through to our reseller's customers.

The only way we can do that is by adding value and by being able to take solutions into the customer base, rather than just talking about providing solutions. I think that is the future, even in the distribution world. □