

# The Changing Channel



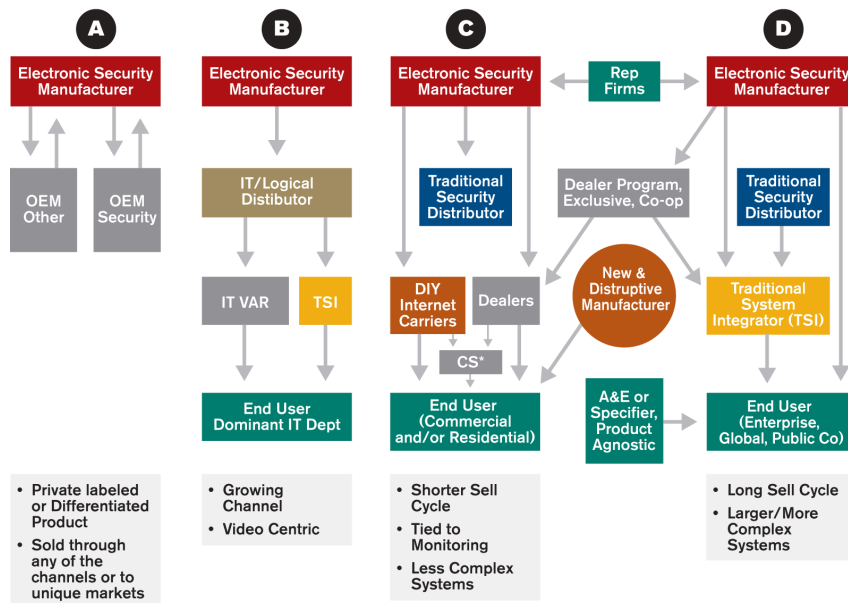
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If you are looking for a new security product or service, you have come to the right place: ISC West is considered the largest business fair in the U.S., showcasing an exclusive array of physical security products and services. If this is your first time here as a buyer, installer or user of security products, you are bound to find exactly what you need. But if you are exhibiting for the first time (or even if you are a veteran), you may be wondering what is the best method for your company to reach these same people.

After working with dozens of new-to-the-market clients and investors, the first question they inevitably ask is, "How do I get my product to market?" The challenge, of course, is to understand where your product or service fits, where you can add value, and how you can solve customer problems and at the same time grow a successful and profitable business. Based on my experience in helping these firms successfully navigate this channel maze, I've developed the above chart, which includes the most common ways others in the market have found success.

When I started as a distributor in the mid-1970s, the channel was inefficient. Aspects overlapped, left significant voids and in many

## How The Electronic Security Industry Goes To Market



- Private labeled or Differentiated Product
- Sold through any of the channels or to unique markets

- Growing Channel
- Video Centric

- Shorter Sell Cycle
- Tied to Monitoring
- Less Complex Systems

- Long Sell Cycle
- Larger/More Complex Systems

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\*CS – Central Station (wholesale or captive)

cases were adversarial vs. complementary. This cost the channel profits and, even worse, produced less than satisfactory results for the customer. Now things have changed so even those industry veterans who have worked with the channel over the years might be surprised to learn how many aspects have evolved to meet new market requirements and expectations.

As this is a short article I'll only focus on two areas that in my opinion

have made the biggest shift: traditional systems integrators (TSIs) and distributors.

When we moved from analog to IT-based products, there was talk about the IT value-added resellers (VARs) taking over the market and TSIs vanishing. Instead, what has happened is many TSIs have made the investment to either train, hire or acquire talent and are now well on the way to helping their clients get the best use of the latest video and access control technology. In

my opinion these TSIs have done the most to change security from a grudge purchase to an investment with an actual ROI. They do much more than make divergent technology work together seamlessly. Even regional TSIs have shifted from working with everyone in their geography to focusing on the unique needs of three or four vertical markets. By understanding specific customer issues they have moved from technology providers to trusted business advisors.

Distributors have also evolved. They continue to stock products, carry multiple product lines and help dealers and integrators learn about new products and technology. But what they carry has changed, the services have been augmented and traditional distributors have been joined by mega distributors that come from the IT or electrical markets. They have moved from just handling "shrink-wrapped" products to more complex products and systems. Many manufactures who at one time sold directly to TSIs are now making the business decision to trade some of their profit margin by selling through distributors rather than trying to manage and support the channel themselves. In many cases distributors also pre-program, pre-wire and do other pre-work that reduces on-site product failures and saves the cost of working on-site. As a result, dealers as well as TSIs are now using distributors to carry their inventory and provide other value added services that help improve cash flow and profits.

While a great product line or service is the foundation of your ability to succeed, the difference between success and failure is finding the right channel, supporting it from the U.S. and delivering what customers want. I hope this information will help save many of you hundreds of hours and dollars by choosing the right path the first time. But if the channel maze has really got you confused, at least you know who you can contact. Enjoy the show! ■