



## EXCERPTS FROM A TWO PART ARTICLE

### Lorna Garey, Editor-in Chief at Channel Partners interviews Ittai Bareket, Netformx CEO

Netformx: Maximizing Partner Margins in Complex Programs  
Netformx's Bareket: '\$200,000 in Rebates Fell Between the Cracks'

#### **Channel Partners:** Tell us about your mission. In a nutshell, why Netformx?

**Ittai Bareket:** We help the channel-partner community be more profitable. They can generate proposals faster, successfully implement what they sell, and also be more profitable.

Solution providers face four major challenge areas: supply-chain profitability and delivery; technology complexity; responsiveness; and differentiation. We address those challenges by enabling collaboration among the sales and implementation teams and by creating a complete solution they know will work and be successfully implemented. Then we wrap that with automation so the process can be accelerated and managed properly. And apply analytics to ensure they are successful and can get a closed feedback loop on what they quote, what they sell, and what's profitable. So they can manage their business more effectively.

#### **CP:** What are some benefits of automation?

**IB:** Leverage domain expert knowledge for all and share designs between engineers, with the salespeople, and the implementation team. Spend more time with the customers, less time in front of the computer. Create best practices and make sure they're repeatable and consistent.

Optimizing the design for profitability early in the design process is an important benefit of automation. It used to be that somebody might notice too late that if they had replaced one chassis with another they could have gotten a higher vendor rebate. Automation can make those replacement options visible during the design.

But the biggest benefit is the ability – in one consolidated solution – to create a solution design out of the box instead of using paper napkins, Visio diagrams, slides and spreadsheets.

Then there is analytics, correlating data from multiple sources – vendors' point-of-sale data, distributors, the solution providers' systems themselves – to gain business insights on what they're selling and quoting and how to optimize that, and to influence the user behavior.

#### **CP:** You're pulling in an enormous amount of data, and it's data that, from what I've seen, changes quite often. Vendors are always rolling out new incentives, pulling incentives, updating product lines. How do you ensure you have the most up-to-date data?

**IB:** We work very closely with different vendors, and continuously evolve and enhance our coverage of them. We get their product data (automated or not) including pricing and all the rules associated with the product and how to build the product and solution, and also the programs and promotions. We extract vendor data daily and deliver it to the solution providers.

Our customers can also model their own data and services, where most of their profit is. They can add their private content to our KnowledgeBase and also create their own bundles, packages, and go-to-market strategy.



For example, we model Sprint Business managed services on our platform: hosted, cloud, SIP trunking, or anything that Sprint sells, so their sales team can include them in Sprint quotes. In the past if the customer said, “Can you manage it for me?” Sprint had to say, “I need to bring the managed-services team. We’ll get back to you in a couple weeks.” With Netformx, Sprint can create the design in front of the customer, implement the managed-services or hosting rules on top of the design, and in 10 minutes give them a new proposal.

**CP: How does Netformx help maximize solutions provider margins in complex programs?**

**IB:** For example, for a Cisco program that ended at the end of July, all the products needed to be shipped by Oct. 24. We showed the partner, “You have \$39 million of orders that need to be shipped by Oct. 24. If you don’t ship them you have \$2.5 million in rebate at risk.” We also take the deals that we consolidated from the different point-of-sale data, apply the rebate rules, and compare to what Cisco is saying. If not the same, we highlight the exceptions to the partner.

In another example, a ChannelXpert user noticed that they were selling a lot of distributor-branded services as part of their maintenance contracts. But distributor service margins could be 5 percent. For vendor services, 30-40%. But their own branded service could have a margin of 60-70%. Using ChannelXpert they suddenly realized: “Whoa, we buy the majority though distribution, and that’s really impacting our bottom line.” They added their services to our KnowledgeBase, so now their branded services are at hand when sales generates a quote. And they can create rules to automatically ensure branded services are added to the quote.

**CP: The overhead is kind of mind-boggling.**

**IB:** Yes. Just this week we’re working with a partner who sells \$50 million or \$60 million of Cisco, and their VIP rebate for the last period was about \$1.5 million. They knew they won this big deal that was highly profitable from a rebate perspective, but they only got rebates from part of the deal, since they didn’t check that every line item was accounted for. Actually they were missing about \$200,000 in line item rebates that just fell through the cracks.

**CP: It’s like the tax code. How do people keep track?**

**IB:** What I’ve found is that smaller partners assume they’re getting all the benefits they’re supposed to be getting. Or even if they suspect that they aren’t, they just don’t have the resources and expertise to deal with it. When I meet a new partner, I ask them, “Do you challenge any of your rebates with Cisco? Do you open cases with them to get everything you earned?” And half the time, they don’t even know that the option exists.

**CP: Do you have competitors? Who is trying to do the same thing you’re doing?**

**IB:** Solution providers that aren’t using Netformx may use Cisco’s online configurator to create a Cisco bill of material and maybe an Excel price book and spreadsheet for another vendor. Yet another vendor may have a portal. Then they pull it all into a Visio diagram and maybe into a spreadsheet to create a quote. It’s a very manual process.

The majority of our revenue comes from subscriptions to our KnowledgeBase, because even the best configurator is pretty worthless if you don’t have the content and the rules. Our ability to deliver not just the engine but also the knowledge is crucial.

For more information on Netformx visit [www.netformx.com](http://www.netformx.com) or contact [sales@netformx.com](mailto:sales@netformx.com).