Avnet adds responsiveness to the demand chain through automated information delivery.

Overview

■ **Challenge**
With competition among IT distributors stiffening, Avnet needed to strengthen its relationships with suppliers and resellers by giving them the tools—value-added services—that help them stay ahead of the competition.

■ **Why Become an On Demand Business?**
Avnet needed to deliver services and information to help its suppliers and resellers become more responsive, yet remain flexible enough to adapt to their existing processes.

■ **Solution**
Avnet teamed up with IBM Business Consulting Services to create Channel Connection, a flexible, highly automated portal solution that provides suppliers and resellers with personalized, realtime information to optimize their decision-making.

■ **Key Benefits**
- ROI of 360% in first year
- 37% increase in productivity for sales operations staff
- 30% increase in application development and support productivity
- 82% reduction in resellers' order cycle time, 85% reduction in supplier-side cycle time
- 58% of reseller orders fully automated from end to end

Avnet provides suppliers like IBM with access to thousands of resellers.

Based in Tempe, Arizona, Avnet Partner Solutions is North America's leading value-added distributor of enterprise computing solutions, storage, software and services. A unit of $9 billion Avnet, Inc. (www.avnet.com), Avnet Partner Solutions' essential role is to provide a bridge between suppliers (such as IBM) and thousands of resellers (which interface directly with customers). While technology has fundamentally reshaped the foundations of the IT distribution arena, one core principle has held true—distributors like Avnet Partner Solutions

"Technology has enabled us to reach out and provide IT support for our resellers and our suppliers—to lift them up and make them more competitive. That's a big part of how we measure our success, and how we've become more on demand."

–Bill Chapman, Chief Technology Officer, Avnet Inc.

ON DEMAND BUSINESS™

On Demand Business Benefits
• ROI of 360% in first year of deployment
• 37% increase in productivity for sales operations staff
• 18% reduction in the number of servers under administration due to server consolidation
• 20% reduction in overall IT costs
• More than $1 million in application support cost reductions
• 82% reduction in resellers' order cycle time, 85% reduction in supplier-side cycle time
• 58% of reseller orders fully automated from end to end.
• The system's flexibility has boosted reseller recruitment, contributing to Industry leading revenue growth
• Automated information delivery has led to improved responsiveness for suppliers and resellers

"We can't expect our suppliers and resellers to turn their business processes upside down. Our role is to facilitate innovation, not impose it."

–Bill Chapman

("Avnet") are under constant pressure to differentiate themselves from competing distributors by proving their worth to their suppliers (whose products they distribute) and resellers (which interface with customers). The bulk of distributors' added value has traditionally been the inventory buffer they provided between suppliers and their channels, along with services and programs. By freeing suppliers to focus on their core processes, and giving resellers the customized support they needed, distributors promoted efficiency and process optimization throughout the demand chain.

With the rise of on demand business, distributors' focus has shifted decisively toward the value-added service side. Indeed, the ultimate measure of a distributor's value is the degree to which it can help its suppliers and resellers compete more robustly and respond to the market more nimbly. For instance, distributors need to support rapid, effective decision-making by providing more demand-related information upstream to suppliers, thus helping them meet the challenges of a dynamic marketplace. They also need to lighten the administrative and operational burdens of resellers so they channel more of their scarce resources into selling products and optimizing their strategies. To do this, distributors like Avnet need to leverage their strategic position—at the crossroads of the demand chain—to not only gather critical information, but also to make it available to suppliers and resellers so they can make more informed decisions and be more responsive to opportunities.

Helping suppliers and resellers—on their terms

Avnet saw that by creating new processes that leveraged its business intelligence it could strengthen its relationships with its suppliers and resellers by making it easier to do business with Avnet as a company. But Avnet also saw that for its new processes to truly make it easier, they had to adapt to suppliers' and resellers' existing business processes— and not the other way around. It was important, says CTO Bill Chapman, that Avnet do things their way. "We can't expect our suppliers and resellers to turn their business processes upside down," says Chapman. "Our role is to facilitate innovation, not impose it." Adaptability was the center of yet another challenge—the need to deliver business intelligence to its suppliers and resellers at the right time and in the right context. For example, the needs of a reseller working an opportunity vary at different points in the sales cycle—from lead generation, to proposal and quote design, all the way to closure.

To meet these challenges, Avnet needed a system that was powerful yet flexible enough to integrate with all of its suppliers' and resellers' existing business processes (limiting pain). Flexibility was also key because it lowered the barriers for new suppliers and resellers to begin using it, thus making it more attractive for them to partner with Avnet.

Automated information delivery means more responsiveness

To achieve these goals, Avnet teamed up with IBM Business Consulting Services to create Channel Connection, a flexible, highly automated portal solution that delivers personalized, realtime information to its suppliers and resellers on demand—what they need, when they need it. By integrating tightly yet flexibly with supplier and reseller processes, Avnet is now better able to share its vast knowledge-based assets with them. For resellers, the ease with which they can "plug into" the system means that even the smallest company can become an on demand business with minimal investment in IT resources. Doing so enables them to access personalized, up-to-date intelligence, including historical and trend data that can be used to support their decision-making and identify new revenue opportunities. Call it "success by association." Channel Connection's defining feature is an ability to augment—and simplify—transactions automatically by reaching into a centralized data store (that holds a wide range of operational information) and populating the reseller's transaction with this information. Enriching transactions with data helps to streamline them by nearly eliminating manual tasks like matching invoices to Purchase Orders.

By automating and customizing the delivery of information, the system provides Avnet with potent sense and respond capabilities, where supplier and reseller activities trigger fully automated processes or delivery of context-specific information. With a more efficient process flow in place, Avnet has cut the time it takes to process reseller orders by 82 percent, while the cycle for processing upstream orders (placed by Avnet to suppliers) has fallen 85 percent. The solution has also promoted more visibility across the demand chain. For example, resellers now receive more personalized, relevant information on order status, customers and products, as well as the ability to exchange instant messages with Avnet and suppliers. Suppliers, on the other hand, can now detect downstream transaction activity at the reseller level at all phases of the transactions. The system also provides suppliers with an effective conduit for feedback about the relative effectiveness of their reseller programs, thereby providing a basis for action.

Along with developing sense and respond capabilities, Avnet saw the need to establish world-class resiliency. With information the lifeblood of Avnet's business model, the need to keep its systems running at peak performance was absolute. To this end, the company decided to embrace open standards as a means of

Key Components

IBM Software

- IBM WebSphere® Commerce
- IBM WebSphere Application Server
- IBM DB2® Universal Database™
- IBM Tivoli® SecureWay®
- IBM Lotus® Notes®
- IBM Lotus Instant Messaging
- IBM High Availability Cluster Multi-Processing (HACMP™)

IBM Servers

- IBM eServer™ pSeries® p690, p640
- IBM Intel-based processors

IBM Services

- IBM Business Consulting Services
- IBM WebSphere Commerce Development Laboratory (Toronto)

Business Partner

- Vignette

Avnet Technology Solutions headquarters, Tempe, Arizona

reducing system complexity, which in turn would make it easier to harmonize and streamline the processes used to manage these systems. In reducing the complexity of its IT environment, Avnet saw the opportunity to free up IT support staff to rollout new capabilities—making the company even more responsive to its suppliers and resellers.

Suppliers using Channel Connection also benefit from the system's inherent flexibility. Before, if a supplier like IBM wanted to receive more information from Avnet at the time of transaction, Avnet would need to alter some or all of its 11 ERP (Enterprise Resource Planning) systems. But because Channel Connection was designed to operate alongside Avnet's ERP systems, using standards like XML, the change can be made rapidly and simply, with no process changes required. This same plug-and-play flexibility enables companies acquired by Avnet to keep the good processes they have, while at the same time leveraging the best of what the Channel Connection solution has to offer.

IBM technology and expertise critical—from vision to reality

While Avnet is IBM's distributor, it is also a major customer. Indeed, IBM technology was as critical to the deployment of the Channel Connection solution as IBM's broad expertise. Before any systems were deployed, Avnet's Chapman and his team had met with a wide range of high-level IBM staff to frame the concepts—like flexible integration—that would become the Channel Connection solution. Ultimately, Avnet selected IBM to help design and deploy the solution because it wanted a partner that had the broad resources needed to succeed. Chapman explains: "We knew IBM delivered on its commitments and that they'd be there over the long haul. In the end, it was a question of longevity, integrity and competency—and IBM has all of those elements."

IBM organizations key to deployment included IBM Business Consulting Services (for solution design, integration issues and security) and the IBM WebSphere Commerce Development Laboratory in Toronto (for software installation, performance optimization and product support). Running on IBM eServer pSeries and IBM Intel-based servers, the solution employs a mix of IBM and IBM Business Partner software products. The solution's core is powered by WebSphere Commerce for transactional and order management features and IBM Lotus Notes and Vignette V7 for informational features. IBM Lotus Instant Messaging provides browser-based instant messaging and meeting spaces behind the firewall. In addition to providing the integration platform with

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suppliers and resellers, WebSphere Commerce served as the primary tool for authentication due, says Chapman, to the "superior robustness" of its security model relative to traditional LDAP approaches.

Towards an on demand future

Channel Connection has clearly delivered for Avnet's suppliers and resellers by making them more efficient and more responsive to market opportunities, and strengthening their relationship with Avnet. Just as important, the system has delivered an impressive array of benefits for Avnet itself. In addition to a growth rate that leads the industry—due in part to the recruiting appeal of Channel Connection to new resellers—Avnet has become more efficient and cost-effective. Indeed, nearly 60 percent of transactions are fully automated from end to end. Another hot spot is IT administration. By going with high-end pSeries servers for the system's infrastructure, Avnet was able to cut its servers by 18 percent, leading to a 20 percent reduction in overall IT costs. Server consolidation also enabled Avnet to streamline its systems administration, yielding a 30 percent rise in IT support

staff productivity and more than $1 million in support cost reductions.

Going forward, Avnet plans to further strengthen its on demand capabilities by adding predictive capabilities to the Channel Connection solution. All along, says Chapman, Avnet will be guided by the central goal of doing things the customer's way. "Our flexibility means we adapt quickly to our customers' needs, so they can compete better," says Chapman. "We see on demand technology as essential to that equation."

For more information

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