





THE RISE OF ISVs

As the IT marketplace and customer buying patterns change, a new set of partners, the ISVs, rise to the top

By Radhika Nallayam

Illustration by Unnikrishnan AV

TWO YEARS ago, IDC, the global research agency, came up with an interesting study. It was on ISVs — Independent Software Vendors — a not-so-vital community in the IT industry back then. The study was part of IDC's Asia-Pacific ISV research, which looked at local ISVs within a number of key markets in the Asia-Pacific

region. The gist of the study was like this — IDC expects that ISVs would be key influencers in unlocking the potential that India holds for large global technology vendors.

It also predicted the rise of ISVs in countries like India, over the following couple of years and how they would lean towards domain specific applications to uniquely position themselves in the market. The ever-growing compe-

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tion in both local and international landscape has driven local ISVs to innovate and create unique expertise as providers of applications serving particular market segments; providers of complementary applications to big industry players; or to position themselves for acquisition, said the study.

The study also put forward some role models for ISVs. It quotes Sureshpal Singh, the then Senior Research Manager of IDC's Asia-Pacific Consulting, SMB and Channels Research, as saying, "A textbook example that many local ISVs in

India would aspire to emulate is how Infosys leveraged its Finacle core banking application to become hugely influential in the FSI space and thus attracting a technology alliance with Oracle. Finacle has now been closely integrated with Oracle's E-Business Suite of applications, creating access to new customers and markets for both companies. Another prime example is how iFlex, an influential Indian based core banking ISV, was recently acquired by Oracle."

He also mentioned that ISVs were key influencers in the selection pro-

cess for the other components in the solution stack. "Many end-users are selecting hardware platforms and brands along with database software based on the technology alliances and the recommendations of the provider of their core software applications. In return, these recommendations are based on the technology alliances that the ISV has. We expect ISVs to continue to grow in importance as a key route to unlock the potential that India holds for large global technology vendors."

Sometimes, predictions can be

As an ISV, we can dictate the platform for the customer



SunTec, a provider of relationship-based pricing and centralized billing solutions, was named one of the 21 'Most interesting Independent Software Vendors (ISV) in India, in 2007 and

2008 by IDC. Manu Balachandran, Global Head, Business Alliances, talks about the company's association with various technology vendors.

What were your reasons for partnering with leading technology vendors in the industry? What are the advantages that you get as an ISV? There are a few reasons why I should partner with an IBM or an HP. If my software is running on IBM's platform, I need to ensure that any new releases of IBM are compatible with my software. So, I need to have a pre-release testing with them. Therefore the partnership will allow me to use their labs to do the pre-release testing for compatibility. It also ensures that our software meets certain benchmarking. For example, if I want to show that my software would handle say, 25 billion transactions per hour, I can not go and buy the entire stack of IBM to simulate this environment in my place. So, I make use of the IBM lab facility to do this benchmarking as well.

And what does the vendor get in return in this partnership? Suppose I get into an RFP situation, there is a high amount of chance that I can dictate the platform. It's because I am confident that my software would deliver the expected results on an IBM or HP platform as I have already done the testing. This is what the principals are expecting from an ISV partner.

The primary need of the customer would mostly be around the software and the platform is only the secondary need. So, the software vendor definitely has a say in choosing the platform. If I recommend a particular platform, a sale happens for that vendor. However, I do not get any financial gain by recommending or referring a particular platform. But that vendor enabled me to do the pre-release testing. That's the kind of a win-win relationship that has been created between a principal and an ISV at level one.

So there is no commitment between the vendors and you? There is second level to this partnership where the principal expects some commitment from its ISV partner. At the first level, there are no commitments between both the parties on passing on some business. Almost all the vendors today have introduced different types of packages for their ISV partners in different names. In a combined solution, principals want us to bundle their product. We are given

a very good percentage of commission when we make a sale. Some programs are good. They don't have aggressive sales target for us. So, we are moving towards the second level.

Do you make commitments at the hardware-level partnerships as well? At the hardware level, we really don't have a say with the customer, so we do not get into any commitment. Besides, the commission that we get in a hardware deal is very low. So, we are really not keen on this part. That is not the case with the middleware, where we get up to 60 percent commission from some principals. In addition, we can play a crucial role in selecting the middleware. However, hardware-level partnerships are important if my offer includes managed services.

What more do you stand to gain when you partner with such large vendors? There are a few more benefits. For example, we are now part of IBM's 'partner world'. So, our name is referred in the IBM website, which is an advantage. We can also mention in our marketing collateral that we are premium partners for IBM. The percentage of commission is also quite high. For a small company like us, the partnership with IBM increases the bandwidth. And it only takes a little extra effort to get this advantage.

more-than-accurately true. Today, ISVs have just become what IDC predicted in 2008 — key influencers in the buying process of customers. As a result, all major vendors, be it HP or IBM, Oracle or Microsoft, SAP or Tally, are quite aggressively promoting a joint relationship with multiple ISVs, especially with those who are focused on specific domains. Some of the ISV's in the country have in fact worked their way along to be as big as an Infosys. And as the major technology vendors start focusing on ISVs, they in turn are becoming more important in the IT value chain and seem positioned for rapid growth in the days to come.

THE INEVITABLE LINK

Are ISVs an additional route to market for the technology vendors? While a partnership with an ISV would definitely open the doors to a new set of customers in a new market, many vendors consider these partnerships as an important strategy in selling their offerings. Vendors believe that ISVs enable them to come up with a complete solution at a convincing price. They probably also understand the fact that an ISV can play a critical role in pushing their platforms to customers. In India, specially, such product companies are becoming more and more important. Technology vendors and customers are realizing that and are willingly coming forward to work with ISVs.

Customers are realizing that there are capabilities that only the product companies would be able to provide them, especially the domain knowledge that the ISVs bring in. "It's a welcome development and a change

SPECIAL BENEFITS FOR ISVS

A quick peek at what special programs do the vendors have for their ISV partners

HP AllianceONE program offers three tiers based on a partner's innovation, integration and investment of time and resources. Partners get increased visibility, high RoI and technical assistance.

IBM Industry Solutions for ISVs ensures access to new technology resources, technical assistance for development and delivery, joint business development investment, and an opportunity to co-sell with IBM

Novell PartnerNet Program provides free software and software development kits, additional technical support, and access to the SUSE Linux Enterprise Software Catalog. SUSE Appliance Program from Novell is designed to help ISVs significantly expand their routes to market by enabling them to quickly create test and deploy software appliances through a network of value-added reseller.

Microsoft Partner Network has 2 levels -- silver and gold -- with varying degrees of commitments and benefits built in for ISVs. It offers ISVs the Microsoft Platform Ready Initiative (MPR) whereby an ISV can test their application compatibility with the latest Microsoft platform for free

that has evolved in the last couple of years. The interest level of vendors has picked pace in the last two years," says Manu Balachandran, Global Head, Business Alliances, SunTec. This deep domain expertise, definitely, is the differentiator for an ISV in the Indian market place.

HP, for example, is a company that has a large focus on ISVs. The vendor has around 6000 ISV partners globally of which an estimated 250 are in India. "HP is an infrastructure solution vendor and it does not make applications. But the application piece is very critical when you look at the buying patterns of customers. When a customer decides to deploy a solution, the application piece comes first. So it

is important to align with application vendors and ISVs," says Faisal Paul, Head, Marketing and Solution Alliances, Enterprise Server, Storage & Networking, HP India.

He says that these partnerships also help the company understand the exact requirement and nature of a customer. HP has some large global alliances with companies like SAP, Microsoft and Oracle. But it gives equal importance to the association with local ISVs as well. "If we look the portfolio of deployment that the enterprises are going for, there is a huge amount of vertical and micro-vertical solutions as well. For example, in banking, healthcare, education, etc, there are a lot of specialized ISVs.

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So it's very important for us to take our platform and work with them. We also work very closely with the ISV in some very niche verticals like jewelry, especially in the SMB market," adds Paul.

HP has also introduced specialized programs for these specific verticals and thus ensures that these relationships get as much importance as the global partnerships that the company has with the likes of SAP and Oracle. HP ensures that the alignment with ISVs is elaborate and it collaborates with these ISVs at each level starting from the funnel development to GTM to sales.

The partnership world in the IT industry has evolved over the years and ISVs are undoubtedly becoming an important part of the chain. Most of the technology vendors have sensed this change and are considering ISVs as the best way to push their hardware and middleware. Thus the concept of 'bundling' has picked up pace in the recent years. Besides, vendors also realize that it's a straight forward model to reach out to a customer and it does not actually require a lot of sales effort as the ISVs can largely influence a customer. ISVs thus become a very interesting and smart channel to augment their sales.

Microsoft is another vendor that has immense focus on ISV relationships. Says Rajeev Mittal, General Manger, Small and Medium Enterprises, Microsoft India, "ISVs are key to the success of the Microsoft platform because they make the platform relevant for customers. Microsoft partners offer the last mile of productivity to the customers. It is the partners who are responsible for verticalizing the solutions which we develop, to suit the requirements of specific industries and then the specific businesses also. This helps businesses get by way of IT solutions, exactly that which is optimal for their business."

More importantly, as all vendors are looking at making their solutions more complete, they align with the ISVs to come up compelling solutions. They try to add more value and ensure that the customer does not have to go elsewhere for his requirements. The vendor is also able to increase its

services top line and margin through ISV relationships. So, it's a win-win situation for both the parties.

ISVs partnerships are much more important for open source vendors for very obvious reasons. In fact, these vendors are accountable for the growth a large number of innovative ISVs. Novell, for instance, has more than 5000 software applications that are fully certified on the latest versions of its SUSE Enterprise Linux, with ISVs contributing an average of 150 new applications each month.

"As more and more customers are adopting Linux for critical applications, and in particular Novell's Linux distribution, ISV partnerships are increasingly becoming important for us as this ensures availability and

increasing our reach in the market.

In India, our goal is to maximize the sales that happen through our partners. About 60-70 percent of our sales are partner-led. Our sales team basically focuses on supporting our partners. It gives us access to the vast customer base of our technology partner. HP, for example, already has a widespread customer base and we jointly address a lot of up-selling needs," says Lakshman Narayanaswamy, VP Products and Co-Founder, Sanovi Technologies, an HP partner.

As the level of customization is pretty high, the ISV works closely with its partners in integrating its software to their platform. Apart from HP, Sanovi also work with Wipro, IBM and many other leading

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FAISAL PAUL, HEAD, STORAGE & NETWORKING, HPDING- APAC, NAVIGATOR SYSTEMS

ISVs are key to the success of the Microsoft platform as they make it relevant for customers. Partners offer last mile of productivity and are responsible for verticalizing the solutions.



RAJEEV MITTAL, GM, SMALL AND MEDIUM ENTERPRISES, MICROSOFT

top of mind recall for customers. We are working with almost all the significant local players, especially in the financial and eGovernance space. While we could roll out a list of names, we are not doing so, due to competitive pressures," says Sandeep Menon, Country Head, Novell India.

A TWO WAY STREET

While vendors have compelling reasons to have tie-ups with the local ISVs, there are many advantages that an ISV would get in return. The most attractive reason is the reach that the ISV would achieve by partnering with a global technology giant.

"We are a product company and our market reach is smaller compared to a large vendor like HP. So a major part of our sales effort is around

technology vendors and this has been the go-to-market model for the company right from its inception.

Balaji Sreenivasan, President and CEO of Aurigo Software technologies, a Microsoft-certified ISV says, "Interestingly, our partnership with Microsoft is very significant in the India market, though it's not that important outside India. That's mainly because the industries that we serve are fairly matured in other parts, while in India they are just booming. So, the Indian customers are very unlikely to buy a stand-alone construction management software. They would be keener on deploying an ERP suite. So a combined solution works better. Microsoft-led business contributes to about 60-65 percent of our revenue in India."

Aurigo finds it easier to push its products among its target customers as Microsoft Dynamics is already pretty popular and widespread in the SMB segment. Besides, the ISV is able to better convince its customers about a combined solution. Its customers understand the advantages and the lower TCO that a combined solution from Microsoft and Aurigo would offer than buying a base ERP platform and then customizing it.

However, apart from increasing the reach, ISVs have a few more advantages working with a technology vendor — at the hardware, middle-ware, and software levels. They get access to the technology centers and lab facilities of the vendors and are thus able to test their products on the vendor's platform and certify it, without really investing much. This gives them the confidence to promise their customers about the results and also recommend them the right platform.

Aurigo, for example, has received the highest level of certification from Microsoft and its product is tightly integrated with MS Dynamics platform as though it's a Microsoft product in itself. The company has access to the principal's global technology center during the process of building and later while integrating the product to the vendor's ERP platform. The company is also part of the vendor's Early Access program that allows the ISV to get access to the latest version of Microsoft products even before it gets released.

Besides, the ISVs also get benefits out of the joint marketing and lead-generations programs of the vendors. "Though about 30 percent of our

Who Pulls the String?

When an ISV partners with a vendor and starts working closely with its traditional resellers, certain uncertainties are bound to surface. There are many factors that obstruct a smooth relationship between an ISV and a VAR or SI. The challenges include factors like who would front-end the deal, who would support the customer, and how would the revenue or margin be shared. Once again, vendors play a key role here and ensure that the ISV and the VAR or SI comes up with a fruitful relationship.

"The biggest concern that we have while working with a reseller partner of a vendor is, 'what will happen when something goes wrong at the customer's place'. Whose responsibility is it to address the issue? IBM has made it clear that it's the local reseller's responsibility to manage those things. So, we don't really worry about that part," says Manu Balachandran, Global Head, Business Alliances, SunTec.

"We have come across certain issues at times. In fact, there are bound to be some issues as there are multiple partners involved. However, we have realized an early engagement from our side with both the parties would stop a lot of issues from happening. Whenever an issue pops up, we sort it out with close engagement with our partners and our partners respect that level of involvement," says Faisal Paul, Head-Marketing and Solution Alliances, Enterprise Server, Storage & Networking, HP India.

In most cases, vendors and partners jointly make sure that the customer does not have to interact with multiple suppliers as this would only result in confusion. Some large ISVs in fact restrict their relationships to the vendors. They however chip in with the required support and training when the implementation takes place.

business in India comes through our direct sales force, we definitely see an advantage working jointly with partners like HP. They are definitely big names when it comes to enterprise customers. So, we do see a value in working with them and ensuring that our products sit rightly on their solution. The brand that they carry and the right integration they offer are definitely very attractive," says Narayanaswamy of Sanovi.

In addition, these partnerships also allow ISVs to project themselves as an en-to-end solution provider and give them an advantage. "It helps the ISV partner shorten sales cycles because the customer does not have

to face too many vendors — an application vendor, operating system vendor, hardware vendor, system integrator, and so on. The fact that we help ISVs come with one single set up / appliance serves as a cost advantage for customers as well as helps them simplify the entire sale process and decouple it from being controlled by other infrastructure vendors," says Menon of Novell.

A LA CARTE PROGRAMS

As the ISVs start playing a key role in the sales cycle, vendors have come up specially designed programs for these partners. They also ensure that these ISV partners are felicitated and award-

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ed regularly. One of the recent case in point is the "ISV Summit" organized by HP where the vendor recognized the top 5 ISVs that made significant contributions in growing its revenue in India and also arranged a platform for these ISVs to present their success stories.

The vendor also came up with its new AllianceONE program, designed for its ISV partners as well as Independent Hardware Vendors (IHVs), SIs and OEMs to team with HP to deliver solutions that can be integrated and tested across servers, storage, management software, networking, power & cooling, security, and services. The advantages of this program include increased visibility and better RoI, among many other things says the vendor.

Microsoft also has special initiatives for its ISV partners. The vendor works very closely with partners who form its key route to market and almost 99 percent of Microsoft's business is transacted through its extensive network of over 10,000 partners in India. This partner network consists of SIs, VARs and ISVs spread across the country. All these partners are part of the Microsoft Partner Network (MPN) which is the newer version of the Microsoft Partner Program (MSPP).

Under MPN, Microsoft has special initiatives for ISVs. "Achieving the ISV competency comes with a set of core benefits for ISV. We have 2 levels — silver and gold — with varying degrees of commitments and benefits built in for ISVs. We also offer ISVs

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MANU BALACANDRAN, GLOBAL HEAD, BUSINESS ALLIANCES, SUNTEC

the Microsoft Platform Ready Initiative whereby an ISV can test its application compatibility with the latest Microsoft platform for free," explains Mittal.

Bizspark is the vendor's another initiative designed for incubating start up ISVs. The vendor also offers Microsoft action pack for design and development whereby the ISVs can get latest edition of Microsoft software and technical support at very nominal cost. Besides, there is a separate royalty program whereby ISVs earn special discounts. The vendor also offers telesales and go-to-market support for ISVs.

Many vendors who work closely with ISVs are often faced with many questions regarding what kind of opportunities can a partner program provide and what services can the program offer to help ensure success-

ful deployment of the vendors' applications. Especially in the open source world, technical assistance and hand holding through the certification and porting process, new revenue potentials, removal of vendor lock-in and innovative platforms that allow them to bring solutions to market quickly become vital.

Novell, as a reason, has very interesting programs for its ISV partners. "In India, we run an extension of our global ISV program that has over 6000 certified ISVs. This makes us one of the leaders in ISV certifications in the Linux World. At Novell, we offer ISVs the opportunity to certify their applications on the SUSE Linux Enterprise platform and through Novell's PartnerNet Program, we offer technical assistance for porting and migrating applications, including Mono porting for Microsoft.NET applications, in conjunction with any third-party control vendors, system integrators and value-added resellers with whom ISVs and their customers do business. Novell also provides free software and software development kits (SDKs), additional technical support, and access to the SUSE Linux Enterprise Software Catalog," says Menon of Novell.

Novell's ISV team provides the technical enablement to easily port applications (whether they are Linux, Unix or .NET-based) to SUSE Linux Enterprise as well as various support options for smooth and seamless deployments. And once their application is certified, ISVs can list it in Novell's SUSE Linux Enterprise Software Catalog to reach a broad spectrum of potential customers. Additionally, the SUSE Appliance Program from Novell is designed to help ISVs significantly expand their routes to market by enabling them to quickly create test and deploy software appliances through a network of value-added resellers.

BM Industry Solutions is another such initiative that lets ISVs gain increased access to, and investment from, IBM to grow their business in one of nine specified industries.

PARTNERING WITH PARTNERS

The key to the success of any ISV is

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BALAJI SREENIVASAN, CEO, AURIGO TECHNOLOGIESS



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SANDEEP MENON, COUNTRY HEAD, NOVELL INDIA



the partnerships that it makes in the industry. While technology partnerships are important, equally important is the relationship that the ISV should maintain with the traditional resellers of vendors. Most of the vendors do understand the need for these two channels to work together and ensure that it happens.

Menon of Novell explains how the company values the relationship between its ISVs and resellers. "At Novell, we offer ISVs access to our extensive ecosystem of not only resellers but also system integrators and channel partners as well, which gives ISVs the opportunity to promote their solutions. The basis of our strategy is in enabling ISVs to create a full stack software appliance on top of SUSE Linux, which are standards based and easily deployable on all popular hardware. They control the entire stack through an OEM agreement. This ensures that they have customer control, profitability and the simplicity of the solution makes it easily marketable through channels."

Here the Novell channel network kicks in and helps ISVs take their solution to market and also deploy the same within a customer's organization. "Even though we have separate routes to market through resellers and ISVs, we have created an ecosystem of dependency and co-operation that creates a win-win situation for all of us," adds Menon.

The case of Microsoft is not different too. "Microsoft will always promote its partners working closely together since it is a win-win situation for partners when they work like a cohesive unit where each can sup-

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LAXMAN NARAYANASWAMY,
CO-FOUNDER, SANOVI TECHNOLOGIES

port the other. This extends itself to ISVs and resellers as both have their strengths which they can leverage off each other. The resellers have a large base and reach which ISVs could leverage to take their solutions to the customers, while the resellers can work more closely with ISVs to enrich their own portfolio of offerings to the customers," says Mittal.

HP is another vendor that has put in a lot of effort in building micro vertical ISV-HP-Partner triangulation strategy for the Indian market. The vendor's 'partner triangulation' series of event was kicked off recently in multiple cities. "Our ISV partners can piggy back on the large ecosystem of channel partners that we have in the country," says Paul of HP.

ISV partners also understand the need to work with the traditional resellers of their principals. However, they are very careful while choosing who to work with. "We do work

with the resellers of our principals, though it depends largely on the sophistication that a partner can bring to the table. A solution like disaster recovery demands high level of commitment and skills. So, we primarily focus on high-value partners of our principals who can bring that kind of sophistication, who can talk effectively about our products and carry our service line. Right now, our interaction is more with the principals and their tier-1 partners," says Narayanaswamy of Sanovi.

The biggest challenge, say the ISVs, while working together is to be focused on what the customer actually wants. As a result, the ISVs have to put in the required investment to ensure that the partner and principal understand its product. It is also very important for the ISV to ensure that the reseller or the SI articulates the advantages of its product in an independent manner. They also need to make sure that the resellers are not giving false promises to the customers. ISVs also need to play a crucial role during the development and implementation of a solution. Thus it's important for all the three parties — the vendor, ISV and the reseller — to ensure that the links are strong.

New relationships are formed in the ISV space on an everyday basis. However, this ecosystem is yet to become full-scale and matured. Though there are plenty of ISVs in the industry, there aren't too many companies that have witnessed immense success and attention from technology vendors. However, it's only a matter of time before we see a huge number of success sagas in this space. ■

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