

Cover Story

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Answering The Call

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A few years ago, A&T Systems and AB&T Telecom, though almost neighbors, would never have even crossed paths. As a solution provider and 8(a) contractor, Silver Spring, Md.-based A&T usually bids on, and wins, government contracts all on its own. AB&T, Gaithersburg, Md., is a master telecom agent that usually works with the more than 30 telecommunications carriers and service providers with which it has agreements.

Yet last year, when A&T was vying for a prime contractor slot on a set of GSA contracts, the VAR's executives realized they could use some help. The contract work was heavily telecommunications-focused, with project requirements, such as developing master telecom plans, that were well outside A&T's expertise in equipment and professional services. "This was way beyond our scope, so we brought in AB&T Telecom as part of the team," said A&T President Robert Williams.

The decision paid off. When the project was formally launched in February, the VAR and the telecom agent together were named one of 17 prime contractors on the \$35 billion set of contracts. Via the new partnership, AB&T and A&T will jointly deliver a broad mix of solutions that include traditional carrier services, Web hosting and VPNs, as well as managed services, network monitoring, professional services and software installation and development. "Combining the core competencies of the two companies allows us to attack the federal telecom market more efficiently and effectively," said Emmet Tydings, AB&T's CEO.

This partnership is just one example of the growing convergence of the traditional IT world and the telecommunications space. The effects of that convergence are being experienced on all sides of the equation, from solution providers and telecom agents to IT vendors, telco carriers and service providers. However, reports from the pioneers forging ahead into this new landscape say the transition to a converged world won't be an easy one for any of the players involved.

First off, the two worlds require very different skill sets. Also, telecom agents say VARs and systems integrators are often leery of the telecom market and are sometimes resistant to selling telecom services that are foreign to them. Companies on the IT side, meanwhile, say many telecom companies can have a hard time figuring out just how to work with the IT channel, which uses a system of up-front payments as opposed to the residual payment structure favored in the telco world.

Despite these challenges, the forces driving the two worlds together are powerful: Customers want it, the technology is in place to facilitate it and the economics of it are becoming increasingly viable.

Customers are looking for bundled solutions as they seek to create one internal organization to handle both their IT and communications needs. Technologies such as multiprotocol label switching (MPLS) are enabling network consolidations to come of age, and major telecom carriers including MCI, BellSouth, Sprint and AT&T are moving to a single IP core to transport voice, data and video over a single network. The economic downturn that ravaged the telecom space forced carriers to trim their sales forces and to rely more on indirect sales.

"We know VARs can offer [a] broader solution better than we can alone, which is combining communication service bundles, IT solution bundles including procurement and integration, and business process services," said Margie Tippen, vice president of alternative channels at Sprint.

Carriers and service providers also want to leverage the existing relationships that VARs and systems integrators have within the small-business space, a market carriers have had difficulty penetrating on their own. An additional attractive feature of VARs, carriers say, is their ability to integrate solutions from both sides of the IT-communications fence.

And as more services and devices move to the network, carriers such as BellSouth have found themselves relying more on traditional hardware and software VARs. The RBOC has 300 authorized partners selling its full product portfolio across nine states. "We are running across ISVs, Web shops, VARs, the total spectrum of partners that can provide very sophisticated network integration and hardware and software services," said Estelle Conover, vice president and general manager of BellSouth's distribution channel. "We are also seeing traditional voice [solution providers] meshing with data service providers as customers needs also begin to mesh."

In addition, major IT players have been making moves that lead more and more to convergence. Both IBM's On-Demand infrastructure strategy and Microsoft's Web services play are pushing applications and devices out to the network. Microsoft Chairman and Chief Software Architect Bill Gates recently laid out a strategy to heavily invest in partners developing software for mobile devices. And Cisco Systems is encouraging its VAR channel to work with carriers as part of its IP telephony play.

"It's been talked about for quite some time, but it is happening now because a lot of serious work has been done both on the IT side, as far as developing middleware and servers with telco-specific functionality, and on the communications side, with telco networks making significant investments in next-generation networks in order to have an IP backbone," said Mike Maas, IBM's vice president of marketing for the communications sector business.

Where does this leave solution providers? Smack dab in the middle of all the action, providing the glue that brings it all together for the customer.

"We've seen this coming for a long time, so what we've been doing is forming alliances with the services providers and preparing our VARs to work with them," said Nigel Williams, Cisco's vice president of service provider channels. "A lot of VARs have tremendous expertise from a data-centric perspective, such as [in] LANs and WANs, and can provide a lot of value to the service providers. And VARs can tap into service providers' IP services and expertise."

Cisco VAR Sentinel Technologies has undergone many metamorphoses over the past 21 years, starting out maintaining mainframe computers and later adding Digital and Wang equipment and PC support and networking services. Today, the Downers Grove, Ill.-based company is adapting yet again by migrating toward IP-based services.

"Our evolution into IP services just makes sense, because convergence just makes sense for the customer," said Bob Keblusek, Sentinel's vice president of business development. "A lot of the cost and administration headaches are removed when voice and data are put on one network."

In many cases, Sentinel works with telecom agents to bring a solution together. "We did try to become an agent, but the carriers required too much volume and it caused us

to lose focus on our solution," Keblusek said. "By partnering with [telecom agents] that have many relationships with various carriers, they take care of mapping the best solution based on latency, [Quality of Service], the best performance. They take all the factors together for us, including the back-end billing and ordering processes, and come up with the best options."

For VARs, the appeal of master agents is often their ability to negotiate contacts with numerous service providers. When Seattle-based solution provider AuBeta Networks started developing IP-based solutions for its customers, it ran into problems dealing directly with ILECS and CLECS, said Chris Gay, AuBeta's vice president of channel sales. So it turned to master agent Venicom, Scottsdale, Ariz., for its connectivity needs. "It's much easier now with Venicom, one large brokerage telco outfit, taking care of the negotiations with the [service providers] and handling back-office support," Gay said.

Telecom master agent Allyance Communications Networks, Newport Beach, Calif., said it often gets called in to work with VARs. Recently, Chips Computer Consulting tapped the telecom agent for a project that called for Chips to revamp a customer's network. David Tan, CTO of New York-based Chips, brought in Allyance to assess the customer's phone systems and discuss T1 options. "Allyance gets quotes from six to seven vendors, saves us all that legwork and maintains the partnership with AT&T, Sprint or whoever else he brings to the deal," said Tan.

VARs like using agents as their go-betweens with the big telecom carriers, because often when a VAR approaches a carrier, the carrier tries to lock the VAR into an exclusive relationship, said Quy "Q" Nguyen, CEO of Allyance. "We're seeing our VAR business growing tremendously because they are starting to understand the value that a telecom solution provider brings to their portfolios, and we are carrier-neutral."

In the end, it's still going to take a few more years for the majority of VARs and systems integrators on the IT side to assimilate the necessary technical and sales expertise to make telecom services an everyday part of their IT offerings, said AB&T's Tydings. "There's a lot of gray area," he said in an e-mail to CRN. "Who's to say that VPNs are an IT solution vs. a telecom solution? It's all about the data, but is it the hardware, the carrier transport (i.e., T1, DS3, etc.) or the overall solution that determines the core enabling technology? You'll get many opinions."

Regardless, the movement will continue toward convergence, since many IT solution providers will have to get in the telecom game simply to protect themselves from competitors that are fulfilling the telecom portion of a project and then trying to take some of the IT services piece for themselves, Tydings said.

Others go so far as to predict that the lines between the two channels will ultimately be eliminated. "I was just at the Phone Plus show, and telecom agents and solution providers are looking more and more alike," said Craig Schlagbaum, vice president of channel sales at NTT/Verio, Englewood, Colo. "I see the two channels morphing into one."

David Lowe, director of IP services at Cable & Wireless, said the IT and telecommunications industries are bound to converge, since "everything is moving onto the network." For Lowe, the issue isn't whether the IT and telecom worlds will merge, it's which solution providers will thrive in the converged world. "The ones that survive under this model will be the ones that add more and more value around consulting and advising customers on what technology to deploy on their networks," he said.