



**RT:** I've been invited by Phylip Morgan to attend a member meeting of the Network Buying Group, and I came with some preconceptions of the Network Buying Group and buying groups in general: I thought they were all about driving down costs on products and services that you offer vendors but clearly it's a lot more than that.

Can you give us a little background about the Network Group - what it is, what it does, and what it brings to their members?

**PM:** The Network Buying Group ceased to be a buying group around 2010 actually. We went through a branding exercise and Network Group has been growing since 1994, and it's been called NBG for a long time.

In 2010 there was a need for a lot of our resellers to move away from purchasing, because there's only so far down the food chain you can push price. We asked ourselves some questions:

Is it better for a small business owner to focus all their energy on trying to buy an item more cheaply, when they can only go so far before hitting the law of diminishing returns, or is it better for us to help each of the small businesses to sell more items so that they can make more money that way?

Part of what we do is procurement, and we have large, meaningful contracts with vendors, but the two major areas that most of the community are involved in are relationship-building and collaboration, and providing marketing support to help resellers grow different aspects of their business.

**RT:** My perceptions of the group have radically changed by attending today's event. Based on what I've seen, there's a sense of community and community spirit from the people who are in attendance here.

Tell me a little bit about the types of members you have – it's not just IT solutions providers but retailers too?

**PM:** That's right. I'm tasked with growing the group, and at the moment we have over 50 IT resellers, half of whom are retailers with either a bricks and mortar store or an online shop and supply consumer products to end users.

The other half of the group are B2B solutions resellers, usually without a retail store or online model. They're solutions resellers, moving towards money services more and more as that's where the market is going.

We serve these two areas in one community, and that's the key way that we drive the business forward. If we're dealing with Microsoft, they want to sell us both of their products, or if we're dealing with Symantec, they want to sell the full version as well as the enterprise products. It allows us to have relationship with some of the vendors but also hit both categories as a retailer and as a B2B reseller.

**RT:** If attendees at events like this one are a mixture of resellers, how do you make sure that you cater for the needs of everyone?

**PM:** Some things apply to both resellers and small businesses. The closing talk from today was about how we respond to failure and mistakes when they happen, which applies to both areas.

We run mini sessions and breakouts, and we split attendees into two groups so we ensure we're hitting the agenda in the areas of business that they want to look at. For instance, in today's sessions we were looking at sales, specifically the roles of the salesperson.

We looked at this from the point of view of both the retail environment and in the B2B solutions environment, so we covered the same topic but gave different content delivered in a way to serve the needs of each of the reseller groups.

**RT:** Attending the session for B2B resellers really changed my preconceptions of the group. Everyone was sharing stories openly, discussing successes, failures and lessons learned.

The members of the community are tight-knit and ready to help each other succeed. Do the vendors that you engage with perceive your community in the same way – members all supporting each other?

**PM:** Whether a business is high or low level, it's driven by people and the partnerships they have, and we find our role as a group is to enable those relationships. When we have events, we invite vendors, our supply chain and our distribution partners into that circle of trust.

We want to build deep, meaningful relationships, because if a vendor and a distributor understand the needs of the reseller and you can bring that to a point where they are all on the same page, they all succeed. In the fast moving environment we're in, the market is changing so quickly.

We have retailers from all over the UK, so we have to bring them all into one place and provide them with the support they need. The community members are obligated to attend, because they've made a commitment to the community, and that's how they build deep, meaningful relationships both with vendors and each other.

When good relationships are formed and driven deep, people get honest about their feelings and admit that they're struggling, rather than having surface conversations and pretending they're doing well. Everybody shares their challenges together and we work together to get through them.

**RT:** That's so important, because often someone will tell you at a networking event that business is going well, but then you find out they've gone out of business the following week. They're not honest or lack a relationship to say that they're struggling.

Moving on to the community side of the group: I know they're difficult to manage as a whole, but there's a sense that the Network Group members almost manage

themselves. What are your requirements for people who want to join the group? It's clearly quality over quantity.

**PM:** There are important criteria we look for to keep the group model 'pure'. We have a clear vision of the future we want for the organisation and the culture, even though that's something that's created, not made. If we don't have a vision for the future then someone else will create it for us, so we take the type of culture we're building in the group very seriously.

As we grow it, we need to make sure we don't lose the bits that work. We look for resellers who'll work with each other in a collaborative way, and not everybody is comfortable with sharing things or are willing to do so.

The first criteria we look for is: how does somebody feel about being in a room of other people sharing what they do in their business? New resellers are sometimes taken aback by how much people will share, particularly around their business strategy, but it's important that people are willing to be collaborators.

Secondly, new members are based no more than thirty miles from an existing reseller. There may be some cross-over, but you're not taking over someone else's position as the trusted reseller in their area, as we want people to have their own patch. We look for a key retailer and a key B2B reseller in each geographical area.

Then, to join this group, you must be profitable in three of the last five years. We understand that business is making investments sometimes, and that allows businesses to dip below profit for taxation and other purposes, but you need to demonstrate good profitability in three out of the five years.

And if you are a retailer, you have to be turning over £800K a year or getting towards that figure. If you're innovative, we'll help you through the process, and if you're a B2B reseller, we want you to be turning over £1.2 million or more.

That leaves us with a very small number of resellers in a geographical area. The combination of our criteria means that there are often resellers who would like to join us but aren't eligible. Last year, we turned down 168 applications from people who wanted to join us.

**RT:** A fairly high qualification criteria for resellers to join the group! Can you talk me through what you look for in a vendor, because I know they're a big part of the group.

**PM:** The strategy of the group is that we need to give our customers a choice, and we call this 'preferred vendor status'. That means anyone who makes their own choices in business about why they sell whichever solution they offer.

When we put commercial arrangements in place, for example with a security vendor, the proposition is representative of the volume that's in our group. Across the resellers that we have at the moment, because we make the criteria so high for members, the largest reseller is turning over £40 million, and across the whole of the Network Group, we turn over just over £380 million.

We expect the vendor to put commercial terms in place that reflects that volume within the group, so we'd talk to companies like Microsoft and they would give us enhanced commercial terms which reflect that.

When it comes to choosing PCs or tablet devices, there are two or three brands we could pick, so we'd have to specify two preferred suppliers for laptops and two for tablets, and then we negotiate good commercial terms that stand by themselves. The reseller can then purchase one or two of those brands to give customers a choice as they fit the criteria of the group.

We tend not to choose based on price, but on overall proposition. For example, if we're recommending corporate PCs, we'd suggest Fujitsu or Lenovo, we'd use those them because of their commitment to us.

We'd say to the reseller that we'd want them to lead with one of those brands because they can offer better commercial pricing and receive support from those within to group to build relationships and take their business forward. We wouldn't stop someone from selling another brand too, but that would be crazy when compared to the commercial pricing we can give them on our preferred brands.

**RT:** What about resellers? As well as the community and relationships with vendors, what other benefits do they get when they join the Network Group?

**PM:** How can you put a value on collaboration and learning? That's hard to do. But, in terms of marketing support, we help and enable people to go to market. We also provide services such as cloud and infrastructure, and more general tools for business such as cheap legal support and direct debit clearing services.

To be honest, none of those are the main reasons to be part of this group. People want to join for the collaboration and the learning and to do more, better, faster and differently to everyone else. They want to be part of it to access the marketing we

offer and the underlying commercial terms to help them compete against the people in the market. Those are the primary reasons. Everything else is a bonus.

**RT:** How long has the Network Group been going?

**PM:** We're now in our 21<sup>st</sup> year. It's a cooperative, and it's important to highlight that. It works like this: If you're a reseller, you come to the group and pay a joining fee, and a membership fee for the first three months. After that, if you like the group, we ask you to purchase shares in the company.

If you look up NBG Limited online, the company's host, you will see there's a company with a list of shareholders - the resellers – and that gives us ownership. The structure means I drive the mandate of the resellers, which comes from feedback and discussions on what to look at.

When someone proposes a topic, we look at it in the executive office, decide to present on it and go off and create the content. Unlike many other vendor partner programmes, members aren't victims of someone else's agenda, because we're a cooperative. The community decides what we do in future.

**RT:** I wasn't aware of the level of passion and engagement in the group until I came along to an event. How long have you been part of the Network Group, and what have you seen change in that time?

**PM:** I've been involved since February 2010. After I joined, the country and the industry experienced one of the harshest downturn ever, and that led us to move from being an organisation to being a community. As part of that, people want to support and back each other and create working relationships, all of which is really powerful.

The biggest change I've seen is how the members come together and support each other, because some of the resellers go through some challenging times. I've seen one reseller go down and spend time with another, they've even attended each other's stag dos, so people form meaningful relationships.

This isn't in a fluffy way, they're real, 'we're-in-the-trenches-together' relationships. 'There's strength in numbers' should be our strapline. As we've grown, the strength of what we are as a group has got deeper.

**RT:** What do you see as the evolution of the group? Where will it move forward to, and how are you going to adapt to the changes in the wider IT industry?

**PM:** We've seen a return to BYOD (bring your own device) managed print services and managed services in general. I think the B2B space is going more towards devices as demand increases.

People want a desktop PC or server all wrapped up with AV; the managed service, security, everything-in-one for mobile and for all of their devices. There might be some BYOD element on the mobile end of it, but it's not really designed for the corporate world.

The market is working in a new way and cloud services are becoming a bigger challenge. Vendors want to hold on to those relationships and manage them directly, but they need to be cautious, particularly around security and applications space, because the reseller channel is strong in the UK, and I think they could harm themselves if they continue to try to do that. Changes happen quickly, and we need to enable and equip our resellers for these.

Another challenge for the executive board is that as the group gets bigger, there are more relationships. The dynamics change as a community gets larger. We want to get to a position where no matter where someone lives in the UK, they're not more than 35 miles from an NG reseller. It's going to be difficult but fun to manage a group twice or three times the size it is now.

For IT resellers out there finding the industry challenging, they should join us, because we're stronger together, especially when we can add value to each other. They may also be able to help other resellers to grow.