6.6   Value Added Resellers: (5-10,000)

Value Added Resellers (VARs) and Value Added Dealers (VAD) carry highly specialized packages, systems, and vertical software.   As PCs become a commodity product, VARs are selling less and less hardware and are more dependent on software sales for revenue.   Given the small size of these firms (many have only 1-12 people) and the rapidly changing nature of the software market, VARs are hard to contact and even more time consuming to sell and service. However, as customers experience the problems of installing, maintaining, and integrating networks, the value offered by these system integrators may become much more apparent and their market share may increase.

VARs usually have an outside sales force and offer a high level of technical expertise.   This channel targets the markets not covered by the stores (ie. small niche markets).   If your product requires a sophisticated sales pitch this may be the channel for you.

VARs are hard to identify and contact because they seldom advertise and they· are so small.   Several publishers, such as Datapro, produce computerized directories of systemhouses, OEMs, and VARs.   (See the appendix for a list of suppliers of these directories.)

On the average, a VAR sells twelve units of hardware a month, and 15 units of software.   Despite this low volume, they receive over $4.8 billion per year in revenue.   As you can see they are significant.   IBM requires a $1.0 million per year purchasing commitment from its VARs, while Apple requires $500,000.

All major hardware vendors (eg. HP, Apple) have a VAR program. Canadian software vendors interested in using this channel may want to tap the resources of the vendor on whose hardware their software runs, to "get the word out" to VARs about their software.   Most hardware specific VARs can be contacted at the major vendor solo shows such as DEXPO.

Since most Canadian companies do not create and sell mass market software but rather sell highly specialized product based on their typical applications in Canada, the Value Added Reseller market and the Value Added Dealer network are probably the most significant channel that Canadian software firms should be tackling.   Most Canadian Consulates in the United States have been equipped with a DataSources VAR Directory, which allows a computer search of the geographical, application, and/or hardware Value Added Resellers for your product.   The list was current as of November 1988, and is quickly becoming out of date due to the highly volatile nature of the VAR business.   We would encourage you to use this resource, but be cautioned that these lists will quickly be out dated, due to the turnover rate of VARs.   They are however, a starting point that is very easy to use and allows Canadian software manufacturers to very quickly establish distribution.   Datapro also offers a listing of VARs and Systemhouses for around $500.