

Extending Trust

Tech Data's guide to a better credit future.



Finance and credit are the unsung heroes of the channel – but with the new challenges that the cloud and subscription models bring, these heroes have even more of a role to play in helping partners' business productivity, manage risk and maintain profitability.

Distributor credit and finance does not get the attention it deserves in the channel. Without it, resellers would not have the flexibility to meet the needs of their customers, keep their own businesses running smoothly, and stay solvent.

Tech Data is one of the biggest providers of credit and financial support to the UK and Ireland channels – it has around £1.6 billion advanced to its customers at any one time. Want to see how important the services are? Ask one of our customers (see page 38).

Of course, as technology and customer demands are always changing, so are the financial pressures in the channel. Over the last five years, the cloud and subscription models have started to present new challenges to the credit and finance teams.

Nick Tiltman, Credit and Finance Solutions Director, Tech Data UK and Ireland, said 'Distribution credit was originally set up to deal with relatively short-term credit risk – 30 to 90 days typically – and to assess whether the customer was going to grow and continue to be credit-worthy, or if the company was at risk of going out of business in the short-to-medium term. With multi-year deals of 3 to 5 years now available, I don't think there is a credit department in the IT industry that would be able to assess a company's finances and make a judgment on their financial strength on that timescale.'

**CONTINUE
READING** ►

‘We look much more now at not just the reseller, but also the end-user, and at how skilled the reseller is at assessing the credit risk of their own customers.’

Nick Tiltman
Credit and Finance Solutions Director,
Tech Data UK and Ireland

Getting a better perspective

Effectively, Tech Data is being asked to take the risk over the period of a subscription. Whether it is software and services, hardware or a combination, the distributor is having to extend the credit over a much longer period. This is compelling the credit and finance team to take a more in-depth look into, not only the reseller’s performance and creditworthiness, but at its own ability to assess risk – and at individual deals.

It has become significantly more challenging due to the cloud having levelled the playing field in the IT channel quite notably. ‘We now look much more at not just the reseller, but also the end-user. How skilled a



reseller is at assessing the credit risk of their own customers, which has become much more important. We’d expect larger reseller businesses to have that ability, however we are seeing businesses that have a lot of skills but still have relatively small balance sheets, of say £50,000, picking up deals that are worth £1 million or more over three years. Looking at the end user customer gives us a much better perspective of the deal and the level of risk as a whole.’

Earlier involvement

Tech Data is now getting more involved with deals and at an earlier stage. Where the amount of finance involved is significant it will almost certainly have some contact with the end-user customer. This is not usually an issue once the reseller understands the acumen and capabilities of the Tech Data team, said Will Ilett, Finance Solutions Manager at Tech Data UK and Ireland. ‘You have to prove that you are knowledgeable about finance, understand both the end-user and the reseller, and structure something that works for everyone and enables the business to go ahead.’

Credit and finance (as it is in the wider Tech Data business), is all about being a trusted advisor – and the acumen, credibility and experience of Tech Data’s team really matter, Nick Tiltman noted.

‘Where we are working in partnership with a reseller it’s because they need our financial backing – but if it’s their first big cloud contract, for example, they might well be nervous about us being too visible. We need to give them confidence that they will not be seen as being financially weak in some way because we are involved. Where resellers have worked with us, where they know us and how competent we are, it’s never a problem.’

‘You have to prove that you are knowledgeable about finance and able to understand both the end-user and the reseller, and structure something that works for everyone and enables the business to go ahead.’



Nick Tiltman
Credit and Finance Solutions
Director, Tech Data UK and Ireland

Solid platform

The experience and qualifications that Tech Data has within its team (see page 39) provides a great platform on which that confidence can be built. Once they have worked closely with the finance team, resellers tend to call them in again and again. In fact, Will Ilett pointed out, having Tech Data’s experts involved in the discussion about finance does create a good impression and has a positive impact.

‘The last thing you want is for anyone to be confused. We have a broad portfolio of services and we listen to customers to make sure we are understanding their needs and explaining the different options. We can explain how the market is changing and how we can provide flexible finance – for managed services, for annuity agreements and any other kind of solution.’

Tech Data UK already offers a wide range of financial solutions, including extended and accelerated credit programmes and flexible loans and leasing agreements, including leasing from all the major IT vendors, including IBM, HP and Dell, and a broad group of funders that provide genuine flexibility.

It also of course, works closely with leading credit insurance companies to safeguard against bad debt. Thankfully, Nick Tiltman said, this has not been a major problem for Tech Data in recent times, despite the uncertainty that has existed in the wider economy.

Broad options

It is a combination of simple credit, leasing and credit insurance that Tech Data uses to address the specific challenges posed by subscription models. Here at Tech Data, we have access to a broad scale and scope of options and skills in-house to identify and offer solutions for every kind of scenario.

There is no question that the financial operations of Tech Data will continue to play a big part in supporting resellers and helping them to do business and streamline cashflow for themselves and for their customers, in the future it will be much more about looking for more creative solutions that support long term business.

Several ground-breaking initiatives are planned for the coming months, including a new fast-track on-boarding process for new credit accounts, the automation of credit and simple ways to reactivate accounts that have, for whatever reason, disengaged and let their credit line lapse. While also looking at providing additional training to teams and better-equip them to make longer-term financial assessments. With the opportunity to look at putting an expert team out to work with resellers face-to-face.

Whatever initiatives are brought forward, it is vital for resellers, retailers, MSPs and cloud solution providers to know they can trust Tech Data’s credit and finance team completely and rely on them to provide the right service for the right customer. Tech Data is working hard to make sure it meets and exceeds expectations on both counts.

Credit Elevator

A simple way for SMB businesses to fund growth

Tech Data’s Credit Elevator provides a simple way for businesses to move from a £5,000 credit line, to £1 million in simple stages, without having to constantly reapply.

All resellers need to do is meet the terms and conditions of the scheme and they will receive the credit they need to grow their business.

It’s important to meet the needs of smaller reseller businesses, said Nick Tiltman, ‘because the SMBs of today will become the larger Corporates and VARS of tomorrow – and if you don’t look after those smaller and growing companies now, they will remember it in the future.’

Also, he noted, Tech Data is well-positioned to provide credit lines to SMB resellers.



‘Due to our financial strength and the huge spread of risk that we have, it is easy for us to work with smaller businesses and Credit Elevator does a great job there. We have over 2,000 accounts on Credit Elevator and it is growing every month.’

Nick Tiltman
Credit and Finance Solutions Director,
Tech Data UK and Ireland

If you would like further information about the Credit Elevator or any of the Services available from the Credit and Finance team, please call or email them on

01256 864244
limitreviews@techdata.com

THE CUSTOMER PERSPECTIVE

A team partners can trust

NETprotocol is an MSP with offices in Bury and Wakefield, focused on the professional legal market and higher education. With 21 members of staff and an annual turnover of £2.5 million, the company are a regular user of the services that Tech Data's credit and finance team offer, as Matt Widdowson, Sales Director, explained.

'Tech Data offer us flexible credit terms and when we have a larger project that we need to fund, they will take that outside the normal line and give us extended terms to suit the end user needs. We have also introduced customers to Will (Ilett) and the Tech Data team to talk about lease finance options.'

Matt Widdowson

Sales Director, NETprotocol

'We recently upgraded two data centres and with the help of Will and the team, they were able to use Dell Financial Services – even though it is predominantly HP kit – to give them a finance agreement across the entire installation. That's involved about £120,000 worth of storage, servers and networking and security. Tech Data walked the customer through the whole process and made sure they were getting the right deal.'

There is never an issue in terms of trusting the Tech Data team, he emphasised. 'It's probably something we do once a quarter. Where a client is interested in finance, we point them in Tech Data's direction, and they get taken through the process. They have the right knowledge and it makes our life easier knowing that in 14 or 30 days we are going to get paid for the project – a great bonus.'

'Tech Data are trade-only, and we've had a relationship with them for years – even though we are not a big reseller in terms of revenue spend. We have a great level of engagement, confidence and trust in them. We just get Will on the phone, introduce them to each other, and then hand it over safe in the knowledge that it will be a protected deal and the client will be looked after. We've always had excellent feedback from our clients.'

Many of the legal firms NETprotocol work with are privately-owned so, for them, lease finance is often a good option. As IT spending is a major investment spreading the cost over three or four years means they can invest sooner in IT projects and have predictable costs that fit in with the subscription-based approach that NETprotocol takes with its managed services.

Supporting business growth

Uttoxeter-based MSP Infinity IT is focused mainly on the SMB market and has grown quickly since its inception in 2009 to reach turnover of around £3.5 million with 22 staff. It has made good use of Tech Data's finance and credit services over the whole of that time, as Lee Hayes, Chief Operating Officer of the company explained.

'It's often the case that our clients will need to invest in new technologies or upgrade their networks, but they may not perhaps have anticipated the need to do that in advance. When that happens, it's great that we can take advantage of the facilities that are offered by the likes of Cisco, HP and IBM for example – that's a real value-add for us as we can provide the client with a way to invest in the current year, even if they had not budgeted for it.'

'We find that some of the larger businesses we deal with that have on-premise infrastructure like the idea of leasing and then refreshing equipment every three years. Smaller companies often like the structure of a loan repayment system as they can realise the value of the asset on their balance sheet from day one.'

The financial support Tech Data offers to Infinity for its everyday business, has also been excellent, he said. 'Tech Data have supported us from day one as a business and given us six-figure credit lines. As the business has grown, so has the credit line. We can also work with them on a case-by-case basis, so where we have an opportunity that will take us beyond our normal limit, we have always been supported by them. They have at times given us more flexible payment terms in one-off situations where the client has requested that. They have been exceptional really.'



TECH-AS-A-SERVICE

A viable alternative

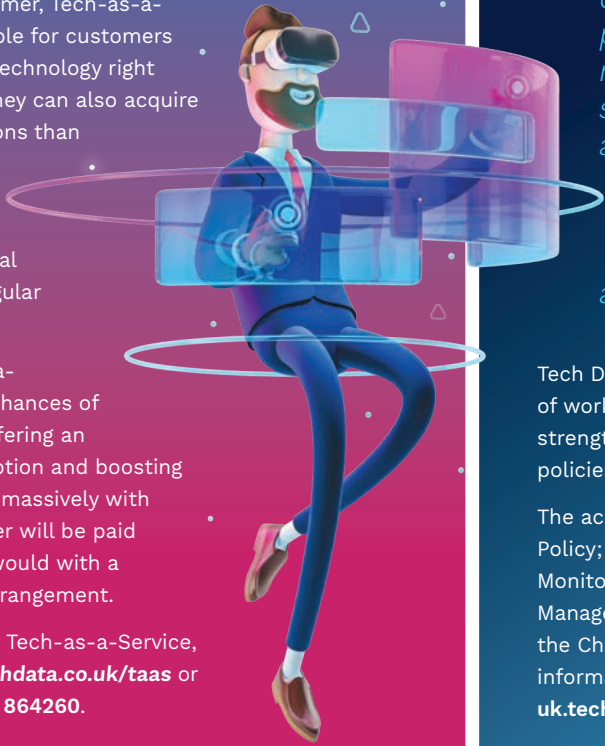
Tech-as-a-Service provides resellers with a simple way to offer hardware, software and services to their customers on an affordable subscription basis. It's a simple approach and one that is growing on the back of the rise of the cloud and SaaS, which is becoming the normal way for software to be consumed and managed.

Tech Data has set-up a complete programme that makes it easy for resellers to go through the entire process of quoting for and delivering subscription propositions. Tech-as-a-Service has become incredibly popular over the past 12 months and many schools, public sector organisations and commercial businesses have taken out contracts.

For the end-user customer, Tech-as-a-Service makes it possible for customers to invest in the latest technology right away. It often means they can also acquire more devices or solutions than they had previously thought they could afford. Excellent end-of-contract residual values help to keep regular payments down.

For resellers, Tech-as-a-Service increases the chances of winning business by offering an alternative financing option and boosting revenues. It also helps massively with cashflow, as the reseller will be paid up-front, just as they would with a conventional leasing arrangement.

To find out more about Tech-as-a-Service, visit trustedadvisor.techdata.co.uk/taas or call the team on 01256 864260.



CICMQ

Why industry accreditation matters

Tech Data is currently the only major IT products distributor to hold the coveted Chartered Institute of Credit Management Quality accreditation (CICMQ). This provides a formal recognition of a company's commitment to delivering high-quality services, continuous improvement and best practice in every aspect of its credit and finance and collections services.

It provides resellers with reassurance that they are in safe hands, said Gillian Dee, Collections Director, Tech Data UK.

'CICMQ affirms Tech Data's credentials as a best-in-class provider of finance services and risk management in the industry and strengthens our position as a trusted advisor to our partners. It is a formal and important recognition of an organisation's commitment to quality, continuous improvement and best practice in credit.'

Tech Data UK's accreditation came after an extensive series of workshops, assessments and reviews all designed to strengthen, document and test the robustness of practices, policies and procedures.

The accreditation process focuses on six key areas: Credit Policy; Compliance; Customer Service; Developing Staff; Monitoring Performance; Roadmap, and Stakeholder Management. Both Gillian Dee and Nick Tiltman are Fellows of the Chartered Institute of Credit Management (FCICM). More information about the CICMQ accreditation can be found at uk.techdata.com/about-cicmq.

TECH DATA'S CREDIT AND FINANCE TEAM IN NUMBERS

Experience counts

Within the 27 people in the Tech Data Credit Collections and Credit & Finance Solutions teams, there is a wide range of experience from one member who has been there only six months, to another who has been in the industry for 36 years; collectively, the team have 302 years of credit and finance experience. Within Nick Tiltman and Gill Dee's titles, the certifications FCICM and RGCP are included; these respectively mean that both Nick & Gill are Fellows of the Chartered Institute of Credit Management, and Nick also holds the designation of Registered Global Credit Professional. The pair head up the Credit function of Tech Data in the UK and Ireland giving Tech Data two very senior credit professionals, with over 50 years of experience working in credit in the IT channel. Within the Tech Data team there are three MCICM (Members) with four more in study.

