



SDX masterminds Spliced for action

To say that channel veterans Frank Bretherton and Jeremy Cooke (the masterminds behind SDX Business Systems in the '90s) had not altogether retired from the comms industry would be to greatly understate their simmering desire to join forces and stage a dramatic comeback. Here's the story...

Despite a healthy lifestyle in retirement, Bretherton and Cooke's dramatic comeback as 'hands on' investors in Sean Harding's (founder of Network Alchemy) IP Telephony company SpliceCom is sure to send ripples through the channel. In seven years they grew SDX Business Systems from an £8 million loss making management buy out from Nortel to a near £60 million business, which was subsequently acquired by Lucent Technologies for £124 million in early 1999. As SpliceCom's chairman and sales and marketing director (respectively), Bretherton and Cooke pledge to bring the core values of the SDX model to the sole remaining British manufactured telephone system and attack the SME market via the reseller channel.

Commenting on SpliceCom's channel strategy, Bretherton said: "It's our intention to take this product to market and hit our UK business revenue targets with no more than 45 resellers. We will have no direct sales and absolutely no wholesale or distribution whatsoever. That means we have got a better chance of providing resellers with a profitable proposition from the outset. We will not deviate from this strategy because if we do, we will take food from the person who is feeding it. That's what some of the players in today's marketplace have done. We care about the profit resellers make when they sell a SpliceCom product. Helping them make it profitable is fundamental.

"Our key differentiator is that we will deliver a product to the channel that resellers can make profit from. We understand the channel model extremely well. The data boys don't understand it in the same way. They tend to rely on commoditisation. Sean Harding is developing a top notch product that is better than anything else. The timing is right. We bought SDX during what we thought was the pits of the recession, but we

were in fact still on the way down, and I think we are in a very similar market position now. There will be a recovery by 2004, so the timing is right. Also, VoIP is starting to deliver real customer benefits."

Differentiation

What makes SpliceCom's offering so different to other products? "INDeX sat nicely in any product portfolio where the Definity sat. They could sit in harmony together. We see the SpliceCom telephony product as sitting in harmony with Cisco's AVVID within the same portfolio because it's compatible at a feature function level, but it sits in the medium to high end of the SME marketplace," said Cooke.

No expense was spared on ensuring that the product is what the market wants. "We did some due diligence on the product in its development phase," added Bretherton. "We looked at where telephony was going and asked the powers that be if IP was growing. Secondly, it was all about the track record of Sean Harding. It wasn't a question of whether the meal was right – it was a question of whether the ingredients were there and having a world-class chef."

Cooke added: "This is a dynamic environment and the product will always evolve based on what the customers say they need. Also, it's multi-featured and significantly VoIP is just one of its characteristics. It will be economical from an IP point of view and the touch screen phones make it ideal for applications – there will be a lot of value add.

"It's easy to programme, easy to use and it's flexible. But the key USP will be the channel model. It will be reseller only with no distributors and no direct selling. And it will be based on the old SDX concept. From a reseller point of view there's longevity in it, as there was with SDX. We recognise that the critical point in the process is at that point of

sale where the channel salesman has to be differentiated in order to beat the competition. I do not believe anybody wakes up in the morning and says they are going to buy a Cisco AVVID switch or a Definity switch. They wake up in the morning and decide they are going to have a look at the marketplace and make a decision, which means everybody has got an equal opportunity. The salesman has to have IDPK – In Depth Product Knowledge – which we can give them with training, education and recognition over whatever time frame is required to ensure we have got the most professional package at the point of sale."

According to Cooke, training and education is key: "At SDX we were the first company to launch an ISDN switch into the channel, so we took on board the absolute essential need to educate the benefits of that technology. It is

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very much part of the kitbag that we can not only educate the voice channel about the intricate detail and benefit of putting voice over the WAN as well as the LAN, we can also educate the data channel about the finer aspects of supplying a voice solution to an IT manager.

Margin

Bretherton is acutely aware that the only way to get resellers to sell banks of the product is to make it profitable for them. "That means training them up properly, giving them the right collateral. And this time round Sean wants to roll this into a bigger company – he doesn't just want to sell it off. He really wants to see it grow, which attracts me," he said.

Prior to being attracted by the magnetic appeal of the SpliceCom venture, Bretherton had been involved with 'all sorts



Spliced for action – left to right: Frank Bretherton, Sean Harding, Jeremy Cooke, and product management director, Robin Hayman.

of businesses' since SDX: "Engineering, blunt needle injection businesses, genetic risk analysis, software to name a few," he said. "I also got involved with a lot of very bright young people, mainly MBA guys, very switched on. But it just wasn't for me. I wasn't enjoying it. I was involved in such a broad spread of industries I was spending four days a week at it. If you come out of one meeting in the morning and then go to another in the afternoon involving a completely different industry, with

yacht and we sailed in the Caribbean and the Mediterranean. We also spent a lot of time renovating executive properties around the Hertfordshire area. This was our prime investment activity in the last few years. I love to build things and improve things. I have also got involved in a number of companies at non-executive levels. After a few months of this I realised this was a real error and started to withdraw and decided to only invest in businesses where I could have a real influence over outcome.

"I knew Sean and I had asked him to join me on the Magenta Logic board. I spent a year visiting Magenta board meetings in Manchester and was impressed with his developments, but only from a distance. As I began to learn more about what he was doing I realised there was a big new product opportunity. The foundation of our experience is in core telephony and core data. As a management team we are converged."

Cooke added: "It was as much the proposition as the product. The proposition was that as a team of people, with our combined voice and data experience and channel experience, we could engineer the right product for the consumer with the right channel model that will replicate and improve on the SDX model. The principal attraction was the right management team, the right philosophy and the right product that could make inroads into a market now dominated by multinational global brands."

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