

Big Fish, Small Fish

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The old caveat that “Nobody ever got fired for using IBM” is one that corporate purchasing agents once lived by. A lot has changed since then. Intelligent buying decisions today often mean considering smaller vendors alongside the big guys. The size of the vendor does not necessarily mean better or worse. Both large and small vendors offer different capabilities and advantages. With the myriad of choices in the marketplace, selecting the right vendor for a job requires close analysis of qualifications, specifications, delivery schedules and price that each can provide — whether they are large or small.

Working with smaller companies

Ken Geizler, president and chief operating officer of Keri Systems Inc., San Jose, Calif., a manufacturer and vendor of products for facility access and security, says one of the major advantages of working with a smaller company is its ability to be flexible and responsive with a commitment to a long-term service strategy. “I think we provide a higher level of service than a large company can,” he contends. “For a manufacturer, service can take away from the bottom line. We understand how important it is for the customer to be able to get lots of support. We may lose money on this initially, but we know that our focus on service is what builds our reputation and ultimately leads to profit for us.”

According to Geizler, larger companies often do not have the luxury of taking this long-term view because of the need to generate profits for stockholders. “Sometimes what is in the best interest of the customer is not in the best interest of the shareholders,” he says.

Another service benefit from the smaller company can be quick turnaround. Steve Kuntz, president of MicroTek Electronics Inc., Lake Forest, Calif., a manufacturer of wireless transmission systems for Ethernet, video, audio and data, says that bigger companies strive for good customer service, but their reaction time often is not as fast. “In the search for answers to their questions, large corporations typically send a customer through a maze of different departments across the organization. We feature a one-stop service that quickly handles multiple issues,” Kuntz says. “It's nice to deal with one person for everything.”

According to Kuntz, smaller companies traditionally offer better service simply because building trust and sustained relationships are vital. “We have more of a need,” he says. “Every single customer we do business with is important, regardless of their size.”

Geizler adds that a smaller company often has a “niche,” which helps to keep the solution focused. “We only do access control, nothing else, and all of our resources are centered in this area,” he says. Geizler explains that the attention on one area can win customers. “What happens, is a lot of these larger companies might buy up a lot of smaller companies to have a whole solution,” he says.

“Then when a customer purchases that solution, they may be frustrated with one part of it and drop the whole company because of that. Big companies run the risk of losing business this way.”

“Smaller companies tend to be more entrepreneurial on the product side,” argues Kuntz of Microtek. A rapid research and development path — unencumbered by corporate roadblocks — makes it generally easier for the smaller company to develop and adopt new technologies. “When you evaluate ROI, the larger the company, the more overhead and the more constituents there are to satisfy. If we sell 5,000 units, that's good for our size, but for a larger company, it may not pencil out,” he explains. This can be a positive

note for larger companies who trust in smaller vendors to develop new technologies. The ROI may not make it feasible, but they can look to the smaller firms to see what kind of acceptance the new solutions attract.

Kuntz adds that losing business to larger companies rarely has anything to do with product capability. Larger companies carry a big footprint with lots of advertising dollars. Geiszler agrees: "If a person is new to the industry they might look to a bigger company simply because of brand awareness," he says. "Nobody ever got fired for using IBM' holds a lot of water, and this is what we fight against." Geiszler contends that when a customer is educated on the services a small company offers, it becomes competitive. "We support products for years to come. Our job doesn't end after the purchase order gets filled out and the product gets dropped off," he says.

Working with a larger company

Wendy Diddell, vice president and general manager of Richardson Electronics, LaFox, Ill., a large security distributor, says the benefit of a larger company comes down to price and flexibility. "Size gives larger companies the clout to provide customers and vendors with lower prices and special offers because they can buy in bulk. They also tend to have access to more capital," she says. Having more capital, according to Diddell, gives her company the ability to negotiate terms with customers and ensures that they have adequate inventory. Diddell believes it is critical to maintain an entrepreneurial spirit.

Diddell also views Richardson's extensive network of offices and branches across North America and Europe as a benefit. "We employ product and network specialists who in turn offer specific training and technical support," she explains. "Unlike a small company, we have the ability to put forth local and international service and support in a consistent manner."

Andrew Bulkley, manager of hardware for engineered systems for GE Security Inc., Bradenton, Fla., says the industry was formerly an amalgamation of smaller companies, but that larger companies, such as GE, are the only companies that can provide the full suite of networked solutions needed by today's customer. Bulkley sees a trend in the marketplace of customers desiring a one-stop solution. "Obtaining as many components from one manufacturer whenever possible is becoming ideal," he says. "This alleviates the blame game in maintenance and system problems by eliminating the need for multiple interfaces for both hardware and software." Having a total solution provided by larger companies translates into faster implementation and lower costs. It also prevents guesswork and decision making in finding other pieces of the solution to work with what is already installed.

Bulkley further points to the variety of options that GE is able to offer. "In addition to the many products and solutions we offer, end-users can choose any of many small, medium and large integrators who feature the GE brand," he says. "Our experts work hand-in-hand with the integrators whenever wanted, but the actual business is conducted between the end-user and the integrator." Bulkley adds that GE has very stringent standards, such as requiring integrators to pass technical training classes so end-users will feel that the job will be done right.

"Losing business to a small company happens when customers are seeking that one-to-one relationship that local companies are able to deliver that we sometimes cannot," Diddell says. "On some occasions smaller companies are able to compete better on price. They may be willing to work on lower margins because they don't have corporate directives and shareholders setting expectations," she adds. "However, when you combine our access to resources and capital, our extensive line of products and our wide geographical reach and knowledgeable support staff, we are able to compete very well."

"There are those who are intent on buying only the cheapest solution, which oftentimes is proprietary," Bulkley says. "This may be a short-term financial gain, but it almost assuredly spells trouble for future upgrade requirements that address today's world of convergence between IT and physical security."

Tips for working with large and small companies

A good provider of any size should be able to offer a solution containing products and service, Geiszler says. “Whether dealing with a large or small company, don't be afraid to ask if you are not getting exactly what you need,” he explains. According to Diddell, the best tip in working with a large company is planning. “With a larger company, you're likely to get better selection, lower price and more services, but you might have to wait longer for it,” she says.

Bulkley says a user's first line of response is with their integrator. “Select a firm that has a good reputation and that you feel will provide you with the servicing and solutions you want.” According to Kuntz, small companies are hungry to prove themselves. “Small companies are typically more flexible and will work hard to foster a mutually beneficial relationship so you have a positive experience,” he says.

How to choose

A wise purchasing agent insists on strong references, a competitive bidding process and good service. Many purchasing decisions are challenging and complex. Whether it is a large or small vendor, the decision often hinges critically on which vendor communicates well with the customer and understands best what is really needed. What meets the specifications, who has the best price and who can deliver are all important. Sometimes a small vendor wins out, and sometimes it is the large firm.

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