

The Dawn of Procurement as a Service

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By Pedro Pereira

Axis Solution's PAAS offering aims to take a costly process out of the hands of solution providers.

In the beginning everyone was a reseller, but as technology got more complex and the channel more sophisticated, more and more companies became providers of services and solutions.

But the product still has to get to the customer somehow, and that's where Axis Business Solutions, of Portsmouth N.H., comes in. The company, founded by Peter Estes in 2002, has developed a "procurement as a service" (PAAS) model that effectively takes product procurement and delivery out of the solution provider's hands. For managed services providers and other service-centric channel companies, Axis is a perfect partner.

"Our sweet spot tends to be MSPs, smaller resellers, consultants and boutique VARs," said Joe Paquet, Axis vice president of alliance and vendor relationships.

The PAAS model evolved from the company's original mission, which was to handle procurement for a leasing company that did a lot of technology transactions, Paquet said.

Eventually customers started asking Axis to do installations and other technical work that the company wasn't set up to do. Instead of delving into the technical side, Axis decided to stick with its procurement specialty and partner with solution providers. In 2004, Paquet joined Axis to develop partnerships and move the concept forward.

Today, Axis has taken over product procurement for about 30 channel partners, and company executives believe that number will continue to increase with the evolution of business models such as managed services and software as a service.

"We handle every single transaction that comes across our partners' customer base," said Paquet.

For solution providers, the process of procuring technology from suppliers such as distributors and vendors is costly, said Paquet. It doesn't make sense to have technicians on the phone researching product information, locating suppliers and setting up deliveries, he said. But hiring people specifically for the job increases overhead that fewer and fewer providers can afford, he added.

“Instead of becoming a profit center, procurement was becoming a huge profit loss,” Paquet said.

That’s precisely what was happening at Brooklyn-based Marathon Consulting, said founder and managing partner Scott Wilson. Marathon focuses on desktop support and data management for its customers. Procuring product, said Wilson, was at best a break-even endeavor.

“The margins are really thin in that business,” he said.

So Wilson was happy to offload the procurement process to Axis, which pays Marathon a percentage of the profits from Marathon-related transactions. “We’ve actually introduced all our customers to Axis,” Wilson said.

So how can Axis make money from procurement when so many solution providers either take a loss or, at best, break even doing it? The reason, as Paquet explains it, is that Axis does nothing but procurement and so the company can entirely dedicate staff and resources to the process, making it more efficient and cost-effective.

The research alone that some solutions require to be put together takes up a lot of time that Marathon can’t afford, said Wilson, but that Axis can perform more effectively because of its expertise.

With its procurement as a service offering, Axis has joined the increasing ranks of companies that have launched services specifically for solution providers. Be it online backup and business continuity, staff recruitment or business management software, services targeted at solution providers by their competitor/peers have essentially created a channel within a channel.

Dove Help Desk provides help desk services to end users, but the company is more than willing to partner with other channel entities to get business. For instance, Dove and Axis market each other to customers and share customer referrals, said founder and CEO Barbara Dove.

“Axis’ purchasing as a service is a great addition to an IT provider’s offering,” said Dove. “It takes the headaches out of the hardware, parts and supplies ordering with a branded portal for the IT provider’s client to use when they need anything to do with their setup.”

Paquet said Axis doesn’t charge solution providers for the service as of yet, but the company is reviewing fee-based services such as an online price quoting and web.