

Model N

A Model N High Tech Case Study

"After evaluating competitive offerings, we decided the Model N Suite's superior functionality and closed-loop platform made it the right choice to help us increase design wins and acquire new customers."

— Mike Speckman, Vice President of World Wide Sales, Zilog

Veteran Semiconductor Manufacturer Expands Market Reach with Revenue Management Solution

Zilog, Inc.
San Jose, California

zilog[®] *Embedded in Life*

www.zilog.com

Industry:
Semiconductor

Benefits:

- Demand creation funnel tripled in the first six months after go-live
- Increased visibility and measurability for design wins
- Ability to easily catch discrepancies in POS and ship and debit claims
- Higher efficiency: one-third of distributor quotes are being automatically approved

Implementation Partner:

levementum

www.levementum.com

Zilog, Inc.

Zilog (Nasdaq: ZILG) is a supplier of application specific, embedded system-on-chip (SoC) solutions for the industrial and consumer markets. From its roots as an award-winning architect in the microprocessor and microcontroller industry, the company has evolved its expertise beyond core silicon to include SoCs, single board computers, application specific software stacks, and development tools that allow embedded designers quick time to market in areas such as energy management, monitoring and metering, and motion detection.

Challenge: Leverage Distribution Partners to Expand Customer Base

Founded in the early 1970s, Zilog is one of the older semiconductor companies still in existences. While the company has built a broad customer base over its years in business, it has primarily focused on only a few key accounts. The executive management team made the decision to grow the business even in an economic downturn. To achieve the growth desired, the team decided to change a few go-to-market strategies, particularly how the company interacted with and leveraged its distribution partners.

Leveraging distribution partners would enable Zilog to add customers faster than the economy would normally allow during a downturn.

The wide reach of Zilog's distribution partners allowed them to penetrate a larger market share, making them a potentially valuable demand creation and logistical partner. Being manufacturers and not logistics experts, Zilog felt strongly that leveraging these partners would enable it to add customers faster than the economy would normally allow during a downturn. In addition, Zilog believed that business acquired through distribution partners could bring higher profit margins in many cases. Utilizing the channel seemed to be the most cost effective option growth option, but for such a strategy to be effective, distribution programs must be set up and managed properly.

Major Challenges Prior to Model N Implementation

- Zilog needed a global program that supported different activities
- Distributor channel needed clear guidelines to achieve incentives
- As a small company, Zilog had no leverage with the distributors (no reason to focus on their line card)
- Zilog also needed special programs for the catalog distributors (margin, support, business model)
- Feedback was difficult: Zilog offered no mechanism for distributors to report deals in progress
- Zilog's registration software program was limited and made it difficult to add new products
- Zilog was managing varying local pricing policies, which bred internal competition
- POS reconciliation was manual (spreadsheet based)

In summary, Zilog was expending significant energy on low-value deals.

Solution: Revamp Distribution Strategy and Create Multi-Tier Distribution Networks

Zilog first decided to evaluate its existing distribution network to see what was working and what was not. As the network operates as an independent sales force, Zilog could not simply mandate its sales objectives. With larger suppliers demanding distributors' attention, Zilog needed to create programs that really incentivized distribution sales teams to promote Zilog products.

To aid in this effort, Zilog decided to create programs for a multi-tier distribution network, including global distributors, catalog distributors, as well as regional distributors that could support smaller customers, an important component of doing business in the Asian and European markets.

Why Model N?

Zilog knew it did not have the staff or bandwidth to implement both the logistics and technology for such a project. Having set up unique programs for distributors and catalog distributors, Zilog required a solution that could support and automate two distinct program types; be implemented quickly; and give distributors the confidence that the new programs would remain consistent and not change.

Model N was selected because:

- Its comprehensive Channel Revenue Management Suite is designed for semiconductor sales from the channel to end customers
- Support for opportunities and registrations is built-in
- Model N understood how distributors work in regards to buying, reselling, ship and debit, cost adjustments, multiple price books, and rules-based pricing.

Both Model N and Levementum (its implementation partner on the project) possess an in-depth understanding of Zilog's unique needs, which helped facilitate a fast track implementation. In addition, the Zilog project would be easy to implement at large distributors that are already familiar with Model N solutions.

Implementation

Zilog was able to implement Model N from concept to launch in three months, including the primary functions of opportunities management, registration management, and channel quoting (with escalation management). Secondary functions included POS credit process and back-end process. By using Model N to tie together opportunities, registrations, quotes, orders, and debits and automatically reconciling these against POS data, Zilog has created a scalable infrastructure that will allow it to grow its business and better serve its customers and channel partners.

Communication within the company for both new programs and the new Revenue Management solution was essential and required the participation of the entire Zilog team. Demonstrating the importance of the new program helped assuage fears around how Zilog would roll out and manage such dramatic changes to its market strategy.

Benefits

Zilog is extremely pleased with the results of the new implementation. Benefit highlights include:

- Demand creation funnel tripled in the first six months after go-live
- Increased visibility and measurability for design wins
- Ability to easily catch discrepancies in POS and ship and debit claims
- Higher efficiency: one-third of distributor quotes are being automatically approved

In addition, distributors creating demand generation are protecting their margins, even when fulfillment is transferred to another region. Due to improved visibility, Zilog can also demonstrate that it is holding prices in certain cases rather than deciding it has to drop prices for unclear reasons to get the business. This in turn instills more confidence among the distribution channel in Zilog's new programs.

Looking Ahead

Amidst the worst economic downturn in 35 years, Zilog has found a way to minimize its impact and grow its business. Model N's closed-loop integrated Revenue management system has increased the company's visibility into its channel processes and relationships, allowing it to mine new revenue streams and thrive in uncertain times. When the semiconductor market recovers, Zilog will be in an excellent position to further capitalize on the distribution channel programs it has created with Model N.

About Model N

Model N is the largest privately-held provider of pricing and Revenue Management solutions. The company offers high tech manufacturers a uniquely integrated and industry-specific approach to managing revenue across the entire revenue life cycle. By reducing the major causes of price and margin erosion, Model N has helped its customers increase quote-to-order conversion rates 10 to 15 percent, eliminate overpayment of channel incentives, and increase gross margins by at least two to three percent annually.

Model N's High Tech Revenue Management solutions are used by more than 32,000 people in 50 countries. Customers include STMicroelectronics, Numonyx, Zilog, PMC-Sierra, Linear Technology, IDT, Microchip, Micron, ON Semiconductor, FCI, Intersil, Cirrus Logic, Avago Technologies, Cypress Semiconductor, and many others.