

Using Vertical Market Visibility to Increase Channel Sales



Overview

Why is vertical market visibility so important to the channel? In an increasingly global economy with more and more manufacturers utilizing indirect channels to increase sales, it is becoming extremely important to know exactly where your products are ending up. With total IT spend for 2018 forecasted at \$3.5 Trillion¹, roughly \$2.2 Trillion (70%) or more of this revenue will be generated through the channel.

Model N's Channel Data Management (CDM) provides vertical market visibility to component, chip and semiconductor manufacturers by using channel POS data that is processed, standardized and enriched to answer key channel sales and compensation questions. The resulting analytical information allows manufacturers to address the following questions:

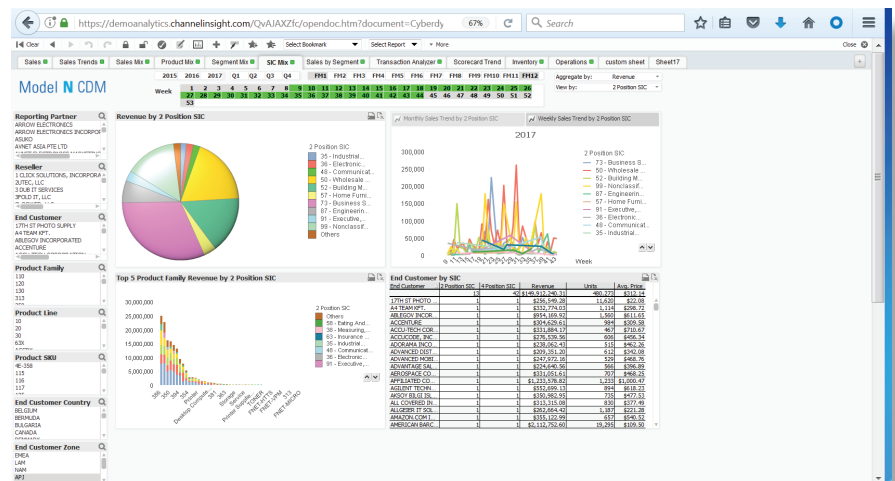
- Who is using my components, chips or semiconductors to build new products and what are they building?
- How can I accurately measure the effectiveness of my current Channel Incentive Programs and fine-tune them?
- Can I track what products my components, chips and/or semiconductors are going into on a frequent basis?

This white paper demonstrates how Model N's Channel Data Management extends value to manufacturers by providing channel vertical market visibility using the following features:

- SIC Code Assignment
- Classification
- Segmentation
- Sub-Segmentation
- Data Enhancement

“The ability to see channel data by vertical markets allows us to analyze new product introductions and redirect channel marketing resources to more profitable segments.”

Barbara Krass, Director, Sales Operations, Bourns, Inc

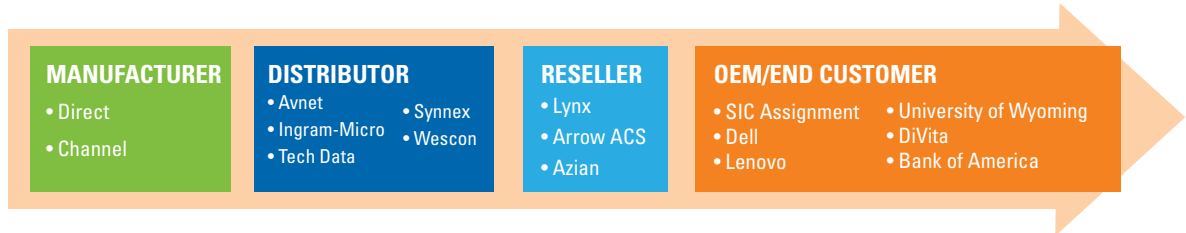


1 Gartner Worldwide IT Spending Forecast: July 2017

SIC Code Assignment

Offered on a per customer basis, CDM indicates what industry the OEM and/or End Customer falls under in the channel sales process depending upon your business model:

2 Digit Code	Industry Title	2 Digit Code	Industry Title
11	Agriculture, Forestry, Fishing & Hunting	53	Real Estate Rental & Leasing
21	Mining	54	Professional, Scientific & Technical Services
22	Utilities	55	Management of Companies & Enterprises, Admin, Support, Waste Mgmt, Remediation
23	Construction	56	Services
33-33	Manufacturing	61	Educational Services
42	Wholesale Trade	62	Health Care & Social Assistance
44-45	Retail Trade	71	Arts, Entertainment & Recreation
48-49	Transportation & Warehousing	72	Accommodation & Food Services
51	Information	81	Other Services (except Public Administration)
52	Finance & Insurance	92	Public Administration



Classification

Classification identifies whether the name listed is a selling arm, a third-party manufacturer or an end-user of the component. Most end-user's in this instance are OEM's. Typically used by the Component Industry, to identify end-market products components are designed and built into (like a PC, Tablet, Fire Alarms, Wireless Networks, Smart Phones, etc.).

Direct Users	Channel Partners	Service Providers	Unclear Data
OEM	Distributor	ODM	Invalid Data
Subassembly	Reseller	EMS	Need More Info
Component	Reseller-VAR	3PL	Unclassifiable
Government	Reseller-DMR	Design Services	
Education	Reseller Broker		
Individual	Retail		
Other			

As raw channel POS data is processed into cleansed, enhanced and enriched channel POS information it is classified into the following:

Classification	Definitions
OEM	<p>Original Electronics Manufacturer* A company that markets its own branded electronics products to consumers. An OEM may or may not utilize EMS or ODM service providers for some or all of the manufacturing of their branded products.</p> <ul style="list-style-type: none"> (a) Their website mentions manufacturing and has list of branded products (b) Design products for their own company (not for others) (c) Often has products or ways to train people on their products (d) If the company provides sales, support and customer services for the products then it should be considered as OEM (e) If the website says they distribute products and also shows products of their own made then it is OEM. (f) If a company lists that they have OEM and ODM capabilities, the company is classified as an OEM.
ODM	<p>Original Design Manufacturer* A company that provides its customers with product design capabilities as well as manufacturing services. While an ODM develops and manufactures products, it relies on its OEM customers for brand and channel management. A contract manufacturer that uses its own designs and intellectual property.</p> <ul style="list-style-type: none"> (a) Website often states they are an ODM, but almost always contains the key word of design, "high tech electronics engineering and manufacturing". (b) Provide expertise to OEM/designs and services/design and doing research development/basic design to fabrication. (c) There may be contractors supplying products to US military or other government organizations. (d) Turnkey means "beginning to end", Developing and manufacturing. (e) Headquarters are typically in Taiwan, manufacturing can be done elsewhere, often in China (f) The end product is a finished system - TV, Mobile Phone, Computer, Printer, GPS, etc. and is capable of working as is. (g) The finished system but does not have the ODMs name on it. The OEM who buys the product put their name on the product.
EMS	<p>Electronics Manufacturing Service Provider - A company that specializes in electronics manufacturing services and possesses limited design capabilities. EMS providers typically offer services to OEMs including printed circuit board assembly, box assembly, system integration, materials procurement, logistics, repair service, etc.</p> <ul style="list-style-type: none"> (a) Google search will contain key words such as electronic manufacturer, contract manufacturer, assembly services, certified custom manufacturer, manufactures for OEM, Surface Mount Manufacturers etc. (b) Their website typically contains no products (c) These companies generally build products to customer specifications (d) If the website says Printed Circuit Board manufacturing then it should be considered as EMS (e) Turnkey means "beginning to end", Developing and manufacturing but when not in Asia classify as EMS (typically found in the US or Europe).

Classification	Definitions
COMPNT	<p>Component Supplier - An electronic component is a basic electronic element usually packaged in a discrete form with two or more connecting leads or metallic pads. Components are intended to be connected together, usually by soldering to a printed circuit board, to create an electronic circuit with a particular function. Electronic components come in many types, typically active (semiconductors), passive (resistors, capacitors) and electro mechanical (connectors) .</p> <p>(a) Website contains key words such as analog, components, chips, circuits (if the website speaks about Printed Circuit Board manufacturing it should be considered as CM not SEMI), semiconductor, Flash memory chips, bit, floating gate, resistor, capacitor, connector, etc.</p> <p>(b) Website may indicate sales to CMs and OEMs</p>
DISTI	<p>Electronics Distributor - An electronics distributor is the middleman between the component supplier and EMS, ODM or OEM. After a component is manufactured, it may be warehoused and shipped to the next echelon in the supply chain.</p> <p>(a) Website will contain key words such as distributor of, supply-chain services, wholesale provider, provider to industrial and commercial users, "stock and ship", "line card, procurement of electronic components etc.</p> <p>(b) Their website contains products or requests user log in to see products</p> <p>(c) A company that is reporting data already for the client</p> <p>If the website says it is a trading company then it should be considered as DISTI</p>
RESELLER	<p>Reseller - A reseller is a company or individual that purchases goods or services with the intention of reselling them rather than consuming or using them.</p>
RESELLER VAR	<p>VAR – Value Added Reseller, is a company that takes an existing product, adds its own "value" usually in the form of a specific application for the product. One who assembles, augments, modifies, and repackages a good and/or service to suit the individual buyers' needs. In the computer industry one may add custom hardware and software applications.</p> <p>This category is a subset of the category RESELLER to provide a more detailed breakout. It is not segmentation.</p>
RESELLER DMR	<p>DMR – Direct Market Reseller, is a company that sells directly to consumers online without operating storefront operations of any kind. The terms eTailer, mail order and Internet could also be used in describing a DMR. An example would be Amazon.</p> <p>This category is a subset of the category RESELLER to provide a more detailed breakout. It is not segmentation.</p>
RETAIL	<p>Retail – An example would be Best Buy</p> <p>This category is a subset of the category RESELLER to provide a more detailed breakout. It is not segmentation.</p>
RESELLER - BROKER	<p>Broker – is one who buys or sells on a commission basis without having franchise rights to the product. This means there is no warrantee for the product and limited documentation. If the website says it is a trading company then it should be considered as Broker.</p> <p>This category is a subset of the category RESELLER to provide a more detailed breakout. It is not segmentation.</p>

Classification	Definitions
3PL	<p>Third Party Logistics Provider - A firm that provides outsourced or “third party” logistics services to companies for part, or sometimes all of their supply chain management function. Third party logistics providers typically specialize in integrated operation, warehousing, transportation, and trade management services</p> <ul style="list-style-type: none"> (a) Website contains key words such as logistics, warehousing, distribution, fleet, transport, carriage management, fulfillment, etc. (b) Website usually contains a customer log in (c) Supplier does not mean the company is a distributor (d) If the company talks about both logistics and distributing then it should be considered as 3PL
GOV	<p>Government Entity - A local, city, state, province, regional or federal government entity. Department of Energy, Commerce, etc are government entities. The military, post office, etc are government entities. A not-for-profit body that has the fundamental purpose of maintaining basic security, public order and public welfare.</p> <ul style="list-style-type: none"> (a) Government Contractors Boeing, Raytheon, are OEMs and not a Government organizations. (b) Generally, company websites/URLs ending in .gov are government entities.
EDUCATION	<p>EDUCATION - Education refers to schools, universities, colleges, technology or training institutions, and research centers.</p> <ul style="list-style-type: none"> (a) Example: ITT Technical Institute, Stanford University California
END USER	<p>END USER - An end user purchases a product for use in conducting their business (such as a computer). They may purchase a component for repairs or the servicing of their equipment used in manufacturing or for business. The purchased unit is not for resale purposes.</p> <ul style="list-style-type: none"> (a) Healthcare (b) Airports and Airlines (c) Examples: Oscar Mayer, Kraft, American Airlines, UCLA Medical Center
DESIGN SERVICES	<p>DESIGN SERVICES - A company (or Individual set up as a company) that provides engineering design services to OEMs or other organizations. They work with a client on a project basis acting as a development partner, thus providing a service.</p> <ul style="list-style-type: none"> (a) Website refers to them as consultants, development team, engineering company, research and development or R&D team (b) Have technology expertise and may have intellectual property but do not have a finished end product to sell (c) Provide services such as design consultation, product development, hardware development, software development, and board layout. (d) May provide prototypes but do not have production manufacturing capabilities. They may help coordinate or outsource to a third party for manufacturing (EMS), providing manufacturing management services. May have relationships overseas for coordinating or subcontracting manufacturing. (e) Website may have a link to “Projects” or a “Portfolio”. These are showcasing work that has been completed for a specific client. (f) Website may talk about training services or in-house training for clients.
INDIVIDUAL	<p>An Individual or Person - An individual consumer or person who buys a product from the sales channel</p> <ul style="list-style-type: none"> (a) Example: Bob Smith, Sally Jones, etc.

Classification	Definitions
INVALID DATA	<p>INVALID DATA – There is an error in the data being reported and the information looks like “junk” or bad data. Examples are:</p> <p>(a) N/A, NA or #NA in Customer Name (b) ‘Undisclosed or <<[NO NAME PROVIDED]>> in Customer Name (c) Blank’ for the Customer Name (d) Symbols, single letters or single number in Customer Name such as ‘...’, ‘?’, ‘#’, ‘A’ or ‘1’</p>
NEED MORE INFO	<p>NEED MORE INFO – To classify this company, additional information is needed. Usually there is no or limited address information. Sometimes the name of the company may be abbreviated or too general and common in nature.</p>
UNCLASSIFIABLE	<p>UNCLASSIFIABLE – The company that has been researched, providing address information but there is no data provided on what the customer does. There may not a direct website. Usually it is a valid company name and appears on a phone listing, an import/export record or in a data report which has a fee for information.</p>
OTHER	<p>Not one of the above categories - The company was researched but none of the existing categories it well enough.</p>

Channel information is appended to company names for use in exports, reports, and analytics – e.g. OEM, Sub Assembly and Contract Manufacturer.

IDENTIFIER	MATCH	CLASSIFICATION
INOW-00000184763530	EAGLETEST SYSTEMS	OEM
INOW-00000184755502	ADLINKTECHNOLOGIES INCORPORATED	Sub Assembly
INOW-00000184755299	KIMBALL ELECTRONICS GROUP	Contract Manufacturer

Segmentation

Segmentation identifies the market “Segment” or is sometimes referred to as the industry the OEM belongs to. We provide segmentation on OEM, ODM and Sub-Assembly categories. Definitions are:

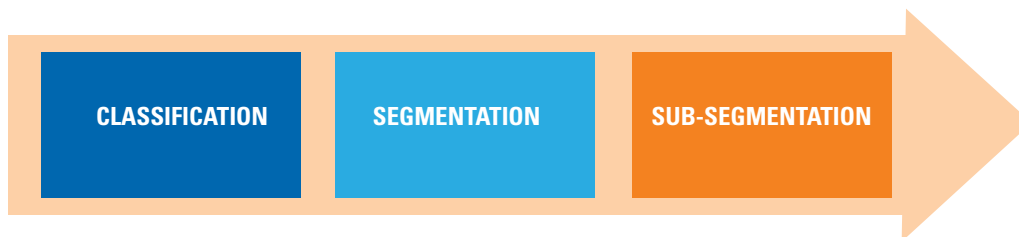
- Data Processing
- Telecommunications
- Consumer
- Automotive
- Industrial
- Military/Aerospace

Classification	Definitions
Data Processing	<ul style="list-style-type: none"> Personal Computers PC Servers Other Compute Platforms LCD Monitors Printers Storage & Peripherals Other Data Processing
Telecommunications	<ul style="list-style-type: none"> Mobile Phones and Tablets Wireless Infrastructure Routers & LAN Switches Other Wireless Broadband CPE Broadband Access Non-CPE Data Center Equipment Broadcast & Studio Other Wired Communication
Consumer	<ul style="list-style-type: none"> Televisions Digital Still Cameras Video Game Consoles Toys Appliances Home Audio Other Audio & Video Other Consumer
Automotive	<ul style="list-style-type: none"> Automotive Railroad Automotive Heavy Equipment Automotive Truck and Bus Automotive Personal Mobility Automotive Infotainment Automotive Powertrain Automotive Body Automotive Comfort and Convenience Automotive Safety and Control Automotive Other Automotive Automotive Vehicle Security Systems
Industrial	<ul style="list-style-type: none"> Lighting Medical Pro Audio & Video Test and Measurement Automation Motion Control Gaming Other Industrial Building & Home Control Energy Generation & Distribution
Military / Aerospace	<ul style="list-style-type: none"> Avionics Military

SUB ASSEMBLY SEGMENTS SEGMENT	SUB-SEGMENT
Industrial	Power Supplies Test and Measurement Lighting Other Industrial
Data Processing	Other Compute Platforms DRAM Upgrade modules Graphic Cards LCD Monitors
Telecommunications	Other Wireless
Automotive	Railroad Heavy Equipment Truck and Bus Personal Mobility Infotainment Powertrain Body Comfort and Convenience Safety and Control Other Automotive Vehicle Security Systems

An example of processed channel information follows:

Ship To - ID	Classification	Ship To - Entity Name	Country	Market Segment
INOW-00000122442353	OEM	SANYO	Japan	Consumer
INOW-00000122439027	OEM	TONG WO INDUSTRIAL	Hong Kong	Automotive
INOW-00000122438778	OEM	TONG YAH ELECTRONIC TECHNOLOGY	Taiwan	Automotive
INOW-00000122438468	OEM	TP- LINK	Hong Kong	Wireless Communications
INOW-00000122457911	CM	VENTURE ELECTRONICS SERVICES	Malaysia	
INOW-00000122438117	CM	WINSSON ENTERPRISE	Taiwan, Province Of China	
INOW-00000122438091	DIST	YOSUN	Hong Kong	



Data Enhancement

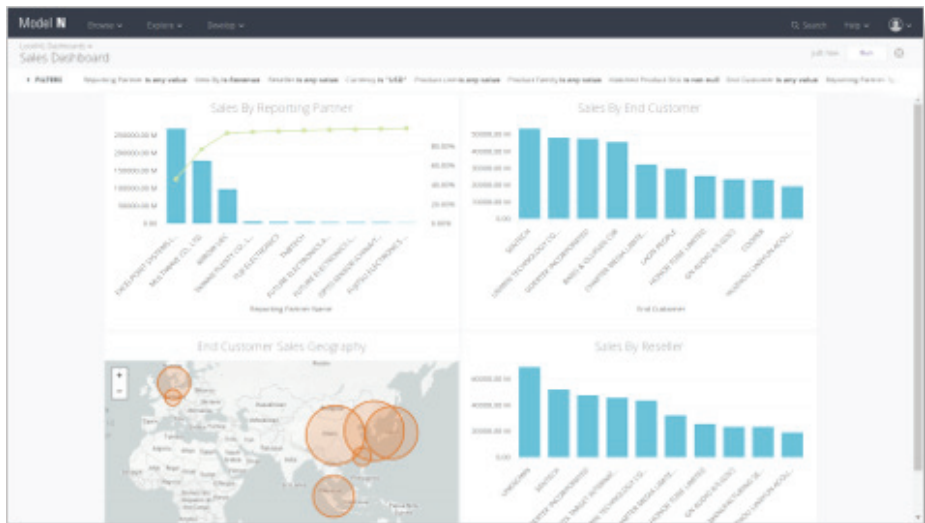
Data Enhancement adds up to 20 different characteristics or attributes describing the product your component, chip or semiconductor product is being utilized in. This information provides the manufacture with vertical market visibility allowing them to tune sales strategies, inventory production and incentive programs in real time. Examples include:

Processor or CPU Type & Model
Operating System (OS) & Version
Device Type – Touch, All in One, etc.
Form Factor
Screen Size – Color or Monochrome
Power Source
Disk Usage & Type
Private Label or White Label



Summary

Tied together, SIC Code Assignment, Classification, Segmentation, Sub-Segmentation & Data Enhancement provide a clear view into the channel of component, chip or semi-conductor product sales detailing where products are going, to whom they are being sold, for what price and what profit margin. Information is delivered in Model N's CDM, consumed in analytics and downstream in Salesforce and other solutions.



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