

A Model N High Tech Case Study

"The Model N High Tech Revenue Management Suite's scalability and ease of use allowed for quick implementation and adoption by our sales organization. The solution enables us to measure the percentage of transfer activity between regions and significantly reduce closure turnaround time."

— Doug Guilbeau, Director of Sales & Internet Applications, Microchip Technology

Microchip Leverages Revenue Management to Become a \$2B Technology Leader

**Microchip
Technology**
Chandler, Arizona



<http://www.microchip.com>

Industry:
Semiconductor

Deployment Scope:

- 2,600 users
- 48 sales offices
- 75 distributors and channel partners worldwide

Benefits:

- Improved visibility and sales resource planning for more than 12,000 new deal prospects
- 35% increase in managed sales opportunities
- 50-75% increase in quote volume
- 50% reduction in quote turn around time
- Controlling margins and revenue leakage funded 25% increase in sales resources

Microchip Technology

Microchip Technology, Inc. is a leading provider of microcontroller and analog semiconductors, providing low-risk product development, lower total system cost and faster time to market for thousands of diverse customer applications worldwide. Headquartered in Chandler, Arizona, Microchip has more than 3,700 employees and achieved \$930 million in product sales in FY06.

Challenge: Scale Sales Processes Without Impacting Short-Term Profitability

Throughout the 1990s, Microchip steadily increased its global market position for microcontrollers. In order to achieve its growth objective of scaling the business from \$1B to \$2B in revenues, Microchip recognized that it would need to invest in systems that would allow the company to better control the demand creation and sales processes.

Microchip, like many other companies in the semiconductor industry, relied heavily on its channel to assist in identifying and driving new opportunities and provided incentives for doing so through its design registration program. In order to more predictably drive growth, the company realized that it would need to increase the investment it was making in its own sales organization. Additionally, the company wanted to be able to more effectively manage the design registration process, tying greater channel incentives to situations where its partners were providing significant value-add in driving opportunities through to design wins, and reducing incentive levels in situations where its partners were primarily providing deal fulfillment.

At the same time that Microchip was planning to increase its investment in its own sales resources, the company was beginning to operate in a more complex sales environment, characterized by global transfers and complimentary product lines. However, the tools available to support the sales process were largely ineffective. Thousands of users were managing sales with fragmented legacy price management tools, which was lending itself to inconsistent pricing, price and margin erosion, and lack of visibility into demand for planning.

"In order to scale our business and maintain our leadership position, we needed to re-think the tools we used to empower the sales process."

— Rob Owen, VP of IS

With this in mind, Microchip embarked on a global price management initiative, with the goal of putting systems in place that would help it control its demand creation process and scale its sales process. Additionally, the company wanted to achieve this goal without sacrificing short-term profitability, and saw an opportunity to do so by reinvesting the savings from better management of margins and channel incentives back into sales resources to support growth. The objectives of the initiative were:

- Manage demand creation by investing in sales resources
- Improve quote accuracy & quote cycle time
- Eliminate revenue leakage
- Enable control over channel incentives
- Measure the implication of the global transfer business
- Appropriately forecast demand for better deployment of resources

Solution: Improved Opportunity Visibility & Tracking

Microchip selected the Model N High Tech Revenue Management Suite to address their objectives. For Microchip, the solution provided the company with the perfect blend of being designed for the day to day nuances of the semiconductor and electronics industries, while providing tremendous flexibility for the company to adjust and adapt it to a changing business environment and their way of selling.

Microchip deployed the Model N High Tech Revenue Management solution in five months, to 2,600 users in 48 sales offices and 75 distributors and channel partners worldwide. Capabilities included lead and opportunity tracking, design registration, and pricing and quoting, and enabled the company to address both sales growth and sales complexity. Examples of how the Model N solution has impacted the sales process include:

- **Improved Visibility:** Microchip can see when they are not meeting targets, and if they are losing business, allowing them to focus sales resources where needed to maximize deal closure.
- **Better Business Intelligence:** Integrated data from opportunity and registrations to quotes to orders allows users to drill down to all relevant information, improving on the fly decision making.
- **Centralized and Consistent Data:** The solution replaced three systems in Lotus Notes to capture and track opportunities, direct quotes, and channel quotes, and eliminated duplicate customer entries.
- **Improved Ease of Use and Familiarity:** Ease-of-use drives adoption of the system, ensuring implementation success. The ability to quickly and easily retrieve customer-specific pricing and automatically derive customer pricing from contracts and business rules enables sales to spend more time selling and less on pricing.

Controlling margins and revenue leakage has allowed the company to invest an additional 25% in direct sales resources...

Real ROI

Since the rollout, Microchip has realized significant results from the adoption of the Model N High Tech Revenue Management Suite. Controlling margins and revenue leakage has allowed the company to invest an additional 25% in direct sales resources, enabling it to meet its objectives with respect to taking control of the demand creation process. And, by better supporting the sales process, Microchip has been able to reduce quote cycle time, improve visibility, and scale the business. Real benefits include:

- Controlling margins and revenue leakage, enabling a 25% increase in sales resources
- Managing a 50-75% increase in quote volume while decreasing quote turnaround time by 50%
- Obtaining improved visibility and sales resource planning for more than 12,000 new deal prospects
- Achieving a 35% increase in managed sales opportunities.

Looking Ahead

These benefits have translated directly to the bottom line. In the fourth quarter of 2006, Microchip achieved a record quarter, with record net sales, gross margin, operating profit, earnings per share, microcontroller sales, analog sales, and bookings, leading them to recognize the Model N High Tech Group as Vendor of the Year. With this sales and financial success, Microchip is well poised to maintain their market leadership position going into the future.