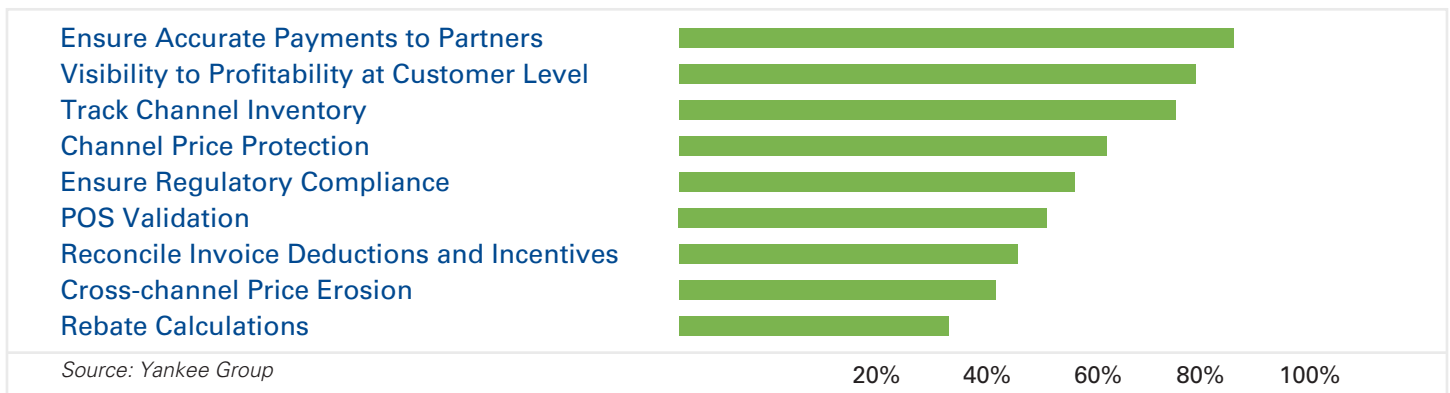


Improving Channel Margins with Channel Revenue Management

The Business Imperative

Semiconductor and electronic component manufacturers that sell through highly evolved distribution channels rely heavily on these selling partners to achieve revenue goals. Most companies lack the visibility and controls needed to effectively manage the complex transactional aspects of their distributed business. As they struggle to realize the revenue potential that these channels represent their costs soar, their compliance risks build up, and their revenues and margins are substantially eroded.

Independent surveys of U.S. High Tech manufacturers have revealed that High Tech companies lose 2-4% in gross margin. In the aforementioned Yankee Group benchmark survey assessed the current state of the industry and the issues that are top of mind for High Tech manufacturers. The survey data in the figure below shows that companies are still struggling to manage the growing number of channels, especially regarding the overpayment of credit claims, demand incentives and visibility and inventory management.



Model N Channel Revenue Management

Model N Channel Revenue Management improves visibility into channel sales activity, enabling semiconductor companies to easily assess demand with end customers and to protect transactional margin by eliminating internal bid wars and enforcing contract terms. By automatically reconciling point-of-sale data to debits, Channel Revenue Management reduces over- payment of channel incentives and facilitates compliance with revenue recognition policies. And, Channel Revenue Management increases the ease of doing business with partners by streamlining commission calculations and validating inventory levels.

Quote cycle time: 50% decrease

Quote Volume: 70% increase

Microchip Technology deployed Model N to 2,600 users in 38 sales offices and 75 distributor and channel partners worldwide. They were able to dramatically improve visibility into demand and increase its quote volume by 70% while reducing quote cycle time by 50% without increasing headcount.

Key Capabilities

- **Design Registration** enables Channel partners to register designs and demand creation activities. Manufacturers can quickly and easily approve and track design opportunities, providing a real-time, comprehensive view of registered opportunities, wins, losses, and pending deals.
- **Ship and Debit Processing** reduces sales transaction costs by automating debit authorization and response based on pre-established business rules and providing tracking of debit data.
- **POS and Claim Processing** automatically validate channel sales data against authorized debits. Claims are also validated against inventory levels which provide the ability to assess the true cost of POS. This results in accurate revenue recognition and it minimizes margin erosion caused by claim overpayments.
- **Channel Inventory** enables companies to capture periodic snapshots of inventory levels, which provide an accurate view into key aspects of inventory such as deferred revenue, eligibility for debits, available quantity and inventory value. Inventory reconciliation process provides system-calculated inventory using POS and direct sales data and enables users to apply in-line adjustments to resolve discrepancies. This allows companies to understand discrepancies between reported and calculated inventory levels with roll-forward reporting.
- **Price Protection** enables companies to accurately determine which distributors and inventories are eligible for credits when revising published pricing, and calculate the impact of price changes on channel inventory and backlog.
- **Stock Rotation** automates the governance of stock rotation periodicity, eliminates discrepancies between approved rotational levels and return material authorization (RMA) requests, and validates that correct inventory levels are being maintained.
- **Market Price Programs** ensures that quote responses accurately reflect promotional pricing for designated products by industry, region, volume tiers or other criteria.

Managing Your Channels Effectively

The channel is an often underutilized avenue for High Tech manufacturers to expand market reach and enable better margins. Effective channel management requires adopting a combination of best practices and technology. By creating attractive, targeted channel programs and then leveraging integrated, domain-specific solutions to manage those programs, High Tech manufacturers can improve their channel relationships, boost gross margins, and drive shareholder value.

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