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# GUIDE TO TARIFFS FOR SEMICONDUCTOR AND ELECTRONIC COMPONENTS MANUFACTURERS

Three Strategies for Managing the Impact of Tariffs

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**TARIFFS**

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**This guide will** look at the impact of tariffs, challenges relating to global impact, and provide strategies and recommendations on how sales leaders using Model N's channel solutions can transform their channel strategy to alleviate these effects.

## Executive Summary

While a channel sales leader's focus is growing revenue through diverse channels, being blindsided with the thought of tariffs and trade wars shouldn't be one more challenge on your list. However, in your leadership role, you're in the middle of constant conversations surrounding the impact of tariffs and how you will manage any impact to revenue. Throughout high-tech manufacturing and semiconductor companies, leaders are exploring and rethinking strategies to offset the impact of global tariffs and how to maximize their true top line.

Let's face it, tariffs have an unanticipated effect in prices that potentially lead to reduced market demand, margin erosion, lack of supply, and cause manufacturers to rethink current incentives. To successfully prepare for tariffs, organizations need a strategy that provides consistent and accurate data. This information provides clarity and validation of true channel revenue, the influence of incentive programs, and a real-time view into global inventory.

In the process of designing channel sales strategies supporting tariffs, sales leaders are encountering new hurdles. Many are associated with revenue attainment, validating channel revenue contribution, the availability of product inventory, and improving communications with channel partners and customers. These hurdles are introducing new areas that sales leaders must consider.

They include:

- How can we respond to pricing pressures and better communicate with the channel?
- How can we have consistent and current inventory information from indirect channels?
- How do we motivate, incent and compensate channel sales offsetting tariffs?
- What technologies are needed to drive and understand channel sales?
- What analytics do we need to keep others with up to date with the channel?

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**The answer to these questions and more is a digital transformation of your channel.**

**\$430B**

estimated lost GDP  
worldwide by 2020

**\$17.73**  
**TRILLION**

INCREASE  
TO WORLD  
MERCHANDISE  
EXPORTS IN 2017

## Introduction

Global trade has become an ingrained part of everyday life and business. With the click of a button or tap of the fingers, you can order home automation supplies from small switches and cables to solutions connecting and securing your home. It's simple to research, select and purchase a new automobile in the brand, color, and style you want. It's easy to connect with any items manufactured globally no matter if it's sold through direct, indirect or ecommerce channels.

What appears to be an endless supply of manufactured products that solve almost every business and personal challenge, is an extremely delicate balance between negative revenue impact when products and channels are disrupted. The impact often materializes in shortages in materials, labor, manufacturing and general product availability. While these are often planned and controllable, tariffs can come with little notice and are beyond the control of all organizations.

The strategic question that needs to be asked is how do sales leaders plan for potential global tariffs and channel disruption while maximizing revenue every day? The reality for most high-tech manufacturing and semiconductor companies is tariffs introduce an unplanned revenue execution crisis.

According to the International Monetary Fund (IMF)<sup>1</sup> "if the current tariffs communicated by the US and its trading partners risk lowering global growth by as much as 0.5% by 2020, or about \$430bn in lost GDP worldwide."

While world merchandise exports increased to \$17.73T (trillion) USD in 2017,<sup>2</sup> the impact of tariffs real or speculated creates disruption for manufacturers and distributors worldwide. This global disruption must be evaluated, and a strategy created that focuses on revenue execution and worse-case scenarios.

<sup>1</sup> International Monetary Fund, Peeling Away the Layers: Impacts of Durable Tariff Elimination

<sup>2</sup> World Trade Organization, World Trade Statistical Review 2018, page 38.

According to Kamala Raman, principal research analyst at Gartner, “While it could be that trade policy will not change dramatically in the short term and any change to existing agreements could take years to come into effect, companies should begin to evaluate scenarios for possible change to their global supply networks, so they are prepared to act swiftly if, and when, policies do change.”

How is it possible for sales leaders to respond to uncertain market influx of inventory and price changes? How will sales leaders maintain responsiveness to customers, successfully manage distributor and channel sales sourcing and relationships, while improving revenue and margins in the face of pressures introduced by tariffs? How do you effectively respond to market pressures while simultaneously maximizing your true top line revenue?

## Solution

To answer these questions and more, sales leaders and their companies must have real-time knowledge of global market changes, channel performance and an understanding of product inventory and availability in key regions and countries. Additionally, sales leaders need to rethink their channel revenue contribution, profit margins, marketing programs and incentive practices.

These transformational strategies can shift from the unknown and inconsistent awareness of channels to accurate and current insights into:

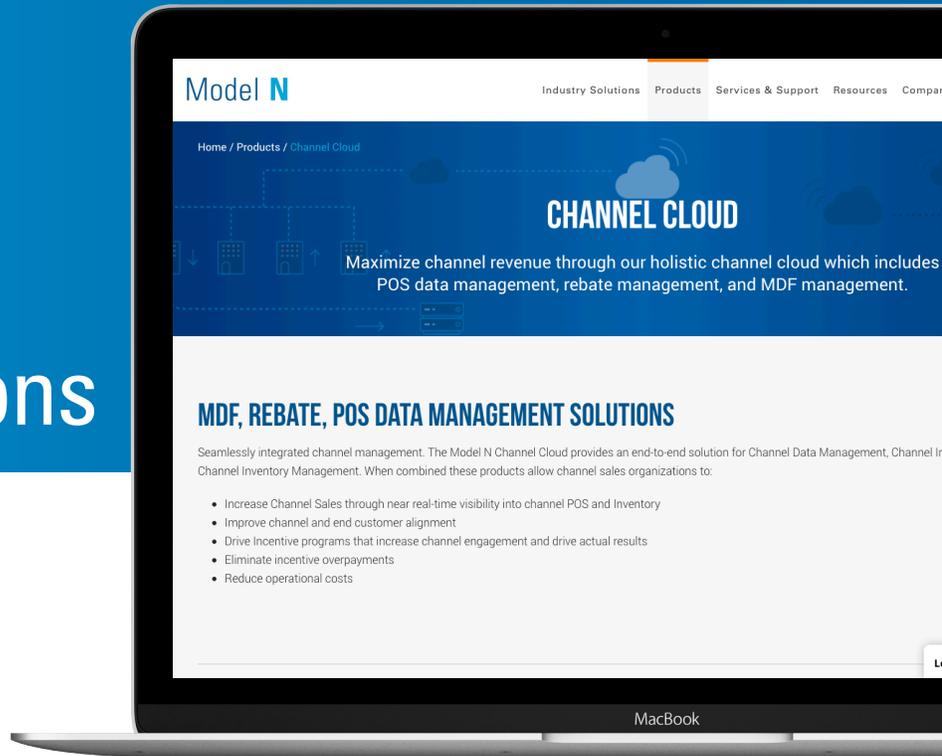
- What channel trends are we experiencing this week or month due to tariff pressure?
- Are their product inventory issues impacting key distributors and potential end-customers?
- What markets are impacting end-customer opportunities due to shortages?
- What competitive product shifts are happening due to product availability?

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**Channel transformations introduce additional knowledge and validation of channel performance while simultaneously providing visibility into inventory flow and awareness of real market trends.**

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## Three Strategy Recommendations



Validate Channel Revenue



Confirm Partner Performance



Assess Product Inventory

## Three Strategy Recommendations

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To learn more about Model N's solutions for channel transformation go [here](#).

### Validate Channel Revenue

Without consistent and valid channel insights, your organization is caught off-guard when tariffs are introduced. Knowing where, who, and how your channel revenue is being generated gives you the insights you'll need to refine channel strategies, regional partners and distributor. Understanding what end-customers are buying or not buying due to availability helps you validate adjustments in the channel, your product offerings and mix or how incentives should be introduced or modified to bridge the interruptions.

As a sales leader, having consistent weekly, daily and even hourly channel revenue reporting supports any refinements with empirical and valid information versus guessing with what data you have on hand. To improve access to channel revenue, implementing or modernizing your current approach to one that is fully automated allows your organization to make quick and confident changes to your global channel.

Additionally, if you're using key internal resources to manage partner interaction and communications to manage channel information, you're underutilizing resources who should focus on analyzing partner performance, products mix and market segmentation before and during tariff actions.

Model N Channel Data Management (CDM) provides manufacturers with a fully automated data management solution for channel sales. CDM automatically collects POS, inventory and claims data from global channel partners easing the work your team must do and provides the real-time insights you require.

CDM automatically organizes, cleanses, validates and standardizes partner data with almost no human intervention. This automation allows your organization to focus on reviewing real-time revenue contribution, marketing program success and adjustments to products in key distributor locations.

## 2

To learn more about Model N's solutions for channel transformation go [here](#).

### Confirm Partner Performance

Sales leaders need to monitor channel activity and gather business data across all partners, products, and programs, to provide meaningful analytics that deliver insights to support sales and business planning and achieve more optimal results. Understanding historical and current performance of channel partners and programs enables better decision-making and planning for future incentive programs and provides the foundation for better joint business planning with partners. Meaningful analytics provides actionable intelligence in real time – rather than reactive intelligence, so manufacturers will be able to accurately predict results from programs.

Model N has found that the first challenge is convincing the partner to provide the desired vendor data, which usually comes down to a question of trust. The partner must know that providing the data to the vendor is a benefit to them, the partner, or at a minimum, providing this data is not detrimental to them.

Model N is in the unique position of working with many excellent high-tech vendors and their networks of worldwide distribution partners. It is a vantage point from which we observe the interaction between manufacturer and the channel that carries product to customers via distributors, resellers and retailers.

Model N's partner network consists of thousands of reporting partners and millions of end customers. We collect and process hundreds of millions of transactions each year for our customers. Channel data collection is a core benefit to our customers because partners either don't provide all the vendor requested data or the system interaction between the vendor and their partner cannot handle the transmission type (EDI, EDIFACT, AS2, Flat file, CSV or Excel) the partner prefers.

Model N's Active Partner Management solves additional challenges as an offering within the Channel Data Management solution. Model N enables sales leaders and their teams to focus on partner growth while an experienced Model N team manages the day-to-day. Model N's partner management team onboards each of your partners, ensures they are prepared to report based on your requirements, works with them to automate reporting and establishes direct reporting of data to Model N.

Additionally, Model N's team works with your channel partners to ensure there's an open line of communication to resolve issues like missing or incomplete data and data. Working together, our team gives you visibility into reporting performance, irregularities while letting your partner sales teams to focus on revenue growth and partner success.

## 3

To learn more about Model N's solutions for channel transformation go [here](#).

### Assess Product Inventory

Channel inventories can represent either significant opportunities or considerable risks when tariffs are enabled. When sales leaders and manufacturers effectively position inventories in the channel to match market pressures, they can maximize revenues and minimize inventories. By contrast, a manufacturer that doesn't manage channel inventory, accepts the risk of out of stock and missed sales opportunities, and the loss of customer satisfaction and repeat business.

For sales leaders, product inventory plays a significant role in revenue recognition. Accurately knowing how much inventory is in the channel minimizes allowance, thereby permitting the manufacturer to recognize the maximum allowable revenue.

Model N's Intelligence Cloud brings the level of analytics that sales leaders need to quickly understand all levels of your channel sales. Intelligence Cloud provides views and insights into channel partner areas such as Inventory and POS trends utilizing real-time dashboards. These dashboards may focus on key regions, partners, and products. Model N's Inventory On-Hand dashboard provides insights by Partner and product SKU. This level of information lets you make better decisions surrounding inventory movement with your channel and customers.

Furthermore, Model N's Channel Data Management (CDM) provides unique inventory variance reports sales leaders and their teams can use to better manage channel inventory with current and concise information. This is accomplished by providing the ability to review a summary of sales-in and sales-out variance data for each partner and SKU.

CDM uses these best practices to provide sales-in data by using receipts or in-transit offsets to adjust sales-in. Using the standardized, accurate and enhanced data, we calculate a balance using the variance and compare against your targets. This provides a broader view of the potential impact tariffs may have on product availability in key markets.

## CONCLUSION

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To learn more about Model N's solutions for channel transformation go [here](#).

# Strategically Planning for Tariffs

Given increasing competitive pressures such as global tariffs, the need to transform is a forgone conclusion for sales leaders. The only question is where and how to begin the transformation. At Model N we've helped some of the most innovative organizations transform their entire channel strategy with our solutions and expertise. Here are three examples of the successes:

### Cambium Networks

Cambium Networks saw immediate improvements in their data integrity. Two quarters into migrating to the new solution, most data problems were resolved due to the self-learning feature of the tool. There was also less manual overhead due to Model N's Sales Credit Assignment module. Cambium reported a 50% decrease in manual intervention in the new system.

***"WE NOW HAVE AN EFFECTIVE AND MEASURABLE WAY TO MANAGE THE CHANNEL. MODEL N'S CDM SOLUTION MADE US MUCH MORE PROACTIVE IN OUR APPROACH TO WORKING WITH OUR PARTNERS."***

—Ron Ryan, Sr. Vice President, Global Channels and Operations, Cambium Networks

### AMD

"Model N helps us manage our channel so we can drive more revenue," stated a senior manager in WW Channel Management with AMD. "It's all about the collection of the data – our channel is global and with Model N's cloud-based CDM solution, we can engage them all around the world.

By collecting partner POS and inventory data with Model N's CDM solution, we are able to see when partners are selling product, how much inventory is sitting in the channel, and we can start to look at trends. We can make decisions about what products to focus on based on that analysis. It's all about helping move products through our channel."

### Cradlepoint

Cradlepoint experienced poor channel data impacting sales reporting and timely payment of commissions. Cradlepoint saw immediate improvements in their data accuracy and integrity. There was a 200% improvement in opportunity matching versus the previous solution and less manual intervention and overhead due to Model N CDM's systemized approach. This allowed the finance team to focus on channel analysis and forward-looking opportunities. Additionally, Cradlepoint can offer better sales reporting and satisfy one-off requests from executives using Model N CDM data.

***"IT'S BEEN A GREAT JOURNEY AND EXPERIENCE WITH MODEL N AND CDM. WE HAVE EVOLVED FROM AUDITING CHANNEL PARTNER DATA TO DOING TRUE ANALYSIS AND MORE."***

—Matt Karpavich, Director of Finance, Cradlepoint.

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# THANKS FOR YOUR TIME

Learn more about our approach  
to revenue execution [here](#).

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