

Model **N**

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# THE GUIDE TO REVENUE EXECUTION

Reinventing the Channel

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## Executive Summary

If you are a sales leader, you can't read an article or an industry analyst report without hearing about the top line growth many companies are experiencing through indirect sales channels. All around us, sales leaders in high tech manufacturing and semiconductor companies are re-evaluating and rethinking digital strategies to take advantage of new channels to connect sellers and buyers more quickly with their products and services.

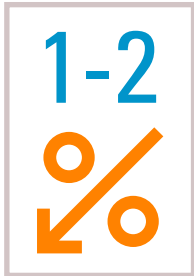
### **This guide will**

take a look at the state of the market, discuss current market challenges, and provide recommendations on how sales leaders using Model N's channel solutions can reinvent their channel strategy by establishing a commercial system of record to know and grow your true top lined.

In the process of designing channel sales strategies to address digitization, sales leaders are encountering new internal organizational hurdles. Many of these hurdles are due to legacy processes associated with direct sales while others are due to the explosion of data, its complexity, and how their internal outdated technologies manage it. These hurdles are introducing new areas that sales leaders have to transform. They include:

- What legacy processes should change to support my indirect sales channel?
- How will existing direct sales impact or align to supporting indirect channels?
- How quickly can we respond to pricing, deals and deal registration with channel partners?
- How do I motivate, train, incent and compensate channel partners?
- What resources will I need to support channel partner growth and all the associated activities?
- What technologies are needed to drive and understand channel sales success?
- What analytics do I need to keep sales, marketing, finance and other executives up to date on channel sales revenue and inventory?

**The answer to these questions and more is that you need a commercial system of record for revenue execution.**



of total company  
revenue is lost  
through incentive  
overpayments



of pricing decisions leave  
money on the table

## \$1T

estimated worth  
of revenue leakage  
worldwide

## Introduction

Digitization has compounded the complexity of maximizing your revenue. What was once a simple process of selling products through a channel to end consumers now requires sales leaders to factor in a broad set of variables that impact margins and revenue. Channels, products, regions, and business models can all impact how products are priced. Add to that needing to negotiate end-customer prices outside of pre-established terms, and manage various incentive programs across siloed systems, along with being able to see your top line revenue without ambiguity, let alone maximize it, is more complex than ever. What is meant to help accelerate deals through the channel can have significant negative impact on revenues. Sales leaders around the world are now struggling to know and grow their true top line.

***The strategic question that needs to be asked is: how do sales leaders maximize revenue at speed and scale across billions of revenue execution moments every day?*** The harsh reality for most high tech manufacturing and semiconductor companies is that they are facing a growing revenue execution crisis. 1-2% of total company revenue is lost through incentive overpayments, 30% of pricing decisions leave money on the table, and there is an estimated \$1T worth of revenue leakage worldwide.

How is it possible for sales leaders to respond to the current chaotic market? How do you maintain responsiveness to customers, successfully manage distributor and channel sales relationships, while improving revenue and margins in the face of downward pricing pressure? How do you effectively respond to market pressures while simultaneously maximizing your true top line revenue?

## Solution

For sales leaders and their companies to capitalize on global markets, a commercial system of record for revenue execution is needed. Establishing a revenue execution commercial system of record won't happen overnight and requires organizations to rethink their approaches, practices and initiatives. They need to analyze and select modern solutions that align, automate, analyze, incent and motivate channels. To achieve this transformation sales leaders need to reinvent their internal solutions, processes, and organizations.

A revenue execution commercial system of record allows a shift from infrequent and unknown channel information to real-time insights leading to a better understanding of: partner pricing effectiveness, how channels are selling, shifts in markets due to end-customers, competitors and often inventory availability. Channel reinvention provides knowledge and validation of partner performance as well as marketing programs.

## What Sales Leaders Require in the Digital World

***To manage these challenges and ensure channel partners are meeting expectations, sales leaders must consider new ways to reinvent their traditional channel activities. The approaches Model N recommends include:***

- Digitally Maintained Channel Data
- Active Channel Partner Management
- Digitally Guided Incentives
- Recognition of Inventory Impact and Continuous Inventory Management
- Real-time Revenue Insights and Analytics

## Digitally Maintained Channel Data

Traditionally, channel sales data has been difficult to capture and unreliable due to how partners report data, ways information is recorded, and how channel partners are managed. Additionally, distributors, resellers, and other channel partners did not even share data about sales and inventory unless provided an incentive to do so.

***Companies who use internal resources and methods to gather channel data are challenged to consistently collect and integrate a wide variety of data held by a diverse group of channel partners.*** Point-of-Sale (POS), Inventory and Sales-in and Sales-Out (SISO) data is often requested by manufacturers and its accuracy and reliability is questionable. Inaccurate channel data impacts the accuracy of revenue reporting, incentive payments and better understanding of what's going on in a global channel.

Armed with consistent, reliable and granular data provides sales leaders with the insights and answers to the following questions:

- How can our organization have the channel transparency it needs?
- What can be automated to ease the burden of manually managing channel data?
- What processes can be automated to improve data consistency and visibility?
- What real-time insights do I need to make better partner decisions?
- What data does sales and marketing require to validate channel marketing success?

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**Without consistently updated and accurate POS data sales leaders will never be able to truly transform their channel strategy.**

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## Active Channel Partner Management

According to an Accenture Chief Sales Officer study, “more than 60 percent of the B2B revenue that flows through indirect channels comes from the top quintile of partners. However, only seven percent of partners achieved 65 percent or more of their revenue targets last year.”



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To maximize revenue growth for all partners including those potential high performers and others, sales leaders and their teams are spending more time and resources on managing channel partners. Current resources are stretched thin trying to on-board, train and retain partners. Couple this with the need to answer questions about pricing, incentives and marketing programs with partners may cause organizations to miss key reporting and analysis about how the channel is performing.

While sending reminders to late reporters, diagnosing and resolving bad data, and working with partners to resolve all type of issues are day-to-day roles, most operational teams lack the expertise and manpower to be successful. Adding the dynamics of global time zones of channel partners and unique languages compounds and extends current resources.

***Without consistent people, processes, and technologies sales leaders will be stuck in this endless loop of acquiring, training, monitoring, incenting, and culling their channels.*** A consistent methodical approach to channel management is a mandatory step of creating a true system of record for revenue execution.

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## Digitally Guided Incentive Management



# 80%

of organizations believe they achieve a positive return on investment from their programs all or most of the time.

Sales leaders recognize financial incentive programs motivate channel partners. In turn, channel partners including resellers and distributors rely on these programs for revenue. ***According to Wakefield Research, “83% of companies shared they spent more year over year on programs than 2017.”*** One reason for this is 80% of organizations believe they achieve a positive return on investment from their programs all or most of the time<sup>1</sup>. Thus, incentive programs play an integral role in channel strategy.

However, sales leaders struggle with how much is spent on partner incentives and channel marketing. Sales leaders end up wondering if they’re getting any real return. Most companies have significant opportunities to improve channel incentives, create effective market development programs while driving real growth, reducing spend and enhancing overall channel partner satisfaction.

However, doing so is not easy. As investment levels grow, programs get more complicated and overhead continues to rise. Complicating matters, most companies lack dedicated resources for conducting the analysis required to identify areas that are a drag on incentive return on investment.

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## Recognition of Inventory Impact and Continuous Inventory Management

Channel inventories can represent either significant business opportunities or considerable risks for suppliers depending upon how well they are managed. A supplier that can effectively position inventories in the channel to match demand will maximize revenues. By contrast, a supplier that doesn't properly manage channel inventory, accepts the risk of stock outs, inventory write offs, missed sales opportunities, not to mention the loss of customer goodwill and lacking current insights into variances in product inventory.

Inventory management also plays a significant role in supplier revenue recognition. Accurately knowing how much inventory is in the channel minimizes allowances, permitting the supplier to recognize the maximum allowable revenue.

The best place to get channel inventory data, is directly from your channel partners such as distributors, VARs, VADs, OEMs and retailers. However, in many situation suppliers don't do a good job of explaining why the data is needed, what it will be used for, what's needed from partners, and the criticality of consistent and accurate data.

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**With accurate channel data, it's easier to understand if partners have the right amount of inventory to support customer needs and agree on sales targets. Also, new opportunities are identified earlier, reducing inventory liabilities, variances and position.**

## Real-Time Revenue Insights and & Analytics

According to Forrester Research, “Measuring and managing the complexity of channels is critically important. Most indirect programs struggle with a lack of actionable data, including ways to measure and visualize data in a timely fashion. Supporting new types of partners requires access to actionable channel data at multiple levels of the organization including sales, marketing, finance, and operations. New predictive and prescriptive tools are emerging that guide marketing and channel pros to the next best action and will be a major competitive differentiator in the next few years.”<sup>2</sup>

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**As a sales leader,** you need the answers you want when you need them to make better channel related business decisions.

Everyone in sales, including Sales Leaders, knows the value of business analytics and insights. Historically, most analytics, reports and dashboards have been developed for the direct sales team and lack the same adaptability for indirect sales. Often, this information is not available in real-time, lacks global channel perspective, and is owned and managed by IT who may be unwilling to evolve what you need into actionable and discernable information.

Placing this ownership with sales leadership and sales operations may lead to the following challenges:

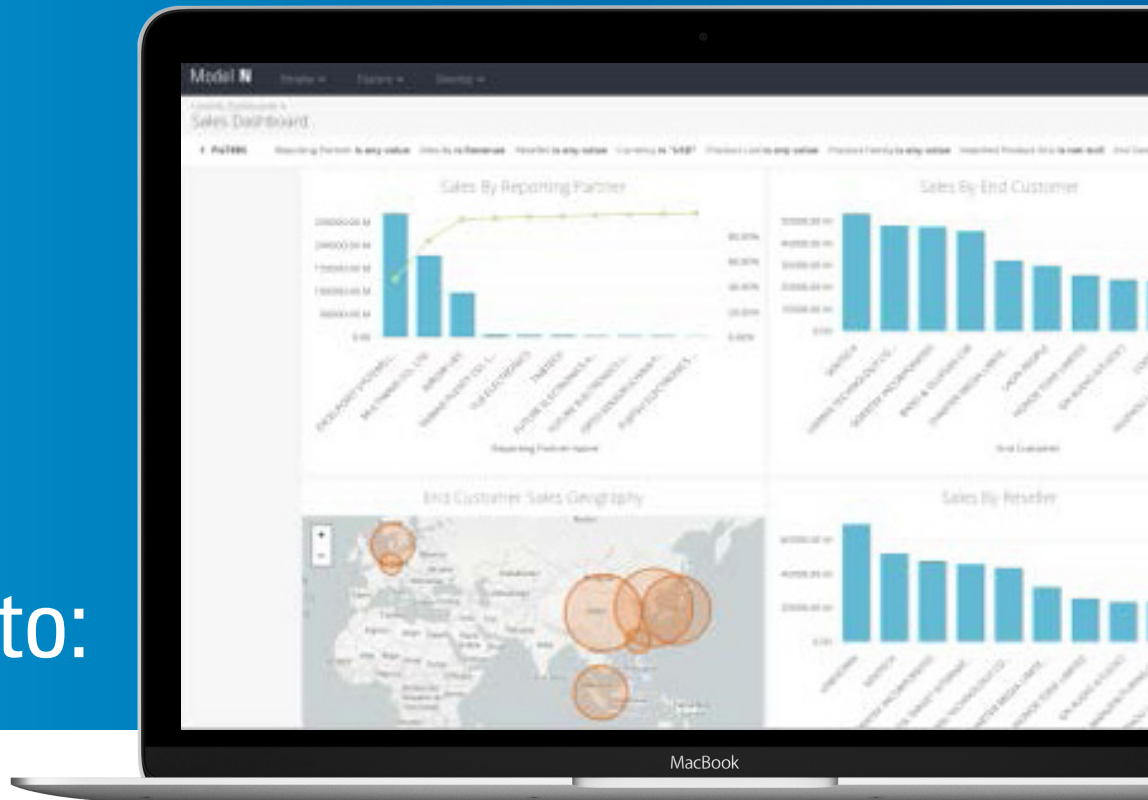
- Data overload and maneuvering through vast amount of channel data
- Inability to discover what’s valuable and actionable with channel partners
- Understanding global inventory availability, turns and what’s driving revenue growth
- Determining which partners are successful and surfacing challenges in channel partner performance
- Determining what incentives and marketing programs are positively impacting revenue and channel marketing

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**To meet the challenges, sales leaders require intelligence and insights from their channel operations to determine the health of channels, validate revenue growth, determine product progress, and determine how different metrics and data points are related.**

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## Model N's Approach to:



This figure represents the **CDM Intelligence Cloud** dashboard used by sales leaders to understand which partners are selling, where they are selling globally and who in their channel is reselling to specific end customers.

### Real-time Revenue Insights and Analytics

Model N Intelligence Cloud brings self-serve analytics to all levels of your sales and channel business and gives everyone access to modern, explorable data within a single platform. Sharing the results of relevant insights has never been easier. This analysis can locate channel opportunities and areas of improvement for the channel as well as internal refining business strategies.

### Digitally Maintained Channel Data

Model N Channel Data Management (CDM) provides high tech manufacturers and semiconductor companies with a fully automated data management solution. Model N CDM collects POS, inventory and claims data in multiple formats from global channel partners easing the work your team has to do. CDM automatically organizes, cleanses, validates and standardizes this data with almost no human intervention giving your resources the time they need to focus on more important sales activities.

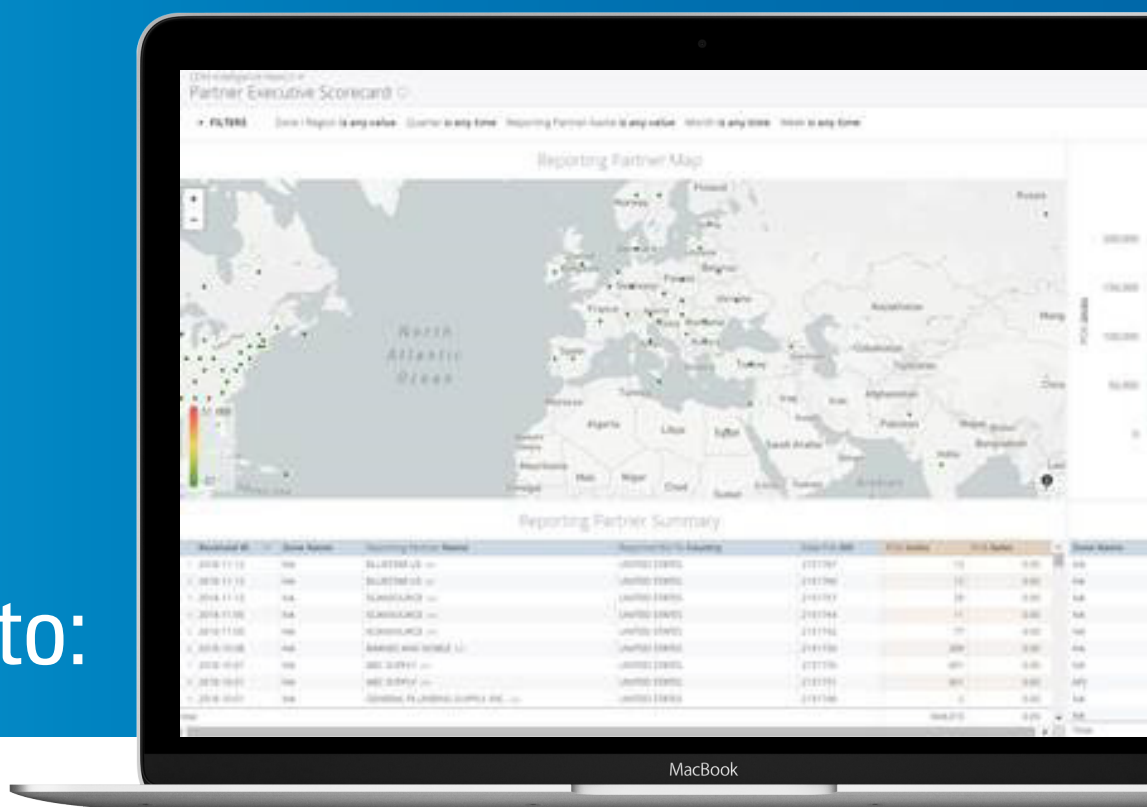
### Recognition of Inventory Impact and Continuous Inventory Management

Model N CDM and its Inventory Manager component provides customers with the ability to access, analyze and act on channel sales data. CDM identifies, researches and closes inventory variances using reports comparing channel partner reported inventory data and calculated inventory data.

CDM's unique inventory variance reports provide sales leaders and their teams with better management of your channel inventory. This is accomplished by providing the ability to review a summary of **sales-in** and **sales-out** variance data for each partner/SKU. We use our 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 provided by the Model N Operations Manager, we calculate a balance using the variance and compare against your targets. This ensures that you have an accurate view of channel inventory across all of your partners on a consistent and time basis.

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# Model N's Approach to:



This figure represents a **partner executive dashboard** used to see how well partners are performing and the consistency of reporting revenue and inventory information.

## Digitally Guided Incentives

Model N helps companies establish incentive programs and market development funds (MDF) that drive consumption and improve market share. Rebate Management eliminates overpayments and compliance exposure by automating rebate management processes, from designing and defining new rebate programs, to calculating and managing rebates as they accrue. This ensures accurate and timely payments to eligible customers.

Model N's Market Development Fund Management (MDF) compliments Rebate Management providing channel leaders with the tools necessary to successfully design and execute incentive programs, enroll partners and enable them to create plans that maximize impact.

## Active Channel Partner Management

Model N's Active Partner Management is a solution within Model N Channel Data Management. Model N enables sales leaders and their teams to focus on partner growth while an experienced Model N team manages the day-to-day channel partner activities. Model N's partner management team onboards each of your partners, 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 communications 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.

## CONCLUSION

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

## Commercial System of Record

Given the rapid market changes combined with ever increasing competitive pressures, the need for a commercial system of record for revenue execution is a forgone conclusion for most 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 in the world reinvent their entire channel strategy with our solutions and expertise. Here is a sampling of some 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 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 systematized 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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