

# Win in the flat world

## Channel Stewardship: Driving Profitable Revenue Growth in High-Tech with Multi-Channel Management

– Partha Bose and Romit Dey

### *Introduction*

*In a “flattening” world, High Tech companies need to contend with increasing customer expectations, product proliferation and short life cycles in a highly competitive environment. In order to drive profitable revenue growth, it is imperative for companies to shift their operational priorities from customer service focus to innovation and better customer and partner experience. High Tech companies not only need to identify global market opportunities and quickly target customers with the right offerings, but also need to expand and operate an effective channel sales model and leverage IT investments to become agile.*

*Many High Tech companies are making significant investments to sell through their channel partners. While efficient market coverage, lower cost of sale, price and product differentiation are the key motivating factors for selling through channels, successful companies need to adopt a multi-channel strategy that is tailored to the type of customer, partner and product. They need to become Channel Stewards.*

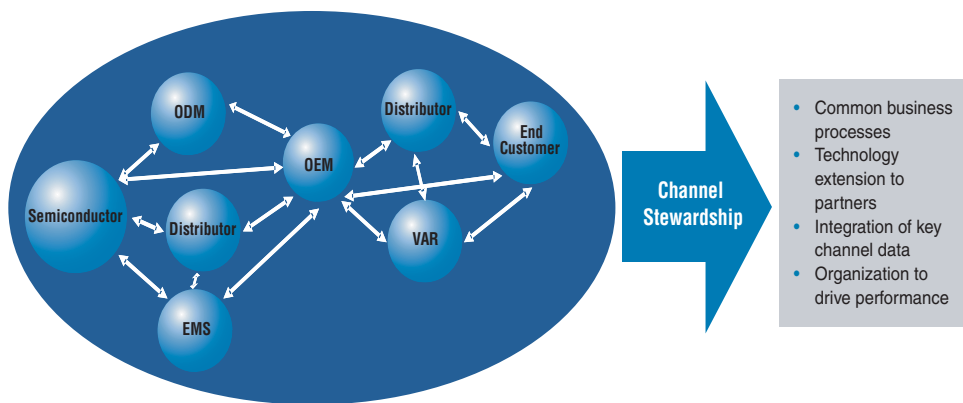


## Who is a Channel Steward?

*A Channel Steward is a dominant or (aspiring to be dominant) company in the High Tech value chain that takes a proactive role in go-to-market strategy and execution. The Channel Steward extends its intra-enterprise framework (processes, systems, information and organization) to channel partners to make it easy for them as well as customers to do business with them, thereby increasing brand equity, market share, and revenue.*

## Becoming a Channel Steward

Channel Stewardship requires High Tech companies to extend their enterprise framework to channel partners, thus expanding their overall sphere of influence (Figure 1)



*Figure 1 - Extending the Intra-Enterprise Framework to Channel Partners*

High Tech companies will need to build specific process, technology and organizational capabilities in order to become Channel Stewards.

**Process and Systems:** These include defining a common set of business processes across multiple channel partners and orchestrating complex multi-party transactions (e.g. Lead, Quote, Order, Invoice), providing integrated and seamless experience to customers across channels, and leveraging the advances in web technology to enable processes across multiple enterprises.

**Data and Integration:** These include architecting an integration solution across multiple enterprises for propagating changes to data (product, catalog, price, contract, promotion, due date) to channel partners on near real-time basis to maintain consistency and obtain real-time information on transactional data (e.g. POS) to sense the demand pattern.

**Organization:** These includes defining and implementing a virtual organizational structure across enterprises, on-boarding new channel partners quickly and effectively, and being able to continuously measure channel performance and recalibrate channel relationships.

## Strategic options for multi-channel management

Channel stewards have a number of options for managing their channels. Choosing the right strategy should be based on a framework with factors such as relative size and dominance of partners and customers, existing relationship between each other and with end customers, and product complexity (Figure 2). In this viewpoint, we discuss three approaches – *Storefront*, *eMarketplace* and *Volume Channel*.

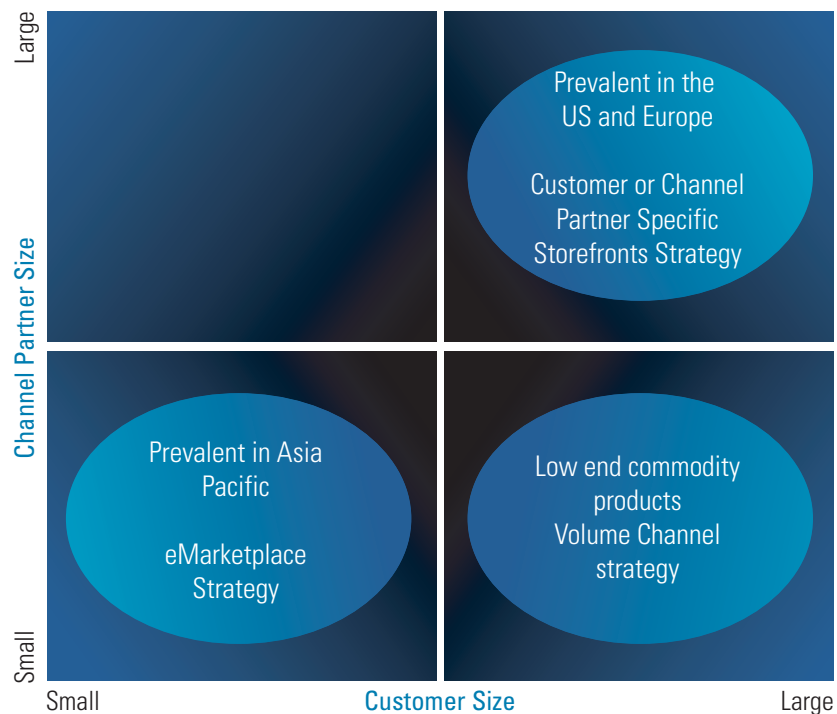


Figure 2 - Choosing the Right Multi-Channel Management Strategy

## Storefront Approach: Large Customers and Channel Partners

For large customer and channel partners, creating a “*storefront*” or an “*eBusiness Portal*” is the preferred approach. In this approach, companies create a dedicated, personalized portal for customers or channel partners enabling them with self-service tools to browse catalogs, research product information, configure solutions and place, view and change orders, track shipments, and receive and pay invoices. These storefronts provide selected set of product catalog and pricing information focused on personalized customer or channel partners specific needs, with deep integration into their procurement systems. Underlying data integration for price, product, contracts, and sales is a pre-requisite to extend and integrate processes between companies and their customers or channel partners.

### eBusiness Portal

### Case Study

#### Company Background

Seagate Technology is the worldwide leader in the design, manufacturing and marketing of hard disk drives, providing products for a wide range of enterprise, PC, notebook and consumer electronics applications. Seagate products are distributed in over 60 countries around the world through its network of more than 200 qualified distributors and OEMs and 15,000 resellers.

#### Challenge

Due to order errors, duplicate efforts within the sales channels and the inability to track shipments in real-time, Seagate realized its need for a consistent process and a single system through which their distributors and OEMs worldwide would be able to quickly and accurately conduct business transactions in their own time zones, languages and currencies.

#### Solution

Seagate implemented the Sterling Commerce eBusiness System as their online order management system. Seagate’s On Line Order (SOLO) system is an integral part of myseagate.com, Seagate’s comprehensive enterprise portal. The Sterling Commerce-powered SOLO system enables Seagate distributors and OEMs to access accurate product information, gain real-time pricing and availability, place orders, check order status, track shipments and interface with Seagate’s accounts receivables — 24x7.

#### Results

SOLO successfully facilitated over \$1 billion worth of new product orders within the first six months of operations and over \$5 billion in orders in only 18 months after launch. Seagate has dramatically reduced order errors and duplicate efforts, decreased their costs per order by over 60% on average, and capitalized on new and enhanced revenue opportunities. The company has also gained direct, real-time visibility into distributors’ and OEMs’ sales and order processes.

## The eMarketplace Approach: Small and Mid-Sized Channel Partners Serving SMBs

For mid-sized channel partners that tend to serve small and medium businesses, creating a storefront for each partner is an expensive and unmanageable proposition. The key is to reduce the number of product segments through standardization of platforms and functional modularization, and then offering these products or platforms through an eMarketplace especially suitable for those companies that dominate their value chain. Companies can use an eMarketplace to bring all the channel partners to a single platform or marketplace for order fulfillment by pre-defining a set of configured products / platforms that are tested and ready for ordering. This can significantly simplify, quicken, and improve the accuracy of ordering and fulfillment for the channel partners. An eMarketplace also provides flexibility to channel partners by enabling order brokering where they can bundle the solution with accessories, services, and finances from other suppliers.

### eMarket Place

### Case Study

#### Company Background

A semiconductor manufacturer that brings technology to market within very short, regular cycles, and realize much higher profits if they are successful in leveraging their various sales channels to quickly transition customers onto their newest technology offerings.

#### Challenge

The manufacturer needed to better service a very large and complex indirect sales channel of resellers that drive over 20% of the manufacturer's annual revenue globally. Their focus was on getting products to distributors quickly and helping resellers maintain profitability by providing them an easy-to-use eCommerce interface.

#### Solution

The OEM chose Sterling Commerce to work with them on developing a comprehensive hosted channel marketplace that enabled resellers to view, configure and purchase product offerings via an e-Portal, provided them critical information on the products' interoperability, and offered them specific component discounts.

#### Results

Since the ePortal solution has been in place, the high-tech manufacturer has hit their increasing sales goals due in part to new country launches and sustained adoption in existing markets. Sales through the marketplace of their latest technology have more than doubled the regular distribution. In addition, the channel marketplace solution was delivered on time, and the stability of the hosted model now regularly exceeds the stated SLA.

## Volume Channel Approach: Companies Selling Lower-End Products Primarily to SMBs

For scenarios where product complexity is low – commoditized high volume and low margin products –the focus is on operational efficiency in distributing product knowledge and orchestrating quote, orders and returns. Typically, a regional distributor is set up for product distribution along with a self service portal for VARs (Value Added Resellers) and SMBs to get product information. Orders placed on the portal are routed to the distributor for fulfillment. Machine-to-machine (M2M) connectivity via EDI or other communication protocols can be used with the distributor, whereas the web portal is used for of information sharing, tracking, and collaboration. The keys to success in this model are lower complexity and range of products offered (e.g. fewer configurations), high partner and customer self-service and close monitoring of Key Performance Indicators and Distributor and ODM/CM Service Level Agreements.

### Volume Channel Management

### Case Study

#### Company Background

A leading High Tech OEM that sells systems, software and services to its global customer base.

#### Challenge

The company wanted to create a completely new business model around low-end and high-volume products for the small-to-medium enterprise market. The lower margin model of this business necessitated the company to focus on optimizing and reducing the operational cost of order to cash process.

#### Solution

The company simplified and rationalized the products to only a few SKUs with limited configurations. Infosys helped the company adopt a hybrid approach to go-to-market with a leading distributor. The first step was the standardization of channel processes and their enablement through machine to machine connectivity (using EDI) for order capture, processing, inventory replenishment, shipment, and invoicing. In the second step, the company provided web based visibility to value added resellers (VARs) and end customers, into product collateral, software and license key downloads, order status and returns.

#### Results

Expected benefits include rapid market penetration in the product segment (lower end products) and customer segment (SMBs), and enhanced information on end customer requirements.

## Conclusion

High Tech companies that are serious about selling through channel partners should adopt a Channel Stewardship approach and implement one of the three preferred approaches described here. With each approach, the Channel Steward needs to extend its intra-enterprise framework to channel partners as well as build the requisite process, technology and organizational capabilities to maximize return on investment. The right multi-channel management strategy implemented well can enable High Tech Channel Stewards to bring new products to the market quickly, increase market share and drive profitable revenue growth.

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