Formprint – Channel Conflict
What’s your decision?

- Projected breakeven between ISR and Direct
- Feasibility of success of either approach
- Is the ISR option viable?
The Facts of the Case

- 3D modeling industry
- Additive vs subtractive manufacturing
- Why does it matter?
- New Ortho500
- Competitive market
- Distribution options
Ortho500

- Why does marketing want ISRs?
- Why go after the non hospital market?
- How much different is the sales cycle?
ISRs

- What are benefits
- What’s the cost of sale?
Run the numbers
Sales Channels

Your Company

“Direct” Sales Force

OEM SF

OEMs

Channel SF

Distributors (Distis)

Channel SF

Value-Added Resellers (VARs)

Target Customers
Coverage vs. Cost to Serve

- Global Accounts
  - # and $/Acct
  - 10s, $100M+
- Large Enterprise Accounts
  - 100s, $10M+
- Enterprise
  - 1,000s, $1M+
- Small and Medium Business (SMB)
  - Ms, $10k+
- Small Office/Home Office (SOHO)
  - 10Ms, $100+
## Different Financial Models

<table>
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<th>Direct Sales</th>
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<th>OEM Sales</th>
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Is channel conflict good?
Strengths of the Channel

- They often already know the customers
- They are selling products that complement yours
- They only get paid when they make a sale
- They may or may not have inventory
- They are a form of leverage
What are the downsides of Channel?
Downsides of the Channel

- They usually ONLY call on existing accounts
- They are very protective of those accounts
- They may switch suppliers at any time.
- They cover certain industries and certain geographies… but not necessarily where you need them
- Their attention is split between multiple suppliers
What else?

- They sometimes get purchased
- They have little true loyalty
- They are a barrier between you and the customer
- They are less profitable than direct … or are they?
Sales Learning Curve

- Revenue Gap
- Standard Quota
- Time

Sales yield

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Ramping up the learning curve

- **Initiation**
  - Break-even point (1x)

- **Transition**
  - Traction point (2-3x)

- **Execution**

**Time**
Characteristics of each phase

- **Initiation**
  - renaissance rep
  - Passionate about technology
  - Comfortable with ambiguity
  - Resourceful – creates own sales tools
  - Catalyst for communication between customers and company – product marketing

- **Transition**
  - Begin structure/territories
  - Quota bearing

- **Execution**
  - Hustle, pace
  - Structured, organized
  - Wants clarity of product value prop, target market, sales cycle, etc.
  - Just wants to sell!
Tale of two products

- Existing products
- New Product
  - New Product (new product, new market, new channel)

Sales yield

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Your channel as your customer

- How do you
  - Recruit
  - Train
  - Manage
  - Quota
  - Support
  - terminate
Sales cultures

- Direct - EMC
- Channel - Citrix
- Systems Integrator - SAP
- OEM - Intel
How does a channel partner make money

- Economics of:
  - Taking on a new product
  - Training your team
  - Quota
  - Competing with other partners
Sales Organization

- Who does channel report to:
  - VP Sales
  - GEO leader

- How does the channel get paid
What else…

- They themselves may have channel issues…
- Their indirect channel may be competing with your direct/indirect channel
- They cannot necessarily police their channel any better than you can yours