



Case study

Development of a global distribution strategy

Background & purpose

Approach

Distribution partners

Distribution model and matrix

Remuneration structure

Distributor care

Legal issues

Main results & conclusions

Background & purpose

BACKGROUND

- Customer: the global leading Service Providers for Inmarsat services for the maritime market.**
- Current segments and services characterised by plain voice and fax services**
- Resulting from the launch of a new Inmarsat data services with very small terminals and expected moves of competitors in this new area the operator was forced to expand it's focus into the new land mobile segments.**
- The new segments and services were characterised by a wide variety of vertical markets each requiring very specific end-to-end data applications**

PURPOSE

- Increase knowledge level and understanding of these new unknown markets.**
- Develop and implement a new distribution strategy that would enable the operator to extend its leading market position in the maritime market into the land mobile market.**
- To create a cost effective distribution structure with maximum added value towards the end-users.**
- To create a structured model while at the same time allowing sufficient flexibility for meeting the differences in geographic areas and vertical market segments**

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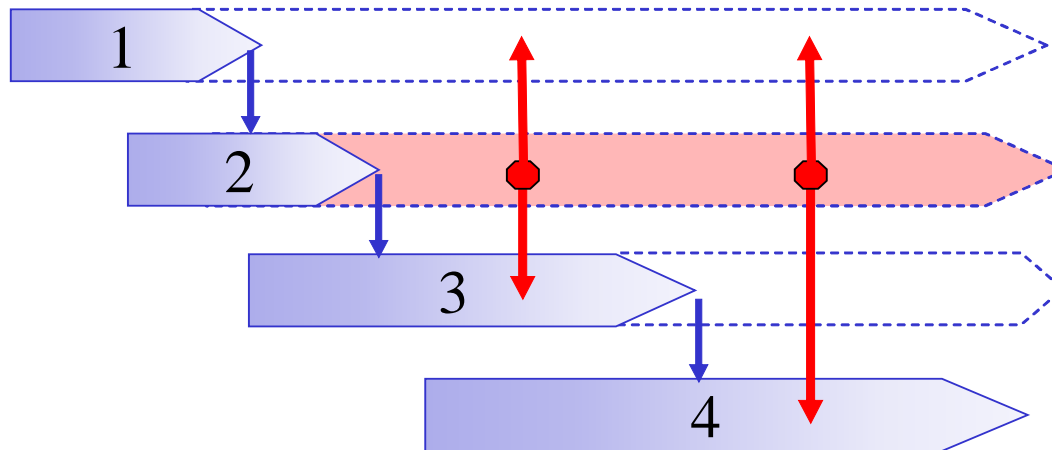
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Approach

1. Definition of required distribution strategy / structure / channel
2. Search, selection and implementation of pilot channels
3. Establishment of channel management:
 - development and management of outlet packages
 - development and management of contracts
 - development and management of procedures
4. Establishment of Distributor Care (DC) function
 - definition DC elements
 - development and implementation of DC elements



Because the operator was entering into a new and rather unknown area the experiences and results from the pilot channels were used as critical input for continuous adjustment of the preliminary distribution strategy and used as a framework for the development and implementation of channel management and DC

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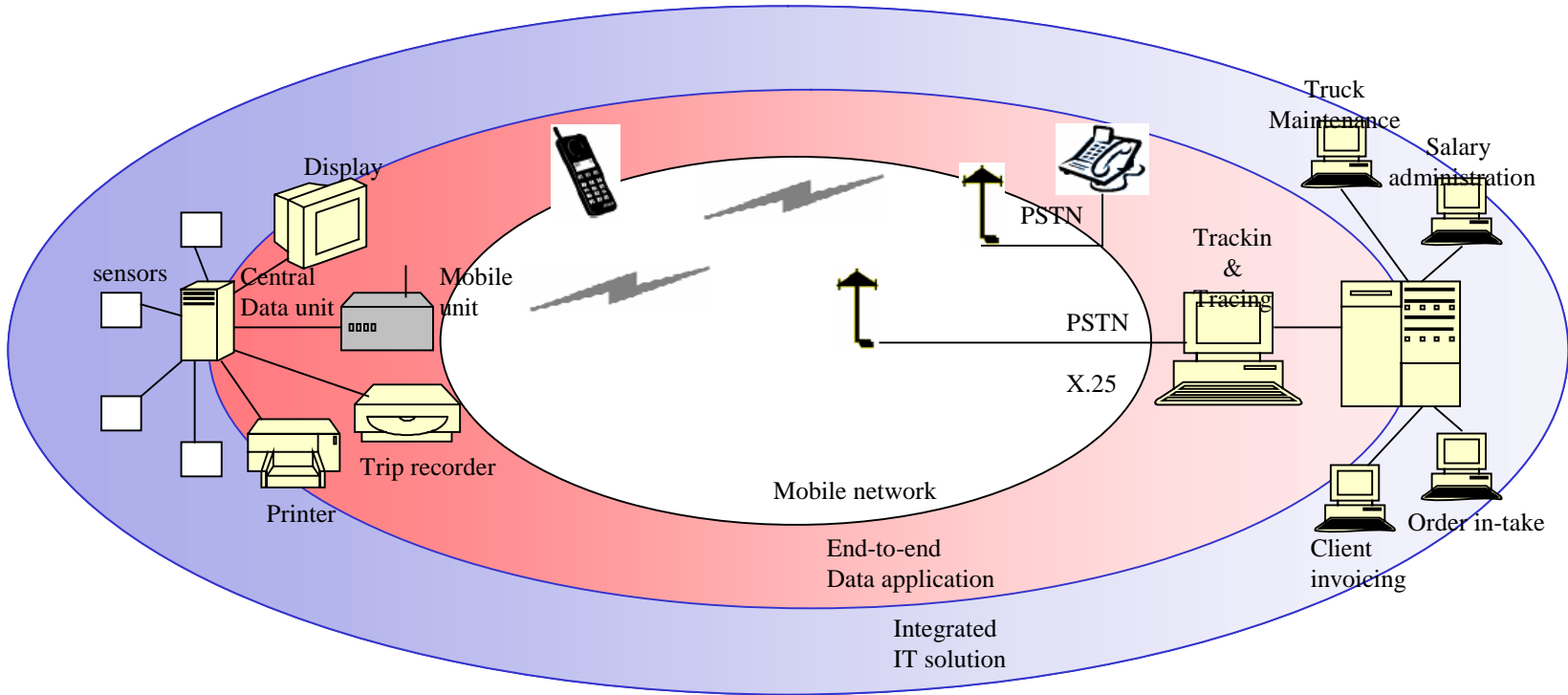
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The reason for working with Distribution partners

Distribution partners



In order to meet these customer needs for complete IT-solutions, the vendor needs to:

- understand the clients business, internal processes and IT systems*
- deliver integrated solutions far beyond the mobile service*
- have a well established name, in and access to, the specific vertical market*

Because the operator could not fulfil these requirements on its own, we choose to Work with distribution partners that could provide the necessary added values

Definition of distribution partners

Distributor type	Service Provider	Hardware distributor	agent
Added value			
Marketing & packaging	++++	+++	+
Sales	++++	++++	++++
After sales	++++	++++	+
Help desk / customer care	++++	+++	
Bad debt	++++		
Billing / contracting	++++		

*Based on the different distributor types, a certain choice in value added activities, and flexibility
In the actual execution of these activities, a structure distribution mix was determined, which at the same time provided sufficient flexibility to meet with local market differences*

Key learning points of pilots

	New product	Existing product
New market		
Existing market		

	Go
	Consider Carefully
	No-go

Other critical partner issues to consider

- Does the mission, position and skills of the partner match with the PMC it should focus at
- Is the "operator business" important enough within the partner's overall business
- Stability of the organisation
- Is their sufficient commitment to invest in development of the appointed PMC
- Does the company have the right commercial attitude and skilled employees
- Is the company "open" in order to guarantee free flow of information
- Offer tailored Distributor care based on added value and needs of the distributor
- Use of (dual) branding depending on the strength of both brands in the targeted PMC
- Avoid choice of (pilot) distributors based on political motives / hidden agendas

Background & purpose

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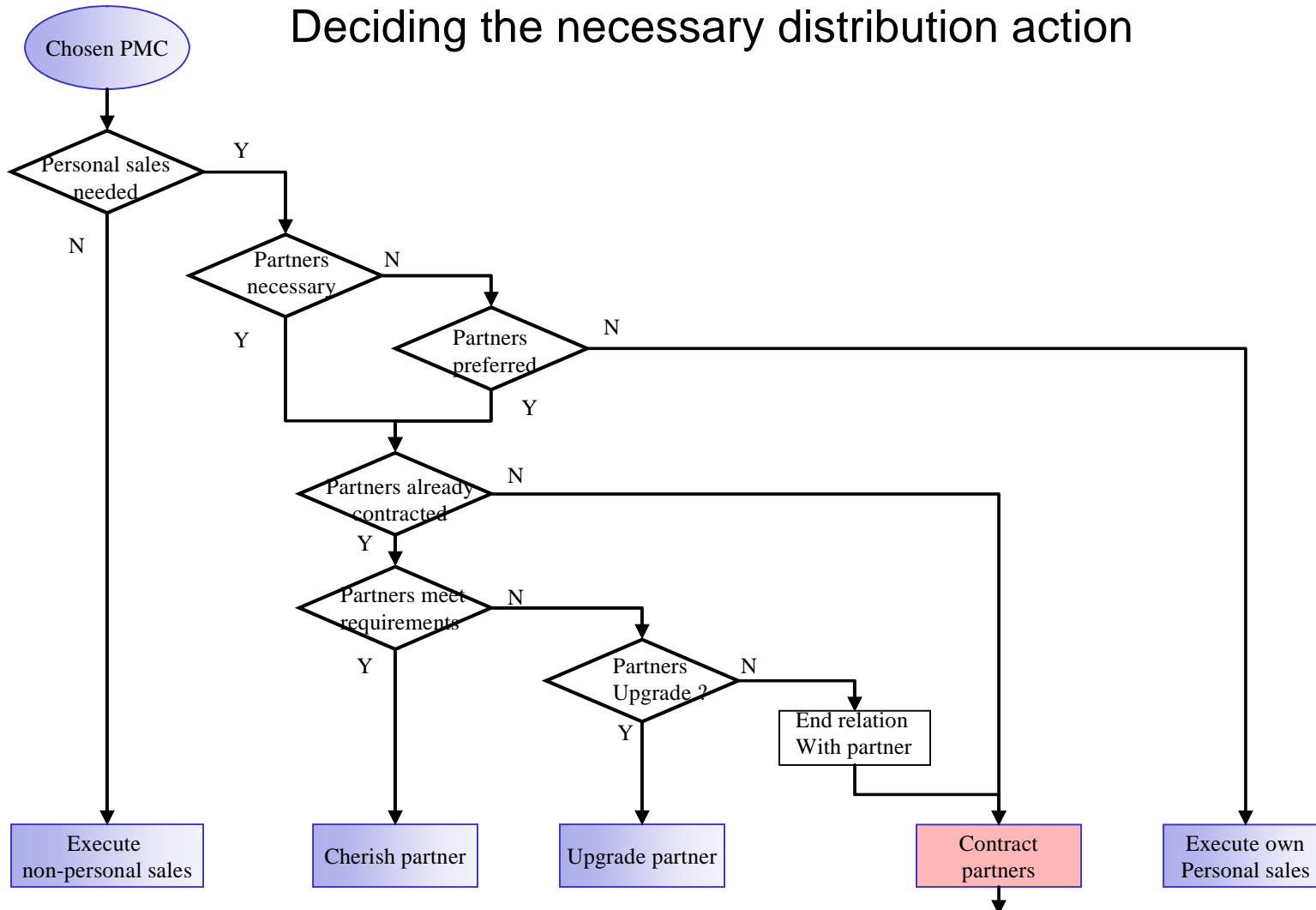
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Deciding the necessary distribution action

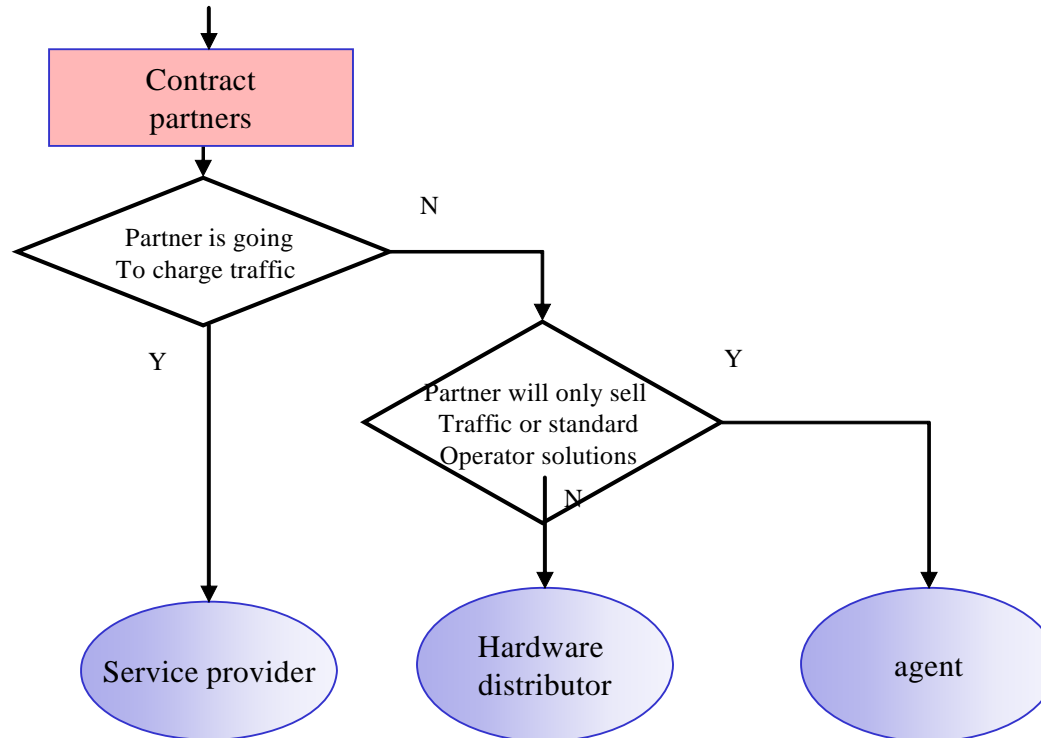


By following the distribution model the necessary "distribution action" towards each Product Market Combination (PMC) was determined



Distribution model

Deciding on the right partner type



Based on:

- the required added value for the specific PMC*
- the availability of appropriate partner*
- the already established relation between the operator and specific customers*
- the competitive situation in the specific market*

The most appropriate type of sales / distributor could be determined for each PMC

Drawing the distribution matrix

	Fleet managment	SCADA / telemetry	Field service	Peace keeping	mining	Rescueb	Media
Netherlands							
Belgium							
England							
Germany							
France							
Spain							
Italy							
Switzerland							
Denmark							
Sweden							
Norway							

Own personal sales
 Partner
 Non

By applying this methodology the complete distribution matrix could be defined

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Percentage of traffic share

Distributor type	Service Provider	Hardware distributor	agent
Added value			
Marketing & packaging	3,2 %	1,6 %	1,6 %
Sales	2 %	2 %	-
After sales	1 %	1 %	1 %
Help desk / customer care	1 %	0,5 %	-
Bad debt	1,7 %	-	-
Billing / contracting	1 %	-	-
Maximum	10,5 %	5,7 %	3,2 %

Based on the added value provided by the distribution partner the remuneration could be determined for each of them. Depending on if they executed the activities completely Or only partly, the maximum or a lower total remuneration was calculate for each of them

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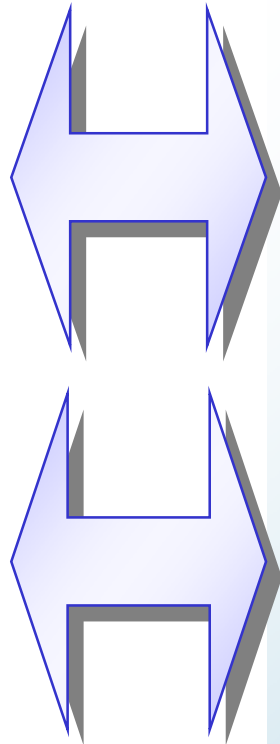
Main results & conclusions



Match between added value and DC

Distributor Care

Added value activities
Marketing & packaging
Sales
After sales
Help desk / customer care
Bad debt
Billing / contracting



DC-element
Training
Market information
Co-marketing
Sales support
Co-sales
Special technical support & info
Procedures and SLA's
Special distributor services
Integrated processes & systems

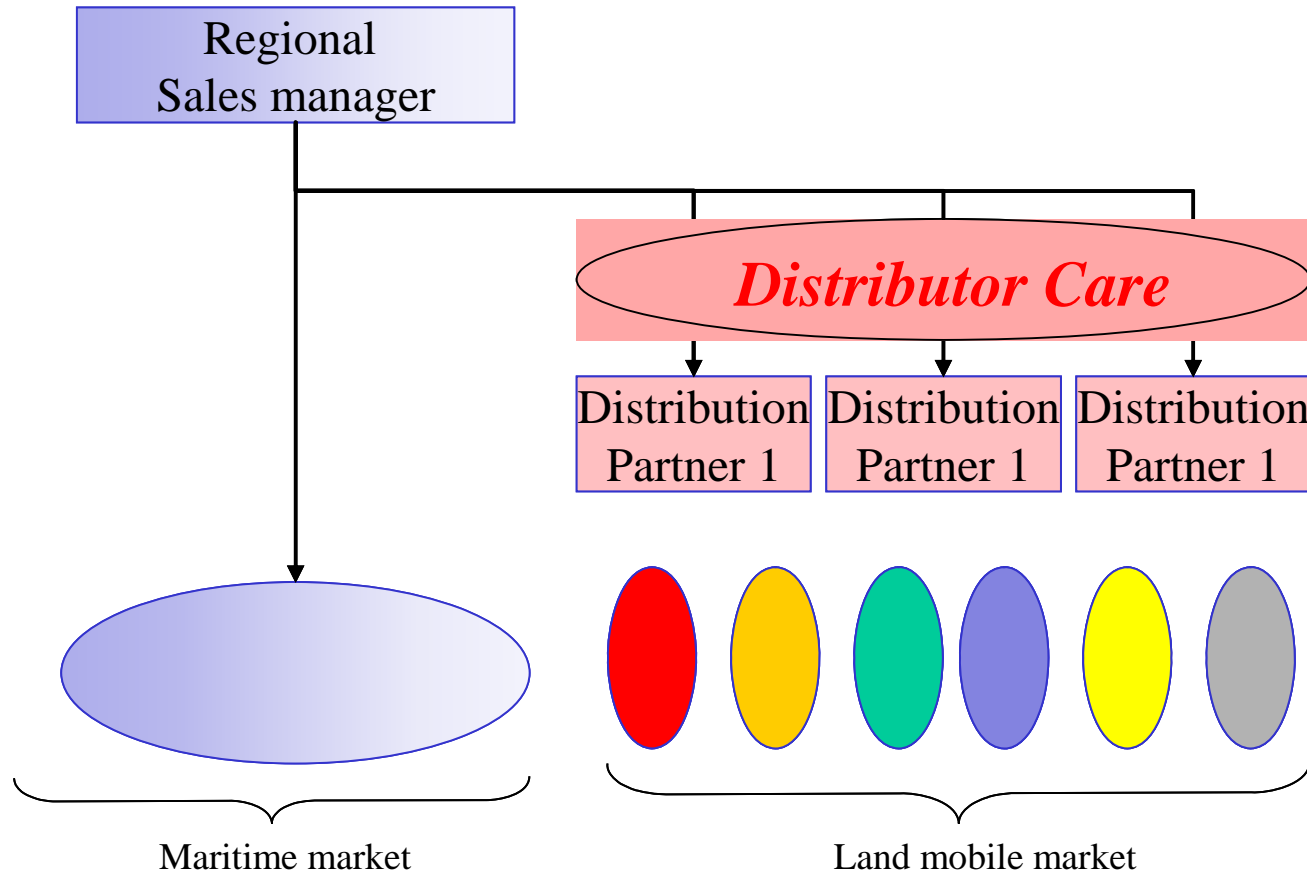


Service Provider	Hardware distributor	agent
++++	+++	+
++++	++++	++++
++++	++++	+
++++	+++	
++++	+	
++++	++	
+++	++	+
++++	+	
+++		

Distributor Care was considered as the non-financial part of the reward structure focused at:

- optimising the position of the distribution partner in the market*
- create an ongoing preferred supplier position*

Extension from sales into channel management



Distributor Care was considered as a crucial function in enabling the regional sales managers Extending their sales reach from the homogeneous maritime market into all the vertical Segments of the Land mobile market.

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Legal issues

Because the operator had a relatively big market share of between 20 % and 50 %, in the different areas of operations the European anti-trust laws were applicable to them, meaning:

- that all (potential) distributors had to receive the same equal treatment (no discrimination)
- only very limited space for negotiation outside of the official "model"
- only field of use restrictions allowed, but no field of user
- only qualitative criteria and no quantitative criteria
- non active sales in other areas had to be allowed
- complete freedom of sales policy of the distributors (including prices)
- the separate basic services still had to be available for end-users directly from the operator
- Non-compliance to this rules could be fined with a fee equal to 10 % of the gross revenues of the whole company (so not only this business unit)

So although the operator on one hand could benefit from it's economies of scale resulting from it's leading market position it on the other hand also put heavy legal obligation to the company, and forced them to put in place a clear model for selection, remuneration and support of distribution partners

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Distribution strategy for the operator

MAIN PROJECT RECOMMENDATIONS

- **Use always pilots when entering into new segments instead of pure desk work.**
- **Don't under estimate the complexity of end-to-end data applications**
- **Use a structured definition for distribution partners at the same time leaving sufficient space for adaptation to local circumstances**
- **Find the right balance between direct and in-direct sales (added value based)**
- **Balance level of added value with the level of support and remuneration**
- **Consider the opportunities and threats of the regulatory framework**

MAIN RESULT FOR THE CLIENT

The operator was able to extend its leading position in the maritime market into the new landmobile market

CLIENT SITUATION TODAY

- **The operator still is amongst the global leaders in maritime and land mobile satellite services**
- **Even though new landmobile systems have been launched (Iridium and Globalstar) they still kept their market position.**



Main results and conclusions

Distribution project Highlights

- **Distribution towards vertical markets really requires a partnership approach**
- **Implementation of distribution relationship with vertical market application providers is expensive and requires careful selection process at the start.**
- **The right balance should be found between the distributor and operator identity and brand**
- **Channel conflicts should be solved upfront (vertical standard solutions of the operator vs. tailor made distributor solutions)**
- **Development and implementation of the new distribution strategy requires a dedicated team.**
- **Develop, execute pilots, adjust and spread**
- **In order to establish the planned distribution network the Sales organisation should be provided with a clear framework and "tool box"**