

Indirect Sales Channel Development

Short Guideline in setting up indirect sales channel structures

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1. DEFINITION OF THE SALES CHANNELS

First of all we would like to point out and define the different sales channels we consider as part of our plan:

Agent: a person (or company) who sells and is compensated for this activity. The contract is made between the final Customer and TSECNET, the latter being responsible for the billing and assuming the credit risk.

Distributor: a company which sells TSECNET services/products and has a contractual relationship directly with the final Customer. In this case the distributor (who is compensated with commissions, markup on price lists, etc...) is responsible for the billing and assumes the credit risk. TSECNET is however responsible for furnishing the billing data.

Commercial Distributor: a distributor who does not offer technical support.

Country Partner (joint venture): TSECNET has a stake in the distributing company. This case is similar to the distributor in terms of commercial relations.

2. CHOICE OF THE PARTNER

Once the sales channel is found, the best operator (company) has to be chosen. Following is a series of requisites representing the guidelines for the different sections which are necessary for evaluating the choice of an operator.

The choice is extremely important since the commercial success in the country depends on the chosen distributor. Thus all choices must be approved by HQ.

The requirements are:

- Ability to establish and reach sales targets
- Financial resources to run TSECNET solutions
- Adequate company size and experience
- License to sell and/or operate TSECNET solutions
- Good market and network presence over the territory
- Good knowledge of TSECNET or similar solutions
- Good relationship with key customers and a good image on the market
- Knowledge of TSECNET's market segment
- Good relationship with local authorities
- Good means of communication (web, e-mail, Internet, etc.)

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- The distributor must have a technical site providing technical support to meet TSECNET demands

All these requirements are not considered always necessary for all distributors except the requirements regarding economic and financial reliability. We prefer “aggressive” and professional operators, no matter their size (very often large distributors bring prestige to TSECNET but are too slow in answering to the market requests). We will also look for operators specialized in the Security sector. The choice of both the operator and the services to be distributed must be “Country oriented”.

3. RESPONSABILITIES OF TSECNET AND OF THE DISTRIBUTOR

Besides the commercial and legal responsibilities connected to the contract, TSECNET and the distributor share a number of activities aimed to increase market share and profits.

TSECNET should:

- Provide updated services’ price-lists, sales handbooks, brochures
- Training sales and technical people
- Keep constant contact with distributors to motivate and develop local business
- Arrange periodical meetings
- Define procedures

Distributors should provide:

- An annual marketing plan
- Information about competition
- Marketing research
- Customer care
- Adequate promotional activity
- Periodical sales forecast (every 1 or 3 month, depending on the Country and distributor)
- Periodical sales data (every 1 or 3 month, depending on the Country and distributor)

4. DISTRIBUTION MANAGEMENT

4.1 Management Summary

Requirements for distribution management in our industry are becoming increasingly more complex. We must deal with people and organisations through many complex methods.

Four critical areas are: Incentives, Activity Planning, Competition and Communication



4.2 Incentives

The issue of compensation includes:

commissions on revenues originated by a contract signed by the distributor in its territory.

bonus: tbd

promotion: tbd

trips: tbd

distributor company goals: tbd

Key factor for success is an effective mix of the above compensation items in relation to the particular distributor and local licenses, taxes rules and regulations.

4.3 Activity Planning

Development, implementation and monitoring of effective activity plans is a key factor of success.

Such plans must be supported by advertising and sales promotion, product launches and marketing efforts.

4.4 Competition monitoring and contention

To increase competitiveness through global indirect sales channels it is necessary to be aware that the gathering of information about the competitor's activities and the effort to beat off the competition is almost entirely on the distributors' shoulders. Therefore, the distributors must be supported with general research when available, advertising and sales promotion wherever and whenever possible.

4.5 Communication

Communication is probably the key of all successes: how the distributors and TSECNET share and exchange information to and from the field can determinate the success and the competitive edge of TSECNET indirect sale channels. Make directions clear, simple and relevant, so that distributors can read them, understand them and put the program to work more effectively.

For this task it is necessary to establish very clear and binding procedures for all the entities involved.

4.6 Target

The task of distribution management and relevant procedures consists of four functions which should effectively establish our "road map" for the YEAR objectives:

- Planning
- Organizing
- Directing
- Controlling

4.6.1 Planning

Planning procedure for indirect channels should include:



- Setting sales goals
- Budgeting
- Programming

4.6.2 Organising

Such procedures to be effective must contain provisions in relation to:

- Regular flows of information to management for the achievement of budget and quota objectives
- Regular meetings with distribution channels with agenda established in advance (steering committees)
- Regular performance evaluation and eventual recovery plans
- Quarterly planning for joint marketing activities and training to distributor personnel
- Regular flow of sales forecasts
- Regular flows of information on the level of technical assistance to end users by the distributor
- Regular flows of information to management on local competitive environment and changes
- Regular flows of information to management on identification of new opportunities such as new distribution channel prospects

4.6.3 Directing

In this framework the relevant procedure for day to day management through Managers should include in their tasks:

- Full responsibility for direction of the activities for each channel assigned in terms of budget, motivation and development
- Provision of regular flows of recommendations to management in terms of termination, changes and development of indirect sales channels
- Support in training, promotional and advertising activities at the distributor local level

4.6.4 Controlling

The controlling sections of procedures should contain provisions involving all relevant departments and functions on format of standard reports for specific information flow and on the frequency of reports.

To be continued