DIGITAL TRANSFORMATION:

A BRAVE NEW WORLD
Sales and Distribution

Towards Tomorrows
Digital Transformation: A Brave New World

SALES AND DISTRIBUTION

CONTENTS

Defining a Successful Strategy for Channel, Sales, Partner and Commission Management  04
Factors Shaping an Operator’s Sales and Distribution Strategy  04
Key Challenges While Implementing an Effective Sales and Distribution Strategy  05
Challenges Hindering an Effective Sales and Distribution System  05
A Likely Future Roadmap  06
Key Value Creators for a Sales and Distribution Network  06
INTRODUCTION

In the era of rapidly falling ARPU, digitization is critical to telecom. Nowhere is this truer than operator’s legacy sales and distribution (S&D). Legacy S&D cater to a different era and a different set of requirements when telecom operators were set on acquiring new customers. However, with telecom markets saturated almost everywhere, operators have shifted their focus from acquisition to retention, which is beyond the scope of existing S&D solutions. The profusion of channels adds another layer of complexity which makes it tougher to get a single view of the business, which in turn impacts agility and business efficiency.

In order to cater to new business requirements and opportunities, sales and distribution have to be agile and responsive to new market dynamics through mobile and API gateway, use analytics to unlock operational efficiencies in inventory and logistics management, and ensure adequate and timely supplies to end points of sale by enabling a single view of the business.

In this e-book we will bring the spotlight on the current state of operator’s sales and distribution, key challenges, opportunities and roadmap to the future.
The present era of digitization has brought about a sea change in an operator's business. Of course, this isn't merely confined to tapping new revenue streams and keeping pace with technology trends. It also includes day-to-day business activities like sales and channel management, inventory management, and commissions.

Simply put, technology and the internet have opened up new distribution channels. Data driven insights are reshaping traditional sales-centric tips and tricks. Moreover, multichannel networks are the rule today, not the exception.

Naturally then, an operator's sales and distribution strategy too, has undergone a paradigm shift.

**Defining a Successful Strategy for Channel, Sales, Partner and Commission Management**

While there is no sure-shot method of defining a successful strategy, the basic idea ought to be maintaining a balance between selling the right product at the right time through an appropriate combination of channels. In addition, modernizing existing sales and distribution systems is, needless to say, a given. Select areas where this process can be executed include:

- **Blurring of Channel Boundaries**
  - Efficient channel design and conflict management
  - Implementation of sophisticated channel information systems
  - Ensuring that customers receive the products within stipulated timelines
  - Optimizing redistribution costs amongst the channel hierarchy

In traditional selling methods, each sales channel had a different set of partners and were used to push an overlapping but distinct set of products. Now, in the era of digitization, non-direct channels have a dual role to play-perform set functions while catering to new demands. This is because customers are expected to increasingly interact with the operator through their own self-service channels.

**Factors Shaping an Operator's Sales and Distribution Strategy**

- Shorter product and plan innovation lifecycles
- Complex sales and distribution channels
- Multiple commissioning rules
- Reduced customer loyalty
- Rapidly changing inventory status across the sales channel
From a sales viewpoint, the operator must ensure product availability at the self-service point of sale. Conversely, non-direct channels will have to widen their scope beyond selling voice and basic-data related products. These channels will now have to become device collection points and function as extended customer service endpoints. Simply put, non-direct channels will function more like direct channels.

**Shrinking of Partner Hierarchies**

Operators are increasingly inking partnerships with various suppliers, who are directly involved in fulfilling requests for new services, as opposed to merely forwarding them. The end aim is to deliver new devices in person to subscribers. The role of the partners has to change to entail receiving devices from various third-party providers, bundle these devices as per the operator’s plans and upsell. Thus, a disruption in the distribution chain is on the cards. A product-specific relationship between suppliers, resellers and retailers will be established. The idea is to ensure that any distributor can supply a specific product to any retailer.

**Management of Territory and Sales Key Performance Indicators**

There is little doubt that digitization has brought about a change in both channel and partner structures. Likewise, measuring sales on the basis of territory will also have to be re-hauled. Traditional sales-centric key performance indicators measure gross-adds; product-based revenues and device sales by revenues and by volumes. These are measured to specifically match the territories where the sale actually occurs.

Systems that do not support gathering of data pertaining to sales though digital channels will not be able to cater to future requirements. Sales and distribution systems will have to define new logical territorial boundaries that overlay physical territories for digital distribution separately. Of course, in some cases, completely eliminate dependency on traditional methods of defining the term “territory”.

**Products and Services**

Traditionally, operators focused on providing voice and data-centric products and plans. In the era of digitization, the biggest change will be the proliferation of products produced by an operator’s partners. Essentially, the number of resellers who only focus on one category of telecom products will reduce significantly. This will profoundly impact the method of framing eligibility rules pertaining to product availability for various partners.

**Key Challenges While Implementing an Effective Sales and Distribution Strategy**

Of course, transforming existing sales and distribution channels is easier said than done. A key factor for operators is to ensure complete transparency in the entire sales and distribution ecosystem until the last mile. Operators are likely to face a cash crunch if an end-to-end view of the sales and distribution channel is absent.

**EXHIBIT 2**

Challenges Hindering an Effective Sales and Distribution System

- High value transactions being executed on credit sales
- Payouts taking place on commissions which, are bound by complex sales targets and customer retention rules
- Unrealized inventory with fast expiring supplier warranties
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A Likely Future Roadmap

Digitization is expected to bring about a paradigm shift in the structure and design of a sales and distribution system. In today's context, two approaches exist—either make a system highly configurable or strictly adhere to its definitions. A brief laundry list of potential features includes:

Going Mobile

A mobile interface will be the de-facto option for all operators utilizing a sales and distribution solution. The mobile interface will, of course, need to cater to all the players in the value chain, namely retailers, distributors, operators and the end subscribers.

Analytics and Offer Management

While analytics has found its way into most enterprises, sales and distribution systems still have limited access. This is vital, as analytics offers multiple benefits. These include the necessary data to promote new products to retailers and distributors and creation of real-time offer management capabilities. Traditional sales and distribution systems lack these capabilities, but they become crucial in the digitized era. Providers who offer these capabilities will help operators stand apart from the competition by engaging their channel partners in new and innovative ways.

API Gateway Layer

Today, several of the aforementioned capabilities would be outside the scope of functioning for an enterprise. However, as the sales and distribution ecosystem becomes more complex, these become crucial as well. In this context, a robust infrastructure, provided by the API gateway, becomes necessary.