What to Consider When Choosing Distribution Channels – a Case Study of a Software Company

Abstract

Title: What to Consider When Choosing Distribution Channels. A Case Study of a Software Company.

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Problem Definition: EasyArchive is a vendor of an email archiving software solution. EasyArchive’s sales are not growing with the same speed as the market, which is forecasted to grow with up to 1000% within the next 5 years. EasyArchive’s direct sales force can expand but the company is also evaluating alternative marketing channels. The number of potential types of channels and the number of players in each channel is very big. EasyArchive has no earlier experience from channel sales in the American market and needs to define evaluation criteria to choose the right channel strategy as well as the right partners.

Purpose: The purpose of this Master Thesis is to identify and suggest potential distribution channels for EasyArchive in the American business to business market.

Methodology: This Master Thesis is a describing and exploratory case study based on qualitative data. The theoretic framework is based on literature studies. The empiric description of the company is mainly based on unstructured interviews with key persons at EasyArchive. Direct observations of the day-to-day operations at EasyArchive have also been an important method to collect data.
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**Conclusion:**
EasyArchive certainly should start to sell through external channel partners. The company can reach a larger market without bringing external capital in. The strategy also offers EasyArchive to focus on its core competence in the technical field. By focusing on a limited numbers of carefully chosen Value Added Resellers EasyArchive can take advantage of this but still keep a fairly good control of resellers and the market.

Some of the most important criteria to consider are the partner’s presence in the market, the ability to manage a long sales cycle, and the experience of similar customers and products.

**Key Words:** Distribution Channel, Marketing Channel, Channel Partner, Value Added Reseller, Distributor, Sales cycle, Software, Email archiving, Email Compliance, Marketing flow.
Preface

This master thesis has been conducted during the fall 2006 at EasyArchive Inc.’s headquarter in San Jose, CA, USA. The thesis aim to present the type of distribution channel that will be sufficient for EasyArchive and what criteria EasyArchive mainly shall evaluate when considering a new channel partner.

The report is focused on the business to business email archiving market in USA. It can also serve as a framework and help create an understanding of difficulties that you will face when creating a distribution network in other industries or in other markets as well.

I would like to thank “EasyArchive’s” President and CEO and Ingela Elofsson at Lund Institute of Technology. The company’s president has helped making it possible for me to write this thesis with the company in California, and Ingela has contributed with invaluable feedback, advice and structure.

I would also like to thank all of you who have contributed to the thesis. An endless number of people have been a great support along the way and given valuable advice. I cannot mention all of you, I hope you know who you are!

Malmö, Sweden, January 2007

Ted Kristensson
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1 Introduction

The introduction chapter gives an overview of the situation and clarifies the purpose of the thesis. The chapter also defines target group and delimitations.

1.1 Background and Problem Definition

For confidentiality reasons the company’s real name cannot be used. The company will be referred to as EasyArchive.

EasyArchive is a vendor of a software solution for email archiving, email compliance and secure email. The company was founded in 1999 and has today around 40 employees.

EasyArchive has chosen to focus on a Direct Sales force in the U.S. The target market has historically been large corporations.

Email archiving is one of the most complicated software solutions on the market. Customization, implementation, and support of the product are crucial to get the solution to work properly. These tasks are very complex and time consuming and demand highly skilled and experienced professionals.

EasyArchive did not consider it to be possible to successfully sell this type of solution through resellers, why the company chose a direct sales force.

In 2001 when EasyArchive started with email archiving the need was limited to large corporations. The size of the deals justified a technology that demanded such complicated and time-consuming installations.

During the last years, three big and important factors have changed the environment drastically.

- The mail flow has increased rapidly. Not even small companies can store all their emails on the mail server. A big volume of mails on the server slows it down and to increase the storage is extremely expensive. One solution to this is to have the emails being moved off the server but still being accessible. This procedure is called mailbox management or stubbing.
• Because of the growing importance, emails are today considered business records, which include a need to tamper proof and archive the email for a long time just like all other business documentation. A result of this is that emails have become important evidence in many law suits. These new regulations have lead to an increased demand for email archiving since it affects most companies.

• EasyArchive has continuously developed the technology. The product is today significantly more mature and robust compared to when it first was created. This results in a less complex sales and support process.

The email archiving market has grown during the last couple of years. According to several analysts the growth will continue. The well-respected analyst firm, the Radicati Group, forecasts the worldwide market to grow from $800 Million in 2006 to $7.8 Billion in 2010\(^1\). The growth of the American market will not grow with such enormous numbers but a significant growth can be expected.

EasyArchive’s sales are not growing with the same speed as the market. Due to this EasyArchive’s executives see a need and opportunity to increase sales. Today’s direct sales force will expand but the management evaluates alternative marketing channels as well. The number of potential types of channels and the number of players in each channel is very big. EasyArchive has no earlier experience from selling through external channels in the American market and needs to define evaluation criteria to choose the right channel strategy as well as the right partners.

1.2 Purpose
The purpose of this Master Thesis is to identify and suggest potential distribution channels for EasyArchive in the American business to business market.

1.3 Target Group
The primary target group for this thesis is mainly EasyArchive’s management and members of EasyArchive’s sales and marketing departments. The secondary target group is university students with an interest in the software industry and/or business to business marketing.

To be able to appreciate and understand the content of the thesis it is crucial that the reader has a basic understanding of the IT industry and knowledge of fundamental marketing concepts.

1.4 Disposition of the Thesis
To communicate information in a structured and easily understood format the thesis is organized in seven chapters.

Chapter 1 Introduction
The introduction gives an overview of the situation and clarifies the purpose of the thesis. The chapter also defines target group and delimitations.

Chapter 2 Company Presentation
The company presentation gives a more in depth description of the company’s history, business and product. The purpose is to give the reader sufficient knowledge about EasyArchive to be able to understand the situation the company is facing.

Chapter 3 Methodology
This chapter describes the methodology used while conducting research. The chapter also describes and applies a framework for criticism of sources and research methods.

Chapter 4 Theory
The purpose of this chapter is to describe theoretical concepts for the design of distribution channels on the business to business market. The theory is
structured in a way that suggests steps for what need to be considered while defining the company’s distribution channels. The concept are mainly based on Philip Kotler’s Marketing management and Robert Vitale and Joseph Giglierano’s business to business Marketing, Analysis and Practice in a Dynamic Environment.

Chapter 5 Empirics
Based on research and interviews the empirics chapter describes EasyArchive and its current situation using the framework described in the theory chapter.

Chapter 6 Analysis
This chapter analyzes EasyArchive and its situation in the market based on the framework presented in the theory chapter and the information presented in the empirics chapter.

Chapter 7 Conclusion
In this chapter conclusions and recommendations for future activities are presented based on the analysis presented in chapter 6.

Chapter 8 Recommendations
This Chapter describes recommendations and conclusion that do answer the thesis’s purpose but can be of importance when designing and expanding the distribution channel network.
2 Company Presentation

The company presentation gives a more in depth description of the company’s history, business and product. The purpose is to give the reader sufficient knowledge about EasyArchive to be able to understand the situation the company is facing.

2.1 Company Background

EasyArchive was founded 1999 in California to create an email-engine for the carrier-class space, which can be described as what is known today as hotmail or gmail.

The first big deployment of the email engine was an installation of 600,000 email boxes in 2000. The customer was a joint venture between British Telecom and Nippon Telegraph and Telephone Corporation (NTT) in the Asia-Pacific region.

The “IT boom” in 2001 obviously had a drastic influence on the market environment. EasyArchive’s CEO describes the change on the market as: “The customers just disappeared”. EasyArchive made the decision to develop the already existing mail engine to create a solution that also satisfies the needs on the email archiving and compliance market.

The company has grown slowly and organically and at present has revenue of 4.5 million U.S. dollar and around 40 employees. EasyArchive has a group of very well known customers such as: Walgreens, a “top 5 global bank”, Bank of New York, and Johnson & Johnson.

EasyArchive is headquartered in San Jose, California with sales offices in New York, Boston, Toronto, New Jersey and Tokyo.

Contact with EasyArchive’s employees 2006-06-22 – 2006-12-13
2.2 Owner Structure

EasyArchive is privately owned. The company is partly owned by the three founders but also funded by a variety of venture capitalists and strategic investors. The investors involve one of the 20 biggest companies in the world as well as national IT authorities.

The owner structure is rather unique. It is designed in such way that even though the different investors own a large part of the company, the original founders have full control over the company’s operations.

2.3 Organization

EasyArchive today is organized in two departments: Engineering and Sales & Marketing. Sales and Marketing also contain operations such as Human Resources and Accounting.

The engineering department consists of 25 persons who work with product development, product installation, and customer support.

![Organizational Chart for EasyArchive](image-url)

Figure 2.1 Organizational Chart for EasyArchive
The Sales and Marketing department contains twelve people. An important part of the founders’ strategy is to keep an entrepreneurial environment within the organization. Due to this, tasks are shared by several people. Six persons are focused on sales, two on marketing, one on business development, and one on accounting and human resources. The rest of the department assists with tasks connected to business development, marketing, and human resources. All employees in the department report to the CEO. The Vice President of Business Development does not have a management role in the company but is acting more as a senior sales and business development associate in the day-to-day operations.

2.4 Target Market

In 1999 EasyArchive’s target customer was the large Internet Service Providers (ISP). The product at that time was an email engine for secure messaging. The company was quite successful and sold an installation of 600,000 mailboxes to a joint venture between British Telecom and Nippon Telegraph and Telephone (NTT).

In 2001, the whole IT sector changed and the market for EasyArchive’s product changed drastically. The number of customers decreased and the market for secure messaging became very saturated with a big number of vendors competing for a small number of customers. EasyArchive focused on the very large enterprises and among some of U.S most well-known chains and banks.

EasyArchive forecasted the growing importance of email and focused the product development on creating an email archiving solution. Since the company had a highly scalable email engine that could handle very large volumes, EasyArchive took advantage of this and continued to focus on the high-end market.
As EasyArchive predicted, the importance and volume of email continues to grow rapidly and will continue according to analyst reports. The well-respected analyst/consultant firm The Radicati Group, Palo Alto, California forecasts the email archiving market to grow with 74% annually until 2010.

The market can be divided into three groups based on the factors that drive the need for email archiving. The three driving factors are:

- Offloading of the mail server, often called mailbox management
- Compliance with regulations
- The ability to present email as evidence in trials, what normally is referred to as legal discovery

### 2.4.1 Mailbox Management

Mailbox management was the first type of email archiving. Everyone who has experience of email is familiar with mailbox quotas. The reason for mailbox quotas is that the volume of stored mail grows rapidly, which slows the server down. To get rid of the mail box quotas there are only two solutions: to buy more servers to handle the increasing load, or to buy an email archiving solution that offloads the mail server.

The need for this is industry-wide and concerns all organizations.

### 2.4.2 Compliance and Regulatory Requirements

For a couple of years now, emails are considered business records. This means that emails have to be treated as any other business documents, which includes retention policies and tamper proofing. The most important regulation that influences this is Sarbanes Oxley (SOX). All public companies and companies that might go public in the future fall under SOX. SOX specifies retention periods for all business records, which means that emails needs to be stored for a certain period of time.
An example that can be used to describe the problem large companies will face by being obligated to keep all email is that a company with 25,000 employees that has a retention policy of seven years will have approximately 4.5 Billion emails in the archive. To try to describe the size of this number, it can be compared to the number of websites in Google’s archive 2004, which was close to 4.5 Billion.

The finance industry has even stricter regulations. These regulations create a need for a solution that makes it possible to supervise the email traffic and have a certain percentage of all emails be reviewed by a human being.

The healthcare industry also has specific needs for secure communication and archiving to protect personal information.

### 2.4.3 Legal Discovery

Email has become a very important source of information in trials. To win legal battles, general counsels demand more effective tools to present the correct information. Emails concerning a certain subject need to present fast. Since the email server is backed-up, this can be done by manually going through old back-up tapes to find old deleted emails. This process is very time consuming and therefore expensive.

By archiving all emails and making them searchable, companies no longer have to spend time going through the process with old back-up tapes to find the information. The information can easily be found and presented.

This need exists for all types of companies since all companies could potentially be involved in a lawsuit.

### 2.5 EasyArchive’s Product

In 1999 EasyArchive created the first email management platform that integrated an open standard, highly scalable messaging platform with flexible and modular web application server architecture. To understand today’s competitive advantage it is helpful to know the historic development of the product.
The whole product is programmed in Java, J2EE. The decision to choose Java was fairly innovative back in 1999 when few software products were created using Java. EasyArchive has unique competence in this area.

The first product was an email engine designed for the Carrier-class and Internet Service Provider (ISP) space. The biggest installation was an installation of 600,000 mailboxes, which is still considered a big installation. With this highly scalable email engine as a platform, EasyArchive has created a solution based on four different modules. The modules can be used separate or together depending on the customers’ needs.

The four modules are Mailbox Management, Legal Discovery, Compliance and Secure Messaging.

2.5.1 Mailbox Management

The need for an effective way to manage a big numbers of emails on the email server is never ending because of the growing mail flow. A common way to try to solve this is to apply mailbox storage quotas. The other way has been to increase the storage on the mail server, which gets extremely expensive and is not a reasonable solution in the long run. To increase the storage would not solve the problem with long back-up windows. This is a problem that automatically gets solved with a mailbox management solution that decreases the volume stored on the server.

EasyArchive’s mailbox management module neutralizes this problem with something called stubbing. Messages, part of messages, or attachments are moved of the server (they get stubbed) and replaced with an URL-link. When the URL-link is clicked, the email is presented and can be restored with a single click. The policies for how to stubb the email can be set-up very granular. The time for the stubbing can be set depending on attributes such as: recipient, sender, subject and even specific words in the body of the message. The most commonly used policy among EasyArchive’s customers is to stubb only the attachments. This method decreases the stored volume on the email server between 60% and 80%.
2.5.2 Compliance

The compliance module makes sure the email system stays compliant with all regulations that apply to the company. All messages are captured before they reach the recipient to make sure that no one is able to tamper with the content or deletes it before the retention period over. This ensures that an exact copy of each message, sent or received, exists in the archive.

To be compliant with certain regulations in the finance industry a certain percentage of all emails sent between the analyst department and the broker department need to be reviewed by a human being to search for violations. EasyArchive’s product has features that help make these procedures more effective and efficient.

The product includes a lexicon with phrases and words that indicate a violation. Email with content that matches with the lexicon gets flagged. The reviewers can check the flagged messages first to increase the chance to find a violation. EasyArchive also has a feature that combined with the lexicon makes it possible to review messages in real time and block them before they reach the recipient.

2.5.3 Legal Discovery

All messages that are captured get full text indexed. Every word and its context in the mails are stored in a database. The email can also be categorized by its content.

The search module is mostly used by of EasyArchive’s customers to be able to find and present old emails in case of a lawsuit, but can also be used to increase employees’ efficiency. The search parameters that can be used to search for an email can be very granular, which will help make sure that only relevant emails are presented.

2.5.4 Secure Email

EasyArchive can provide several different solutions for secure email. The solution can easily be implemented with most systems. Many customers have a need to send encrypted mails, which easily can be done. What makes it complicated is to store and be able to search and find encrypted emails. Since EasyArchive’s secure email solution is based on the same platform as
the archiving modules the emails can be sent and archived as encrypted but still be accessible and easy to find in the archive.

2.6 Trends and Development

The future for the email archiving and compliance market must be considered to be interesting.

The market will continue to grow. The Radicati Group’s forecast is mentioned above, but all actors on the market agree that the growth will be significant during the next couple of years.

EasyArchive is very strong in email compliance. The trend during the last years has been that the regulations are getting stricter, which would demand more from the product. This type of trend is very positive for EasyArchive, since many competitors will not be able to handle such change. An increased mail flow is also probable. Such thing would be positive for EasyArchive, since EasyArchive’s most important differentiator, the product’s scalability will become even more important.

The growing market potential combined with a more mature, and easily managed solution makes the coming year very important for EasyArchive. The question, how the company will manage to grow is crucial. To successfully build a distribution channel to increase sales in the short, and the long term will be a key factor for success.
3 Methodology

This chapter will describe theories and factors that shall be considered when conducting scientific research. The chapter will also introduce, comment and criticize the research methods used in the thesis.

3.1 The purpose of the research

Research can be classified by the purpose of the research. The six most common types of research are: Exploratory, describing, diagnostic, explaining, evaluating, and predictable.

- The purpose of an exploratory survey is to give basic knowledge and understanding of a subject. The research is mainly conducted to provide the fundamentals for further investigations.
- Describing research is made to describe a specific situation.
- A diagnostic approach is used to clarify facts in a certain field.
- Explaining research is made to define and map out what factors influence a situation.
- Evaluating research intends to measure effects of actions taken.
- The purpose of predictable research is to predict what would or could happen in the future considering given circumstances.\(^4\)

This report can be classified as describing and exploratory research. The purpose of the thesis is to identify and suggest evaluation criteria, which can be considered to give knowledge of and create understanding of a certain

Describing research demands a sufficient amount of accessible data, why it is crucial to have access to data that describe the situation when starting the survey. The method intends to give descriptions of historical and existing situations, but has no intention of explaining how the situation is created or can be influenced.

Exploratory research intends to give understanding of the occasion and collect information for further investigations.¹

To fulfill the purpose to identify and suggest potential distribution channels for EasyArchive, the current situation will be described and the thesis intends to give an understanding of factors that shall be considered when evaluating channel intermediaries. This can be categorized as exploratory research.²

### 3.2 Research strategies

Before starting a research project it is important to define the research method that will be used. In most cases there is not a single method that can be defined as the right one. What is critical in order to be able to define the research as scientific is that the same research method will be used through the whole project until a conclusion can be made.

To decide what research approach to use the purpose of the thesis needs to be considered. There are three main interests, but a mixed approach is common.

- Cross Section Analysis, can be used to research an, often fairly broad, situation at different times, with or without interest in

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changed connected to the elapsed time. There are two types of cross section analysis. The experimental approach is used when the researcher can influence one or more factors and a survey approach is used when the researcher cannot influence the situation.

- Time Series Analysis is performed with the purpose of determining one or several research units’ development over time. The exact same situation needs to be measured at several different occasions.

- A Case Study is used to study a single unit. The purpose is not to test theories or create a general framework but to create a deep understanding of the specific case.\(^7\)

### 3.2.1 Case study

A case study is suitable to use to analyze and explain processes, and to research situations when the key factors influencing a situation not are known from the beginning\(^8\). The case study is generally used to describe a current situation.

The incentives to use a case study are strongest when the questions like how and when are asked about a situation over which the researcher has little or no control.\(^9\)

The purpose of the thesis is to identify and suggest potential distribution channels. The focus is to get a good understanding of EasyArchive and to answer questions that I have little or no control over, Considering these circumstances a the cases study is a suitable which suggest the use of a case study.

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\(^8\) Ibid, p, 143

3.2.1.1 Choosing the Case

A case study gives the opportunity to focus on the current situation to achieve a deep understanding of EasyArchive’s choice of distribution channels and the factors influencing the choice. The case has been chosen and defined based on meetings with EasyArchive’s CEO, and after advice from Ingela Elofsson at Lund Institute of Technology.

A case study is dependent on an explicit choice of case. Four different starting positions can be used: the typical, the unique, the theory trial, and the least probable research unit.

EasyArchive’s situation is from many perspectives unique. It involves a specific technology in a certain market. The goal is not to create a general framework that can be applicable in the industry. The case can be considered typical in the sense that it describes a situation similar to what many small expanding companies experience. Even though I will not present a theory that can be tested on other cases this case study will describe many of the issues a company similar to EasyArchive will face during its period of growth.  

3.2.1.2 Setting the Case

Five components are crucial to consider when setting the case: the question, the proposition, the unit of analysis, the logic linking of data and propositions, and the criteria for implementing the findings.  

- The question is presented in “Background and Problem definition”.  
- The proposition can be found in Purpose in chapter 1.  
- The unit of analysis is EasyArchive.  

11 Ibid, p. 20-27
The logic linking of data and propositions is presented in chapter 4, Theory and chapter 5, Empirics. A theoretical framework, mainly based on Kotler’s marketing theories is presented in chapter 4. In chapter 5, EasyArchive and its situation is presented based on the theoretical framework. An analysis of the empirics and theory can be found in chapter 6.

The criteria for implementing the findings are not explicitly presented in this thesis, since it is not a part of the purpose.

3.3 Research methods

The two main types of research methods are qualitative and quantitative. These two methods are not exclusive and the difference between the two has more to do with how the data is used and analyzed than the method used to collect it.

- Qualitative research is focused on data that cannot be quantified and presented with numbers. The analysis has a tendency to focus on words and descriptions. The qualitative research is often conducted with a closer relationship to the studied area and is focused on a smaller case study or survey. The qualitative research give the opportunity to a more open approach to reach answers that not are predicted. Methods such as interviews, field-studies and observations are commonly used.

- Quantitative research has numbers as the central base for analysis. The study is often focused on a larger case where the problem is more specifically designed. A statistical analysis of the result has a central role in how the result can be interpreted. It is important for the researcher to have a neutral role during the research process,
written surveys and experiments are the most important methods in qualitative research.12

### 3.3.1 Qualitative Research

Since the purpose of this thesis is to identify and suggest potential distribution channel partners, a qualitative approach will be the most appropriate. The problem is exploratory and descriptive, to reach such result, qualitative data is necessary.

As mentioned above, case study is one of the methods that are appropriate to use with a qualitative approach. The report is strictly focusing on EasyArchive and its situation in the market why a case study will make it possible to do an in-depth analysis of the problem.

The report will to a large extent be based on interviews and observations, two methods that are suitable for collecting qualitative data.13

### 3.4 Data collection

The most commonly used sources for data collection while conducting research focused on qualitative data are: interviews, observations and written documents.

The methods have different pros and cons and the best results can in general be reached by using a combination of methods while collecting the data. It is likely that a better understanding of a situation can be accomplished if the problem is studied from different perspectives. By using different methods it might also be possible to confirm data found with the other methods, such finding will improve the methods’ reliability.14

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13 Ibid, p. 205-207
14 Ibid, p. 205-207
Studying written documentation has been the main method to collect information for the theoretical framework in chapter 4, while interviews and direct observations have been the most used methods to collect information to achieve an understanding of EasyArchive.

3.4.1 Written Documentation

A part of the research has been conducted by studying written documentation. Some written sources has been used to describe EasyArchive’s situation, but the most important usage of written documentation has been the various theories that has been studied to create the theoretical framework described in chapter 4, Theory.

An extensive amount of literature has been evaluated to find a suitable theoretical framework. The most important literature that has been used is Marketing Management by Kotler. A number of articles have also been read. What showed to be the case was that a lot of the available literature is more or less based on Kotler’s theories, why the choice was made to use his material as the main source for the thesis.

Internet has been used to make research of EasyArchive’s market and the different types of distribution channels available today.

3.4.2 Direct Observations

During the project I have been based in EasyArchive’s headquarter in San Jose, CA, USA. Direct observations of the daily operations and more or less formal meeting have been a natural part of the data collection and have helped me achieve a better understanding of EasyArchive’s business. During the observations I have become aware of a lot of data that I later have brought up during interviews to get clarifications or confirmations.

3.4.3 Interviews

The most important source of primary qualitative data has been interviews with EasyArchive’s employees. Direct Observations played an important role to achieve a good understanding of the EasyArchive’s business and its situation, but the interviews where the main method for collecting specific data. The fact that EasyArchive is a small company with a informal
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environment has increased the importance of the interviews since very little information is put down in writing.

Interview can be divided into three types; structured, semi-structured and unstructured.

- A structured interview is an interview strictly based on a forehand defined questionnaire. This will help ensure that all interviews are conducted in the same way so that each respondent will have the same experience when doing the interview. This will increase the reliability of a comparison between different respondents’ answers. Closed questions are more frequently occurring than in other types of interviews. The preset questionnaires and the closed questions will make the interviewers impact on the respondent less important, which can increase the answers validity.\(^\text{15}\)

- A semi-structured interview is an interview where the interviewer has specified the question before the interview, but not the order in which they will be asked. The questions are often more open than in a structured interview, and the interviewer has the opportunity to ask complementing questions when needed.\(^\text{16}\) The respondent will also get the opportunity to give further explanations on subjects that concerns them. The semi structured interview demands a better knowledge in the subject from the interviewer and the analysis of the result will be more time consuming.

- In an unstructured interview the interviewer has prepared a set of general questions and topics to cover during the interview. The interview can often be perceived as more informal and is focused to give the respondent and the interviewer the opportunity to have more

\(^{15}\) Bell J. (1993) *Introduktion till forskningsmetodik*, p 120

\(^{16}\) Ibid, p. 120-121
of a discussion. The unstructured interview can give an insight in the respondent’s thoughts and ideas in a certain area but the analysis of the data can be extremely complex since not the same pattern or questionnaire is used in different interviews.  

Interviews focused on qualitative data are in general less structured than when the data is quantitative. For the interviewer to get a deeper understanding of a situation or a respondent’s opinions, it can be valuable to give the respondent the opportunity to elaborate about he question, even though it might mean that it will be harder to analyze data from a big number of interviews.

Since this report is focused on such small research unit as EasyArchive it can be very valuable to a get more in depth answer from the respondents.

The unstructured interviews have been used in two total different ways. Initially they were used to grasp the situation and collect as much data as possible to be able to focus the work on the most interesting areas. This helped define the problem and the limitations for the theoretical framework. Later in the project unstructured interviews were used to get more in-depth answers as a base for the analysis chapter.

To apply the theoretical framework to EasyArchive situation more structured interviews were used.

### 3.4.3.1 Conducting the Interviews

To successfully conduct an interview an interview-guide needs to be created. The guide contains a number of questions and/or topics to be answered or discussed during the, more or less, structured interview. The

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17 Bell J. (1993) *Introduktion till forskningsmetodik*, p. 120-121
reason for using a guide like this is to ensure that the same information is collected from all applicable respondents.\textsuperscript{18}  

The interviews were more or less planned depending on the current situation. The more structured interviews were planned in advance, while many of the unstructured interviews were unplanned discussions that came up in a meeting or over a cup of coffee. Since I have been working in EasyArchive’s Business Development team during the project many discussions and observations has been a natural part of the daily work. All respondents have been well aware of the thesis’ purpose and subject in advance, so that no one was unsure of the purpose of the interviews. No interviews have been recorded, but I was taking notes and confirmed certain details with the respondent before using them in the thesis. This has been simplified by the fact that I have had access to the respondents several times during the work with finalizing the thesis. All interviews were made in San Jose, CA, USA. 

The empirics chapter is based on the direct observations as well as various types of interviews. If no certain source is mentioned the fact can be considered common knowledge within the organization. When certain statements or facts have been presented the source is presented.

\textbf{3.4.3.2 The Interviewers Role}

The interviewer is in general supposed to interfere as little as possible and give the respondent the chance to use his or her own words to formulate the answer. This is especially critical when researching a complex case. It demands a lot from the interviewer not to ask closed questions at the wrong time or give the respondent a hint of the preferred answer. Factors that might influence the respondent are: the interviewer’s personal identity, self-presentation and personal commitment.

\textsuperscript{18} Quinn Patton, M. (1990) \textit{Qualitative Evaluation and Research Methods}, p.283
• Personal Identity. The interviewer’s personal identity can easily influence the amount and type of information the respondent is willing to share. Factors that can have influence are: sex, age, and ethnical background.

• Self Presentation. The interviewer needs to present her self neutrally and passively. It is of great importance that the respondent adjusts the behavior to the respondent and the environment.

• Personal Commitment to a subject can easily influence an interview or a report. The commitment can be positive from the perspective that the interviewer and/or respondent have a better understanding of the subject matter. It can also have a negative impact since the person easily can be biased. It is crucial that the interviewer is aware of this risk and take it into consideration when analyzing the data. 19

My personal identity can certainly have influenced the respondent. The factors above may have had an influence. What also needs to be considered is the fact that I parallel to writing my thesis worked on the Business Development team, which can have influenced some respondents’ answers. It is likely that my fellow workers were more open in sharing information than some more senior people. Even if this was the case I am certain that I have received sufficient information to fulfill the purpose of the thesis.

3.5 Sources of Criticism

The two most important sources for criticism of a scientific report are validity and reliability.

3.5.1 Validity

Validity measures how well the method measures what it is supposed to measure. It is hard to give an exact evaluation of the validity since it would demand an exact method to compare to.\(^{20}\)

The direct observations and the opportunity for repeated interviews with the respondents have increased the validity. The direct observations have given me the understanding necessary to see the information in the right context and understand how it can help fulfill the purpose of the thesis. The repeated interviews have been useful to get a chance to confirm the information and ask further questions to get a better explanation.

What can be considered to be negative to the validity of the report is the size of EasyArchive’s organization. The number of individuals within the organization that has knowledge in the field is fairly low. A larger number of interviews would be to prefer if that would be possible.

3.5.2 Reliability

Reliability measures a method’s ability to persist random variations. If a method is used several times measuring the same situation and gives results close to the actual value, the method has high reliability. If the results would vary between the different occasions the reliability is low. Clear, simple questions and simple, standardized methods are factors that increases the reliability.\(^{21}\)

It is hard to measure reliability since the method cannot be repeated and tested. When collecting qualitative data through interviews the interviewer will influence the interview, which will make the interview hard to repeat and standardize. This decreases the reliability. The interviews are made with


\(^{21}\) Ibid, p 210 -214
persons with very good knowledge in the subject matter, which can be considered to increase the chance of getting reliable data. Even though the interviews might vary, the fact that facts and answers can be confirmed with the respondent after the interview makes the reliability acceptable.
4 Theory

The purpose of this chapter is to describe theoretical concepts for the design of marketing channels on the business to business market. The theory is structured in a way that suggests steps for what need to be considered while defining the company’s distribution channels.

Chapter 4.1 contains a definition of the applicable distribution channels. Chapter 4.2 describes the common reasons for using alternative distribution channels and describes the channels role. Chapter 4.3 describes strategies that should be considered independent of the choice of the channel. Chapter 4.4 describes how to design a distribution channel and what decision that needs to be made during the process.

The concepts are mainly based on Philip Kotler’s Marketing Management and Robert Vitale and Joseph Giglierano’s Business to Business Marketing, Analysis and Practice in a Dynamic Environment.

4.1 Definition of Marketing Channels

Before moving into describing various strategies and processes involved in defining the marketing channel this chapter will describe the different intermediaries that will be discussed in later chapters.

Marketing channels are also called distribution channels or sales channels in various literatures. The channels vary in many ways but it is good to keep in mind that all types of channels have at least these things in common:

- Functions can be shifted from one channel member to another.
- The available resources in the channel have to be shared between the parties.
Most functions can be better performed through specialization.  

4.1.1 Direct Sales

Direct Sales is used when a producer has a sales force that directly interacts with the customers.

Direct Sales is often used for more technical and complex products when it is crucial to understand the customer’s needs to be able to utilize the product’s functions and features in order to find the right solution. This approach requires the sales person to be highly skilled and have a good knowledge of the product. This type of sales is often combined with a relatively substantial need for post-sale support.

A major advantage with using Direct Sales is the relationship created between the customer and the sales person, which is crucial for customer satisfaction. The relationship also leads to more feedback, which will increase the probability of customer satisfaction in the long-term. This relationship will help the company to develop better and more successful products and services.

The cost per transaction gets high with a direct sales force. What often is considered negative markets is the fact that a direct sales forces leads to a lot of fixed costs, which will be negative for the company’s ability to adapt to today’s dynamic markets.

4.1.2 Manufacturer’s Representatives

A manufacturer’s representative is an independent businessperson who has specialization in one or several market segments. The representative does not keep any inventory, but acts as a middleman in the sale. All physical

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23 Ibid, p 515
transactions are between the supplier and the customer. It is common that the representative has several different products in his or her portfolio.

The representative’s primary asset is the relationships with the customers and the market-knowledge. This enables the supplier to quickly move into the market, rather than gathering all of the information and building the relationship on their own.

The vendor will lose the direct contact with the customer, and the relationship between the customer and the representative will most likely become stronger than the company’s relationship with the customer. A weaker relationship will also lead to a risk that information that can be crucial to develop the company’s strategy and products, might get lost and not reach the vendor.

Compared to direct sales, the fixed cost will be lower but the representative will not be as knowledgeable in the product as a direct sales person would be. A manufacture representative is normally paid through commission only, which means that the major effort will be focused on the product that pays the most. Depending on the situation this might be positive or negative, but it is crucial for the vendor to take note of.\(^2\)

### 4.1.3 Distributors

A distributor is an actor that mainly is focused on selling products to retailers or resellers.

A distributor has a network of resellers that it supplies with products that often are related. The distributor adds value by establishing a relationship with resellers, as well as carrying a risk since they often keep an inventory of the product if applicable. The producer gains advantage through the

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distributor’s contact and relationship and saves time by not having to deal with the resellers. The reseller can also decrease its number of contacts with producers and buy several products from the same distributor, saving time and increasing efficiency.

By using a distributor and adding an extra step in the distribution channel, the part of the sale that will go to the manufacturer will decrease. However, this is advantageous as it adds value to the reseller since the reseller does not have to obtain the products from each supplier.

4.1.4 Value Added Reseller

A Value Added Reseller (VAR) is best defined as an organization that buys goods and resells it to the end customer with an added value. The reseller buys its products directly from the producer or through a distributor.

The reseller adds value in many ways for both the vendor and the customer. A reseller is taking ownership of the product and often holds a local inventory, which makes the reseller carry part of the risk. The reseller provides knowledge of the local market and has an existing relationship with many customers.

The reseller offers in general after-sale support. For example, the reseller often carries related products in order to sell a solution to the customer and not just satisfy a part of the customers need.

A reseller can sometimes be focused on certain market segment. A producer might have several resellers focused on different market segments in the same geographical area.25

4.1.5 Internet

The internet is a rapidly growing sales channel. Search engines, E-portals, and the supplier’s website create the option for fast, easy, and cheap order products as well as distribute information and educate.

Internet can often be successfully combined with direct sales. For new customers and new purchases direct sales can be used to make sure the customer’s needs are satisfied and a relationship with the customer is established. For straight re-buys and standard products, the internet is a very efficient sales channel. A negative aspect in referring customers to the internet is the loss of personal contact, which leads to the risk of losing important relationships and information.\(^{26}\)

4.2 Reasons for Using External Marketing Channels

A company that is delegating part of the selling process to other actors will lose control over many activities, but hope to gain other advantages.

What Vitale and Giglierano define to be most important reasons for using marketing channels can be described by the terms financial resources and the focus on core competences.\(^{27}\)

4.2.1 Financial Resources

Less financial resources are needed to use sales channels than to carry out direct sales. Capital is fixed while expanding a company’s work force. A good example of this is car manufacturers’ use of dealers since not even the


\(^{27}\)Ibid, p 375-376
largest car manufacturer has the resources to sell cars directly to the customers on a larger scale.

### 4.2.2 Core Competence

A common reason for using other marketing channels than a direct sales force is that the company realizes that their core competence is to manufacture and not to distribute. The company believes that they can be more successful by just focusing on the manufacturing and outsourcing the sales process.

### 4.2.3 Marketing Flows

There are several types of flows and transactions that have to work for a marketing channel to be successful. Figure 4.1 shows five flows that are crucial to the channel. It needs to be considered that the channels’ importance does not end with the sale.

The marketing channels are not solely responsible for the distribution of the physical product. While evaluating the product it is crucial to consider the sales process and the whole life-cycle of the product. A marketing channel’s responsibilities do not end with the sale. Tasks like service, maintenance and support are very important to create relationships with the customers.

While studying the different factors it can be seen that the channel relationship demands both forward and backward flow, depending on what flow that is described.

When considering that all of these flows take place inside the channel, it becomes clear that it can be a very complex process to manage.

 Depending on what product is sold and what market is supplied, the importance of the different flows varies. Independent of the channel structure all functions must be performed, what will differ between different structures is which intermediary that will be responsible for the execution.
4.2.4 Unique Channel Competences

Intermediaries often have valuable and unique competencies that make it possible to be more efficient and effective in making product available and accessible to the market. Such factors can be:

- The intermediaries’ contacts on the market.

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- The intermediaries’ experience of the market environment and conduct.
- The partner’s specialization in the field.
- The opportunity to gain scale of operation.

While several different channels are used it is imperative that they work well together and match each other’s strengths and target markets.

It can easily be visualized how resources can be saved by using e.g. a distributor. By studying figure 4.2 it can be seen that the number of contacts decreases drastically when the customers do not have to buy products directly from the vendors. 29

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4.2.5 The Sales Role

Depending on the type of relationship, market, and product, the sales role can be divided into different types. The roles vary by complexity of skills.

Figure 4.2 Number of contact between Vendors and Customers with and without a Value Added Reseller

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required of the seller, proactivity, and the degree to which the relationship is transactional or value creating.  

The four seller roles are: Order taker, The Persuader/Sustainer, The Motivator/Problem Solver, and The Relationship/Value creator

4.2.5.1 Order Taker and Distributor

The order taker’s role is primarily to take orders from the customer and make sure that the product is delivered on time. The driving factors in the relationship are the buyer’s need for products and the seller’s need for short term results. The selling effort is focused on making potential customers aware of the available products and to make sure that the product is placed in a convenient location for the customer.

None or very little customer education is necessary to obtain full value of the product since the type of technology sold this way is familiar to the market.

4.2.5.2 The Persuader/Sustainer

Similar to the order taker role, the persuader/sustainer has a short term focus, but differs by also trying to develop a relationship with the customer. The seller continuously attempts to convince the customer of the value the product delivers. The competition is not solely based on price and the seller tries to use product features to stand out from the competitors.

The persuader/sustainer’s role includes responsibilities beyond the sale. The persuader/sustainer is responsible for maintaining and nurturing existing relationships with established customers to encourage new purchases.

4.2.5.3 Motivator/Problem Solver

The motivator/problem solver is market driven and focused on the customers’ needs. This can be compared to the order taker and the sustainer/persuader who are product focused.

The motivator/problem solver sells in general more complex and innovative products. In order to satisfy the customer, it is important to get a good understanding of the buyers’ organization and its activities. During this process, it will be also be necessary for the seller to educate the customer about the product to ensure that the customer recognizes the value the product delivers.

The motivation aspect of this role consists of encouraging the customer to allocate resource to the sellers’ product offering. For the seller to be successful in this role it will have to expand its contact network to include more than one stakeholder within the buying organization.\textsuperscript{32}

4.2.5.4 Relationship/Value Creator

The relationship/value creator sellers are expected to build relationships with all elements of the customer’s buying center. The goal is to create a relationship that will be valuable and stimulating for both parties. To achieve the best result, the seller will use sales and marketing teams to satisfy the customer’s needs and wants.

The seller will add value by being a liaison between the supplier value chain and the customer buying center, with a mission to create the most total value for both organizations.

This role demands that the customer is also committed to create a relationship, as the seller’s efforts alone will not lead to success.  

### 4.3 General Channel Strategies

The choice of a marketing channel is a very important part of the company’s strategies. As is proven below, it must be congruent with all other parts of the company’s strategic and tactic decisions to gain success.

Through an innovative approach in the choice of channel the company can gain a “channel advantage” over its competitors. If the company can utilize a channel that will create competitive advantage compared to the competitor’s choice, a channel advantage is created.

A company needs to consider these strategic questions no matter what channel is chosen.

#### 4.3.1 Channel Levels

The producer and the final customer are parts of every channel. A number is often used to describe the number of intermediaries between the producer and the end-customer. A zero level channel occurs when the manufacturer sells directly to the customer. A one-level channel contains one selling intermediary, similar to a reseller. A two-level channel has two intermediaries often in the form of a distributor and a reseller, but many combinations are possible. Example of this can be seen in figure 4.3.

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35 Ibid, p 508-509

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4.3.2 Number of Intermediaries

The number of intermediaries at each channel level needs to be defined. There are three main strategies for this decision:

4.3.2.1 Exclusive Distribution

One or very few intermediaries are used in exclusive distribution. This strategy gives the producer maintain control of the reseller’s activities. By granting exclusive distribution, the producer hopes to get a more committed partner and avoid channel conflict. Channel conflict is avoided but the producer depends a lot of the reseller’s success. If the relationship is successful it tends to be very successful, whereas if it does not work out the producer will lose a lot of time and money.
4.3.2.2 Selective Distribution

Selective distribution describes the use of several intermediaries but less than the number of companies with interest in selling the product. This strategy is most commonly used by established companies and by new companies seeking distributors. The main goal with this strategy is to reach higher market coverage without having to keep control over too many relationships.

It is often tempting for a producer to move from exclusive distributions to selective distribution to increase market coverage. In many cases it has been shown that by letting more intermediaries handle the product the long-term effects on the profit can be negative. When the market starts to get saturated, the risk for channel conflict drastically increases since the different actors start to compete.

4.3.2.3 Intensive Distribution

Following the intensive distribution strategy the producer places its product with as many partners as possible. It is mostly used for consumer goods where convenience is an important factor for the customer.  

4.3.3 Change to Low-Cost Channels

Companies try to replace high cost alternatives with low cost alternatives when the added value can be created with a lower cost. To get customers to accept the change of channel, companies often try to find incentives for the customer to choose the cheaper channel without experiencing a lower value. Companies that succeed in doing this gain a “channel advantage”. In general, changing to the low-cost channels is harder for sophisticated products than for simple commodity products. The estimated volume that

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can be sold through each channel must be compared to the cost for the channel.  

4.3.4 Multi Channel Marketing Systems

When a company uses more than one channel to reach customers it is called a Multi Channel Marketing System. There are three main reasons for using several channels:

- Increased market coverage
- Lower channel cost.
- More customized selling, channels can be specialized on certain market segment to better satisfy the customers’ needs.

This far, the different marketing channels have been discussed as separate entities. However, it must be considered that the different channels can be combined to solve different tasks in the buying cycle.

4.4 Channel-Design Decisions

A new firm often begins focusing on the market that it is most familiar with. With growth and expansion it is likely that the company will have to use several different channel strategies depending on the market in order to be successful.

Designing a channel system involves four steps:

1. Analyzing customer needs
2. Establishing channel objectives


Ibid, p 524

Ibid, p 510-512
3. Identifying major channel alternatives
4. Evaluating major channel alternatives

4.4.1 Analyzing Customer Needs

All sales, independent of what marketing channel is used, have to be based on the customer’s wants and needs. The service output that each channel has the ability to provide must be understood. It is important to do this analysis for each market segment. Customers' needs and wants often differ between the segments, which might influence the choice of marketing channel. Important factors are mentioned below.

4.4.1.1 Lot Size

The number of units the typical customer in the target segment is buying. To sell one unit to each customer demands other capabilities from the seller than selling a large number of units to each customer.

4.4.1.2 Waiting Time

The time the customer is willing to wait for the product. Depending on the customer’s acceptance it will create demands on the channel. This might mean that the channel has to keep inventory or have an instant communication process to shorten the lead time from the producer.

4.4.1.3 Spatial Convenience

Describes to what degree the marketing channel makes it easier for the customer to buy the product.

4.4.1.4 Product Variety

The product variety is shown by the breadth of the assortment provided by the marketing channel. How will this influence sales process? For very sophisticated products it is negative to have too many products in the assortment since it is impossible for the sales personnel to have a sufficient knowledge level of all of them. For many consumer products the product knowledge is less important and a large number of products might be
valuable for the customers since it increases the chance for them to find what they need and increase the spatial convenience.

4.4.1.5 Service Backup

The extra service value the channel offers the customer. Example of this can be credit, delivery, installation and customer support.

4.4.2 Establishing Channel Objectives

By creating clear objectives for the activities within the channel the chance for success is increased.

4.4.2.1 Superordinate Goals

It is nearly impossible to align all goals for all parts of the channel; but by defining a super ordinate goal that everyone benefits from, the probability to succeed is higher. This goal will have a significant impact on many other decisions made in the channel. Examples of these types of goals are: survival, market share, high quality, and customer satisfaction.  

4.4.2.2 Detailed Channel Objectives:

Channel objectives should be stated in terms of targeted service output levels. The different actors in the channel should design the functional tasks to minimize the total channel cost. Channel objectives vary with the type of product. Perishable products demand more direct marketing. Some products, such as bulk products, have a higher demand from the channel to minimize transportation and handling costs. The objectives have to be tailored to each type of channel since they all have different pros and cons. A manufacturing representative might be able to contact a large number of companies, but have many products in the portfolio so the effort per product will be small.

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A direct sales representative will probably have fewer contacts but be able to spend more time on the product.⁴¹

4.4.2.3 Terms and Responsibility of Channel Members

Just as it is important to set up objectives, it is crucial to set up policies and guidelines for how the partner relationship shall be managed. The most important terms to agree on can be summarized with price policy, conditions of sale, and territorial rights.

- Price policy: the price needs to follow a schedule that can be respected by all parties and gives all members a chance to be profitable.
- Conditions of sale: includes conditions for discount, payment terms, product guarantee, and guarantees against price declines.
- Territorial right are important to avoid channel conflicts, describes the geographical area for where the channel partner are allowed to conduct business. ⁴²

The policies shall be designed to include mutual responsibilities. The producer often presents several demands for how business shall be executed. When demanding these things, the producer is often expected to provide things like training, support, and other resources. Most commitments are made for a certain period of time. By doing this both parties can invest resources since they know it will pay back over time. On the other hand, it is crucial to not make the time period too long since it will decrease the possibility to act on today’s dynamic market. ⁴³

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⁴² Ibid, p 514
⁴³ Ibid, p 514

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4.4.2.4 Channel Conflict

Channel conflict often occurs as a result of unclear roles and objectives. The terms and conditions that are agreed on are of great importance also in order to decrease the risk for channel conflict. The different actors in the channel have different goals, but it is of great importance to try to align the goals as much as possible to reach the best total result.

The importance of defining territorial rights for the channel is mentioned above. If several channels are used it is not wise to only have strict territory definitions. Often a reseller focuses on a certain market segment, and to reach all customers it might be necessary to have more than one reseller in the area. When the producer chooses to go with more than one reseller in the area, they have to be aware that the risk for channel conflict increases. Depending on the type of product, this problem can be very complicated. A common conflict occurs when a producer’s direct sales people are focused on an important customer, but a reseller claims that it is their customer since the company is located in the territory. It is crucial to establish relationship guidelines for this kind of situation.

4.4.3 Identifying Major Channel Alternatives

A company can choose from a variety of different sales channels. Generally, the first step is to identify potential partners that are acting on the market today. It is also important to evaluate companies that could potentially move into the market. Such companies are most likely active on adjacent markets or carrying related products. The same type of channel can work for different markets, but different markets often demand different channel strategies to succeed.

All types of channels have strengths and weaknesses. The reason for using different channels is to reach different customer segments in the most cost effective way.
The major channel alternatives are:

- Direct Sales
- Manufacturer Representatives
- Distributors
- Value Added Resellers
- Internet

For further descriptions see chapter 4.1.

4.4.4 Evaluating Major Channel Alternatives

Before it is possible to evaluate the available channel alternatives the evaluation criteria need to be defined.

4.4.4.1 Evaluation Criteria

Depending on the design of the channel, the cost structure will be different. If the company chooses to use direct sales, it will have higher labor cost but also will not have to give away a big part of the price to another channel member.

The most important factors to consider while evaluating the channel structure are:

- Cost for the transaction: The cost for the transaction is highest for direct sales with manufacturing representatives, value-added resellers, distributors, and internet, in that order. While evaluating the cost, the company must also consider the drivers of the cost and how they can be influenced today and in the future. The most important costs are:
  - Price-discounts
  - Logistics
  - Labor
- The channel’s presence on the market determines what market coverage will be achieved.
What to Consider When Choosing Distribution Channels – a Case Study of a Software Company

- The number of products the intermediary have in the assortment. In a big assortment of products the focus on each product will be smaller from the seller.

- Value added from the customer perspective. A customer often values the option of having several products to choose from, and not having to buy from many different sources.\(^4^4\) This is visualized in the earlier presented figure 4.2.

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### Demand Generation Task

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#### Figure 4.4 The Marketing Hybrid System Grid\(^{45}\)

Figure 4.4 shows a Marketing Hybrid Marketing Systems grid. It is a tool that can be used to visualize how the tasks can be shared by the channels. The tools design is very basic, but allows clear visualization of a complex problem. It shall be considered an example and will not be applied in this thesis.

It is often wise to use a cheaper channel for such things as generating and qualifying leads, and let high cost channel, like a direct sales force, handle pre sales activities and the close of the sale. The multi channel architecture’s

goal is to optimize coverage, customization, and control with the lowest costs possible.\textsuperscript{46}

\textsuperscript{46} Kotler, P. (2003) \textit{Marketing Management}, p 525
5 Empirics

In the Empirics chapter EasyArchive and its current situation is described. The information is organized according to the theoretical framework described in Chapter 4. The information is based on interviews with EasyArchive employees and research of the company’s market.

5.1 Reasons for Using External Marketing Channels

EasyArchive is aware that the company will lose control of part of the sales process if the company starts selling through resellers and distributors.

5.1.1 Financial Resources

EasyArchive’s funds are not public information. The company has been profitable since 2002 and has revenue of approximately $4,500,000. Historically the owners of the company have chosen to grow organically and also try to stay profitable in the short term.

5.1.2 Core Competence

According to interviews done with several employees in EasyArchive, sales and marketing is not the company’s core competence. The company’s core competence is in the engineering field. Currently around 70% of the employees are working in the engineering department. The percentage was even higher a couple of years ago.\(^{47}\)

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\(^{47}\) Interview, EasyArchive Operations Associate, 2006-08-03
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5.1.3 Marketing Flows

EasyArchive’s marketing flows are briefly described in figure 5.1. The two flows that take up most of EasyArchive’s resources are the promotion flow and the information flow.

EasyArchive often approaches IT-departments since they are responsible for the evaluation of the software. In general, the actual decision makers are the General Counsel or Chief Compliance Officer, who also need to be reached through the marketing.

![EasyArchive’s marketing flows](Redrawn from Kotler 2003)

5.1.4 Unique Channel Competences

Competences that can be found in EasyArchive’s potential market channels today:
5.1.4.1 Contacts
Many companies that are potential customers rely on one certain vendor for many IT products and solutions. It is not always that a particular vendor sells the product or does the installation, but it refers to its partners and works as an important influencer in the buying decision. EasyArchive lacks this type of important relationship. These relationships are very important for many of EasyArchive’s competitors and help them get leads and win deals. Many of the competitors have been around for several years and have very strong brands on the market.

5.1.4.2 Experience
EasyArchive recognizes that business is done in different ways in different parts of the U.S., as well as in different industry verticals.

5.1.4.3 Specialization
In the big parts of the geographical markets many intermediaries have specialized in a certain industry vertical. EasyArchive is focusing on the Finance, Legal, and Healthcare verticals. It is uncommon that a reseller is active in more that one vertical. Many customer requirements and influential regulations are industry specific.  

5.1.4.4 Scale of Operation
EasyArchive’s network today is rather small which makes it hard for EasyArchive to utilize any scale of operation.

5.1.5 EasyArchive’s Sales Role
EasyArchive’s sales approach has changed from focusing on the product’s technical superiority to looking at the customer’s situation and trying to

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48 Interview, EasyArchive VP of Business Development, 2006-10-02

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provide a solution for the customer’s needs. The part of EasyArchive’s staff that is focusing on sales and marketing has increased during the last year.

EasyArchive’s customers’ needs are typically based on mailbox management, compliance with certain regulations, or the need for legal discovery. Even though the needs can be divided into these groups, each customer’s situation is unique since there are many other factors that also influence the determination of the right solution. Such factors are the size of company, current IT environment, and local laws.

Examples of factors that influence EasyArchive’s sales process:

- A big number of regulations influence the customer’s choice of solution.
- The customer’s buying centre involves several different departments and levels of hierarchy. Parties that most often participate in the decision are: IT staff, the General Counsel and the Chief Compliance Officer. The IT person is usually EasyArchive’s first contact point and the other people are influencers and decision makers get involved later in the sales cycle.
- The customer’s buying cycle is generally between three and twelve months.
- In most cases, EasyArchive’s sales person is supported by at least one system engineer during the sales process.

5.2 General Channel Strategies

EasyArchive’s focus has been in the very high-end market of the big financial institutions. While evaluating how to move in to a bigger part of the market, EasyArchive’s management sees that a new go-to-market strategy might be necessary as well.

5.2.1 Channel levels

Today, most channels in EasyArchive’s market are three channel levels or less. Direct sales is a zero level channel and is used by EasyArchive and most of its competitors. Three level channels involving a distributor,
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reseller, and a local agency are the type of channel with the most levels that can be identified in the market today.

Multiple sales channels are used by most vendors on the market.

5.2.2 Number of Intermediaries

EasyArchive is just starting to expand its sales channel and it will be a long term question to define the right number of intermediaries.

5.2.2.1 Exclusive Distribution

Today, EasyArchive’s strategy can be described as exclusive distribution. The sales are conducted only through Direct Sales.

5.2.2.2 Selective Distribution

Selective distribution cannot be applied to EasyArchive’s situation today.

5.2.2.3 Intensive Distribution

Intensive distribution cannot be applied to EasyArchive’s situation today.

5.2.3 Change to Low-Cost Channels

EasyArchive uses Direct Sales, but tries to use cheaper low-cost alternatives when possible. Less experienced sales people are used to qualify leads over the phone, and the senior sales people are brought in to build a relationship and close the deal. EasyArchive tries to perform functions such as product demonstrations and support over the phone and internet to lower costs. Over the last couple of months, much time and effort has been spent to finalize a web portal that will help distribute information to EasyArchive’s customers and partners.

5.2.4 Multi Channel Marketing Systems

EasyArchive is already using what Kotler calls “Multi Channel Marketing System” to a certain extent:
• Increased market coverage: EasyArchive covers only a small part of the market with its direct Sales force, which focuses on large accounts in the financial market.

• Lower channel cost: EasyArchive is trying to utilize channels with lower costs for some tasks. This is partly done by using less experienced sales people for such things as qualification, and then let the senior sales people focus on closing the deal. Internet is used for promotion and advertising. EasyArchive is also in the process of launching an online portal for customer support.

• Customized selling: This is used inside the EasyArchive sales force; certain representatives are more focused on specific industry verticals.

5.3 Channel-Design decision

EasyArchive is currently focusing on the high-end financial market. Most customers are big financial institutions.
5.3.1 Analyzing Customer Needs

The desired service output levels vary slightly between different market segments.

5.3.1.1 Lot Size

Each customer buys only one copy of EasyArchive. Even a big company that will deploy the product for many mailboxes will have only one license. The number of mailboxes influences and complicates the sales process in another way.

What creates the complexity is that bigger companies have more corporate policies and other systems and programs in place already. To a certain extent, EasyArchive is often forced to tailor the product to fit with the already existing environment. One example of such tailoring is a deal that EasyArchive closed with a “top five global bank” in the beginning of 2006. EasyArchive spent endless hours on development time to add features demanded by the customer.

5.3.1.2 Waiting Time

The waiting time for EasyArchive’s customer is in general one to three months after that the deal is closed. The waiting time is often longer for big companies than for small companies.

5.3.1.3 Spatial Convenience

A trend EasyArchive has seen during the last couple of years is that smaller companies look to buy IT products while bigger customers often buy directly from the vendor.

EasyArchive’s focus is to sell only the software, which can be used with any hardware, while some of EasyArchive’s bigger competitors sell both hardware and software. In deals when this is the case EasyArchive most likely works with an independent hardware vendor.

5.3.1.4 Product Variety

EasyArchive product consists of solution for Email Archiving, Email Compliance, Legal Discovery, Secure Messaging and Secure File
Collaboration. Many resellers and distributors on EasyArchive’s market carry a larger variety of products.

5.3.1.5 Service Backup
The customer demands an instant response on support calls. In most cases, 24 hour support every day of the week is a standard requirement from the customer.

5.3.2 Establishing Channel Objectives
EasyArchive has a several different types of goals and objectives.

5.3.2.1 Superordinate Goals
EasyArchive has identified two goals that can be defined as superordinate to all activities:

- **Customer satisfaction**
  A Satisfied customer is crucial for EasyArchive. EasyArchive has not lost a single email archiving customer, which is something the company is very proud of. A strategy from the beginning has been to be very honest with the customer when promising which needs can be satisfied and which cannot. This has actually caused EasyArchive to lose many deals. When competitors have claimed that they are able to solve certain unreasonable needs, EasyArchive has been honest and admitted that they cannot solve them. A pattern has developed which shows that a number of times the other vendor has not been able to solve the problems the way they had promised. The customer has then come back and chosen EasyArchive to replace the old vendor. EasyArchive has replaced, or is in the process of replacing, all the big vendors on the market.

- **Profit**
  Profit is EasyArchive’s second objective. The company has never tried to gain market share by dumping the prices or using similar short term growth strategies. The company wants to work with a channel that can sell the product with profit. The company’s strategy is to sell a solution that works for customers who are ready to pay
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the price for a good solution. Since the company was founded in 1999, EasyArchive has chosen to grow slowly and organically without bringing in large amounts of venture capital. The management has stepped away from bringing in such capital even though it might have presented the opportunity to grow quickly in a short period of time through large external investments, intensive marketing, and low prices\(^ {49}\).

5.3.2.2 Detailed Channel Objectives

EasyArchive is creating a partner program that will define the desired objectives and goals for each channel. These objectives are not yet implemented. The three main objectives that have been defined are:

- **Relationship and identification of leads**
  The channel partners are responsible for creating relationships and identifying leads in the market. This includes maintaining and utilizing old relationships, as well as working actively to identify new leads.

- **Specialization**
  EasyArchive wants to focus on partners with a proven specialization in a geographical area or in a certain industry vertical. EasyArchive considers specialization in geography or in an industrial vertical to be very important. In this area, EasyArchive focuses on expertise and understanding a customer’s need that is often industry specific.

- **Support**
  The preferred scenario is that the channel partner is responsible for the post sale support.\(^ {50}\)

\(^{49}\) Interview, EasyArchive President and CEO, 2006-09-15

\(^{50}\) Interview, EasyArchive, President and CEO 2006-09-15
5.3.2.3 Terms and Responsibilities of Channel Members

EasyArchive does not have any resellers today but the industry standard is described below:

- **Price Policies**
  The price policies that are used for similar software products in EasyArchive’s market are approximately 45-55% discount for a distributor and 20-35% for any type of reseller. A common solution is that the reseller/distributor takes the first line support and is the customers contact point, while the vendor is the back line support to help solve more serious problems like bugs in the program. Support and maintenance fees are generally split fifty-fifty between the partner and vendor.  

- **Condition of Sale**
  Conditions of sale are very basic. The channel partner gets a certain percentage of the price as mentioned above. Included in the product license and the support and maintenance fee, the customer is guaranteed to receive a product that works the way it was advertised. The partner is typically responsible for the support for smaller issues, and the vendor, is responsible for the second tier support, which mainly involves fixing product defects.

- **Territorial Rights**
  Channel partners are often limited to act in a certain geographical area.

5.3.2.4 Channel Conflict

Since EasyArchive only uses direct sales, channel conflict is something that the company has very little experience of. EasyArchive does have a few

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51 Interview, EasyArchive, VP of Business Development, 2006-10-02
partners that occasionally refer the company to deals. For these partners the policy is “first come, first serve.” Partners register the lead with its EasyArchive contact person, who registers it in EasyArchive’s customer database. The one who registers the referral with EasyArchive first gets the credit for a closed deal.

### 5.3.3 Identifying Major Channel Alternatives

EasyArchive has to evaluate many intermediaries to determine what the best strategy to go to market is.

#### 5.3.3.1 Direct Sales

Today, EasyArchive has four outside and two inside sales representatives. Half of the sales force has been with the company for several years and has participated in an extensive amount of training.

EasyArchive typically qualifies as one of the two or three vendors that a customer chooses for final negotiations. However, they often lose the deal in the very last step of the sales process.

The sales people are not involved in the post-sales support, but only focus on presales activities. The system engineer that does the installation of the product normally also handles the post sales support.

#### 5.3.3.2 Manufacturing Representatives

No manufacturing representatives have been identified in EasyArchive’s market.

#### 5.3.3.3 Distributors

There are many variations of the distributors in the market and in adjacent markets and it is difficult to divide them into definitive groups. Most distributors carry a large number and broad variety of products. It is not unusual that the same distributor carries both hardware and software. The range of complexity is also wide in this group. Simple consumer products are carried by the same distributor that carries more complex solutions for business to business market. The distributor typically carries several brands of the same product type and distributes to a large network of resellers.
Some distributors in the market act as a Value Added Reseller as well since they also sell to end-users.

### 5.3.3.4 Value Added Reseller

There are three types of companies that fit into the theoretical definition of a Value Added Reseller. The terms that will be used are: Value Added Reseller, System Integrator (SI), and IT-consultant. To avoid confusion, the actors that are usually called Value Added Reseller will from now on be referred to as Value Added Software Reseller (VASR).

These three all buy the product from the vendor or a distributor. They differ in the way they add value to the product and the services offered to the customers.

**Value Added Software Reseller (VASR)**

A Value Added Software Reseller in EasyArchive’s market is normally focused on a broad market segment. They carry a variety of more or less complex software products. The services they provide include installation of the software and some customer support.

**System Integrator**

A System Integrator’s product portfolio contains many solutions. As the name indicates, the SI sells a solution to the customer that most commonly integrates several different systems, including both hardware and software, according to the customer’s demand. They might carry the hardware themselves or have a close relationship with a hardware reseller or distributor that delivers it. Most often the system integrator offers product support.

**IT consultant**

The identified IT consultants are usually part of management consulting firms and have a broad base of knowledge. An IT consultant offers services that go beyond installation of the IT solutions. Their services often include development or change in business processes that are supported by IT solutions, such as email archiving. The consultants are often hired to analyze the companies’ weak points and then define and implement a solution. As for the other channel alternatives, the technical expertise varies between the different firms. Some firms have an active partnership with
archiving vendors and act as a reseller. Others act on a referral basis where they bring in a certain vendor when an opportunity is spotted. The support level varies depending on the relationship to the product. Since the company has sold the customer a whole solution they might act as a first tier support, however it is very likely that the support will fall on the vendor, reseller, or distributor that delivers the product.

5.3.3.5 Internet

Internet is a frequently used marketing channel in EasyArchive’s market. EasyArchive mainly uses it as a channel for advertising and post sales support. A service is under development that offers partners and customers log in to a certain part of EasyArchive’s website for easily accessible information and support.

EasyArchive has chosen not to give any prices or sell its products over the internet.

5.3.4 Evaluating Major Channel Alternatives

According to EasyArchive’s situation the evaluation criteria apply as follow.

5.3.4.1 Evaluation Criteria

Cost per Transaction

EasyArchive has no method to make an exact calculation of the cost for each transaction. The general conclusion is that the cost is higher for bigger deals.

- EasyArchive does not give any discount to channel partners since they only use direct sales. The price discounts on the market today are around 45-55% for a distributor and 20-35% for a reseller. The support fee is normally an annual fee, which is about 20-30% of the initial purchase. When the channel partner takes first-line support, it is generally industry standard to share the support fee fifty-fifty between the vendor and the partner.

- Logistics cost in the form of distribution can be approximated with zero since the product is a software that is distributed over the internet.
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- The biggest cost associated with a sale is labor cost.

Presence on the Market
Today, EasyArchive’s presence in the market is limited to the few leads that EasyArchive’s direct sales force is able to identify.

Product Focus
EasyArchive is strictly focused on their own product, which has a few variations that are based on the same concept.

Value Added From a Customer Perspective
EasyArchive’s strategy to add value to the customer is to offer a very flexible solution that is compatible with the customer’s existing desires or IT environment.

EasyArchive only sells software. When a competitor offers the customer a whole solution with both hardware and software, EasyArchive sometimes chooses to temporarily partner with a hardware vendor.
6 Analysis

In the Analysis chapter EasyArchive’s situation described in Empirics in Chapter 5, will be analyzed using the theoretical framework presented in Chapter 4. The goal is for the analysis to be a foundation for EasyArchive while planning and executing new go-to-market strategies.

6.1 Reasons for Using External Marketing Channels

The two main reasons for evaluating marketing channels are well aligned with EasyArchive’s situations today.

6.1.1 Financial Resources

EasyArchive could choose to expand the sales force, but the extent of expansion is limited given the company’s financial boundaries. Such expansion still leaves a big opportunity to work with other marketing channels. A possible solution for EasyArchive is to do another round of funding to be able to invest in expanding the sales force. Traditionally the founders have been strictly against such strategy, and to suddenly change strategy would be a significant change that would influence all parts of the company.

6.1.2 Core Competence

The impression that sales is not EasyArchive’s core competence seems consistent within the company. EasyArchive has one of the best products from a technical point of view, but only a very small part of the target customer segment is aware of the company, lending evidence to unsuccessful marketing. During the interviews, several reasons for this weakness have been mentioned. For example, an insufficient marketing budget has not allowed the company to reach through the noise in media. Bad positioning has been another explanation. EasyArchive’s positioning has had a technical focus and they have reached computer engineers quite well. EasyArchive not has been successful in reaching the companies’ decision makers higher up in the hierarchy.
EasyArchive’s main competence is computer engineering and product development. EasyArchive has been very successful in recruiting and training engineers and has top competence in this field. The CTO, who has lead development of all the source code, has a key role in the organization.

According to these two factors, it seems reasonable for EasyArchive to evaluate alternative sales channels. It is crucial to consider that successful product development is influenced by a close relationship to the internal sales force. A risk in moving away from direct sales is that product development might lose contact with the market. With a direct sales force based in the headquarters, EasyArchive’s research and development team has had a continuous flow of information from the sales people regarding the customers’ needs and market trends. When focusing on alternative channels EasyArchive must be aware of the risk that a large part of this information might get lost in the partner network.

### 6.1.3 Marketing Flows

Kotler’s theory about marketing flows is something that EasyArchive needs to consider if they are moving into channel sales. The two flows that will take up most of EasyArchive’s resources are the promotion flow and the information flow.

The promotion flow is complex since the customer will most likely be influenced by promotion both from EasyArchive and from the partners. What adds complexity to the promotion is that several different targets exist for EasyArchive’s message.

The information flow becomes complicated when channel partners are involved. Customer support must be considered in the information flow. For EasyArchive and the partner to support the customer, the collection of the information, as well as the ability to communicate the solution to the customer is paramount. EasyArchive is a very technically complex product that can be tailored to the customer’s needs in many ways. The partner will often have to involve EasyArchive in this, which will make the information flow complicated and important.

As a small company working with a direct sales force these flows come naturally. The information is quickly shared within the company, which has
made it possible for EasyArchive to act fast and adapt to the environment. When changing to channel sales EasyArchive will lose part of the close connection to the market, which can lead to that information being delayed or lost. It is therefore very important that EasyArchive has a close and open relationship to the channel partners to gain fast access to all types of valuable information. Because of its size and entrepreneurial atmosphere, the information flow within EasyArchive is intensive but casual. Information is shared around the water cooler and a lot of information is spread just by overhearing someone else’s phone call. With external growth, EasyArchive needs to create a more formal system to capture and share information within the channel network.

6.1.4 Unique Channel Competences

The channels competences and their importance to EasyArchive are;

6.1.4.1 Contacts

Contacts will be crucial for EasyArchive’s success. Lack of brand awareness is one of the most common reasons for lost deals according to EasyArchive’s management. A reseller or distributor with the right contacts will compensate for part of the fact that EasyArchive is a small company with a relatively unknown brand. The partner needs to have contacts among the customer’s decision makers to add value to the sales channel.

6.1.4.2 Experience

Experience in sales is not the only focus of selling high-tech products. The experience to sell solutions to chief level decision makers is the most crucial focal point.

52 Interview, EasyArchive, VP of Business Development, 2006-10-02
EasyArchive has tried to change the company’s positioning and marketing during the last year to focus more on what benefits an installation of the product would have for the executives instead of being very focused on technical features. The channel needs to be able to follow this up and identify the right “hot-button” that will get the decision makers to act. In this case, the factors of experience and contacts match well. If the company has the contact at the right level of the hierarchy then they are more likely to sell the product to the right type of customers as well.

6.1.4.3 Specialization

Each of EasyArchive’s target industry vertical markets are rather complex and it takes a lot of specialized knowledge to be successful. This is proven by the fact that it is uncommon for a certain reseller or distributor to work simultaneously on more than one of these market segments.

Specialization in EasyArchive’s product is not absolutely crucial for their channel partners. The probability for a successful relationship will increase if the partner is focused on the product, but is aware that the buying cycle for EasyArchive is longer than for other related products. A reseller that is unaware of this and unprepared to deal with this type of selling will most likely fail.

6.1.4.4 Scale of Operations

Together with contacts, scale of operations is one of the two most positive competences that EasyArchive can utilize when working with alternative sales channels.

By using a channel sales network EasyArchive will be able reach a bigger part of the market at a lower cost, than by trying to expand its own network of contacts. When the channel partners are expanding they can split the cost for the expansion on a large number of products.

6.1.5 EasyArchive’s Sales Role

6.1.5.1 Order Taker and Distributor

Cannot be applied to EasyArchive’s sales role.
6.1.5.2 The Persuader and Sustainer

Cannot be applied on EasyArchive’s sales role.

6.1.5.3 Motivator/Problem Solver

EasyArchive has been moving from product-based sales to an approach more focused on needs and solutions. Today, EasyArchive’s sales role can clearly be defined as a motivator and problem solver.

There are several factors that demand EasyArchive’s sales people to be very highly skilled and focused on selling a solution.

- The sales person needs to be very technically savvy both in EasyArchive’s products and in other software and hardware, since the EasyArchive product will have to communicate with several other programs.

- A big number of different regulations influence the customer. Therefore the system must be correctly installed to comply with these regulations.

- The large number of stakeholders within the company will create a complex network of relationships and influencers that needs to be managed.

- The long buying process demands special competences from the sales representative.

- To solve this complex problem EasyArchive needs to bring in competences from several fields. In most cases, the sales person is supported by at least one system engineer to customize and present the right solution.

The problem is complex and demands that the sales person achieve a comprehensive understanding of the customer’s organization from many perspectives. The customer’s big buying center necessitates awareness of the different stakeholders in the purchase and creates many relationships with the decision makers in the customer’s organization.
6.1.5.4 Relationship/Value Creator

The part of EasyArchive’s sales process that fits within the definition of a relationship and value creator is that EasyArchive works in teams to find the best solution for the customer. It also involves a type of teamwork from the customer’s side to find the right solution.

EasyArchive lacks the sales process that focuses on benefits for both sides that defines the relationship and value creator. It is very clear that both EasyArchive and the customer are focused to gain advantages for the own separate organizations.

6.2 General Channel Strategies

EasyArchive has many different opportunities to reach the market. More channel levels can give EasyArchive an opportunity to reach a larger part of the market, but at the same time makes it harder to manage the flow of information in the channel. It is crucial for EasyArchive to have a functional communication in the channels because of the nature of the product and the market.

6.2.1 Channel Levels

EasyArchive has today only zero level channels, since the company only is working with direct sales. The choice to do so is supported by the product’s and market’s complexity. It can be hard to train and keep control over several channel levels, even though it in general is clear that it might be feasible with more channel levels since it can help increase market coverage.

6.2.2 Number of Intermediaries

This may not seem to be a crucial question for EasyArchive in the short term, but since they probably will have to expand the channel network a little at the time, it can be important to evaluate how the current situation will influence a future channel structure.
6.2.2.1 Exclusive Distribution

Initially, a kind of exclusivity will most likely be a result of EasyArchive’s expansion. At least from the start, some partners will be alone in their markets.

Since EasyArchive divides the market both in industry vertical as well as in geography, it would not be wise to promise a partner exclusivity. Most resellers will focus only on one market segment, which leaves space in the same geographical market for other companies focusing on another industry vertical.

6.2.2.2 Selective Distribution

Selective Distribution will probably be the next step for EasyArchive. If the company chooses to complement direct sales it is likely that they will be very selective in the choice of channel partner. The company cannot afford to let a partner try to sell the product just because it wants to. EasyArchive has had bad experiences from relationships when a partner has engaged in the relationship but not been able to create sales. EasyArchive has offered the partner training and put in a lot of effort to help create success. It has later showed that even though the reseller had good intentions, there were no sales made.

It takes a lot of resources to get a partner up to speed and EasyArchive needs to make sure early in the relationship that the partner has the right qualities to be successful. EasyArchive can expand the number of resellers when the company grows, but the process for starting new relationships should always be similar.

Selective distribution can also be a strategy to decrease the risk for channel conflicts because of a saturated market. Theoretically this can happen for EasyArchive, but in reality it is not something the company needs to focus on within the next couple of years. The only things to look out for are obvious situations, such as two very similar resellers acting in the same market.
6.2.2.3 Intensive distribution

EasyArchive will not be able to apply an intensive distribution strategy within the next few years. A lot of resources are needed for EasyArchive to change its current direct sales strategy to an intensive distribution strategy involving a large number of distributors and resellers. Not only does EasyArchive not have the resources needed for this, but an integral aspect of the corporate strategy is to grow organically and to not risk big investments in costly projects.

6.2.3 Change to Low-Cost Channel

Low-cost channels, such as internet, shall not be the primary choice to sell EasyArchive’s products. Human interaction is needed to define problems and needs, and to present the solution in a good way. EasyArchive uses several technical tools for product demonstration and holds meetings over the phone and internet to lower costs. The employees’ experiences with the conference calls and web demonstrations have worked well. Time is saved for all involved parties and the product is well suited to be shown through online PowerPoint presentation and other web tools.

This is a situation when EasyArchive’s problem with creating relationships becomes very obvious. The direct sales force is not big enough to approach the customers in person and EasyArchive sees an opportunity to utilize channel partners’ local presence to complement the low cost channels.

6.2.4 Multi Channel Marketing Systems.

Multi channel marketing systems are used by most companies today. The willingness to change to low cost channels ties closely together with this approach. EasyArchive uses the concept when they try to switch such tasks as lead qualification to cheaper personnel and customer support to phone and internet when possible.

If focusing on channel sales, multi channel marketing will be an important concept for EasyArchive. If EasyArchive can expand the network of partners to increase the market coverage and then assist the partner in certain complex tasks such as product customization and installation, then EasyArchive has a chance to gain the most advantage out of the channel
members’ different strengths. This allows EasyArchive to focus on its core competence in the technology field.

6.3 Channel-Design Decisions

When evaluating how to change sales channels, EasyArchive has to organize and evaluate the customers’ wants and needs and determine what intermediaries are available in the market to help satisfy those needs.

6.3.1 Analyzing Customer Needs

As in most markets, EasyArchive’s customers want to have flexibility and the opportunity to choose, but are not always willing to pay for it. A couple of such examples can be found below.

6.3.1.1 Lot Size

The number of mailboxes does not apply in the way Kotler has defined it, but it can be seen in the way that EasyArchive categorizes it. Big customers can be very technically demanding but it is not likely that this influences the channel partner in a specific way. In cases when other solutions need to be integrated with EasyArchive’s product, EasyArchive will most likely have to carry out the integration work since it requires comprehensive knowledge of and access to the EasyArchive source code. The important skills for the partner in such cases are flexibility and creativity to come up with suggestions and solutions for the customer’s wants.

6.3.1.2 Waiting time

While expanding the channel network the installation might be a bottleneck for EasyArchive and its partner. EasyArchive only has a few engineers that work with product installation and it is time consuming to train new ones. While expanding, these engineers will have to monitor or remotely support several installations before the channel partners get up to speed and can manage the installations on their own. It takes an extensive amount of time before a person becomes skilled enough to execute an installation and conduct trouble shooting of the EasyArchive product. EasyArchive is currently working to improve the product and installation documentation,
but there is still an extensive knowledge that is tied to a small group of individuals within EasyArchive.

### 6.3.1.3 Spatial Convenience

Spatial convenience is an important factor for many customers. Smaller companies often prefer to buy many different products from one place for convenience reasons. Customers with small and not so knowledgeable IT department generally rely on local VARs or systems integrators that they have had a relationship with before.

Big companies are often more dependent on their information systems. This difference influences the customer’s preferred buying process. Bigger customers with a more extensive competence in IT and computer science often choose to buy products directly from the vendors, as this puts pressure on the prices.

Even though these companies choose to buy directly from the vendor, it is likely that the big company will also have a local contact in the “IT space” that they have been dealing with before. The company wants to buy directly from the vendor because they think that they will get a better price that way. The local contact might not sell the product but it is likely that he or she will have influence in the buying process. This indicates that what can add value for one customer because of the spatial convenience, can add value being a trusted advisor for another customer. The value of the “advisor” is harder to calculate but it nevertheless makes it unimportant.

What complicates the situation is that some of the leading actors in the market sell both the software and the hardware needed for an installation. A part of EasyArchive’s strategy is to not work with any preferred hardware vendor. The product works with any of the major hardware vendors, but to compete on similar premises, EasyArchive sometimes has to temporarily partner with a hardware vendor to compete and offer the customer the same spatial convenience.

### 6.3.1.4 Product Variety

Product variety is a very complex factor for EasyArchive when evaluating partners. A big product variety gives the reseller or distributor a chance to satisfy many customer needs and create a close relationship with the
customer. This is something that EasyArchive is missing today, but has established as one of their main objectives in a partner relationship. The downside of having a large number of products is the risk that the focus on the EasyArchive product will not be sufficient, which will decrease the chance to close the deal.

The priority is to focus on the product even if that might include a lower product variety. It is considered a bonus if EasyArchive can find a partner that can ensure both.

6.3.1.5 Service Backup

The product support is an important part of the sales for EasyArchive. In general the installation is the part that demands most of the labor to get the EasyArchive product to work. The product is considered robust compared to competitors, but standard support will always be needed to get the product to work as smooth as possible. Even if the problems are not major, it is crucial that EasyArchive or its partner responds quickly and that the customer is treated professionally. The customer can accept a mistake in the installation if the support is well managed. However, even a small mistake can seriously hurt the relationship with the customer if it is not taken care of the right way. EasyArchive prefers that the partner handle the support so that the customers can have one contact point since it increases the possibility for a strong relationship. Another positive effect for EasyArchive is that it does not have to expand the organization and can keep the fixed costs as low as possible.

6.3.2 Establish Channel Objectives

The way EasyArchive has set up the goals and objectives for the distribution channel is fairly well aligned with Kotler’s theories.

6.3.2.1 Superordinate Goals

EasyArchive’s choice to focus on two superordinate goals is not completely in line with Kotler’s theory. The reason for setting up the goals is to have one thing to focus on in case the different actors in the channel have contradicting interests. A problem occurs when it is not possible to achieve both goals. Who decides what goal to focus on?
Customer satisfaction is not always compatible with short term profit. If the relationship is about to be harmed, it might be necessary to accept extra costs to keep the customer in the long term. In the creation of a new sales channel both EasyArchive and the partner need to have a long term focus to be successful. Both parties have to allocate resources and be willing to make sacrifices in order to succeed.

6.3.2.2 Detailed Channel Objectives

It is very important that EasyArchive’s channel objectives are closely aligned with the desired output levels described above. The objectives EasyArchive has defined for the channel are the desired objectives, but they are not yet implemented.

- **Relationship and identification of leads**
  The channel partner’s role as creator and sustainer of the relationship in the local market is crucial. This is where EasyArchive lacks the most today. EasyArchive has a pretty unknown brand, but by having a partner in local market that has or is good at creating relationships EasyArchive can overcome part of this barrier.

- **Specialization**
  EasyArchive considers specialization in geography or in an industrial vertical to be very important. Most customer needs are industry specific, which is advantageous if the partner is specializing in a certain industry vertical. Such specialization will ensure the partner to have sufficient knowledge to satisfy the customers’ needs.

  The geographical differences are not as important as the industry expertise, but having a local knowledge can make impact in many geographical areas.
• **Support**
  The choice to have support as a channel objective is two fold. Support is important for the customer satisfaction, which is why it is essential to have it as a channel objective. Since EasyArchive has previously stated that they could be ready to handle support if the channel has other extensive competences, it is not ideal to have support as one of the three main objectives for the channel.

6.3.2.3 Terms and responsibility of channel members

The terms and responsibilities is something that EasyArchive’s management wants to be able to customize for each channel member since the competences and market environment will vary for the different partners. Such strategy could be considered risky in the long run. To have a number of types of relationships is a common way to divide the partners along their competencies. What is important is to be clear when communicating with the partners about what is demanded to reach a certain level of discounts and benefits. To do what EasyArchive is evaluating, give each partner a customized contract, will create conflicts in the long run. Partners will communicate with each other and when they realize that they have different agreements for the same type of relationship, which will create serious conflicts. In the short run, it might seem necessary for EasyArchive to customize terms and conditions in order to sign the right partners, but the long term risks of such a policy must be considered.

The fact that EasyArchive is a small and fairly unknown player will mean that EasyArchive might have to be a little more generous to the partners than what normally is the case in the market.

• **Price Policies**
  The discount levels are accepted in the market and influencing these levels will be difficult for EasyArchive. EasyArchive claims that the sales process involvement from an email archiving vendor is larger than the involvement needed for related products that the partners deal with.

This large level of involvement would justify a lower discount for the partners of the EasyArchive product. Even if this might be true, it is unlikely that EasyArchive can expect a new partner to accept this
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- **Conditions of Sale**
  The conditions of the sale are really basic and accepted by all stakeholders in the market. This will not be crucial for EasyArchive’s choice of partner or a factor that seems to be reasonable to try to utilize as a differentiator.

- **Territorial Rights**
  The territorial rights are something that can complicate EasyArchive’s expansion of the marketing channel. Due to the two factors that segment EasyArchive’s market, Industry vertical and geography, EasyArchive needs to be careful when defining a partner’s territorial rights. To limit the partner’s territorial rights is wise but the company should be very careful before giving a partner exclusivity in an area. Most possible channel partners are focused on a certain vertical, which means that other verticals in the geographical area are not covered and this. Furthermore, this leaves an opportunity for another partner to attack that market. Such solution is not optimal but has to be considered for some markets, such as metropolitan areas where a lot of business opportunities exist in a small geographical area.

**6.3.2.4 Channel Conflict**

Channel conflict will occur as EasyArchive grows. The fact that the market segments are defined by both geography and industry vertical will create conflict when partners are operating on adjacent or overlapping markets.

At least one of the players might get upset when such incidents happen and in order to decrease the damage it is crucial that very clear rules are agreed upon from the very beginning. The first step in preventing the conflict from occurring is to try to define all parties' rights as well as possible. When a conflict has occurred, a system like the one EasyArchive uses in a small scale for a few referral partners is commonly and fairly successfully used. It is important to make the registration process transparent to prevent misunderstandings from happening. By encouraging partners to register
with this program, EasyArchive can control the progress in cases of lead identification and help close identified leads.

### 6.3.3 Identifying Major Channel Alternatives

For all of the types of channel partners the different companies can be divided into two groups. First, intermediaries that carry an email archiving solution today and are present in the market are the biggest part of the companies that can be seen as potential partners. There is also a smaller group that does not currently carry email archiving but has related products in the product portfolio and is focusing on the same customer segment.

The choice to start a partnership with a company that does not carry email archiving could be a big risk but could also create an advantageous opportunity. The partner will most likely have old customers for related products that they can approach and recruit with ease. This would also be beneficial since EasyArchive would not have to compete with the email archiving vendor the partner currently is carrying. The risk of the partner not having the right knowledge to succeed in selling EasyArchive should be considered to be substantial. As mentioned before, the opportunities here are big, but the significant risk makes it more viable for EasyArchive to focus on vendors with earlier experience of email archiving. Every time EasyArchive recruits an unsuccessful partner it will drastically affect EasyArchive’s ultimate result.

If EasyArchive chooses to work with companies with earlier experience of email archiving the risk of spending resources on unsuccessful partnerships will be smaller. Such companies know the market and understand the product.

The different types of distribution channels that was identified in chapter 5.3.3 will be evaluated in chapter 6.3.4 Evaluate Major Channel Alternatives.

### 6.3.4 Evaluate Major Channel Alternatives

First an analysis of EasyArchive’s evaluation criteria will be presented and there after an analysis of the major channel alternatives.
6.3.4.1 Evaluation Criteria

The criteria below give a fairly good picture of the channels’ pros and cons. It is important to note that the factors will change over time. Most important in this case is the time it takes to get a new partner up to speed. The money and the time spent by EasyArchive will be much more during the first time, and the pay back time for the change of channel will most likely be longer than first anticipated.

The company is run for a long term growth, but it is small enough to be drastically influenced by such increased cost even if it just is for one partner at the time. Some large companies view EasyArchive as complicated to do business with. EasyArchive does not want to commit to a relationship if the management does not see an opportunity to reach a customer and make money from it. If a customer can be identified, EasyArchive is willing to move fast and allocate resources. In order to maintain a potentially good relationship, the management needs to find a well balanced and careful strategy in this type of question. It is obviously necessary for EasyArchive to select partners since the company does not have resources to work with everyone. EasyArchive has to communicate its goals and expectations clearly and carefully in the beginning of a relationship to increase the chance for success and decrease the risk of conflict.

Cost Per Transaction

It is very hard to calculate an exact cost for the transaction. EasyArchive determines Direct Sales to be the most expensive with Value Added Reseller, Distributor, and Internet following in descending order.

On a short term basis EasyArchive does not see that order to be the case. Extensive training and support are needed to get resellers and distributors up to speed, which takes resources from both EasyArchive’s departments. This makes the cost for the first transactions in a new relationship look very high. Resources that are currently needed for training would otherwise be used to generate sales or develop the product. EasyArchive is demanding before starting a partnership. A company with less complex product, such as antivirus software, might let a new partner try it out since the sales process is much simpler. This is an issue that EasyArchive’s management thinks they will come across if and when they start working with new marketing channels.
Discount levels, EasyArchive will probably not be able to influence the discount levels on the products, since they are considered market standard. It is likely that EasyArchive will have to give up substantial discounts initially since the partners are taking a risk, and also put forth significant effort to start selling a relatively unknown product.

Labor cost, EasyArchive considers the most important part of labor cost from working with channels to be the cost associated with training needed in the beginning of a relationship. EasyArchive will obviously have some costs for administrative tasks, but that is generally considered a fixed overhead cost that is not affected in the long run by the choice of channel. EasyArchive will not experience as high labor cost connected to each transaction when the partner has come up to speed.

**Presence on the market**

Presence on the market is one of the things that EasyArchive hopes to improve by working with channels. Channel partners are present on the local market, which will help to collect information, promote, and position the product according to the existing environment.

The importance of presence on the market has to be measured not only in volume, but also the quality of the contacts. EasyArchive has seen competitors that have partnered with big distributors and have had very good market coverage, but the distributor has not been skilled enough to approach the right customers and sell the solution. It is essential that the partner understand the market and presents the product in the right way to the right customers, rather than to market the product to all actors on a market.

**Product Focus**

Focus from the partner is important. Very few products are sold without commitment from the seller. A small number of products in the product portfolio will increase the chances of the partner’s willingness to spend sufficient resources on EasyArchive.

EasyArchive claims that an extra focus on email archiving is crucial for the channel partner to succeed in selling an email archiving solution. The main
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argument for this is the buying cycle is much longer than for related products. The normal buying cycle for email archiving is at least 90 days for a small to middle sized company. For a bigger company the time frame can be close to a year.

A company that is accustomed to short buying cycles often does not deal well with this fact, and tries to focus on products where the deal can be closed faster.

It must be taken into consideration that to be able to succeed with a long buying cycle, strong commitment alone is not enough. It is crucial to also have the experience to manage the relationship and the sales process.

Value Added from a Customer perspective
What customers in general consider to be the value added from a seller is the opportunity to get a contact that they can rely on and will solve all or most of their needs associated with IT. This might not be totally supported by EasyArchive’s strategy to choose a partner with a limited number of products.

EasyArchive’s product is one of the most complicated solutions most channel intermediaries ever deal with. To not be able to work with the type of partner the customers would prefer is negative for EasyArchive. However, since it is very unlikely that a competitor will overcome this barrier and create a competitive advantage this is not a major disadvantage for EasyArchive.

What needs to be considered in this case is that the value added for a customer perspective varies between small and large companies. Larger companies sometimes prefer to buy the product directly from the vendor to try to get a lower price. This is a good example of how the customer experience the value added from the channel partner is lower than the added cost.

The fact that some of EasyArchive’s competitor choose to sell the partner both hardware and software complicates EasyArchive’s situation. From a short term perspective it makes sense for EasyArchive to partner with a hardware vendor to compete on the same premises and try to win the deal. If this is evaluated from a long-term perspective it might create another more complex problem. EasyArchive claims that they want to be agnostic and be
a software vendor that is open to work with the hardware the customer chooses. How are they going to choose what company to collaborate with? EasyArchive needs to consider short term factors like functionality and price, parallel with long term strategic factors like future objectives, technology and customers. This is an important, strategic question that needs to be evaluated by EasyArchive’s top management.

Many tasks will be taken over by the channel and in the beginning EasyArchive has to be prepared for extra work before all actors get up to speed. The best solution would obviously be if EasyArchive could treat all resellers and distributors the same, but because of different competences and other factors among the partners this will most likely not be the case. For a company of EasyArchive’s size it would be very hard to avoid. Big companies such as Microsoft and Cisco can demand almost anything from a partner just to make it fit their company. EasyArchive, however, has to tailor the preferred model a little to be able to sign up the best available partners. This would be beneficial in the sense that it increases the chance for a certain relationship to succeed. The negative side is that it will increase the amount of time EasyArchive has to invest in the relationship.

6.3.4.2 Direct Sales

Even though EasyArchive has chosen to evaluate sales channels alternative to direct sales, there are still several factors that support the expansion of the sales force:

The complex product demands highly technically skilled sales people. This is easiest to accomplish with direct sales people who can focus only on the EasyArchive product.

EasyArchive has the unique experience to sell tailored solutions to chief-level executives. Sales and marketing have been considered to not be EasyArchive’s core competences, but it shall not be forgotten that it is a type of channel that has been fairly successful for several years.

The after sales support can be complicated and it would take a lot of resources to teach a partner to master this.

The main factors that suggest a change are; An expansion of the direct sales force, which would demand a financial investment that would influence
such a small company like EasyArchive significantly and be very hard to execute.

EasyArchive has determined that they lose many deals because they do not have the right relationship to the customer. The fact that EasyArchive loses many deals in the end of the sales process is most likely an example of this. It takes a long time to develop such a relationship and there is no realistic possibility that EasyArchive will be able to solve this problem with a direct sales force within the next couple of years. This can only be achieved by partnering with the right companies.

The product’s complexity and the specific needs that many big customers have are factors that support a usage of direct sales in key accounts. If EasyArchive wants to grow, it is necessary to increase the market coverage, which only can be done by utilizing channel sales since the investment needed to gain a direct sales force of the necessary size is currently too vast for EasyArchive.

As EasyArchive’s technology gets more mature and robust the technical implementation will be less complicated. The demand for technical competence from the channel partner will be then easier to satisfy. It will be easier to find suitable partners.

EasyArchive’s choice to let a certain engineer follow the customer through the installation process can be a good choice to increase the chance to create a relationship through the customer as well as making sure the engineer has a good understanding of the customers installation. The negative part by handling the support this way is that too much knowledge can be tied to a certain individual. If that individual would be busy when the customer call or even quit, there is a risk that the customer experience bad service.

### 6.3.4.3 Manufacturer Representatives

The theoretical description of manufacturer representatives makes it a interesting alternative for EasyArchive, but since no potential manufacturer representatives have been identified, this channel alternative will not be further evaluated.
6.3.4.4 Distributors

The use of a distributor is interesting for EasyArchive since it offers an opportunity to reach a large number of resellers with a small initial investment. EasyArchive obviously needs to train the distributor to make it successful, but does not have to spend resources on finding and training reseller, which would be a distributor’s responsibility. EasyArchive is not a big name on the market and does not have big brand. But by working with a well respected distributor, EasyArchive might be able to reach customers and partners that it would have taken a lot of resources to do otherwise.

A risk in working with a distributor is that EasyArchive distances themselves from the customers. The complexity of the customer’s needs and the product’s technical potential demands a lot from the sales person. Having a distributor that tries to qualify the right reseller, and train the reseller in the EasyArchive product does not seem ideal for EasyArchive, considering the complexity of the information flow described above. Training could potentially be purchased from EasyArchive, but that would be a solution that is not completely compatible with the fact that a distributor is contracted to create and manage the relationships with the resellers. Today, a big competitive advantage for EasyArchive is that the company has the ability to react very fast to changes in the environment. A two level sales channel like this increases the risk that important information about the market will not reach EasyArchive, which will decrease this advantage.

Most distributors carry many products. EasyArchive has to confirm that the distributor is allocating enough resources to EasyArchive before committing to the relationship.

The opportunity to reach many resellers is tempting, but it demands a lot from the distributor to be able to manage the market and the product and sign up the right resellers that will be able to successfully sell EasyArchive.

6.3.4.5 Value Added Reseller

EasyArchive faces three different types of Value Added Resellers, but many factors are the same when evaluating all three of them.
The reseller has to be able to show a list of high end customers. This proves that they have an experience of dealing with individuals in high level positions, which is absolutely crucial to sell EasyArchive successfully. Experience from related solutions is crucial and it will ensure technical skills and market knowledge.

It is preferred that the resellers can care for the post sales support, which will not only be a question for the actual support tasks but also help making sure that the technical expertise within the company is sufficient. If the partner can handle the support it is much more likely that the partner also will have the technical skills needed to sell the product.

**Value Added Software Reseller**
Evaluating the VASR's experience of products similar to email archiving is crucial. The fact that EasyArchive has to be sold as a tailored solution, and not as an “out of the box” product, which many software products are is an important factor to consider when evaluating VASRs. It is extremely important that the partner is aware of the long buying cycle. Most other software has a much shorter sales cycle and there is a risk that the sales people choose to focus on other products where they close deals and make money faster.

**System Integrator**
Key criteria for a SI are similar to the VASR, but the focus on the technical skills can be a little less extensive since the SIs are generally very technically savvy. The most crucial thing to evaluate is what department of the customer’s company the SI is used to be dealing with. Many times the System Integrator focuses the selling on the IT departments, which is not enough to succeed in selling EasyArchive. The sales people must have experience in selling to the decision makers on the executive level, since the email archiving solves more than just an IT issue. The need for compliance is often an important driver or email archiving today, which is different most other IT products the focus often is on productivity or similar factors. The need for compliance often give access to other budgets than just the IT departments since it might affect the executives of the company personally if the company not is compliant.
IT consultant
The definition of an IT consultant is very broad which makes it hard to determine specific criteria to focus on. For this type of partners, the relationship has to be tailored for each firm. The consultants are experienced in dealing with chief level individuals and with selling a customized solution, but they might not have an engineering department capable of handling installation and support. If the partner can act as a reseller and handle everything around the product, such as sales and support, the partner can then offer a valuable benefit, although not a critical benefit, for EasyArchive. A relationship where the consultants sell the solution and EasyArchive does the actual installation and support can still be beneficial for EasyArchive.

6.3.4.6 Internet
EasyArchive has chosen not to give any prices or sell its products over the internet for two reasons. First, the customer cannot usually define the right combination of EasyArchive’s products just by studying a website. The complexity of the product makes it difficult for the customer to achieve a correct conception of the product. Second, the price is also a sensitive factor. EasyArchive’s price structure is much more transparent compared to many of the competitors, which makes the EasyArchive product look expensive at first, even though it is most likely cheaper from a total cost of ownership perspective. Many competitors add fees like training and professional services afterwards, while these kinds of services are not needed to use with EasyArchive.

The internet is a good channel for post sales support. It gives customers, EasyArchive, and EasyArchive’s partners a chance to make the support process more efficient. A web demonstration is a cheap way to demonstrate the products. Web demonstrations make it easy for all involved parties, with the help of a conference call and a web portal, to get a presentation of the solution. Though the low cost of this process is important, the importance of human interaction should not be neglected, especially since the importance of relationships in the sales process is frequently mentioned.

EasyArchive’s decision to develop an on-line partner portal to distribute information is a good initiative that can benefit all stakeholders.
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The internet can be used for advertising but EasyArchive currently lacks on what actually draws visitors to its website. It is also not clear who in the customer’s company the website should be directed to. EasyArchive has been focusing the sales process on the executives, but the company’s marketing department cannot present any data for who actually visits the website, which makes analysis difficult.
7 Conclusion

In this chapter conclusions and recommendations for future activities are presented based on the analysis in chapter 6.

7.1 Identification and Suggestion of Potential Distribution Channels for EasyArchive

Considering the main reasons presented by Kotler for changing from direct sales to channel sales: limited financial resources and core competence, EasyArchive certainly should start to sell through channel partners.

EasyArchive’s very limited financial resources makes working with channel partners a good way to reach a bigger part of the market and increase sales. The most important factor EasyArchive can utilize is partners’ local market presence and knowledge to overcome the barrier created by the low brand awareness.

Such strategy would let EasyArchive focus more on its core competence in the technical field, which is important from a strategic perspective.

EasyArchive shall focus on a “one level multi channel network” with carefully chosen Value Added Resellers as the main channel. Internet shall be used as a complementary channel designated to certain tasks. It cannot specifically be determined which one of the three presented types of VAR should be used, but each partner needs to be individually evaluated.

The most important factors that influence this recommendation are:

The VAR has personal presence in the local market. EasyArchive can overcome the barrier created by the unknown EasyArchive brand by utilizing the reseller’s ability to create relationships.

The information flow is crucial for EasyArchive’s channel. Zero channel levels are obviously ideal from this perspective, but one level should work as well. If working with more than one level it will be hard to successfully manage this flow.

The most important advantages with this strategy are:
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- EasyArchive, and not a distributor, will be responsible for the recruitment of resellers. This will decrease the risk for recruiting a partner that will fail in selling EasyArchive’s solutions. The high cost for failed relationships can be very harmful for EasyArchive.

- Training is crucial for a successful relationship. By having EasyArchive be responsible for the training, EasyArchive’s core competences in the technical field will increase the chance of giving the partner sufficient training. If adding more channel levels, an intermediary with very limited experience with EasyArchive’s products would be training the resellers.

- EasyArchive is used to having a very close relationship with the customers. With one channel level EasyArchive can still work fairly close to the customers, which will help them to stay up to date with changes in the market.

- EasyArchive’s direct interaction with the reseller will increase the chance to create a personal relationship with the reseller. The value of this factor is very hard to quantify, but has an important influence. It will increase the chance for an effective information flow, as well increase the likeliness that the reseller will have a stronger commitment to selling EasyArchive’s product.

Internet is important as a complementary channel. It shall mainly be used as a channel for promotion and as a channel to share information with partners and customers. It can certainly make these flows both more efficient and effective. To develop and become even more successful, EasyArchive needs to achieve a better knowledge of how internal and external parties use and would prefer to use online resources.

7.2 How to Evaluate the Distribution Channels for EasyArchive

The choice of partners will have a great impact on EasyArchive’s results the next couple of years. As a small company trying to expand, EasyArchive will initially not be in the best position to be very demanding when choosing distribution partners. However, EasyArchive needs to find a recruitment
process that takes advantages of the company’s entrepreneurial spirit and ability to rapidly adapt to changes in the environment.

There are some important advantages to having a more time-consuming recruitment process. EasyArchive will get the chance to test the resellers’ commitment. A reseller that really is interested in carrying EasyArchive will accept a slower process. In fact, such an approach can actually make the partner feel more unique, since they get the chance to be a part of a group with a few chosen members.

By evaluating a few critical factors, a big part of the qualifying process can be done:

The most important skill that every partner needs to have is the ability to handle the complex sales cycle and the big amounts that will be involved in EasyArchive’s deals. The partner needs to be able to handle a long sales cycle and understand and manage relationships with customer’s chief level decision makers. Since EasyArchive is one of the most complex IT products this factor will decrease the number of suitable partners significantly.

It is hard to measure this type of skill in a short period of time, partly since it is very hard to quantify. By focusing on partners with experience in selling email archiving or content management solutions to large enterprises, EasyArchive most likely can ensure that the partner is qualified to sell EasyArchive’s solution.

Resellers only carrying hardware or security software can in general not be considered a good fit. For EasyArchive to work with companies with this profile, the partner needs to present some extraordinary skills or contacts.

It is a big different between being successful in selling to large and small companies. Since EasyArchive’s target market is the large enterprises, the resellers certainly need to be focused on that customer segment as well.

Aspects that further need to be evaluated are the intermediary’s size and the number of products it carries. It can be flattering to get a very large reseller interested in EasyArchive’s product, but EasyArchive needs to be careful before entering such relationship. The size is interesting from two perspectives. It can be extremely demanding from EasyArchive’s perspective to work with a partner that is too large. This is because the
partner might expect that the relationship be based only on its own terms and it could be hard to develop a functioning relationship focused on benefits for both parties. It is clear that EasyArchive has a fairly complex product that demands a lot of effort in order to be sold. EasyArchive shall be one of the partner’s key products for the relationship to be successful.

7.3 General Contributions

This master thesis is a case study only focused on describing and exploring EasyArchive’s situation. Even though a general model cannot be created there are several things that can be considered general for a certain group of companies.

For a company to be able to implement my analysis and recommendations two main things to be considered are:

- The size of the company. EasyArchive is a small company with limited resources and a lot of information tied to a small group of individuals. These are two factors that will cause limitations. The growth of the company is also important.
- What effort is demanded from the seller? The brand, the product’s and the sales process’s complexity have an influence. EasyArchive’s product demands a lot from the seller to be successful. Email archiving is a product that needs a lot of active selling for a company of EasyArchive’s size.

A company that fulfills these criteria can certainly use a large part of the analysis and conclusion when designing and building a channel network. It is still crucial to remember that it is important to also consider the market and what potential partners that can be identified.

Also other companies can hopefully find part of the thesis valuable. What is important for most companies is to define channel criteria and understand that they will have to choose between different advantages. Such situations are:

- It is beneficial for a vendor to work with a distributor to get a large market coverage. A distributor can offer a great coverage, but the vendor might lose a close connection to the market. In
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EasyArchive’s case the company should consider it more important to have a close relationship with the resellers and the market than to grow the network fast by engaging a distributor.

- Many customers want a supplier that can offer a big product variety, but big product variety also means that the seller has less knowledge of each product. EasyArchive should choose a partner that carries a small number of products to ensure that the company’s product gets enough attention and that the sales force is sufficiently trained.

A thorough evaluation has to be conducted for each company and product to ensure that the right channel strategy is used. Small differences can be very important to the decision.
8 Discussion

This Chapter discusses other interesting factors that can be of importance for EasyArchive to consider when creating the distribution channel.

8.1 Channel Objectives

The distribution partner’s main objective is to initiate and create relationships in the local target market. EasyArchive is a small brand and the marketing has historically not been especially successful. EasyArchive needs to create a relationship with the customers to overcome the low brand awareness.

EasyArchive is too small to compete on the same premises as their big competitors who have resources to continually run marketing campaigns for several million dollars. EasyArchive needs to be smarter and together with the channel partners focus its efforts on being known in the right context by the right people. Exactly how to position the product is a project itself. However, the target for EasyArchive’s “guerilla-marketing” shall be Chief Compliance Officers and General Counsels.

EasyArchive defines first line support to be one of the reseller's main objectives. The choice to let the partner handle the support will give them an opportunity to create an even stronger relationship with the customer. This will give the customer one contact point for all types of questions, which generally is the preferred scenario.

In a short term perspective, it will be very demanding for EasyArchive to give new partners sufficient technical training. A lot of knowledge is tied to a small number of individuals within EasyArchive. Resources will have to be taken from the support and development teams to carry out the training, which is very bad for EasyArchive’s future development. For EasyArchive to be able to focus more on its core competence in software development in the future, it is very important that they commit to give the channel partner sufficient training from the start.
8.2 Price policies

EasyArchive is considering having lower price discounts for the channel partners than what generally is the case for related products. This is not a good idea as such strategy will decrease the likeliness that EasyArchive will become one of the partner’s preferred products. It might be true that EasyArchive has to participate more in the sales process than what is common for similar products, but it will be hard to convince the partner of this.

A strong relationship can complement a high discount, but never fully replace the opportunity for the partner to make a profit.

8.3 Information flow

EasyArchive’s entrepreneurial spirit is an important part of the corporate culture. The culture is currently an important strength. The information flow within the company is described as intensive but often casual with informal meetings and discussions “around the water cooler”.

When expanding the distribution network, EasyArchive needs to formalize the information flow to effectively share information within the network. The construction of a partner portal is a good initiative, but a commitment from all parties in the network is crucial to actively use the portal and keep it updated with important and interesting information.

8.4 Channel Conflict.

EasyArchive must, as part of the corporate strategy, stay entrepreneurial and act as a start-up company to be able to rapidly adapt to change and customize solutions to various problems. This strategy also applies for the process of expanding the partner network. EasyArchive does not want to set up rules or objectives that might exclude an interesting player on the market just because that company did not fulfill a certain criterion. To be able to adapt to other companies, this strategy makes total sense for a company of EasyArchive’s size. However, it is crucial that EasyArchive tries to stick to a standard agreement to decrease the risk of conflicts within the channel.
It is extremely important that EasyArchive tries to avoid channel conflict, especially while expanding the network. It can be very harmful to the relationship if a partner feels like EasyArchive tries to steal deals from them and approach customers through the direct sales force. In cases when this risk occurs, EasyArchive needs to act in a way that the reseller thinks is fair. The cost for treating a reseller badly is very high in the long run.
References

Literature

Articles

E-Sources
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Interviews

Because of confidentiality, the names of the respondents cannot be presented. Please contact the author for further information.


Appendix

Interview Guide
Used for the interviews with EasyArchive’s founders and employees.

Background
- What did you do before EasyArchive?
  - Education?
  - Work Experience?
- For how long have you been with the company?
- Can you describe how the company has changed during your time here?

The Company
- What do you consider to be the company’s three biggest strengths?
- What do you consider to be the company’s three biggest weaknesses?
- How have these strengths and weaknesses changed during your time with EasyArchive?
- What do you think about EasyArchive’s situation in the market the next couple of years?
- How would you describe the company’s core competence?
- Why do you consider this to be the core competence?
- Can you describe a normal sales cycle?
- What is the most important reason for EasyArchive to win a deal?
- What is the most important reason to lose a deal?
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- If EasyArchive choose to work with a partner that would sell the company’s products. What characteristics would be important for the partner to have?
  - The second most important and so forth?

The market

- What Value Added Resellers are you aware of in the American market?
- What distributors are you aware of in the American market?
- What manufacturing representatives are you aware of in the American market?