Software Economics

Channels
Channel

Describes how a company communicates with and reaches its customer segments to deliver its value proposition.

August 31, 2015
Questions to consider

- How does a company want to sell its product/service?
- How does a customer want to buy a product/service?
Product and Channel

Channel
Web (online) vs. Physical (AFK)

Product
Tangible (physical) vs. Intangible (digital)

Intangible via Web
• Google, Cloud Services

Intangible via Physical
• SAP, Oracle

Tangible via Web
• Amazon

Physical via Physical
• Cars, Bookstores
Web Channels

http://www.slideshare.net/sblank/lecture-4-distribution-channels?related=1
Physical Channels

http://www.slideshare.net/sblank/lecture-4-distribution-channels?related=1
## Communication

<table>
<thead>
<tr>
<th>Channel Types</th>
<th>Channel Phases</th>
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<tbody>
<tr>
<td>Own Direct</td>
<td>1. Awareness</td>
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<tr>
<td></td>
<td>How do we raise awareness about our company’s products and services?</td>
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<td></td>
<td>2. Evaluation</td>
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<td></td>
<td>How do we help customers evaluate our organization’s Value Proposition?</td>
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<td>3. Purchase</td>
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<td></td>
<td>How do we allow customers to purchase specific products and services?</td>
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<td>4. Delivery</td>
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<td>How do we deliver a Value Proposition to customers?</td>
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<td>5. After sales</td>
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<td>How do we provide post-purchase customer support?</td>
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<td>Web sales</td>
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<td>Own stores</td>
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<td>Partner stores</td>
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<td>Wholesaler</td>
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Pros and Cons of Channels

Own versus Partner Channels:

Higher margins but costlier? (own channel)

Lower margins but reach and benefit from others? (partner channel)

What are some of the pros and cons with direct versus indirect channels?
Effect of Channel

Cost of Goods Sold - Other Costs - Profit - Reseller

Price / Revenue - Revenue - Price

Cost of Goods Sold - Other Costs - Profit - Distributor - Reseller

Price
Exercise

Describe how your selected company communicates with and reaches its customer (segments) to deliver its value.

About 15 min.