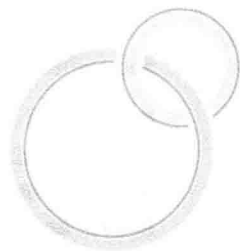
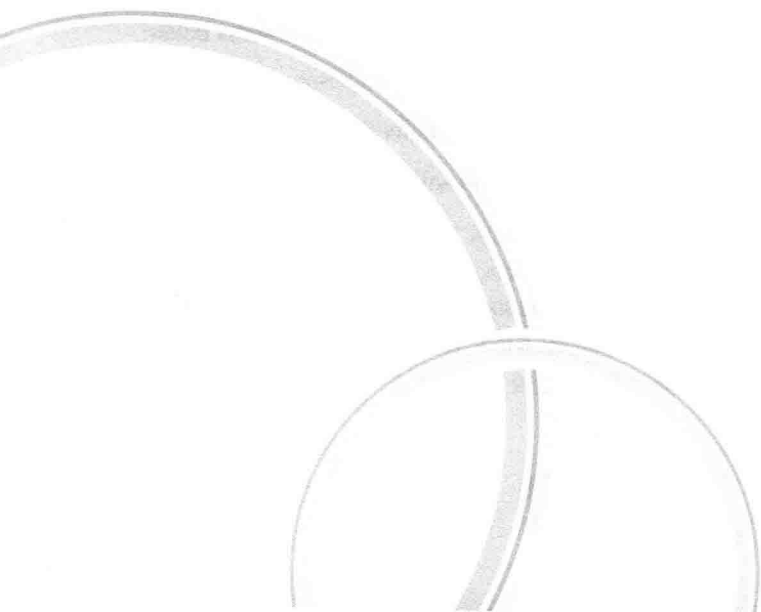


Part One

Enterprise Functions





One Simple Experience

Let me start with a simple story: The other day I lost my earphone. I felt very bad as I was used to making and receiving mobile phone calls by the use of earphone for healthiness' sake. At dusk, I went out of home for a walk and climbed onto a foot bridge where I found many pedlars' stalls selling various kinds of daily and electronic stuff. It took me one minute to conclude one deal: I spent 15 Yuan to buy an earphone from a pedlar on the foot bridge. I happily went down the bridge and continued my walk. As I was walking along, a kind of association of this little deal with enterprise functions suddenly came to my mind^①. This simple deal of my buying an earphone with 15 Yuan from a pedlar on a foot bridge represents the whole cycle of a business deal and enterprise functions are actually developed from this simple buy-sell transaction.

There are five elements involved to conclude this deal: me, the pedlar, the earphone, the money and the foot bridge. If you think deeper in a business perspective, these five elements represent the basic transactional parties in corporate business deals: the customer (me), the seller (the pedlar), the product (the earphone), the money (15 Yuan) and the market (the foot bridge). If the pedlar's sales scope is expanded to an ideal extent, it would develop into a modern business company. See the association and development process below:

Me: The customer can be developed to be clients in various sectors of life and industries, depending on what products the seller can design, manufacture and supply.

① As I was walking along, a kind of association of this little deal with enterprise functions suddenly came to my mind. 走着的时候,我脑子突然由这个小交易联想到了企业的职能。



The pedlar : The seller can be developed into a business company with teams of sales, marketing and channel management, teams of supply chain , logistics and contract management, teams of legal and audit, etc., depending on the developed business scale and business strategies.

The earphone: From the earphone product, there could be develop teams of R&D (research and development), sales engineers (for contract or order equipment configurations), field service engineers (FSE in short, for customer site technical services), manufacturers, OEM (original equipment manufacturing vendors), etc.

The money: Teams of finance, accounting, credit and collection will gradually come into being to tackle the complicated issues of account payable, account receivable and financial statement, etc., along with the business expansion of a company^①.

The foot bridge: This earphone foot bridge market can possibly expand along with its business development into an area of a town, a city, a country or even into the world.

Now we have an impression from this simple experience as for what the functions are concerned with, and we shall touch on these functions in a way in which such functions actually work in business cases.

① The money: Teams of finance, accounting, credit and collection will gradually come into being to tackle the complicated issues of account payable, account receivable and financial statement, etc. along with the business expansion of a company. 钱: 随着公司业务规模的扩大, 需要处理复杂的应付账款、应收账款和财务报表等问题, 于是就逐渐产生了财务、会计、信贷和收款团队。



Unit One

Function of Sales and Channel Management

Salesmen or Account Managers

Different companies have different structures of sales teams. Some companies align sales teams in line with different segments or sectors of industries like a team for telecom industry, a team for banking industry or a team for power industry, or even a team for one big customer^①. Other companies align sales teams by areas like a team for North China in charge of several North China provinces and a team for South China. If a certain industry or area is assigned to a sales team, all sales in this industry or in this area will be counted in favor of this team. There shall be no competitions or arguments about sales opportunities and achievements between teams.

Normally if a salesman enters a market sector of sales and begins his sales career from there, he will remain in this market sector and engage in this sector's sales for almost all of his career time. He will be an expert and a mature salesman in this market sector. A salesman in this role is called in the company Account Manager, or Account Representative in other companies.

① Some companies align sales teams in line with different segments or sectors of industries like a team for telecom industry, a team for banking industry or a team for power industry, or even a team for one big customer. 一些公司按照不同的行业类别或领域来组织销售团队，如电信业销售团队，银行业团队，能源业团队，有时甚至一个销售团队负责一个大客户。



A company sells products in two ways: direct sales and business partner sales (or channel sales). Direct sales is normally related to a big end user like a telecom company or a bank and for a big project. Business partner sales is through business partners to the end users^①. Business partner is a general term called for distributors and resellers.

Major role and jobs for sales are as below.

1. Sales Quota

The term sales quota is well known to sales. There is a team quota and a personal quota. Quota performance is straightly linked to team members' or personal payrolls.

If you succeed in a recruitment interview and obtain a job offer, you will be told what your annual and monthly salary is and how your salary is paid. For salesmen, the salary is normally 55% by 45% or 60% by 40%, meaning that your bottom salary is 55% or 60% of your annual or monthly pay and its balance of 45% or 40% is to be paid only on condition you achieve your sales quota^②. So quota performance is crucial to a salesman. If you do not perform well in your

① Direct sales is normally related to a big end user like a telecom company or a bank and for a big project. Business partner sales is through business partners to the end users. 直销一般是针对大的最终用户或大的项目，如电信公司或银行。合作伙伴销售是通过合作伙伴销售给最终用户。

② For salesmen, the salary is normally 55% by 45% or 60% by 40%, meaning that your bottom salary is 55% or 60% of your annual or monthly pay and its balance of 45% or 40% is to be paid only on condition you achieve your sales quota. 一般说来，销售人员的工资是 55% 对 45% 或 60% 对 40%，意思是说，你的底薪是年薪或月薪的 55% 或 60%，余下的 45% 或 40% 只有当你完成了销售定额时才会付给你。



quota achievement, you could be at risk of getting optimized off job and go home^①. Job security is not firm for sales people. Yet on the other hand, sales makes more money than other functions in the company.

It is always a hard time for salesmen to attend the sales weekly review chaired by sales directors. There are 52 weeks in a year and sales' commitment on quota achievement is by serial number of weeks, say week 1 refers to the first week of the year and week 52 refers to the last week of the year. Bonuses or incentives are calculated and paid based on monthly and quarterly quota achievement.

There are three numbers making the quota : booking number, shipment number and revenue number. Booking and revenue numbers are the most important to sales.

A. Booking Number^②

If a salesman commits to win an order on week 1, that order should be placed by customer by week 1. Once the order is received by order management team, that order will be loaded into ERP system (like the famous ERP system called SAP, to be discussed later in the book) after validation of all of the order support documents. The order is then released to warehouses for delivery or to different vendors for production and delivery. The order value is thus recorded in the system and constitutes the booking number or value for that salesman for week 1. From this we can see that booking number is actually the number in value of all the orders received in that particular period of week 1 and to the account of that

① you could be at risk of getting optimized off job and go home. 你就会有被淘汰的风险。

② Booking Number: 订单录入数值, 指收到客户的有效订单后录入订单处理系统的订单价值, 如某个销售人员在某周内收到三个客户订单, 分别是 1 万美元, 2 万美元和 3 万美元, 则该销售人员在这一周内的订单录入数值就是 $1+2+3=6$ (万美元)。



salesman.

B. Shipment Number

Whether an order can be shipped to customer in a timely manner depends on order materials production lead time and materials stock availability in warehouse. It should be under the care of the supply chain function. The reason for sales leadership to be concerned about the order shipment number in value is that shipment realizes the order booking number and can avoid customers and salesmen placing the orders yet requesting a far-away delivery date^①. Also shipment value is the basis for revenue number calculations, having impact on corporate financial statement reporting.

C. Revenue Number

Whether delivered (shipped) orders can be recognized as revenue depends on the company' s revenue recognition rules stipulated by the corporate finance leadership in accordance with the *Generally Accepted Accounting Principles* worldwide^②. It is the important data in a company' s financial statements. Generally speaking, a contract or an order cannot be recognized as revenue until all deliverables including products and services in a contract or order are fully delivered. Timely order deliveries play a crucial part in revenue recognitions and

① shipment realizes the order booking number and can avoid customers and salesmen placing the orders yet requesting a far-away delivery date. 货物交运可以实现订单的录入数值,同时也可以避免客户和销售人员虽然已下订单却要求把交货日期放得很远(如果订单的录入数值很大,但交货期却要求得很远,这样的订单水分就很大,有些甚至是虚假订单)。

② Whether delivered (shipped) orders can be recognized as revenue depends on the company' s revenue recognition rules stipulated by the corporate finance leadership in accordance with the *Generally Accepted Accounting Principles* worldwide. 交运的订单能否可以认定为销售收入,取决于公司财务领导层根据国际上《一般公认会计准则》所制定的销售收入认定规则。



that is why salesmen are very much concerned about month-end, quarter-end and year-end orders deliveries because their bonus and incentives are calculated according to how much revenue is achieved for them within that time frame.

2. Sales Weekly Review

A salesman is a hunter for sales opportunities in his sales area and field. He should be very clear about who and which organizations in his sales area are planning to invest in a project of products and services that his company is selling. Such potential customer projects are called pipe lines, meaning that the company's sales contracts and orders are to be flowing in from these pipe lines. Each salesman should provide such pipe lines and register them in pipe line list either online or on excel sheet which is maintained by sales administration. Provision of such pipe lines are the first step by a salesman. Each team or each salesman should shoulder a quota. Therefore each team and each salesman should provide enough pipe lines to cover the quota. Normally the pipe lines in value should be more than the quota by a certain percentage. If you fail to get enough pipe lines for quota coverage, you cannot pass^①.

Commitment by salesmen to turn these pipe lines into customer contracts or orders is the key content of the weekly review. Commitment is made in the form of win-rate percentage. For instance, you are assigned a quota of US\$350K-worth of customer orders in quarter one of year 2016. At the quarter beginning, you are required to provide a list of project pipe lines to cover the quota. You list out 10 projects, US\$400K in total value. Your manager would ask you to make

① Normally the pipe lines in value should be more than the quota by a certain percentage. If you fail to get enough pipe lines for quota coverage, you cannot pass. 管道中的项目价值一般要高出定额一定的百分比，如果你得不到足够多的项目管道来满足你的定额，你是过不了关的。



commitments on winning these 10 projects. The commitment is by time and win-rate percentage^①. You would possibly say: customer order for project pipe line 1 would come by week 2, win-rate percentage is 80%. Customer order for project pipe line 6 would come by week 10, win-rate percentage is 50%. Those projects with over 80% of win-rate percentage would be reported to upper level of management for further reviews. If you fail to get customer orders in by the time you committed, you will be challenged. If many of your pipe lines are with win-rate percentage of 50% or lower, you would be requested to add more pipe lines to balance your quota. Failure to realize your commitments would put you in a challengeable position and would make your job unsecure if you have too many commitment failures.

3. Win a Customer Contract or an Order

There are two ways to win a customer contract or an order: direct way in which the company gets into direct contact and negotiations to conclude a sales contract with an end customer, and indirect way in which the company's business partners (distributors, resellers or system integrators) are in contact and negotiations with the end customer to conclude a contract. If the business partner wins, they will place an order with the company to buy the contract products and then sell the same products to their end customer.

Currently many contracts are won through bidding. A Request for Quotation (RFQ) document issued by customer is a general and standard bidding process, the purpose of which is to invite suppliers or sellers into a bidding process to bid for supply of products or services. The RFQ includes among other things a notice to bidders and specifications for products and services to make sure all the

① The commitment is by time and win-rate percentage. 承诺是以(拿到合同或订单)时间和(拿到合同或订单)成功率百分比来表示的。



suppliers are bidding on equal footing. After the bidding documents are reviewed, the bid evaluation committee would declare the winner of the contract. Then formal negotiations would be held and a sales contract would be finalized and signed.

Contract price is critical to both seller and buyer. How does a seller quote for a project? When sales finds out a sales opportunity and plans to bid for it, they need to know what customer's requirements are. Is the company capable of fulfilling the requirements? If yes, preparations for bidding should be made both technically and commercially.

There are different forms of management approval for the quoted contract price. Special Bid (SB) or Special Business Approval (SBA) or Management Approval (MA) or Win Form (WF) are some of such approval forms. Here below are some examples of such forms.

Here below is a sample of Win-Form:

- Products @ PRC List (includ. spares) : refers to list price on the company's list of product prices before discount. Here US\$327 246.90 is the product list price before discount.

- TOTAL SALES (FCA): US\$ 2,12 710.5 is the sales price after 35% discount off list price.

- Total Cost of Sales : US\$ 576 78 is the total sales cost on the side of the company.

- Standard Margin \$: US\$155 032.5 is the gross profit.



Sales Calculations:			
Products @ PRC List (incl. spares)		327,246.9	327,246.9
Disc. Rate %		35%	35%
Disc.-SystemStd		114,536.4	114,536.4
TOTAL SALES (FCA)		212,710.5	212,710.5
Transportation			
Duties			
Sales Tax			
NetSales (incl. sales tax)		212,710.5	212,710.5
Net Sales (excl. sales tax)		212,710.5	212,710.5
Cost of Sales Calc.:			
Material Cost/list price ratio		9.0%	9.0%
CR %			
Cost Reduction Assumptions			
Material		29,495.6	29,495.6
OEM Material Cost			
Engineering I	(% of NetPrice)	0.73%	1,552.8
Installation/Commissioning I	(% of NetPrice)	2.69%	5,721.9
Others (ITAS, CTAS, FSE, etc)I	(% of NetPrice)	0.93%	1,978.2
Project Management & Onsite Supervision I	(% of NetPrice)	1.65%	3,509.7
Sales Promotion & Engineering Meeting			
Training at 2.12 days at \$250/day		530.0	530.0
Liason Meeting in China(8p/1w)			
Trans./Pkg/Freight/Insurance/CCIB (% of net price)	CIF		
On-loan charge		10.00%	
Freight & Insurance for On-loan part		6.00%	
Custom fees		5.00%	
China Software Tax Provision (%Software Revenue)		15.00%	
Technical Support	(% of NetPrice)	2.00%	4,254.2
Contingency		5.00%	10,635.5
Total Cost of Sales		57,678.0	57,678.0
Standard Margin \$		155,032.5	155,032.5
%		72.9%	72.9%
Other Product Costs:			
Technical Support (% of NetPrice)			
Warranty (% of NetPrice)	1.00%	2,127.1	2,127.1
Inventory (% of TCOS)	0.20%	58.99	59.0
Gross Margin \$		152,846.4	152,846.4
%		71.9%	71.9%
Payment terms	30 days net, 75% on ship date, 25% upon final acceptance		
Warranty Terms	15 months from ship date		

Here is another sample of SBA (special business approval): you can find list price, special discount and finally approved sales price in the list.

quo- taion No.	mater- ial code	mater- ial descrip- tion	profit segm- ent	pric- e list	cost ent- ity code	qua- nti- ty	te- rm	list price	Std price	buy price	special disc- ount (%)	spec- ial- pri- ce	margin (%) at special price
XXXX	XXX XXX	XXX XXX	XXX XXX	XXX XXX	369	2	xxx	\$50, 000	xx xxx	xx xxx	90	\$45, 000	xxxx

Once sales gets product configuration and price to be accepted and approved by end customer, the sales contract needs to be signed and submitted to order management team, or an order needs to be placed with order management team. Order management team will validate the contract or order together with other



support documents before it performs the order entry into ERP system. Now the order is processed with the order products sourced to different product vendors for product supply and delivery schedules. Order is now booked to related salesman's account and quota.

4. Customer Payment Coordinations

Though many parties are involved in getting customers to pay in a timely manner according to payment terms, sales is always the party to resort to if customers do not make timely payments.

Channel Management

This is a team to manage distributors, resellers and system integrators whom the company normally refers to as business partners (BP) or channel partners. If a BP wants to purchase products from the company, it needs to enter into a distribution agreement with the company, which is either called Distributor Agreement or Reseller Agreement. Distributors normally do not sell products directly to the end customers. They normally purchase products to build up a stock and sell products from their stock to its second tier channel partners. Resellers and System Integrators normally buy products either directly from the company or from distributors and sell the products to their end customers.

The distribution agreement normally contains such terms as those for responsibilities on both parties, how orders are placed, accepted or cancelled, delivery and shipment conditions, prices and discounts, invoicing and payments, product warranty and price protection, compliance with laws and agreement, termination, etc.

Once the agreement has been entered into, BPs can start placing orders with



the company to buy products from the company. The order placed by BP with the company and the same order placed by end customer with BP are two different, independent, back-to-back and legally binding orders, though for the same purpose of fulfilling end customer order^①.

Major roles and jobs of the Channel Management Team are as below.

1. BP's Sole Contact Point: Channel Manager

The person who is assigned by the Channel Management Team to manage a BP is called channel manager. He/she is the sole contact person for the BP to turn to for all issues regarding order placement, delivery, product, stock, credit and rebates, etc. The channel manager then studies and analyzes the issues before referring these issues to relevant teams for solutions and clarifications. Very often the BP may get into direct contact with relevant teams for solutions themselves.

2. Orders and Stock

Normally BPs have their own sales teams. The contracts/orders they win and later on place with a foreign enterprise for products purchase and resale account for a considerable portion of the foreign enterprise's sales and revenue. Yet no matter who wins the contract or order, its revenue number will finally fall onto the head of respective salesman according to the sales industry or area to which the salesman is previously assigned. Channel manager too would benefit

① The order placed by BP with the company and the same order placed by end customer with BP are two different, independent, back-to-back and legally binding orders, though for the same purpose of fulfilling end customer order. 合作伙伴（分销商）下给公司（卖者）的订单和最终客户下给合作伙伴的订单，虽然（两个订单所订产品一样）订单目的一样，都是为了满足最终客户的订单，然而两个订单却是两个不同的、独立的、连续的和有法律约束力的订单。简单说来，就是最终用户向分销商下采购订单或签署购销合同，分销商向外企下订单。最终用户与分销商的订单，分销商与外企的订单，是两个独立的订单。



from the contracts and orders his BP places no matter who wins them. Therefore channel manager bears sales quota too and fulfills the quota through BPs, but unlike salesmen, channel managers need to balance some concerns for quota fulfillment.

Concerns about order placement timing, CRD (customer requested delivery date), material production lead time, revenue recognition timeframe, quarter end stock level control requirement^①: these should be well balanced to hit the right time for order placement in order to well achieve order booking, timely delivery, revenue recognition and at the same time to control material inventory level on the side of BP's warehouse stock.

3. Credit and Rebate

Stock rotation program: Distributors are required to build up a certain amount of stock for their daily sales to their second tier resellers or for occasional sales to their end users (if there is a need for their direct sales to their end customers). Such stock has a material cost on the side of distributors. In order to keep the competitiveness of distributors and to reduce distributors' material stock cost, foreign enterprises normally adopt and maintain a program for stock rotations, by which distributors are entitled to return a certain percentage of their stock materials for credit and to use the credit to buy new and easy-to-sell materials to supplement their stock.

① Concerns about order placement timing, CRD (customer requested delivery date), material production lead time, revenue recognition timeframe, quarter end stock level control requirement: 对这些问题的关注, 诸如下单时机, 客户要求的交货日期, 产品生产周期, 销售收入确认时间段, 季度末库存水平控制要求。这些一般都是针对分销商库存订单而言的, 若是给项目配置的订单, 则无须考虑这些问题, 完全按项目要求来进行。



Order cancellation and material return: if an order is placed and order materials are not yet shipped to BP, such an order can be easily cancelled if required and confirmed by BP. But if an order is shipped or if materials of an order are received by BP, such post-shipment cancellation request may have to be through process of material return for credit.

Claims: Sometimes BPs might sell materials at a price lower than the price at which they buy. Under such circumstances they might have to turn to the channel manager for confirmation before effecting the lower-priced sales. After this lower-priced sales transaction is completed, this BP is entitled to claim for credit to offset the price difference. Sometimes BPs may engage in some sales promotion programs or other marketing programs and they may also be entitled to claim for some of the cost incurred. Such claims are also in the form of credit issued by foreign enterprises in favor of such BPs.

Rebate: BPs are in tiers. In terms of the right to place direct orders with foreign enterprises, BPs can be categorized into first, second and third tier. Only the first tier is entitled to place orders directly with the foreign enterprises while the second and third tiers have to buy materials from the first tier. This can change depending on BPs' sales performance and financial status. Second tier can be upgraded to become first tier. In light of sales performance, the first tier who have the right to place direct orders are also in categories: gold, silver and bronze medal^①. Different category of BP enjoys different order discounts and different payment terms and shoulders different sales quota or volume. All BPs who enjoy the right to place direct orders are assigned with different quota of sales. If a BP

① In light of sales performance, the first tier who have the right to place direct orders are also in categories: gold, silver and bronze medal. 根据销售业绩, 有权直接下单的一级分销商也是有分类的: 即金牌、银牌和铜牌分销商。



exceeds its assigned sales quota, it would enjoy a rebate in the form of credit in its favor^①. If a BP does not perform well in sales and quota achievement, it would possibly be down-graded to the next category, say from gold to silver or from silver to bronze. Rebate in most cases is for BPs who achieve or exceed their sales quota they are assigned.

4. Sell-in and Sell-out

Sell-in refers to the value of order materials purchased and received into BP's stock, yet not sold out to end customers. This can be recognized as corporate revenue in financial report because they are ordered, delivered and paid for by BPs. The sell-in value or BP's stock should be controlled in certain level. If it is unnecessarily too big, it would impact BP's cash flow and therefore further impacting the company's healthy business^②. For this some companies attach strict control over BP's stock level or sell-in value at quarter end. If the stock level is higher than necessary, a certain amount of revenue shall be reversed, therefore hitting sales performance bonuses. Sell-out refers to the value of order materials received into BP's stock and sold out or delivered to end customers. This is shown in BP's POS (points of sale) report. POS is an important report made periodically by BPs to channel managers. It shows the end customer names, sales dates, sales value, and stock level would be adjusted accordingly. Maintaining a certain level of stock and maximizing POS (sometimes not when sales wants to balance their quota and quota achievement

① If a BP exceeds its assigned sales quota, it would enjoy a rebate in the form of credit in its favor. 如果分销商超额完成了所配销售定额，它就可以享受（外企开出的）自己为受益人的贷记返款。

② If it is unnecessarily too big, it would impact BP's cash flow and therefore further impacting the company's healthy business. 如果库存太大了（大过所需），就会影响分销商的现金流（占用分销商的资金），从而影响公司业务的健康发展。



periods for bonus's sake^①) is an issue that a company needs to carefully consider, fix and balance for company's healthy business performances.

5. Reviews, Reports and Marketing Programs

Order placements and order deliveries are daily activities. Also BP's sell-in and sell-out are always in movement. Channel managers need to well monitor such data and report to management. Therefore there are periodic reviews and reports held by channel management. Channel managers need to well prepare themselves so as to well present such data in management reviews and reports.

In order to promote sales, both the company and BPs occasionally launch marketing programs including road-shows (product promotional activities in order to attract buyers), customer visits and seminars, special sales discounts in a special sales period, sales with incentives, customer trainings, customer surveys, etc. All these programs need to engage channel managers for organizations, subsidizations and management.

① sometimes not when sales wants to balance their quota and quota achievement periods for bonus's sake. 这句话的意思是说，渠道经理和分销商有时并不想一味地扩大出货量卖给最终用户，他们需要平衡一下自己的销售定额值和定额时段，这会对业绩奖金产生影响，例如本季度超额完成销售任务了，而下季度无法完成定额的话，奖金数额对他们来说就不一定划算，因此就需要平衡计算。