



DIGITAL SIGNAGE DISTRIBUTION

There is more to a digital signage network than meets the eye. Behind the scenes is an extensive network of distributors and resellers working together to ensure that the final product comes together and is effective.

Learn how to take advantage of distribution networks to ensure a deployment is not only successful, but easy to achieve as well.

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About the sponsors



Santa Ana, Calif.-based Ingram Micro Inc. is the leading technology distributor within the ProAV and digital signage market, offering a unified line card that features the most comprehensive portfolio of in-demand and emerging ProAV and digital signage products and solutions. Ingram Micro's ProAV and digital signage business unit (BU) offers channel partners, AV professionals and vendors specialized partner support and business enablement resources, as well as access to a dedicated team of seasoned marketing, sales, business development and technology professionals.



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Introduction

Distributors help complete the deployment process

Ask a digital signage deployer how his screen got to his store and he may not have an answer.

For a digital signage distributor, that is a good thing.

Chances are, the screen came to the location through the digital signage distribution channel. And if the distributors have done their job, the entire process was seamless and transparent to the end user.

Distributors are basically middlemen with value-adds. They stock and warehouse digital signage hardware and software and then make sure it is shipped to the appropriate location when the reseller needs it. But distribution really goes beyond that process.

Distributors maintain relationships with vendors in order to ensure top-quality products. They also work closely with resellers to educate them on the newest products and bring the complete solution together.

Distributors are already quite well known in the electronics market. Ingram Micro, for example, has been dealing with thousands of resellers for many years and is now developing new digital signage initiatives as the market segment continues to expand.

Distributors are basically middlemen with value-adds.

This guide will serve to give resellers, vendors and end users of digital signage an in-depth look into the distribution channel and the advantages that distributors can provide to each member of the channel. We would like to thank Ingram Micro for allowing us to bring this information to you free of charge.

Chapter 1 Distribution — developing a business model

How one company became a distributor

Ingram Micro Inc. is the world's largest technology distributor and a leading technology sales, marketing and logistics company. The company creates sales and profitability opportunities for vendors and resellers through unique marketing programs, outsourced logistics services, technical support, financial services and product aggregation and distribution. Ingram Micro offers solutions and services to approximately 170,000 resellers by distributing and marketing hundreds of thousands of IT products worldwide from nearly 1,400 suppliers. In late 2007, the company launched its Digital Signage Division after several years of planning and research into the digital signage market.

"Ingram Micro started looking at their home A/V market about six or seven years ago," said Richard Hutton, director channel marketing at Ridgefield Park, N.J.-based Samsung, a provider of digital signage solutions.

"They brought some vendors in, and when they looked at the numbers they saw digital signage as more of an immediate market need and something that they could attract fairly immediately because of the solution-based nature of it," he said.

Hutton said that distributing digital signage played well into Ingram's broadline distribution and played on its experience in the Pro A/V market.

"Ingram Micro invested in resources to basically train their IT value-added resell-

ers, or VARs, to attract more IT VARs and Pro A/V dealers in the space to come to them for high-level purchases and aggregation and technical presales needs," he said. "They've been driving their digital signage concept with their client base, and Samsung has been happy to work with them really since their inception."

The creation of the division was the result of Ingram Micro's direct contact with its existing customers, which caused the company to question each of its digital signage customers as to its needs for product distribution.

"The thing we like about Ingram Micro's digital signage solution is that it is truly a one-stop shop for our customers," said Jay Kang, marketing manager for LG Electronics. "From technology solution experts who can provide pre-sale consultation services to a help desk that can find the right solution for different customers' needs, our customers can just go to Ingram Micro to find what they need."

Ingram Micro's business model is such that even now the division has business development managers for vendor and reseller relations constantly working in the field.

"That is really the perfect model to help them control their destiny — to have these folks partner with integrators who may not know this sector," said Mike Zmuda, director of business development with Itasca, Ill.-based NEC Display Solutions, a digital signage provider. "A lot of manufacturers in digital signage are not as well known to those in the systems integration world as IT-based companies."

Zmuda said that content management software was probably the No. 1 category for confusion in that area, since it is fairly specific to digital signage.

“Having these folks out in the field to help resellers understand what content management software is and how to pick the best application for the client’s needs — that’s a tough thing to do in the beginning,” he said.

New business opportunities through digital signage

For Kevin Griffin, president of BLR Sign Systems, adding digital signage to his traditional signage and graphics business opened the doors to new opportunities.

“We’ve been around as a traditional signage and graphics print house for about 40 years. We do all types of signage — interior, exterior — mostly for large-scale projects,” Griffin said. “The other side of the house is marketing communications — wide-format printing, trade show displays, graphics and more.”

Several years ago, a friend suggested Griffin take a look at digital signage.

“After attending a few trade shows, it was clear to me that we needed to get into digital signage,” said Griffin. “We became an Ingram Micro reseller and went to market about two years ago.”

The BLR sign solution

Initially, when BLR Sign Systems worked with a client, the sales conversation started with traditional signage. Lately, though, digital signage has been leading the way.

“Recently, we were contacted by San Jose State University to install their digital signage,” Griffin said. “It was the first time that digital signage led the conversation before talking about their exterior signage needs.”

The BLR Sign Systems solution consists of BrightSign and Sherlock Systems media players; BrightSign, Rise Vision and Four Winds Interactive software; LG and Samsung displays; Cables To Go and Peerless mounting hardware, among others.

Three steps to success

Griffin offers a three-step process to be successful in the market.

“First, be sure to attend the boot camps, road shows, industry events and webinars,” he said. “Tap into resources, including members of the Ingram Micro digital signage advisory council.”

Second, make the time to understand the technology.

“The biggest challenge is carving out enough time to learn about and understand the new market that you’re thinking about entering,” he said. “You can’t dabble in it because the industry is changing rapidly.”

Third, remember that it’s not necessary to do and know everything.

“Partner,” Griffin said. “Know that your solution is as important as your partner network.”

Chapter 2 The process

Tracking a screen from creation to deployment

A distributor, in its simplest form, is a middleman organization.

However, as this guide will explain, these organizations do much more than just pick, pack and ship digital signage products.

“A full-service distributor’s main functions are to fulfill availability at any time, offer a credit line and technical service and support,” said NEC’s Zmuda. “A lot of key distributors are seriously looking at digital signage and gearing up for it. It’s good to see all of them getting excited about the industry, because it’s one of our key targets. We look at distributors to have products available for the reseller community. That means making sure the mainstream products are always in stock. Second, we want to make sure they can provide the proper credit line to help resellers and integrators finance digital signage solutions.”

At the beginning of the distribution chain are the manufacturers, known as vendors to the distribution channel. These are companies and OEMs such as LG, Samsung and NEC.

The biggest problem that vendors have, industry experts say, is that they are selling displays or mounts or software products, and it might not be easy for them to have access to all of the components required to provide a full solution. With a distributor such as Ingram Micro, they have not only the displays, but all of the complementary products required for a full solution. Distribution takes the responsibility from the vendor to piece together total solutions for resellers or end users.

Distributors keep all of their products in warehouses, usually spread out across the geographic service area, so shipments can be fast and all come from one place.

A fair picture

Keven Yue, senior business development manager for Ingram Micro, doesn’t think the marketplace has a fair picture of the digital signage distribution channel.

“The services side is more than pure product procurement,” Yue said. “So they could be offering credit and sales expertise for what products work in a specific solution. Services also include providing managed services and access to vertical markets. When an end user engages a reseller, he usually sees the IT guys that do networking and storage. But behind each reseller are one or two or three partnerships that they leverage that really sell this arsenal.

In a sense, it gives them access to the full solution, which they can then pass on to the customer.”

Functions of a distributor

- Fulfill availability
- Offer a credit line
- Technical support

The distribution process

The distribution chain for digital signage is very similar to that of other IT products. A vendor sells its product through a distributor, who sells those products to its reseller base. The resellers then sell the complete solutions to their end users, which could be restaurant chains, airports, schools or other types of businesses.

Digital signage distributors can help make the deployment process seamless between vendors, resellers and end users. Below are examples of these types of companies and a diagram of how the process works.

Samsung's Hutton explains the digital signage distribution channel from the eyes of a major screen vendor.

First, professional large-format displays come from South Korea or Mexico. The machines are stored in a warehouse before being sent to the distributor.

"One of the key things in this space is working with our distribution partners on forecasting," he said. "So, if you get a piece of 72-inch die-cut glass, we want to make sure we sell that through. Nobody wants it sitting in the manufacturer's or distributor's warehouse for a long amount of time."

Because material can be stored at the distributor's warehouse, Samsung does not have to have warehouses across the country. Instead, the company relies on partnerships to ensure distribution of material across the United States.

"Sales and purchasing work very hard to make sure we don't have too much inventory in Illinois when we need it in Los

How the process works

Digital signage distributors can help make the deployment process seamless between vendors, resellers and end users. Below are examples of these types of companies.

Vendors	Distributors	Resellers	End Users
Samsung	Ingram Micro	EnQii	Airports
LG	Ingram Micro	Vertigo Group USA	Restaurants
Rise Vision	Ingram Micro	Best Buy	Hospitals

Angeles," Hutton said. "On occasion, if a deal is large enough, we may ship it directly from the factory to the reseller site or end-user site. The ability to do that is all through the distributor and reseller. For deployments that require preconfigured aspects, like outdoor deployments, the distributors can often configure those things at their sites. Larger rollouts are usually done onsite to cut out the logistics piece. But the distributor manages that process."

From the distributor to the resellers

In the next step of the channel process, Ingram Micro markets products to its reseller base on behalf of the vendor. The company also does a fair amount of marketing for itself on its value-added benefits. These could be financing, logistics, customer service and installation, to name a few.

"The goal is for the distribution channel to be seamless for the reseller and end user. End users call a reseller and they have a number of items to be ordered and maybe even a preconfigured idea of what they want, and then it ends up on their doorstep and everything's done."

— Robert Nishida, president, HDDS Design

CHAPTER 2 The process

Working under Ingram Micro is a network of thousands of resellers, who are the ones who actually market and provide digital signage solutions to end users. These groups are responsible for designing and planning solutions that best fit the needs of the end user.

Resellers then go back to Ingram Micro with the solution requirements.

“The goal is for the distribution channel to be seamless for the reseller and end user,” said Robert Nishida, president of Woodland Hills, Calif.-based HDDS Design, a value-added reseller for Ingram Micro. “End users call a reseller and they have a number of items to be ordered and maybe even a preconfigured idea of what they want, and then it ends up on their doorstep and everything’s done.”

Resellers have consulting responsibilities on both ends of the equation. First, they listen to end-user requirements and walk end users through possible solutions. Then, they consult their distributors to see if the solution is a reality and how they can work together to provide it.

“End users call me and then we get into a pretty detailed discussion on what we’re trying to accomplish,” Nishida said. “A lot of times the clients want to do something, but it’s not practical, or it doesn’t make sense. They don’t realize the cost of technology. A lot of people are under the impression that they can buy a home HDTV and put it in their retail environment and play it for 12 to 18 hours a day and it’s good to go. But they don’t realize that they may want these displays in a portrait orientation, or have content over three displays, and that there is technology behind alter-



Digital signage distributors frequently have several warehouses, allowing them to offer fast delivery of needed products.

ing the content for that. It’s not as simple as hanging displays and going with it.”

And the process doesn’t end with product procurement. Nishida and HDDS usually develop a pilot or prototype version of the solution. If all is well after the results come in, the total solution is rolled out to all end-user locations.

“We like to run through a prototype phase where we send out products to end users and test what they want to do, make sure the content looks how they want it to and make sure they can run the content from their home offices,” Nishida said. “Then comes the actual distribution of the displays to their locations. Or we can do a project management piece where we schedule the install and send someone to the site, or they can go to one of my service partners, who can deliver, hang the displays, test, train them and then they’re out of there.”

Chapter 3 The search for vendors

The partnership process

A distributor's line card — a list of vendors whose products it carries — is one of the most important pieces in the company's arsenal.

It shows resellers what products the distributor has available and, based on the reputation of the vendors on that line card, can affect the resellers' decision to choose a particular distributor. With that being the case, it is important for a distributor to work with the right type of vendors and have the big names on its line card.

April Allen is a senior category manager for Ingram Micro and is the initial point of contact for vendors when they decide to sell their products through the company. Her job is to get new vendors on board. These vendors either sought to work with Ingram Micro or Allen identified weaker areas or gaps in Ingram's line card and worked to fill them.

"I walk them through the process of applying as a new vendor all the way through the contract negotiation and getting their vendor code and getting them queued up and running," Allen said. "I then pass them on to the vendor business manager."

Digital signage, with all its components, has a wide variety of different types of vendors. For that reason, line cards are updated frequently, more often than the line card for laptops or other IP products that a distributor may sell.

One of the reasons for a wide-reaching line card is that there are so many people getting into the digital signage industry, and

the distributor has to have many products to meet all of the different demands of its customers.

"People that were designing software and display vendors have tried to jump on board," Allen said. "For displays, it's tough to enter the space because of the big companies. They're very competitive, they've been around for a while and they have marketing funds to throw behind their interests. They've already got the branding out there. Generally, Ingram Micro doesn't partner with the smaller display companies, unless they have something really unique, like sunlight-readable screens, for example."

Allen said that sunlight-readable screens and touch displays are among the newer products that Ingram Micro is starting to handle more of, but hasn't had a huge demand for yet.

"Even though it's a few years old, it's new for a lot of resellers who are just getting into the game," Allen said. "They don't typically start with touch displays and things like that. They usually start with a more basic solution."



An honest evaluation process is necessary for a successful partnership.

Steps to acquiring a vendor

- Share information about the company.
- Gather financial information about the client, including revenue and budget, to determine stability. This may involve signing a nondisclosure agreement.
- Test the vendor's product.
- Determine if the product fits in the line card.
- Sign a contract.
- Create a plan based on budget and goals.

Getting vendors on board

Once a qualified vendor has been identified, Allen begins the process of signing up the vendor and entering them into Ingram Micro's system.

First, the client receives an information packet describing Ingram Micro's distribution centers, marketing programs and dedicated digital signage division. That way, clients are reassured that they have found a highly-targeted way to spend their money.

At the same time, Ingram Micro will ask about the client's products and gather background information about the company, including stability. Frequently, a nondisclosure agreement (NDA) is signed, so clients feel comfortable sharing some financial information, such as revenue numbers.

"The NDA allows us to both speak freely to each other, and we only use the information to determine if they are stable enough to have them on as a vendor," Allen said. "We carefully guard the confidentiality of this information. A lot of the smaller guys are privately held so they don't publish their earnings info. It's something we try to be sensitive to."

Once Ingram Micro determines it is interested in the technology, testing is necessary to determine if the product does what the vendor promises.

"If it's a mount or a cable, we don't usually do a lot of testing," said Allen. "But if it's a new 3G wireless network for digital signage, I need to make sure that it actually works as it's supposed to. We test those through our solution centers and our tech engineers. The testers report on each product and determine what it can do and also if it has any inherent weaknesses. It's definitely an unbiased evaluation."

After the product has been tested, Ingram Micro decides if the product will fit on the line card. Only then do contract negotiations begin.

Once the contract is signed, the vendor is entered into the system, and a plan is created for them based on budget and goals.

"The product is then brought to a digital signage division team meeting. There we discuss what I have found and if we need a product like that on the line card. For

It is important for a distributor to work with the right type of vendors and have the big names on its line card.

example, we may have to decide if we want another display vendor. We examine what is unique about this one.

“After that, I start the contract negotiations with the vendor. Once the contract is signed, I’ll work with purchasing to get them into the system. I also connect them with their assigned marketing rep to gather all the necessary information. We put together a plan for them based on their budget, whether it’s very small or very large. We can customize our plan for them and then target it to meet our mutual goals.”

Differences between large and small vendors

Just as distributors’ line cards feature a wide variety of products, they also feature companies varying greatly in size. A card may include big screen vendors that are multibillion-dollar companies as well as small software companies with a staff of 10 people.

Screen manufacturers usually have a long history with the distribution channel due to their desktop-, laptop- and consumer-screen production. Smaller vendors who are specialized may not have the same kind of experience in the channel and must be educated in regard to certain procedures that will benefit both parties.

“The larger vendors have been in the industry for a while, they understand how distribution works, and they understand the entire process flow of what needs to take place,” Allen said. “For example, they understand the difference between the impact of drop-shipping versus warehousing.

In order for smaller companies to compete well in this market, they need to understand the supply chain and the whole process of stocking.

ing. The smaller guys don’t always understand how much marketing and branding is required if they are in a subcategory with some of the bigger companies.”

Allen said that in order for smaller companies to compete well in this market, they need to understand the supply chain and the whole process of stocking.

“We have five distribution centers, and you can’t put all your stock in one DC, for example,” she said.

Allen begins the vendor-signing process by issuing a distribution agreement which reflects all distribution details agreed upon. The agreement allows distributors to protect their customers in case there is an issue with the products. The agreement also allows those customers to return products to the distributor if they feel the need.

“We try to ensure product quality and avoid returns by testing vendors’ products,” Allen said. “Technicians do a lot of product testing to make sure products perform as they are supposed to. If a vendor hasn’t worked with a big company, there are different parts of this process, like the testing and the contract, that they might not know about. We also do forecasting when we sit down with purchasing. If the vendor doesn’t have a run-rate history, we might be a little conservative in stocking those products.”

Strategies for success

Don't try to change the process. Allen said that Ingram Micro often encounters vendors who want to change processes during the contract negotiation. It must be made clear to them why Ingram Micro has processes in place, and Ingram Micro has to understand why vendors want to make changes.

Know the product's marketability.

These types of conversations may not go as smoothly with smaller companies that aren't thoroughly oriented. Allen said that the bigger companies, such as Panasonic and LG, understand the market.

"If we're sitting on a lot of product, or product is being returned, they are going to be proactive and make sure marketing is getting out there," she said. They're also going to make sure that Ingram Micro's marketing is pushing that out also. Smaller vendors need to work to the best of their ability to make sure they don't ship too much or too little, and that there is a market ready for the product."

Know the marketing budget. Rarely do the smaller vendors have the marketing budget that larger companies do, so it can be more difficult for them. Smaller vendors should know their marketing budgets when going into an agreement, so the distributor can determine how best to assist them on the marketing front.

What the distributor looks for

Just as vendors are actively seeking out distributors as a means to bring their products into the market, Ingram Micro is always making efforts to recruit new

vendors. Since there are many vendors out there, the company has to be selective and stringent when choosing which products to include on its line card.

A vendor's biggest issue, and the reason it comes to a distributor, is that often the vendor doesn't have the ability to integrate a full solution. Usually, it provides only one component of the total solution, such as the screen, mount or media player.

A vendor's biggest issue, and the reason they come to a distributor, is that often they don't have the ability to integrate a full solution.

Experience. Every scenario is different when it comes to fulfilling digital signage opportunities, but in general, there is more power in working with a vendor that understands digital signage. This is another reason distributors point back to the big-screen manufacturers as good vendor partners.

"That experience is hard to replace," said Irene Chow, vendor business manager for Ingram Micro. "It makes it easier to work with vendors if they understand distribution and the world that we work in. Because of the type of resellers that we service, some of them aren't just VARs. They may be direct marketers. They may be focused in the government sector. It's not always directed at standard digital signage applications."

Open communication. As in any enterprise, experts say that the most important aspect of any relationship between a vendor and a distributor is open communication.

“There has to be constant communication back and forth between both parties,” said Allen. “Most of our major display manufacturers have weekly or biweekly meetings involving the vendor business manager. We can let them know about deals we are hearing about, or if we have RFPs coming down the line from our resellers.”

Product reliability and availability.

No doubt about it, all of the major manufacturers have high-quality products or they wouldn't be in business, or certainly wouldn't be considered by a high-level distributor. So the focus then becomes the availability of the product and its long-term reliability.

“With smaller vendors that we bring on, we have to do a little more product testing,” Allen said. “We have to make sure there aren't any issues with the products involving functionality or warranties. That's one of the first things I always ask — what is your warranty or support plan for your product? If it's a small business, we don't want to carry the entire burden of support. If we don't have the product in stock, it's the same as not having the vendor signed on.

“We do a pretty good job of managing inventory, though. One of the vendor business manager's duties is to let the vendor's purchasing managers know that product is coming down the line and we need it in stock. We have a lot of internal processes in place to make sure we are communicating these concepts effectively.”

Reputation. If a distributor has a stellar line card, it will be reflected in the satisfaction of the resellers and end users.

HDDS Design's Nishida is enthusiastic about Ingram Micro's selection of vendors.

“They're doing a really good job of screening manufacturers,” he said. “I think Ingram Micro not only evaluates the company's technology, but the company itself, and whether this is a viable company that they want to introduce to their distribution channel. And if there is a product or company in Ingram Micro's portfolio, for the most part I feel that they are going to be the cream of the crop. That gives me confidence to talk to them about certain projects and to know that if the product is in Ingram Micro's catalog, it has been qualified and I have a better chance of having a successful project.”

Software: Distributing the intangible

One of the key components of a digital signage system is the content management system. This product is a piece of software that allows end users to control what shows up on their screens. As such, it is an interesting part of the distribution channel because it is intangible.

There are two main kinds of software packages available through distributors.

One is a software bundle, or package, which can be sent and loaded onto each computer, thus controlling digital signs. The second is a managed-content service, also known as Software as a Service (SaaS). This kind of software is paid for on a monthly basis and is hosted by an outside company.

“Distributing something intangible actually makes it a lot easier,” said Ryan Cahoy, vice president of sales and marketing for Shawnee, Kan.-based Rise Vision, a provider of SaaS for digital signage. “It’s all Web-downloadable, and there are no boxes to deal with. For the distributor, it makes it easy from a logistics standpoint. They don’t have to buy boxes and figure out how to warehouse them. From a reseller standpoint, they don’t have to worry about install dates and storing it onsite, hoping it doesn’t get stolen or destroyed. It’s literally downloading it and installing it within moments of knowing they’re ready for it.”

Software is an area where there are many small vendors, which also makes a nice value-add for distributors looking to target smaller resellers without huge budgets.

“We want to also be able to cater to the market with the end users who just want to have a display in their mom-and-pop shop,” Allen said. “They know how to use a computer, but they aren’t computer savvy — we still want them to have a digital signage solution that they can run where they don’t have to have a tech come in to change content.”

Establishing thriving partnerships

Two companies — Sherlock Systems and HDDS Design — that would normally have considered each other competitors are now partners. Dave Sallander, president and CEO of Sherlock Systems, and Robert Nishida, president and owner of HDDS Design, spoke about their business relationship and offered advice on getting the most out of partnering opportunities.

How it all began

“Our partnership with HDDS Design formed at one of the Ingram Micro digital signage workshops,” Sallander said. “And we both have served on the Ingram Micro digital signage advisory council. From there, we built up a good relationship.”

As a result, Nishida brought Sherlock Systems into a recent partnering opportunity.

“I have a client who does a lot of digital signage,” he said. “They needed a new computer vendor. I could have taken it on and acted as a go-between. But the best thing for my customer was to introduce them to my partners at Sherlock Systems to define their solution.”

Foundations to partnering

Partnering requires effort to succeed, including identifying and vetting partners and then establishing trust. Nishida suggests that those interested in partnership opportunities begin by looking inward.

“Not every small business can do everything. You have to pick your best-of-breed services,” Nishida said. “A partnership will help you leverage your capabilities, but you have to partner smart.”

Next, identify prospective partners.

“I compare partnering to dating,” Sallander said. “It starts with a phone call, then maybe grabbing a drink to talk things over. Ingram Micro hosts workshops and boot camps, and they’re great places for building new relationships.”

And lastly, determine if the partner shares the same values by doing some homework.

“Do the due diligence to find the right partners,” Sallander said. “Feel free to talk to Ingram Micro, partner customers and other sources about your potential partners.”

Finally, establish trust by defining the boundaries of the relationship. Keep each other in mind for a future project. Nishida recalled an instance where the relationship was so transparent that his customer went directly to Sherlock Systems.

“Four months ago, a customer of mine wanted 10-inch touchscreens,” he said. “The customer went to Sherlock Systems and they told them to come back to me. It goes back to each of us communicating and understanding the boundaries of the relationship.”

Chapter 4 The relationship with resellers

A reseller is the group beneath the distributor in the distribution channel. Resellers are companies such as Best Buy, Office Depot, Costco and Buy.com. On the VAR side are small to medium businesses for integrators that take digital signage and sell it to large corporations, governments, schools and more.

“Resellers in digital signage are a little different, because some resellers have solutions that could be considered vendor products,” said Ingram Micro’s Yue. “It’s a real fragmented marketplace, so resellers in this space do a lot of different things. It’s not a traditional reseller model. And that’s why Ingram Micro is starting to build a business around this. So instead of focusing on traditional distribution, where we buy from vendors, resellers buy from us, we offer them credit, customer service and so on.”

Resellers don’t all have the same needs. Some may need purely procurement, some may need financial services or some may need national installation capabilities.

“Take EnQii for example,” Yue said. “EnQii makes their own hardware and software solutions for digital signage. So they’re going to the end user selling a digital signage solution. When they buy from a distributor, they’re buying displays, mounts, cables and the fill-in-the-blank technologies. They’re also leveraging us for installation and field-deployable tech support.”

For the most part, digital signage projects are done through resellers. It isn’t common that the distribution channel would be bypassed and the end user would work directly with the screen manufacturer or other top-tier vendors.

“There are some manufacturers that have a digital signage group, but if there is no reseller involved, they will take it direct. But these manufacturers are really few and far between,” said HDDS Design’s Nishida. “For the most part, the manufacturer community really embraces the channel. They know that for every foot soldier they have on the street, we have 1,000. We can find a lot more opportunities and work with them, and I think it benefits them in that way.”

That’s not saying manufacturers such as LG Electronics don’t get calls from end users.

“Sometimes end users are a little more ambitious, so they begin to make calls to get a feel for the market, to make sure they aren’t being taken advantage of,” said LG Electronics’ Kang. “Others have a very close relationship with the distributor and allow the distributor to do all of the bidding and everything for them.”

Choosing the right distributor

There are many distributors in the marketplace of all different sizes and specialties. The wide availability means the reseller must make an important decision as to what group or groups to work with.

The first and most important point of contact between a distributor and a reseller is the client’s representative, who introduces the reseller to the channel and continues to serve as a liaison throughout the term of the contract.

“We want to develop new partnerships with resellers, and end users come to us and see the solutions we carry and we connect them with the right resellers.”

— Keven Yue, senior business development manager, Ingram Micro

“I worked in distribution for 14 years before coming to the manufacturing side, and it’s all about the rep,” said Samsung’s Hutton. “It might not be just about the pricing or the credit or the logistics, but the relationship is also a key factor in that. Also in picking a distributor, there are companies that have been out there longer. If you need things beyond having items in stock and knowing their prices, that rep’s experience becomes very important. A reseller’s main responsibility is to determine if the distributor will be able to provide the right kind of solution for its end users. For that reason, resellers typically turn to distributors that offer a consultative approach.”

“They say, ‘I’ve designed the network, I’ve designed the solution. Here is what the end user is trying to do. I know I need CAT5 cable here, but should I use copper because there is a long distance between the player and the display?’” Hutton said. “Distributors have experts who can answer that type of question. And they will potentially come back and say, ‘What is the scenario? Help me understand the end user’s needs so I can give you some recommendations for either a product solution or a different type of software or whatever the need is.’”

Distributors work hard to understand these types of questions and, through interacting at trade shows, on the phone or in person with the reseller, they strive to clearly understand the value proposition of their companies, and also know what they’re good at and what they need help with.

How distributors find the right resellers

To keep their businesses alive and well, distributors have the responsibility of finding the right kind of resellers.

Three things that VARs need to know to be successful with digital signage

Ingram Micro’s Chow recommends VARs fully understand the following to successfully implement digital signage:

- Video (the display) and perhaps audio technology
- How to manage the video remotely from a network (including being able to change the message and monitor it to make sure the sign is working)
- The software that manages the content

“One thing we do is go to shows and talk to both end users as well as customers,” Yue said. “We have a dual focus — we want to develop new partnerships with resellers, and end users come to us and see the solutions we carry and we connect them with the right resellers.”

Yue said that it’s easier to understand and manage digital signage resellers today that are established because they are already in the marketplace.

So, their needs from a buying and tech-support perspective are pretty straightforward.

The other kind of resellers distributors see are VARs who are trying to get into the business and come to the distributor to get into that space. In that case, there is an education and introduction component, and the relationship takes a lot longer to develop.

To accommodate that, distributors offer educational sessions and conferences, as will be discussed in Chapter Six.

“Another thing that distributors have to take into consideration is the size of the reseller,” Hutton said. “You have some resellers that are very happy at \$2 million a year. They’re not looking to be the next giant of the digital signage market. But you do have a lot of hungry, ambitious resellers out there who are looking to get bigger and bigger. As digital signage is more pervasive, it’s going to get more global. So maybe the requirement of the manufacturer and distribution partners is going to be to support clients in Atlanta, Dubai, Singapore

and Eastern Europe. There are needs for support of global rollouts now that require global programs from the manufacturers and distributors.”

Distributing digital signage is becoming an easier process than it was several years ago. More distributors are adding digital signage divisions and initiatives, which help, but the ease also is coming from the fact that systems integrators, pro A/V companies and others with distribution experience are getting into digital signage.

Video walls make an impact

Tru Technical Partners, based in Campbell, Calif., is an IT services provider. The company offers digital signage services to companies across the country, and partnered with Ingram Micro to offer the best service possible.

Tru Technical Partners provides Newark, Calif.-based Risk Management Services with engineering services and technical support. When the company moved into a custom-designed building, Tru Technical Partners worked to install a digital signage wall in the executive lobby.

“Ingram Micro helped us set up a demo with a two-by-two wall,” said Patricia Cuadros, director of sales for Tru Technical Partners. “We showed them what they could do and let them play with the software for about a month. They were really excited. We worked with their New York-based architects to include a specially designed enclosure made of marble, and we installed special lighting and sound.”

Today, Risk Management Services uses the wall to display company information; welcome visiting dignitaries; sunrises and sunsets from around the world; movies, sports, news and financial channels; corporate information; and, between 11 a.m. and 1 p.m., employees can play the Nintendo Wii.

Expert advice: Working with a distributor

Scott Sharon is president of Vertigo Group USA. Ingram Micro is his distributor.

With a background in digital signage software and Vertigo now being a provider of digital menu boards, Sharon has years of experience as a reseller in the distribution channel. He describes his experiences below.

"I started working directly with a couple of different manufacturers, but I found it to be a lot more beneficial to be a reseller for a distributor than to try to go direct. The major reason is that it gives you a lot more flexibility. The distributors keep up on the new products and services, which can be very time consuming and, in this industry, very hard to do. They have an engineer that I keep getting updates from, and I attend all of their training sessions.

They also represent most of the companies that I would buy hardware and software from anyway. But you can get it as a package including all of their services, and usually for a better price. I just signed up as a reseller a few months ago, and I have gone back and re-quoted some projects I quoted earlier and found that I could get a product for less going through a distributor than I could buying direct.

Distributors also offer resellers different options. They may present us with Samsung and LG solutions and say that right now the Samsung is \$200 less. Then they let me decide which one I want to use. They do that for you, whereas before, I had to call all of these different people. The prices are changing continually. I don't want to call everybody to try to get the deal.

But I haven't found that Ingram Micro pushes a particular company beyond saying that right now they have the best price or the best warranty. They don't say, 'This is our preferred supplier and we want you to use them.'

If you didn't have a distributor — all of their resources and labs and expertise — you'd have to

base it on your own knowledge of who to call for pieces of the solution. After you have sold it for a while you know who has the good products. It's just more complicated because you have to make all of those phone calls. I don't have a lot of people on staff, so I don't have time to do all of that.

Say you were going to design a system, and you have to go to five or six manufacturers to get parts. You have to write up all the orders where each person wants different information. Then you have to wait for it all to get in. It's a lot of work, I've found.

With a distributor, we always seem to end up with a better price. Now, I may have some disagreements from manufacturers. They say they can get us better pricing, but I haven't found that to be true. The best prices come through the distributor.

You'll find that if you're not careful you'll find a manufacturer's price that is really great on a product, but it's a model that is not going to be continued. Then you get started on the program and you're stuck because no one makes it any more. For me it's just not worth the chance. These programs are all big and involve a lot of money, so I don't want to take any chances. I'm the touchpoint. If the screen doesn't work, they aren't going to go back to the manufacturer to complain.

It's a complicated industry right now. If you don't know what you want or what you want to do, it's difficult for a distributor to pick products for you. Unfortunately, that's what a lot of people do. They come up with their own specs and they may not have the right solutions.

What I do is call and talk more to the engineers than anyone else. I tell them what I want to do and listen to what they recommend. We get a dialogue going back and forth and it usually results in the best situation. That is much better for your customers, too, because you develop a product that's best-suited for their use."

Chapter 5 Reaching out to the end users

In the digital signage world, distributors don't sell products directly to end users. This may not be the case in other distribution channels, but in the digital signage market, the channel players respect the channel.

"Distributors don't sell directly to the end user," said NEC's Zmuda. "It's a conflict because their customer base is, 99.9 percent of the time, the reseller community. When folks talk about distributors and resellers for digital signage, they are two separate things. In other industries other people loosely use the term distributor. That entity may sell to clients or end users. But in the IT world, particularly digital signage, manufacturers sell to the distributors, who sell to the resellers, who then sell to the clients."

If a distributor were to go around its resellers and sell to end users, they would be bypassing their traditional customer base. Distributors are more of a service organization, and they deal with a smaller breadth of clientele with the resellers. The end-user community is much grander in scale, and distributors don't spend their marketing dollars targeting those companies.

Just as the sales contact between end users and the digital signage distributor isn't direct, the benefits of distribution are passed down through to the end user.

"We don't sell directly to the end user, but they're still very important to us, because we're helping our customers get to them," said Ingram Micro's Allen. "Part of the benefit of being a large distributor is that we will have more of a variety of vendors, we're more likely to have product in stock and we're easier to work with if there is any kind of issue. If the end user finds that the

product doesn't work, we're going to take it back for our customers and its going right back to the manufacturer. We try to make that process easy for them through our digital signage division. We have a field-deployable engineer dedicated to digital signage as well as other tech support capable of offering end users support online or on the phone."

Aside from support, through careful product screening processes Ingram Micro works to make sure that the products they issue are the top quality available on the market (see Chapter Two). That product quality is passed down the channel from the top and stops at the end user.

"One of the problems I have noticed in the industry is that I see a lot of crap out there," said Vertigo's Sharon. "People who aren't knowledgeable are selling systems that don't work. Some in the industry are trying to correct that, because it's hurting the industry as a whole. Ultimately, I want to sell what's best for my customers, and I love that a distributor can find those products for me."



Luis Villa

End users deploy digital signage, but they do not work directly with distributors. Instead, they work with resellers, who serve as the go-between.

The digital signage market is incredibly dynamic. Anyone who has been to a trade show recently can vouch that the industry is all about new technology. Obviously, end users can attend all the trade shows and still can't always find out firsthand when a new product is released or even what's in development. Therein lies one of the biggest benefits of distribution for the end user.

"If a reseller has a good partnership with a distributor who has key relationships with vendors, the distributor can keep up with the technology," said Rise Vision's Cahoy. "Then it goes down the line. It's hard for the resellers and end users to stay on top of the technology sometimes. If the end user knows the reseller has a powerful distributor behind them, the end user is assured that they have the latest technology and not yesterday's news because they haven't been kept up to date."

Cahoy said that sessions and conferences offered by his distributors are valuable for keeping up on the advancements in the industry.

"Distributors really focus on that education with the boot camps and sessions because they are always bringing us vendors together and we're always educating one another," he said. "The resellers are always getting to see what's new, so when they go out and speak with the end user, they're always armed with the latest information. That is translated to the end user in the form of a well-bundled package. Ingram Micro and other distributors have the ability to identify pieces of the digital signage solution that aren't compatible together, where a reseller may not see that. They can suggest pieces of technology that may work better together so that, when it goes onsite, there are fewer problems."

"A lot of end users don't get involved with whom their resellers get their products from or whom they partner with, but in some installations it can make a world of difference."

— Keven Yue, senior business development manager, Ingram Micro

A convergence of industries

The nature of the digital signage market now is that there is a convergence of digital signage, A/V and IP in the VAR community. Digital signage distributors note that their VARs are saying, "We need to get into this."

For that reason, VARs of all sizes are turning to distributors in order to accommodate large end users — something that works in the end users' favor.

"A lot of end users don't get involved with whom their resellers get their products from or whom they partner with, but in some installations it can make a world of difference," said Ingram Micro's Yue. "Ingram Micro is a \$35 billion company. If a midsize reseller goes out and is trying to win business from another multibillion-dollar company, they can let the company know that they have Ingram Micro as a partner."

"When end users work with a reseller who is working with a distributor, they know that they can have access to the appropriate solution and expertise," said Ingram Micro's Chow. "Many of the vendors we work with have been in the digital signage business longer than the resellers. There's also a reliability factor there — Ingram Micro isn't a fly-by-night company, and neither are the vendors that we work with."

Building a better network

Shahrooz Jabbari, owner of San Jose, Calif.-based Equalize Advertising Solutions, was able to sign three digital signage solutions valued from \$20,000 to \$44,000 each, thanks to understanding his customers' needs, making the solutions affordable, creating his own advertising network and choosing the right partners.

Shahrooz's first step was to identify opportunities. He went to dinner one night at Liquid Restaurant and Lounge, which features Asian fusion cuisine and entertainment. Seven days later, he finished the \$44,000 installation, which included 14 displays: two 46-inch Samsung displays and 12 Sharp PNE 421 displays that created a 4 by 3 video wall.

"I talked to them about the wow factor of a video wall," Shahrooz said. "Mike Stachura, my Ingram Micro sales representative, helped me configure and expedite the order so that I had product in hand in two days."

Shahrooz also focused on developing a business network. The network features 10 San Jose-based businesses that cross-promote each other. Each

business gets six minutes of content, including professional photography and live video shoots.

Cost comparison was the key to developing the network.

"I told them, 'If you design, print and distribute 1,000 black-and-white flyers per month, it'll cost you more than it does to acquire my digital signage services. You get a digital display hanging in your business that provides a custom hospitality greeting for your clients, and you're a part of a network of nine other businesses in the area that are recommending you as their preferred business for your service,'" Shahrooz said.

But staying on top of the technology is crucial to Shahrooz's success. Ingram Micro's ProAV/Digital Signage boot camps provide Shahrooz with the information he needs to plan his future projects.

"The boot camps help me stay on top of the latest products and technologies," he said. "I use the boot camps to compare my current setups against the emerging technologies and determine what I'll use in the coming quarter."

Chapter 6 Advantages a distributor can offer

The total solution

Ingram Micro's Chow has been tracking sales and solutions in the digital signage space for several years, and she said it hasn't always been easy. That could be because many people consider digital signage to be a piecemeal technology.

There are screens, media players, mounts, etc. But in reality, digital signage is a solution in and of itself.

"For example, if you were to look at computer storage, it's a technology," Chow said. "It is flash-based and sold in gigs or terabytes. But 'business continuity' is the solution wrapped around storage. Digital signage is the solution wrapped around displays. The sum or solution is much bigger than the component.

"That's the opportunity for the reseller and the end user to make more money and margin, to offer the sum instead of the parts."

There are many vendors that came from the digital signage world about 10 years ago that Chow said don't understand the distribution market. The dynamics of distribution are different than working directly with resellers and end users. Chow said that the marketplace today, with digital signage being so solution driven, makes it very difficult for a manufacturer to put together a project by itself.

Chow gave a hypothetical.

"What if I were putting a project together, and I needed a 32-inch screen, and it needed to be an LCD? That fairly limits the vendors that I work with. So if I wanted to have a relationship with LG, for example, it would limit the relationships I could have with other manufacturers without spreading myself too thin. That's what I think the power of distribution can bring to this marketplace. We have inventory available for many brands. This allows our manufacturing partners to concentrate more on what they are good at, which is innovating, rather than managing inventory."

Everyone in the distribution space, especially at the top tier, has the resources, relationships and inventory available to offer their clients a complete digital signage solution. So then the question becomes "How do you set yourself apart?"

"Samsung is staying very close to these guys who don't just want to sign up for the distribution program; they want to help us design a better program," said Samsung's Hutton. "They want to help us learn to understand what they think are the important factors and how to go about getting those attributes, resources and value-adds."

Hutton recalls an incident where one of Samsung's distributors came through when Samsung needed to distribute its MagicInfo software product in addition to its screens.

"Samsung recognized last year that we are selling in this space and we have this content-management program, but there are

Everyone in the distribution space, especially at the top tier, has the resources, relationships and inventory available to offer their clients a complete digital signage solution. So then the question becomes "How do you set yourself apart?"

a heck of a lot of other components that go into a digital signage solution,” he said. “I don’t care if this is a signage solution in every bank in the USA, or a network in a small restaurant or bar. Digital signage is a multivendor solution.”

Samsung looked at how competitors were handling their distribution. What it discovered was that other vendors were not really getting the attention they wanted, so Samsung decided to focus on a handful of its partners in the digital signage space. That way, if someone comes to the company with a specific need, Samsung can guide them to a vendor who can help.

“That has worked really well for us so far,” Hutton said. “It’s enabled us and our partners to build on more opportunities. We’ve really looked at partners who follow a hybrid model. Some manufacturers are selling direct to end users. We don’t want to muddy the waters.”

One thing that Ingram Micro has done to facilitate searches such as Hutton’s is create a dedicated digital signage division within its electronics distribution channel. Other companies are also now working on dedicated teams even though they have been distributing digital signage for some time.

“Because they have focus teams, not only do they recommend the appropriate products for the particular installation, they recommend products overall,” said LG Electronics’ Kang. “It’s not just screens, it’s the screen, it’s the player, it’s the full solution. They actually make recommendations and work on trying to give the customer the best solution or alternative solution possible, rather than one person trying to source everything out. And they figure out what to do with it all.”



When distributors offer financing and credit lines, vendors can use the credit to fund large-scale projects, resellers can purchase products over long terms and end users can have credit lines extended to them through the reseller.

Financing

One of the most commonly referenced benefits of working with a digital signage distributor is financing and credit lines. This financial support can be used by any number of companies working with the distributor. Vendors can use the credit to fund large-scale projects, resellers can purchase products over long terms and end users can have credit lines extended to them through the reseller.

“One distributor, at any given moment in time, has over \$3 billion in credit out to resellers,” said Hutton. “I don’t do financing, it’s not my forte. Samsung is about engineering, design and building, not financing. Just looking at the credit side, there’s a massive value-add that reduces my need for those resources from a manufacturer’s standpoint and makes it a one-stop shop for the reseller. Whether they’re putting Cisco pieces or Premier Mounts in their

solution, those manufacturers don't have to worry about 'Joe VAR' in Topeka, Kan., who needs a \$100,000 line of credit for his digital signage solution. The distributors deal with that."

"We have a finite credit line where we have to scrutinize each individual direct account," Kang said. "Ingram Micro has a little more flexibility than we do because they look at the entire landscape of what they are going to be offering. We look at the one very narrow product, LCDs or flatscreens, but we don't go beyond that. So we're not as flexible or lenient with our financing as I know Ingram Micro is."

Aside from moving boxes, financing has become one main aspect of a distributor's core business. One of the primary reasons a distributor exists is to act as a one-stop shop, and that includes extending credit. This is a particular plus for resellers who piece together solutions, because they don't have to have credit relationships with every vendor that they buy from.

"I have a credit line with Ingram Micro which for most resellers is like a net 30 day, meaning from when the product ships out, I have 30 days to pay them," said HDDS Design's Nishida. "And that helps out tremendously. There are also lease opportunities tied to the manufacturers that we can pass on to the end users."

Ingram Micro's Yue describes how his company structures its digital signage financing and the benefits to those involved.

"Digital signage at Ingram is an executive initiative, so it goes all the way up the executive tree in terms of visibility," he

said. "So we have some extra abilities when it comes to trying to get extended terms or more terms for digital signage customers, VARs or resellers.

"We can leverage that access to executives when we talk to VARs. We are the only distributor that I know of that has an entire business unit dedicated strictly to digital signage, and also reports straight to the top. Our initiatives and what we need are being reported to the highest level of the company biweekly. It's helping us have a greater reach."

Ingram Micro also has a group that does nothing but business development around financial services. One focus of the group is leasing. Resellers can lease through the leasing department, allowing them to keep credit with Ingram Micro and freeing up their regular credit line for core business purposes.

"If [resellers] win a big digital signage deal, they can lease that deal and, instead of tapping the OPEX, they tap the CAPEX. It's totally outside of their normal credit sources," said Yue.

Resellers also can extend leasing to the end-user level.

"We have a program called End User Financing, or P.O. Financing, whereby we can help a small to midsize reseller when it wins a deal with a much larger entity," said Yue. "We do that by leveraging the end user's credit line, rather than that of the reseller. One of the things we get involved with right away is helping the reseller financially as soon as they win business."

Logistics

In the old days, availability was the biggest aspect of distribution. Resellers would buy from distributors, but would always have some product stocked in their warehouse. But now, with the advent of sophisticated supply-chain computer systems, a reseller doesn't have to have stock. They can place the order with the distributor and get something the next day, or the distributor can drop-ship it right to the client on the reseller's behalf. Most digital signage distributors boast a two-day shipping guarantee to the continental United States.

"Let's say that Enterprise Car Rental is a customer," said NEC's Zmuda. "They are deploying their signage network to many locations and airports around the country. We are not equipped to be a distributor. EDI is a common format used to connect a computer system with any of the distributors' or resellers' systems. It is an industry standard for connecting systems that might not necessarily speak the same language with a filter that converts from one computer business to another. For example, EDI allows NEC to send an electronic message which acts as a purchase order to IML's main system. IML's system receives it, translates it and acknowledges it."

"EDI allows you to run your business electronically, instead of having to call 50 people a day to find out where the order is and what phase it's in," Zmuda said. "We'll send the order, get the acknowledgement back, they'll process that order. We can see when it shipped and, if there was a return by chance, we can get that message as well. It's a common format used for commerce. It's not just in the IT distribution world. It's a great benefit to manage the business."



With the advent of sophisticated supply chain computer systems, a reseller doesn't have to have stock. They can place the order with the distributor and get something the next day.

Education

It has been said throughout this guide that one advantage of dealing with a distributor is access to the knowledge base that's housed in the companies. From the executives to the business development managers, product and solution knowledge is stressed in each company that distributes digital signage.

Ingram Micro, as an example, has a unique way of educating its reseller and end-user customers. The company operates two solution centers, one in Santa Ana, Calif., and the other in Buffalo, N.Y. If a reseller has a question about certain solutions or would like to learn more about products it is reselling, Ingram Micro allows the reseller to visit the centers and see real proof-of-concept applications. Resellers are also invited to bring their end-user clients in to view solutions they may be considering.

“I’ve gone to a number of Ingram Micro training events in the solution center, and I think it’s a very valuable asset to use it as a training site. But more important, it can serve as a proof of concept for my clients,” said Nishida. “And that helps me in terms of my clients, because we have a couple of options. We can run the prototype there or let me send them to the solution center to show them how everything works. Most of the time my clients would want to do the prototype at their site, and that’s fine. But I do have the option of utilizing the solution center.”

The idea behind reseller education is simple: Keep customers abreast of new technology, and it will keep them coming back.

“Education is all very good for the digital signage world,” Zmuda said. “It’s help-

ing evangelize the concept. The strategy behind these conferences is to educate the market and give resellers accreditation so they can go out to their customer base with proven knowledge on the products. Their success on landing end-user customers benefits all players up the distribution channel, which is why the vendors and distributors like to be so involved.”

“It’s about identifying the opportunities. I have trained a number of people at the conferences — inside sales, technical support, business development managers, upper management,” said Rise Vision’s Cahoy. “Distributors have value for us because you never know where a relationship or sales lead starts from.”