



CASE COMPETITION

FANCAM: A NEW CHANNEL MANAGE- MENT STRATEGY

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1. Introduction

In this case, we are going to give an analysis of Fancam's business situation and give them possible solutions to help re-boosting their sales and increase efficiency within the company. As a South African company, Fancam sold its innovative high-definition, 360-degree crowd images for huge gathering events, however, they have suffered from continuous decline of sales since 2013. In the first part, we are going to conduct a SWOT analysis and competitor analysis to have a general review of their business and operations. In the second part, we are going to focus on the methods of sales-boosting by expanding market segments as well as improving product strategies. Last but not least, we make some suggestions to help them improve their channel management strategy including 3 parts: incentive strategy, reseller management and in-house sales capability, to keep a sustainable global business.

2. Background

Fancam is a South-African company, selling its innovative high-definition, 360-degree crowd images to several major sports leagues and events. In mid-2010, Tinus Le Roux, Schalk van der Merwe, and James Taylor started Fancam in Cape Town, South Africa to shoot Super Rugby playoff game and created an immersive experience that was beginning to generate high levels of social engagement. In 2011, Fancam launched the United States by creating an image for the Colts' wild-card playoff game against the Tennessee Titans.

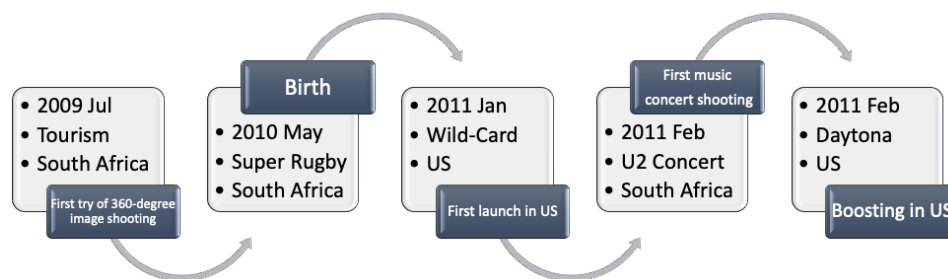


Figure 1 ESTABLISHING FANCAM

After that, Fancam broke into the international market and boosted with the help of worldwide resellers. Fancam's sales declined in 2013 and 2014. Sales from In-house sales, Europe and Australia drops in both years; sales from other regions experience a decline in 2013 and recover part of the sales in 2014. The declines were mainly because of their improper strategic channel management and sales strategy. In this case, we are going to analyze the situation and give insightful advice to help save the business.

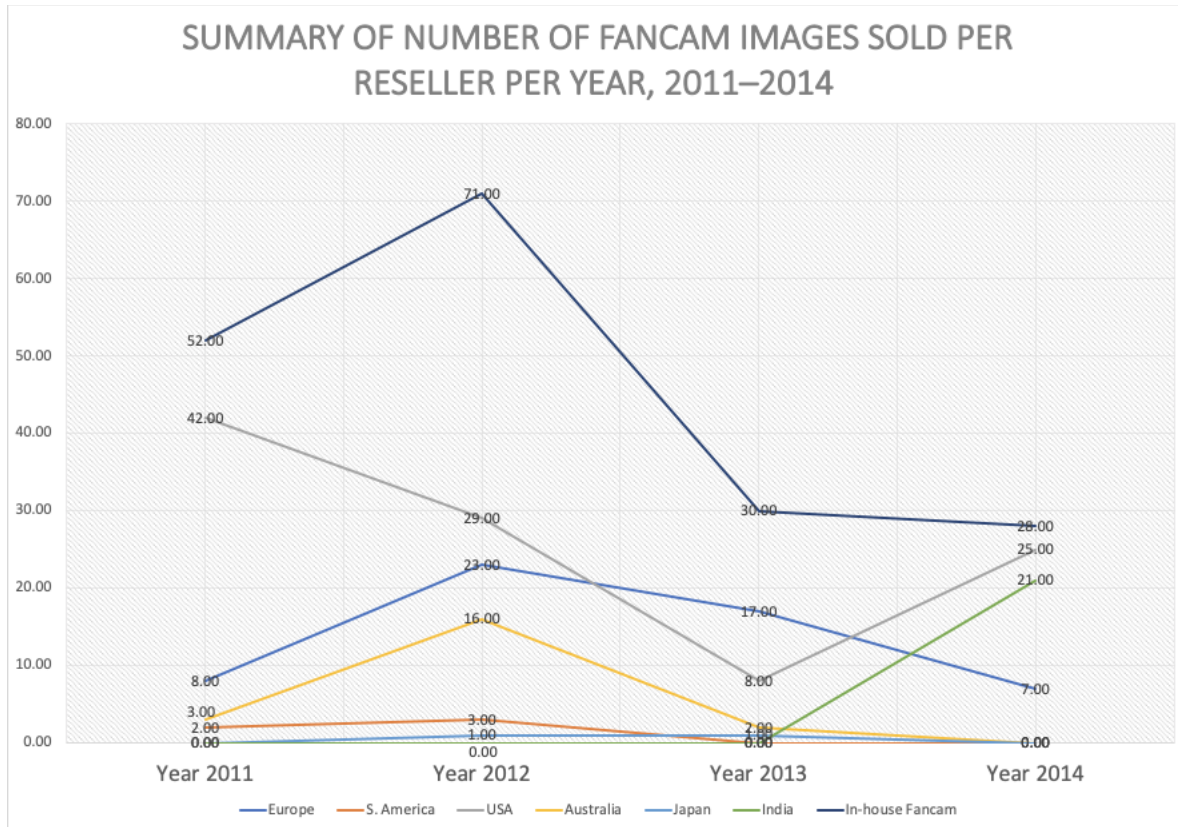


Figure 2 SUMMARY OF NUMBER OF FANCAM IMAGES SOLD PER RESELLER PER YEAR, 2011–2014

2.1. SWOT Analysis

<p>S: High-quality of innovative high-definition, 360-degree crowd images Good reputation ('cool and digital and social')</p>	<p>W: Not enough employees Located in South Africa, far away from target markets Unfamiliar with international markets Late delivery of live images</p>
<p>O: High profit in the markets Personalization is popular, high demand from fans for engagement in events</p>	<p>T: Competitors producing easier, quicker and cheaper partial spherical images Competitors offering free gigapixel images Mobile technology innovations threat Apparent inconsistencies between Fancam and resellers</p>

2.2. Competitor Analysis

	Fancam	Huggity Ltd	Blakeway Gigapixel
Background	Located in South Africa	Located in Dublin	Located in Minnetonka, Minnesota
Target customer	Mostly teams or event sponsors	Sponsor brands	Sports teams or business
Products	High-definition, 360-degree images (full spherical images)	partial spherical images	Panoramic products
Key strength	High-quality, high-definition, 360-degree	Easier, quicker, cheaper	Free gigapixel images

3. Sales boosting

3.1. Market Segment

Currently, Fancam mainly provided services for big events. Their services are applied for tourism, concerts and sports events. We suggest Fancam also consider those events with relatively small scales so that Fancam could sell their service for more application scenarios such as theater/speech rallies, graduation ceremonies, and fan meetings.

We are going to mainly focus on the sports industry in this report since the majority of Fancam's orders are coming from it. Sports ecosystem consisted of at least five components, including clubs or teams, leagues, media, brands, and fans. Currently, Fancam's clients were mostly team or event sponsors. Fancam could not only corporate with more teams and sponsors, but also make more revenue from the other three components. For the existing industry, the sports industry in the US, we can conclude from the chart below that sponsorship and merchandising consist of almost 50% of the total market. So, Fancam still has a great potential opportunity in sports markets.

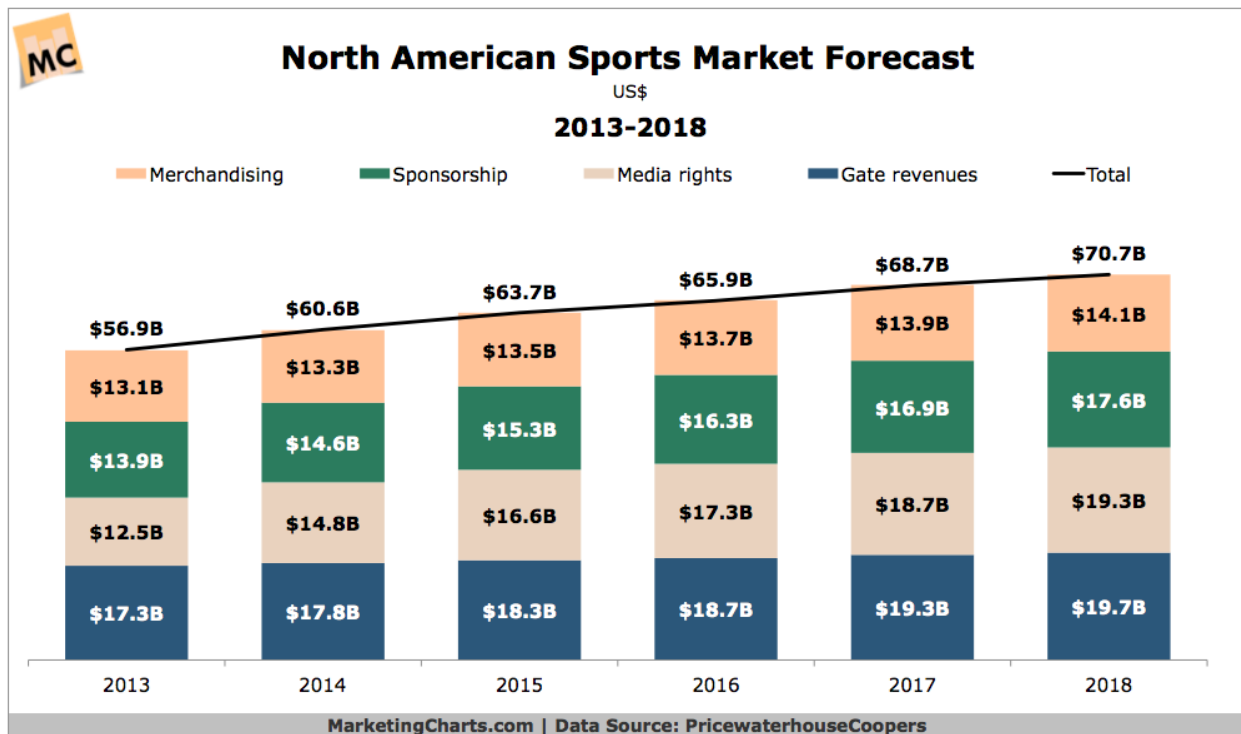


Figure 3 North American Sports Market Forecast

- **Teams and Sponsors:** For the currently existing business with teams and event sponsors, Fancam may expand its business market by setting appropriate incentive strategies (it will be explained in more detail later) to resellers and express their business value in more networking events such as marketing summits. Fancam's clients are mostly active sponsors in the sports industry which are from the food industry such as Anheuser-Busch and financial services firms such as JP Morgan Chase & Co., and GEICO, they could also cooperate with another active sponsor in sports.
- **Leagues:** In order to obtain orders from the rest components in the sports industry including leagues, media, and fans, Fancam could receive equity investment from venture capital who has strong relationships with leagues. Venture capitals with knowledge and unique set of relationships in leagues could help Fancam to broaden their networking circles and further be able to provide services for leagues.
- **Media:** As Fancam service was used to capture the high-resolution images, Fancam can also consider assisting media to capture or selling high-quality live pictures of events.
- **Fans and traffic:** Fancam creates personal engagement for fans and the average Fancam was delivering a 40,000-page view with an average 5 minutes time on site. Viewers who check or tag themselves in certain fancam images are more likely to be interested in the events of the same type. Fancam could monetize its website by implementing advertisements or promoting events of the same type. For example, when viewers were checking

an NBA image or finish tagging themselves, Fancam could place a banner on the bottom shows upcoming relevant events in the near future and guide viewers to relevant ticket websites with Fancam coupon code. After views click the link or a purchase was made with Fancam coupon code, Fancam could charge for the commissions. What's more, since Fancam has access to viewers' social media platform, it can further help clients to better understand spectators' behavior under regulation.

3.2. Products and Functions

User experience is the top priority of Fancam, however, some clients favor real-time images. So, we suggest Fancam design a trade-off solution that could expedite their image delivery as well as maintain their user experience. Fancam could provide two kinds of services including both partial spherical images and full spherical images. In the future, Fancam could become a leading company expertized in spectator experiencing which provided various kinds of services like augmented and virtual reality to be more competitive in the market.

Besides spectator experience, Fancam could add more value to its services such as helping clients to boost their brand recognition. So, clients would more willing to consider Fancam not just for the big game.

The event and sponsors can have a better branding effect if more spectators are willing to share their experiences and pictures with the client's name in their social media. So, Fancam could take steps to encourage their views to share. Firstly, Fancam needs to negotiate ways with clients to inform all spectators where and when they can find their photos as well as get authorization from multiple social media platforms such as Facebook, Snapchat, and Instagram, etc. Secondly, Fancam could add more functions to their website when views would like to tag themselves and share the picture to social media. For those who present in the picture, fancam could offer tickers or filters for users to build a more personalized picture. For those views who do not present in the event but also would like to engage in the events, Fancam could allow them to add their avatar characters just like Zepeto to generate their own picture for sharing. When generating a picture to share, Fancam should make this process as simple as possible such as provide default text in textbox with relevant hashtag of clients either events or sponsors and allow users to tag their friends. What's more, the image could contain the logo of clients in the corners as default without damaging user experience. The user interface after adjustment is showing as follows:



Figure 4 User interface

4. Channel Management Strategy

4.1. Incentive Strategy

Fancam's reseller commission incentives had grown overall revenues beyond expectations, but it made resellers "chase commission," resulting in an inconsistent value proposition in the market. The current incentives have two flaws: a) volume-focus, b) commission-centered.

The current commission emphasizes on the amount of the fancam sold from resellers, however, this causes resellers to focus on the biggest individual deals possible to the detriment of regular fancams and relationships with clients. Other concerns include resellers selling fancam images at a low price and in an inconsistent value proposition in the market.

We suggest Fancam develop a comprehensive incentive system that takes the client acquisition, retention and referral into consideration. 25 percent straight sales commissions on new deals, the discounted sliding scale sales commission for exceptional cases and the two-tier rate card can be kept as the incentive for client acquisition and to boost sales. A retention and referral sliding scale sales commission is introduced to encourage resellers to retain current clients, pursue long-term and sustainable client relationships. A reseller who sold fancams to a past client or to a new client referred by a past client would earn a proportionally higher sales commission. As the number of repurchase or referral increase, the commission rates increase. client acquisition, retention rate, referral rate, long-term contract rate as well as cumulative sales value are key performance indicators for the incentive system and these KPIs can be set based on the market conditions and good faith negotiations.

As we can see from the radar chart below, this incentive system is an all-embracing system that evaluates resellers' performance in a fair, accurate, and effective way.

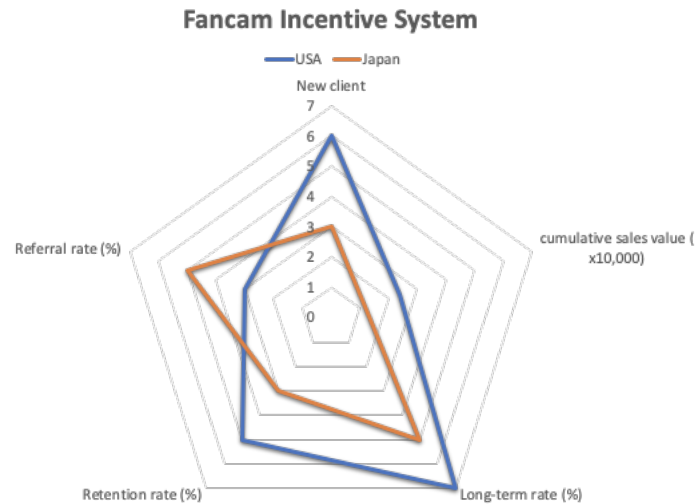


Figure 5 Fancam Incentive System

Though the commission is the most common form of motivation, it is not a sustainable approach. Since the commission is directly related to the price, it causes the commotion in price and affects sales. During the initial contracting period with resellers, the commission can be used to encourage to expand the market. After the channels are built and solid, we also suggest Fancam give resellers the right to do subcontracting in case of the overcapacity of the business. For example, if the resellers achieve more than 120% of KPI in continuous 3 months, they can have more freedom in their ways of operation, they are authorized to subcontract a second agency to sell fancams at a reasonable rate. At the same time, these resellers have the right to invest in Fancams to become a minority shareholder and have a say in some business decisions.

4.2. Reseller Management

4.2.1. Exclusivity Strategy

For a long time, Fancam has been offering exclusive rights to its resellers across the world, expecting them to deliver consistent value proposition and long-term sales growth. However, problems like sales decline, inconsistencies and arrogance raised.

We suggest Fancam apply exclusivity policy according to the size of the local market. For the country with a large promising market, the non-exclusivity policy is recommended. For example, in US where the existing market and the potential market are both huge, 2 to 3 resellers would be better to expand the market in different areas and fields; while in India or Japan, where the market is not that profitable, one single exclusive reseller would be enough to 'land grab' the market. Besides, more rules need to be considered to supervise the resellers and regulate existing policies. Resellers are supposed to give the regular business reports to Fancam for review so that Fancam is able to evaluate the situation and make modifications, if necessary.

To promote higher levels of relationship commitment, Fancam can offer some exclusive rights to non-exclusive resellers. For example, a reseller with rich client resources in brands can have exclusive rights in brand sponsorship while a reseller with abundant client resources in teams and clubs can have exclusive rights in teams and clubs' cooperation to some extent. In this way, these non-exclusive resellers can still maintain their position as main representatives in a given territory and industry and purposefully engage resources to maintain their relationship and position.

4.2.2. Cross-channel Management

By assigning exclusive agreements with resellers in each country, Fancam tries to protect resellers from the intra-brand competition. However, with the globalization of sports sponsorship, Fancam needs to strategically manage its downstream and cross-channel communication efforts to enhance channel outcomes like avoiding relationship conflict and developing relationship commitment within resellers.

4.2.2.1. Training

Currently, Fancam has the following training methods: training documents and workshops which included a focus on Fancam's customer relationship management system, weekly status calls, and regular strategy discussions, attending some client sales meetings in person, etc. These methods are helpful for resellers to integrate into their prospecting and needs analysis conversations in the market. However, it is important for Fancam to understand the perspectives and behaviors of each individual channel and develop customized training materials and methods. For example, for resellers who have strong relationships with sports teams, Fancam can provide more use cases and uniqueness of Fancam regarding the special marquee events. For resellers who view exclusive Fancam rights as a competitive advantage to becoming the agency of record for a corporate brand. The training focus of this kind of reseller is how Fancam increases the awareness of the sponsorship, products, service, and brand.

4.2.2.2. Communication

The conflict between Australian and American resellers illustrates the importance of Fancam to manage their different distribution channel types as an integrated system. Fancam's customer relationship management system is a great tool to improve the quality of task-related communication.

This CRM system defines a sales cycle workflow to capture and manage prospects, needs analysis, quotations, and sales. We suggest integrating the CRM system for information sharing, communication, and management. For example, this CRM system will include information on clubs or teams, leagues, media, brands across the world. It will also contain all the past and current deals information of each reseller. The first thing a reseller does when it tries to get contact with a new client is to check the system to see if there is an existing relationship with this client and if there is any potential conflict. Confidential business information of one reseller is only visible to the reseller itself and Fancam, not to other resellers. In this case, conflicts are avoided. Meanwhile, Fancam is able to track the tasks of each reseller to intervene or provide guidance and support at the right time. Higher levels of communication lead to convergence in viewpoints between

Fancam and the reseller and among resellers, thereby facilitating commitment, coordination, and reducing the level of conflict in the relationship.

4.2.2.3. Price Setting

To limit the possible inflated high price of resellers, we suggest Fancam create a pricing model based on the locations, audience volumes, ticket pricing, etc to obtain a reasonable price range for the fancam services. Then Fancam is able to give resellers a suggested price and evaluate the pricing of resellers. To maintain the reputation of the business, Fancam is suggested to clarify with the resellers that a meeting is required to explain the pricing reason and get the authorization if the price is below or above the reasonable price range by 30%.

4.2.2.4. Regular Visits

To maintain the stability of business in the target market, we suggest Fancam to communicate or in-site inspection with resellers in different regions every week to acknowledge what strategies have already been taken. Feedbacks from clients are also crucial for Fancam to identify defections in their services, Fancam should maintain further correspondence with clients. By doing so, Fancam will be able to constantly track the performance of reseller teams globally, have a better understanding of local business and take steps when an emergency happens. In order to achieve this, Fancam could appoint regional representatives to supervised reseller's daily operations regularly and establish after-sale services for clients which allows them to express their opinions to Fancam directly.

4.3. In-house Sales Capability

Though building a stronger internal capacity to take on the sales role directly is an alternative when facing the challenge of international channel management, based on the performance of in-house sales, it is too early to replace resellers with in-house sales.

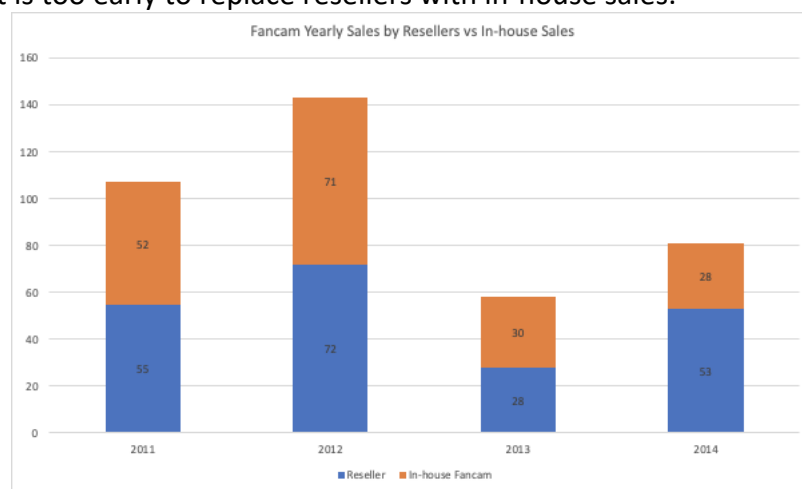


Figure 6 Fancam Yearly Sales by Resellers vs In-house Sales

As we can see for the sales of resellers versus sales of in-house sales figures, the performance of in-house sales decreased in 2013 and 2014. Before 2014, the sales of in-house sales took up nearly 50% of the total sales of fancam images each year. However, in 2014, the sales of in-house sales took up about one-third of the total sales, behind the resellers.

Our suggestions regarding in-house sales are that in-house sales can focus on managing large deals where a client of a reseller in one market expands its use of fancams to sponsored events in other markets. At the same time, the in-house sales can be trained as future representatives for Fancam in different countries and supervise resellers in that region. When the time is appropriate, these in-house sales can build an internal capacity to take on the sales role directly in that region.