

CHANNELNOMICS IN-DEPTH

- ✓ Channel Development & Evolution
- ✓ Logistics Fulfillment Model
- ✓ Distribution Value Proposition



Neat Embraces Distribution After Starting With Direct-to-Customer Model

August 2021

Neat, a maker of videoconferencing and collaboration devices, recently announced the signing of a global distributor to support its go-to-market activities and strategic growth through the channel. The company plans to add more distributors to add capacity as its channel relationships grow. The entry into distribution is interesting since Neat previously had a direct-to-customer logistics model through a relationship with UPS.

Background

Founded in 2019 by former executives of Tandberg, the videoconferencing company acquired by Cisco in 2009, Neat designs and builds videoconferencing and collaboration devices that initially supported the Zoom videoconferencing service. In mid-2021, Neat announced a partnership with Microsoft to expand support to the Microsoft Teams collaboration system. In late 2020, under the guidance of former Cisco channel chief Rick Snyder, Neat launched a global channel program to sell through resellers and systems integrators. The company reports that its channel revenue is growing threefold quarter over quarter since the program's launch.

Neat is one of the fortunate companies enjoying growth due to the COVID-19 pandemic. As social distancing changed the way businesses operate and communicate, Neat capitalized on the demand for simplified collaboration systems. With Zoom, the fast-growing videoconferencing platform, Neat created a foothold through its simple-to-operate devices sold online directly to customers and fulfilled by UPS.



- ➔ **Website:** neat.no
- ➔ **Year founded:** 2019
- ➔ **Headquarters:** Akershus, Norway
- ➔ **CEO:** Simen Teigre
- ➔ **Channel Chief:** Hellene Garcia, Head of Commercials
- ➔ **Revenue:** \$21 million (approximately)
- ➔ **Product segment:** Video collaboration
- ➔ **Key partners:** Microsoft, Zoom

The launch of the global channel program in 2020 enabled authorized partners to purchase and install products on behalf of their customers. Neat used the same UPS system to fulfill partner orders. Some vendors saw the UPS relationship as a potential model for replacing existing sell-in/out distribution relationships.



Change Imperative

Neat's initial success came through its single-unit e-commerce sales. Businesses purchased its audio-visual bars (compact meeting room devices), specialty tablets, and Zoom-enabled digital whiteboards to satisfy singular and immediate needs. While customers could purchase multiple units online, buying in bulk with a credit card ran counter to many customers' procurement policies. Customers turned to their resellers to purchase on their behalf.

Neat said customers buying one unit online and turning to a partner to buy in bulk became a typical scenario. The UPS relationship worked well enough as a fulfillment engine but left challenges for fully supporting a growing population of channel partners. Neat lacked the purchasing, inventory management, credit and finance, and technical support of traditional distribution relationships.

Capitalizing on the channel opportunity required Neat to expand beyond its basic fulfillment model in favor of a traditional two-tier channel model.

Neat's expansion into distribution was a natural, strategic evolution for this fast-growing company.

Solution

Neat said expanding into distribution was always part of its channel development plan. The company provided no insight into whether its channel's threefold growth or the volume of partners seeking to purchase on behalf of customers accelerated the expansion into distribution.

In August 2021, Neat formally signed global audio-visual distributor Midwich Group as its first authorized distribution partner. Midwich, based in the United Kingdom, operates under different brands around the world. It will distribute Neat products in the U.K. and Ireland to start and expand coverage across Europe over several months.

Neat will add more distributors to its program – though it hasn't yet named any others – giving partners more options to purchase and resell Neat products. The distribution program supports the three-track Neat channel program.

- ✓ Neat Pro Partners include Zoom- and Microsoft-certified integrators, resellers, and referral partners. Neat Pro Partners register new customer opportunities with Neat and their preferred Neat Authorized Distribution Partner, and all transactions are completed through those distribution partners.
- ✓ Neat Advanced Pro Partners include carefully selected existing Zoom- or Microsoft-certified integrators and resellers that work directly with customers to sell and support Neat devices and receive the highest levels of benefits and support.
- ✓ Neat Mastery Partners include a select number of partners that have worked closely with Neat. At the highest level of the global partner program, they enjoy full benefits and support, as well as additional MDF opportunities.

Neat said that its distribution network will complement its relationship with UPS, not change or replace it. The distribution program, the company said, is about giving partners more point-of-purchase choices, which typically come with credit and financing options as well.



CHANNELNOMICS PERSPECTIVE

Vendors frequently tell Channelnomics that they perceive distribution's value is declining. If the only thing distributors offer is financing and logistical support, they're no longer adding true value to the go-to-market equation. Some vendors have seen what Neat and others have done by creating drop-ship fulfillment models through logistics companies such as UPS as potential replacements for their distributors.

Neat recognized that the fulfillment model it started with would take it only so far. Customers buying in bulk wanted to purchase through partners with which they had existing contractual relationships. Partners needed distribution to cover the expense of selling in higher volumes. The expansion into distribution was a natural, strategic evolution for this fast-growing company.

The Neat example shows that distributors still carry tremendous value in enabling partners to sell to their customers, mitigating financial exposure through credit vehicles and extending market coverage geographically.

About Channelnomics

Channelnomics is a business strategy and research firm focused on connecting channel professionals with the people and insights that enable them to continually evolve and operationalize their strategy.

Our industry experts work with clients to provide the economic evidence they need to validate and structure their strategy. Our clients, in turn, benefit from improved GTM performance, faster time to market, and better return on partner relationships. By looking at the technology market from the viewpoint of vendors, partners, and end users, Channelnomics is uniquely positioned to develop route-to-market strategies with an innovative, insightful, and inspired flair.

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