

BY JEANNE FEC

# Making Your Growth Objectives Your Channels' Growth Objectives

IT'S THIRD QUARTER, AND LIKELY MANY OF YOU ARE WORKING FEVERISHLY TO DELIVER NEXT YEAR'S SALES AND MARKETING PLANS.



If a hefty percentage of your company's revenue is delivered through indirect channels, how do you control the uncertainty in setting channel

growth goals?

Ask yourself these three questions.

- 1 Which channels in your network are going to provide the bulk of the growth?
- 2 Is your channel planning process more than a weak forecasting tool?
- 3 Which of your sales and marketing programs are actually working to stimulate goal alignment between you and your channels?

Clients come to Frank Lynn & Associates with the challenge of improving their growth rates through their independent channel partners. Here we identify a few core problems that frequently need to be addressed and provide insight on actions to unite your growth objectives with those of your channel partners.

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## CHALLENGE #1.

**Focusing on the top 10 to 20 distributors frequently passes over some key growth partners.**

Do this simple exercise. Sort your channel partners by growth rate, not by size. If you don't know why the names at the top are there, it's time to do a Growability analysis.

Frank Lynn & Associates uses our Channel Growability Tool to assess network partners' ability and interest in growing a supplier's business. It is like a scorecard system; some of the components simply focus on the numbers. Did the channel partner grow the supplier's revenue in the product lines for which they were authorized? How many sales resources are actively participating in selling the suppliers' lines? How many leads did they turn into sales revenue?

Other scorecard components look deeper into the management's ability to grow a business. Did the channel partner have a business plan of their own? Did they execute it well? What specific investments did they make that resulted in the growth of your business?

If you do this analysis, you may find some gems in your network that are not on your top 20 list, but willing to make investments that line up with your company's target growth strategies.



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**CHALLENGE #2.**

The business planning process has become a form-filling exercise that does not drive channel behavior or investment.

It is not unusual to find this type of disconnect between manufacturers' market growth objectives and their channel partners'. As we talk to distributors, dealers and other resellers about business planning with their suppliers, they often describe an annual, or at best, a semi-annual event. It is an attempt to get a forecasting picture of the year ahead, but may provide little if any value to the channel itself.

To tie your regional or territory objectives into the channel's objectives, the joint planning process must be integrated into their:

- marketing activities
- resource planning
- measurement processes
- financial rewards.

If the business planning process is not tied into all of the above, alignment is not likely.

**CHALLENGE #3.**

The incentive programs today only seem to drive temporary mind share.

You are probably using incentive programs today – variable product discounts, seasonal or stock discount programs, even marketing co-op – all meant to be motivational. But ask yourself what growth objectives these incentives are meant to deliver on.

If sales programs and discount structures seem to be working, they are left alone... sometimes for 20 years or more. Aligning programs with current strategic objectives should be done frequently. While this doesn't mean the overall product discount program should change annually, there should be some change of program focus that draws channel partners to the growth challenges ahead of them every year.



# Actions to Take

## Structure incentive programs to unite your growth objectives with your channels' growth objectives.

Incentive programs are motivational tools. Design them to achieve your company's growth and profitability objectives by rewarding channel partners for specific performance:

- Growth in particular product lines, industries or geographies
- Loyalty
- Efficient profit-driving behavior (online orders, stock/quantity orders, etc.)
- Dedicated sales resources
- Account or industry penetration
- Market share.

If you believe your menu of incentive programs are cherry-picked, members of your channel network may just be looking for the programs that *fit their current behavior*, but if the program design is holistic, multiple behaviors are required to achieve "tiers" of benefits. There are rules to the game:

- Channel Performance Measurements must be in place when the program is launched. If you ask for increases in sales resource time, key account visits, industry penetration - in all fairness, the rewards should only be delivered to those who actually make the investments.
- Internal measurements also are important. The investment you make in incentive programs should be returned in visible profitable growth.
- Study your channel partners. Understand what incentives really drive into their current sales and marketing behaviors. Stay away from investing in the "IBI" (interesting but irrelevant) programs that channels don't see as important to their growth and profitability.
- The program should be accessible to the majority of your channel network. They won't all qualify, but it will be their choice to do the work required to attain the benefits.
- Your sales force must be on board with the program. It must be aligned with their goals, too.

## Use non-monetary benefits to unite channel activities with your company goals.

Look at the non-monetary support programs you offer the channel.

When we survey distributors and dealers, the top non-monetary support they ask for is sales focused. Does your company make investments in an effective lead generation program? Do you offer fresh competitive and market information relevant to their territory? Do they know your target customer segments well because of data you have provided?

Regardless of company size, manufacturers should be using these market tools to gain mind share and focus. These benefits can be tied back into your holistic incentive structure. If the members who plan and execute in line with your key goals are the only ones who have primary access to these non-monetary benefits, more of your channel partners will feel the need to step up!

### SUMMARY

*Effective, structured programs that leverage incentives and non-monetary benefits can make the difference between average performing channel members and channel partners who are aligned for growth.*

*Frank Lynn & Associates can help you evaluate your current channel programs, planning processes and incentive structures to create a holistic program that truly drives behaviors in your channel. For more information, contact Jeanne Fec at 312.558.4820 or at [jmfec@franklynn.com](mailto:jmfec@franklynn.com).*