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## ABOUT THIS ISSUE

In this issue of the **Client Communiqué,** we discuss how astute suppliers can use proven channel management strategies to drive growth and capture market share from weak competitors. We discuss the need for *presence* in the market and how to ensure your products are being offered in every sales opportunity. As a strong business partner of Frank Lynn's, we introduce the SAVO *channel sales enablement tool,* a powerful software designed to organize all sales assets so that field sales people can position products and services in the best possible light and win the deal. Finally, we examine the unique market characteristics that exist in Europe and the United States and must be considered to manage an effective global channel strategy.

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BY JOHN HENDERSON

# Accelerating Growth Through Channel Management

THE CURRENT MARKET ENVIRONMENT HAS CREATED SIGNIFICANT CHANGE FOR MANY SUPPLIERS. IN MOST INDUSTRIES, CHANNELS HAVE CONSOLIDATED WITH THE MAJOR CHANNEL PLAYERS OWNING A GREATER SHARE OF THE MARKET.

Independents have either succumbed to the economy or they have drastically reduced their resources – resources used in support of ***your*** products. All distributors/resellers have evaluated ways to reduce costs including the possible introduction of private brands or offshore brands.

With fewer sales resources representing more brands (including house brands), your distributors and resellers undoubtedly are providing less market presence than you had expected. As the economy improves, most manufacturers have ***not*** adequately incorporated these channel shifts into their plans for growth.

Staying attuned to the market requires manufacturers to anticipate market change and growth, effectively measure your company's performance and determining the reasons behind market shifts.

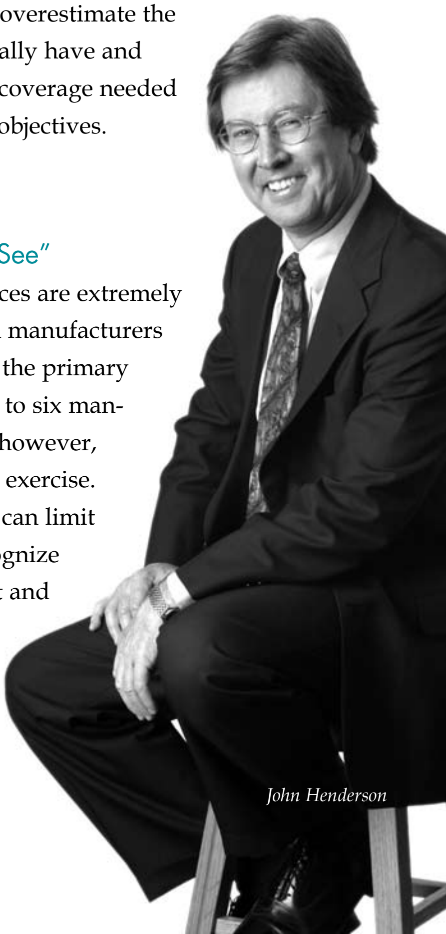
Failing to manage market presence or market coverage drives a variety of troubling issues:

- Has channel conflict increased in some markets while new leads have decreased in others?
- Is your business concentrated on limited market segments?
- Are there gaps in your channel mix that create a void for your competitors to fill?
- Are new products or line extensions failing to produce?
- Are there internal conflicts over
  > expanding your direct sales force versus adding new indirect channels
  > whether to eliminate two-step distributors to gain more influence over the dealer or first tier reseller
  > introducing private-label products or stop doing business with partners that sell private label

These issues signal problems in your company's management of "market presence." Market presence is driven by having the optimal mix/number of channels to adequately cover all major customer segments. In addition, you also need "presence to the sale" which ensures your products are consistently offered to the buyer at the time of purchase decision is made. Most businesses tend to overestimate the coverage they actually have and underestimate the coverage needed to achieve growth objectives.

## "You Can't' Win What You Don't See"

Today's marketplaces are extremely complicated. Often manufacturers try to "categorize" the primary segments into four to six manageable segments; however, this is a dangerous exercise. General categories can limit your ability to recognize changes in product and purchase requirements and the channels that have emerged to meet those requirements.



*John Henderson*

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Trying to "move customers" to your preferred channel may result in temporary shifts in sales volume but reduced presence in the long run.

Technically oriented companies tend to introduce new products to reach new customers and segments while marketing oriented companies expect to draw new customers to their channel by increasing awareness and demand. Either strategy can produce blind spots in market coverage because they are excluding or limiting some of their channel options:

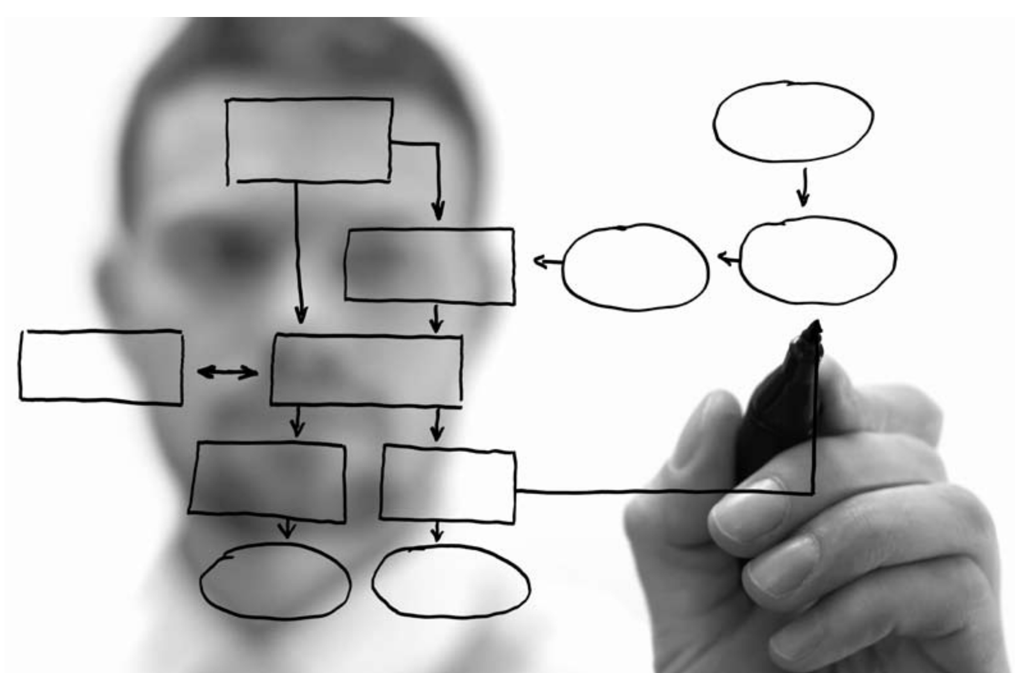
- Direct field sales force
- Direct web channel
- Internet resellers
- More distributors/dealers of the traditional type
- Alternative distributors/dealers that reach specific markets/niches
- Agents/reps
- Big box type channels

To add to the problem, many companies do not have the right mix of channels to deliver the support expectations of different customer sets. Even though a distributor or rep may carry your products in a particular market, your products may never be presented to a large portion of prospective customers.

Why? Because the customer requires a demo and the rep or distributor does not do demos. Or, the customer requires a field visit and the reseller has reduced its field sales force. Or, the distributor presented a private label brand to the customer. In effect, these customers did not get the chance to buy your product.

How can you improve your market presence? Hiring a few additional salespeople may plug some major coverage gaps but in most cases, multiple channels are needed to serve the multiple needs of a mature market. Many diverse channels – high support/high cost vs. low support/low cost, direct sales, web sales, distributors, dealers and retailers usually co-exist to sell new products to existing customers and to sell existing products to new customers of various sizes.

Selecting the right mix of channels involves breaking up the overall market into various segments and determining the selling and support needs for each individual segment. Different channels are then analyzed under various criteria, to determine which channel can most effectively meet these needs while delivering projected sales volumes.



It is generally faster to grow by placing your products in a channel that already "sees" the customers that purchase your type of products. Trying to "move customers" to your preferred channel may result in temporary shifts in sales volume but reduced presence in the long run.

## Presence to the Channel

Presence to the channel pivots on having the right mix and number of channels to adequately cover all major customer segments. This involves not only initially positioning your product in the desired channel, but also convincing channel management to push or lead with your products. Common problems that we see include:

- ***Failure to Integrate Direct and Indirect Channels*** – direct and indirect channels can coexist if they serve different functions. Do yours?
- ***Shoe-horning" Products and Marketing Approaches In to Existing Channels*** – your channel can only accept and support products that are a good business fit.
- ***Failure to Add Channels to Avoid Channel Conflict*** – conflict implies you have coverage and it can be managed via policies, compensation, etc.
- ***Overestimating The Initial Volumes That a Channel Can Deliver*** – they may give a reasonable effort but there is always a ramp-up period.
- ***Assuming a Great Product/Brand Alone Will Encourage the Channel to Add or Switch Product Lines*** – the channel incurs costs when they add new products so you must provide economic advantages to encourage them.
- ***Failure To Recognize The Channel's Capacity To Take On New Products*** – many vendors may be expanding lines so all channels have a limited ability to absorb and manage new product introductions.

## Presence to the Sale

Presence to the sale focuses on whether or not your product is consistently offered by the sales force when a sale is being made. Indirect channels manage a portfolio of products against customer needs. At the time of sale, they will present the brand that the customer wants and/or the brand that maximizes the profit on the sale or commissions in the sales person's pocket.

## Other ways to influence your frequency of presence to the sale include:

- ***Training the channel's sales force*** – they sell what they can explain and what they are comfortable with
- ***Qualified lead programs*** – provide good leads and make sure they follow-up if they want to continue to get leads
- ***Planning with your dealer/distributor that includes account targeting*** – this enhances the likelihood that your channel's key accounts are presented your brand
- ***Provide incentives to the channel for lead-line status*** - which can be defined however you want it defined
- ***Be "easy-to-do-business-with"*** – manufacturers, who are not, can cost the channel 2% to 3% of product line sales. These extra costs give the channel an incentive not to sell your products

## SUMMARY

*Increasing your effective market presence/coverage will accelerate sales and market share growth. Presence to all relevant buyers requires a multi-channel strategy designed to meet the needs of multiple user segments. However, having the right mix of channels in place does not ensure you have presence to the sale. Your marketing programs, support tools, policies and your channel programs must motivate the channel to present your products when in front of the decision makers. If you get this right, you will grow!*

*Today, most of our clients are running lean. They cannot staff up to properly assess their market presence in a timely manner. FL&A serves as an outside link to provide insight from other markets and to gather relevant marketplace data and information to assist with decision making. If your company is dealing with problems of presence in a market that is hopefully positioned for a turnaround, in the near future, give us a call to discuss how we can help. Please contact John Henderson, CEO of Frank Lynn & Associates at 312-558-4828 or jhenderson@franklynn.com.*