

QDI STRATEGIES

20/20 Vision for Marketing Breakthroughs

How to Avoid Channel Failure

By Steven D. Bassill

If you miss your sales targets because your channels don't deliver, it's your fault, not the channels'.

"What?!?" you say. "How can I be blamed for the channel's failure?"

Like so many things in life, you can only control what you do, not what others do. As a marketer, you can control channel selection, channel program development and the implementation of your channel programs. **If your channels do not deliver, it is because you made errors in your selection decisions, program design or program implementation.**

Failure on your part is a failure of your decision-making and / or implementation processes. For more than twenty years, QDI Strategies' consultants have worked with clients to help them make and implement channel strategy decisions.

Your distributor channels must:

1. See enough market opportunity
2. Present your products and services frequently
3. Win often enough to meet your sales objectives.

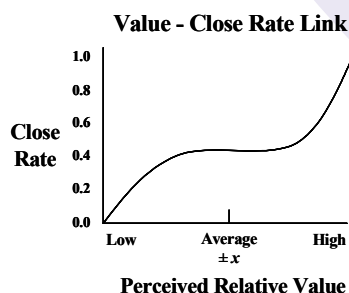
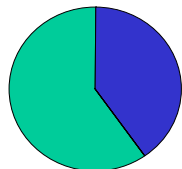
In This Article:
Learn how successful executives plan ahead to avoid channel failure.

20/20 Vision for Marketing

Your ability to meet your three- and five-year business objectives is predicted in part by the performance of your distribution channels.

The following chart displays the impact of channel performance on sales results. It addresses two elements of market performance that significantly impact business success: “seeing” and “winning” business. The decisions that you make in terms of channel strategy, program design, etc., will determine your channels’ ability to deliver your revenue and share your objectives.

Channel Impact on Market Share
What You See / What You Win



See More:

Greater Mind Share
Greater Sales Presence

Win More:

Greater Perceived Relative Value
vs. Alternatives =
Greater Close Rate

As the chart illustrates, “seeing more” entails gaining a greater mind share of the decision makers and influencers as well as being present or considered a viable alternative when customers make purchase decisions.

“Winning more” occurs when customers perceive your offer as a greater value than their alternatives.

The close rate graph displays the perceived value of your offering relative to any other alternative. The close rate (the percentage of the time that you win the business when you are presented) increases from zero to a maximum of one (100% of the time) as the value of your offer increases above alternatives. Very high relative values -- usually three or more times the value of any other alternative -- can approach close rate scores of one.

Value, in this case, is a function of the benefits the customer perceives versus the total cost the customer incurs from each offer. These costs include all adoption costs, risk and the purchase price the customer pays. (To learn more about QDI Strategies’ Value Equation, refer to our value white papers.)

These performance requirements – from seeing the presence to sales opportunities and winning – are requirements for any sales channel (direct sales, independent agents, value added distributors or service providers, broad line distributors) or any organization / network that you build or select to be your channel to the market.

QDI has built discovery and decision support tools to help companies make and successfully implement channel strategy decisions in their organizations.

In order for you to avoid channel failure or ensure channel success, you must lead your organization through each stage of QDI Strategies’ Channel Strategy and Management Decision Process.

Marketing Breakthroughs

QDI Strategies' Channel Strategy and Management Decision Process:

1. Develop insights for channel strategy decisions
2. Create acceptable solutions
3. Align the organization and policies to support the implementation of the chosen solution.

The Breakthrough Question

Some managers make aggressive channel moves that lead to the evolution of their industries, while others wait too long and are consequently left with the least effective options.

What separates the companies that are leaders in channel change from the followers?

In discussions with QDI Strategies, executives who have made these difficult decisions concluded that there is only one reason to make a channel change: their existing channel strategy (structure / organization) would not deliver their three or five year business objectives.

One of these executives posed this option to his management team:

***"We have a choice:
to forego our bonuses and pension
contributions, or to make this change.
What do you want to do?"***

Another said:

***"We had tried everything to
grow our business: new products, major
marketing programs, promotions, etc.
Nothing worked.
We had to make a channel change."***

In both cases, the companies that took the lead in breakthrough channel strategies asked questions that led them to doubt the capability of their existing channel strategies.

On what basis did they challenge their strategies? QDI asks clients to consider three themes to facilitate the evaluation of their channels:

1. Speed

*The channel's ability to grow fast enough
to meet your growth objectives*

2. Competency

*The channel's ability to change rapidly
enough to support your product line as it
evolves or moves into new markets and
change as buying behavior changes in
market*

3. Power

*The channel's ability to maintain or
increase your market power at an
acceptable level*

This white paper is the first of three in QDI's channel management series. The next two papers will further explore how speed, competency and power can drive

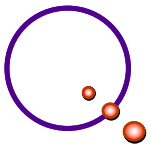
channel strategy decisions. Our second installment, “Insight: Building the Knowledge to Drive Channel Change,” will address developing the ability to understand the impact that your channel strategy will have on your business success. Our final white paper in this series, “Riding the Wave,” will address alternatives and organizational alignment to support channel strategies.

About QDI Strategies, Inc.

QDI Strategies, Inc. is a marketing consulting firm that specializes in helping companies make breakthroughs in product, brand and channel strategies. Our consultants have helped clients to develop and implement breakthrough decisions across numerous industries over the last twenty years. This experience provides you with the expertise to develop market-driven answers to your business issues.

For More Information

If you would like to receive additional information on channel management, or would like to arrange an informative presentation, contact Steve Bassill at 847-566-2020.



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