

QDI STRATEGIES

20/20 Vision for Marketing Breakthroughs

Insight: Building the Knowledge to Drive Channel Change

By Steven D. Bassill

Do you and your channels have what it takes to deliver your growth objectives?

Speed

Will your channels grow fast enough to meet your growth objectives?

Competency

Will your channels change as fast as your product line and segment strategy demand?

Power

Will your market power, as it relates to your channels and customers, grow or stay at the same level?

Motivation

Will your organization make the necessary changes to implement a successful channel strategy?

To develop insight about your channel strategy, you must understand the market and your organization. Understanding the market will enable you to direct your channel strategy.

Knowledge is the starting point. You will not have the motivation to change unless you are convinced you have to change. Thus, we will first explore how to build the knowledge that will drive change.

In This Article

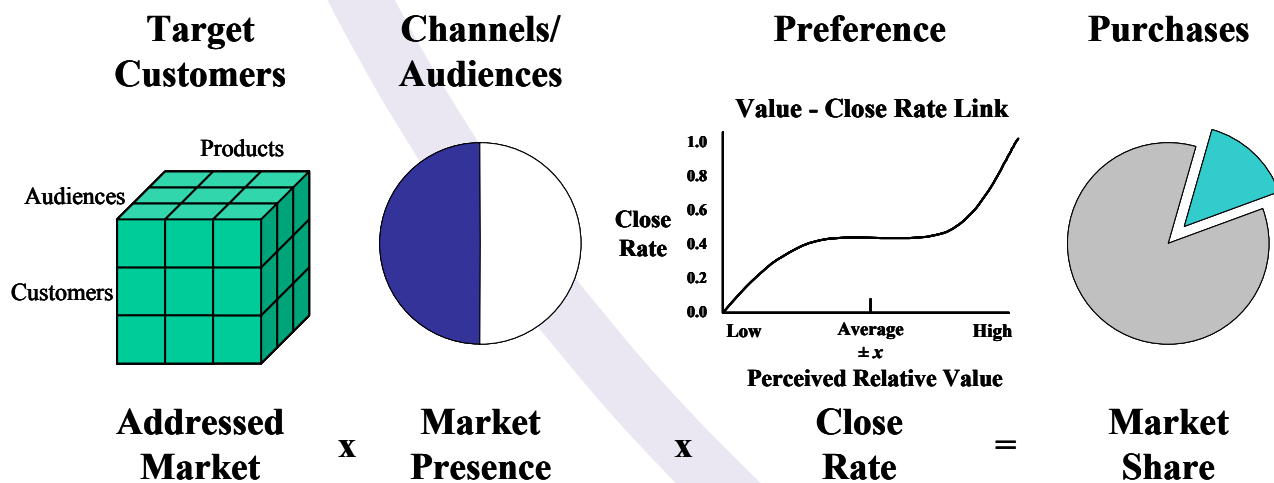
Discover the first two elements required in making a channel change: Knowledge & Motivation

20/20 Vision for Marketing

Knowing the Speed, Capability and Power of Your Channels

To assess a channel's capability on each of these themes, we ask our clients to first step back and build mental models of the markets in which they compete. QDI uses its Marketing Strategy Decision Drivers Model for this purpose.

Strategic Marketing Decisions Framework



The above model requires you to answer two broad sets of questions:

1. How does the market work today?

- ⇒ Who is the target customer for the specific products/services you offer, and who are the decision makers within that customer?
- ⇒ What communications / distribution channels do customers use to get information, products and services related to your product / service category?
- ⇒ What reasons do decision makers have for choosing to purchase products / services from the channel they select?
- ⇒ What is your position in this market?
 - ◇ *What is your addressed market?* What is your product / service strength and which segments are your target market?
 - ◇ *What level of market presence do you have?* What percentage of the decision makers and influencers do your channels see?
 - ◇ *What is your Close Rate?* How effective are your channels at convincing customers to purchase from them?

2. How will all of this change over the next 3-5 years?

- ⇒ How fast is this market growing? Are there new customer segments and / or applications?
- ⇒ Are your channels equipped to grow as fast as the market? Do they and / or you have the resources to grow at the rate of the market?
- ⇒ Is their effectiveness / competitiveness increasing or decreasing relative to the competitive channels?

**Through these questions
we are trying to capture the
essence of the issue...**

You may need to make changes in your channel strategy because:

- It does not serve the customers who will deliver your growth to meet future performance objectives.
- Your channels cannot grow at the speed you need for your business to grow.
- Your channels cannot adopt the skills and economics necessary to compete in the evolving market.
- Your channel strategy is reducing your ability to impact your channel and their customers' behavior.

These questions provide a foundation for understanding the market and determining if you need to make a change in your channel strategy. However, knowledge alone is not enough to create a change. You must have the motivation and determination to make the changes you believe you should.

Changes in channel strategy are among the most difficult business decisions for managers to make and execute. The reasons for this are many, but can be classified into two categories: Risk and Conflict.

Risk

The need to make a change is often not obvious. Markets are not homogeneous, thus changes happen at different times to different market segments.

The urgency for a change is not apparent. The sky is not falling. Generally, sales are still growing and profits are acceptable.

The “right” decision is often not apparent. How well will the new channel strategy work? What will we lose by implementing it? Will the gain be great enough to offset the loss?

Conflict

When you make changes in your channels, you can be sure someone will be unhappy. Changing the way you sell will either upset your existing distributors or your exist-

ing customers who have to change the way they buy. Additionally, the company's most senior executives

may have

developed some of these channels a long time ago.

Changes may upset these executives.

Your sales force may hate its role in this process.

Channel changes often create a conflict situation where the sales manager has to work with both the old and the new channels that see themselves as competitors.

An organization must reinvent itself to effectively serve a new channel. In one case, a company moving from traditional wholesalers to mass merchandisers had to make the following changes to have a chance

An organization must reinvent itself to effectively serve a new channel.

However, even organizations that see the need for change often don't have the stomach for the fight.

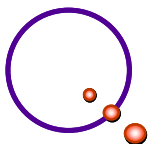
at success:

- Change the pallet size
- Establish an EDI capability
- Reduce the pallets' stacking height
- Build a store level support organization
- Change measurements and compensation levels

Even organizations that see the need for change often don't have the stomach for the fight. The top executives in these organizations have to be ready for the battle. There will be many obstacles to overcome when making a channel change, both externally and internally. The top executives should expect to face conflict daily. The temptation to back away from the change will be great. Staying the course takes courageous leaders.

Regardless of the risk and conflict, this is a decision all managers must face at some point. Those managers who face the decision sooner rather than later are ultimately the big winners.

Evolving technologies need to build or "piggy-back" on substantial channel organizations to grow with the market's rate of technology adoption. Maturing com-



QDI STRATEGIES, INC.

1580 S. Milwaukee Ave. Ste. 620

Libertyville, Illinois 60048

Tel 847-566-2020

Fax 847-281-9723

www.qdistrategies.com

panies need to find lower cost channels. And companies who are caught in consolidating channels need to either find new components of market power or see their profits squeezed away.

Knowing that you have to make a change in your channel strategy and having the motivation to do so are the first two elements required in making a change. However, you have to "select" the right changes to make and align your organization to do so. The final article in this series, "Riding the Wave: Alternatives and Organizational Alignment to Support the Changing Tide of Channel Strategies," shares QDI's experience in addressing these problems.

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 research provides the knowledge you need to assess your channels. Our experience provides you with expertise to help you implement market-driven change.

For More Information

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

©2003 QDI Strategies, Inc.