

# QDI Strategies

Goals • Insights • Strategy

*20/20 Vision for Marketing Breakthroughs*

## Your Channels Are Breaking...



By Steve Bassill

For over 30 years Mr. Bassill has helped companies develop growth strategies that build channel and product power.

Everything in your market is changing faster than your distribution ecosystem can cope.

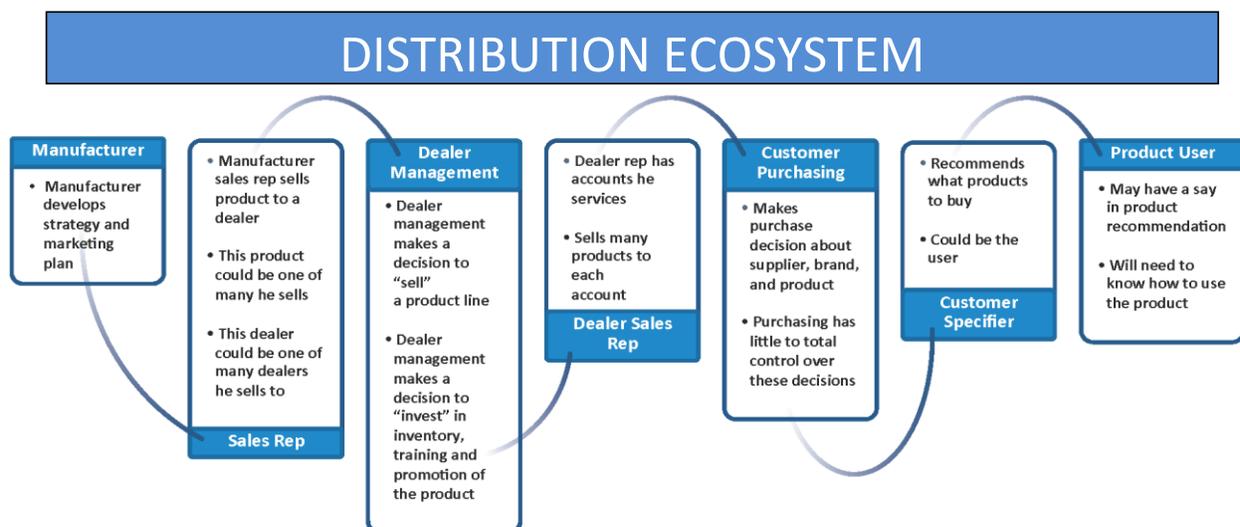
## 20/20 Vision for Marketing Breakthroughs

Existing distribution channels are breaking because the rate of change around these channels; the people, the technology, and the products are changing more rapidly than these complex organizational infrastructures can adopt. The net result is that traditional distribution channels are weakening and opening opportunities for new entrants to gain market share from traditional market leaders.

Distribution networks are amazingly complicated ecosystems. Just look at all the moving pieces:

- You sell your products to a distributor who will sell the product to a customer or a dealer / retailer who sells to customers.
- You have a sales force that calls on many dealers, possibly representing many products.
- The dealer has an ownership or product management / sales group that decides to sell your product (actually for many manufacturers this decision was probably made years ago).
- The dealer has a sales force organization that consists of outbound sales representatives who generally act as account managers, selling a bundle of products to a customer, and inbound sales groups, either an internal customer service representative, or a counter sales rep, or both.
- The customer has a purchasing group that often places orders based on instructions to buy a specific product item /product number, or a specific performance specification from any supplier or a named supplier.

This whole network is like a “loosely linked chain”, where each “hand-off” is at risk of breaking.



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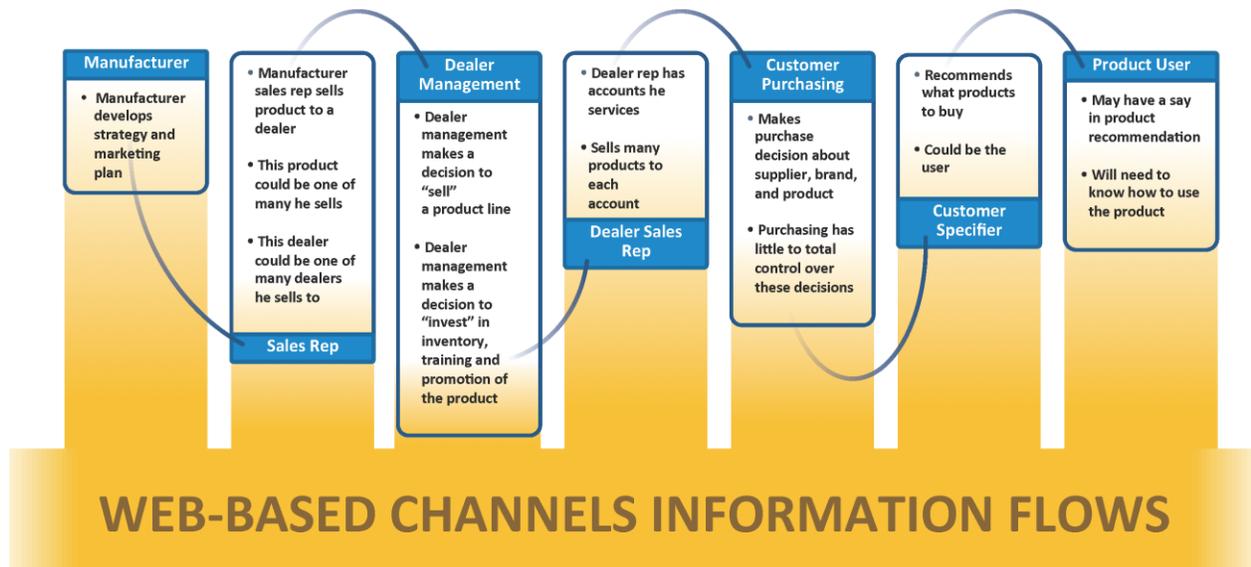
Looking at the complexity of this network, it is amazing that distributor / dealer marketing programs are as successful as they are. It also shows how “entrenched” existing channel programs are as dozens or hundreds of dealer organizations have made decisions and investments in your product line and trained and motivated sales people to sell your product. With this perspective it’s easy to see how an effective distribution network has historically been a competitive advantage as it is close to impossible for competitors to gain enough market traction to make a difference.

Also looking at the complexity of this network it is easy to see how hard it is to change anything, particularly quickly. If you want to launch a new product some elements of your network will be more responsive than others. The idea of a successful national launch is almost hard to conceive in the B2B space.

Add to this the fact that many traditional bricks and mortar distribution networks are getting old, with sales and product experts retiring, being replaced by people with a small fraction of the experience and customer networks of their forefathers.

The brokenness of this network is even more alarming when we realize that the web and e-commerce make it easy to engage with product users and specifiers, even purchasers, potentially opening up your customer base to competitive offerings that may be more responsive to their needs.

The evolving web has created potential communications channels with all the market stakeholders. These channels are direct and can bypass the information “hand-offs” and “drop-offs” that exist in traditional distribution systems.



Most of our clients are aware and struggle with these issues. They are asking themselves three fundamental questions:

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- Can I manage my existing go-to-market structure to keep my competitive advantage?
- Do I have to modify my distribution structure to keep my competitive advantage?
- Is my distribution network beyond modification and does it need radical redesign?

To help clients answer these questions, we recommend they assess their channel networks on five dimensions:

1. Design - Is the channel still effectively and efficiently reaching and serving the target customers?
2. Recruiting – Is our sales organization actively searching for and on-boarding channel members where we have coverage voids?
3. Managing - Is our organization doing the right things to assure maximum performance of our current network?
4. Modifying – Is our organization instituting the right changes to assure our distribution network adapts to changing customer requirement and market dynamics?
5. Learning – Is our organization learning from its channels about changing customer needs and competitive dynamics fast enough and robustly enough to make strategy adjustments?

Many of our clients are working with existing systems, so design and recruiting are not major issues. Instead they are focused on managing the existing system. Our clients have tried just about everything over the years to make these systems work better.

1. To get the dealer sales person to promote the product, clients have used “spiff” programs where the rep can win prizes or cash awards
2. To get the customer users to specify the product we have used:
  - a. POP, advertising
  - b. Web-marketing
3. To teach the customer how to use the product we have used:
  - a. Sales training programs
  - b. Web training, you-tube, etc.
  - c. Incentives / compensation tied to individual products and accounts
  - d. Promotions to push a product
  - e. Guarantees
4. To get our own sales people to actively sell specific products we have seen:
  - a. Incentives / compensation tied to individual products and accounts
  - b. Promotions to push a product
5. To get the dealer management to invest we have seen:
  - a. Elaborate business cases
  - b. Business plans
  - c. Introductory financing
  - d. Guarantees
6. To get channel members to share information we have seen:
  - a. Compensation plans for sales reps
  - b. Incentive / discount structures for dealer and distributors

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- c. PRM and CRM systems
- d. Rewards and / or threats

All these individual program efforts have the feeling of 6 doctors each treating one symptom, but none treating the cause. In these cases, you need a great diagnostician to know what is wrong with the systems and how to fix it.

This is where the need to modify your channel network comes into play. A big part of the modifying that marketers are addressing today is blending “e-marketing” with their bricks and mortar company-owned or independent distribution. Companies are working to maximize the power of their brick and mortar networks with the power of a web based, information-centric, system.

Retailers are doing this by making the channel choice seamless. Buy it online and pick it up in the store.

Most manufacturers have not yet moved to a direct online channel that competes with the bricks and mortar channel because they see too much conflict from such a move, but some are starting to use more “internet only” channels. In the computer market manufacturers like HP already have web channels that give customers the option to buy directly from HP or from local retailers.

More marketers are trying to blend their web marketing activities with their channel activities. The web allows marketers more direct access to customers and customers more access to the marketers. The challenge is to build these systems without destroying the existing systems.

The key to a successful modification strategy is to have a vision of where you want to end up. What does your future channel structure look like? How do your existing channel players and roles morph into new capabilities and activities? Understanding where you want to go is key to assuring that your modification efforts don’t just end up as a hodgepodge of moderately related initiatives.

### **Radical Redesign**

Few B2B marketing organizations are opting for radical redesign of their go-to-market networks. Most say the pain of radical change is too great for their organizations to take. We ask our clients to answer two questions:

1. “Will we be able to achieve our growth goals with our existing channels?” If not, we have to think at a minimum about modification and potentially about redesign.
2. “Will new entrants for Asia, unconstrained by existing channels, build redesigned channels to take share?” If so, we have to think about risks of not modifying or redesigning your channels first.

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Our crystal ball says that blending electronic and physical channels will be the path for most marketers. Whether this is a modification for your business, or the creation of radically new business models is something you need to understand.

With that in mind we have created the Channel Assessment Framework to help marketers address how to modify their channel structures to capture the power of web based and bricks and mortar channels.

### CHANNEL ASSESSMENT FRAMEWORK

Sales Process / Channel Functions	Is this function required?	Who is best qualified to perform this function? List a channel or group within your organization
<b>Presale</b>		
Advertising		
Promotion (may require physical product)		
Possession for demos		
Contact		
Matching (customers with solutions)		
<b>Transaction</b>		
Negotiation		
Physical Distribution		
Ownership		
Financing		
Ordering		
Payment		
<b>Post-Sale</b>		
Training		
Technical Support		
Disposal		
<b>Business Functions</b>		
Risk Taking – inventory, investment, operational, career		
Information - capture, flow, tracking, sharing, mining		
Maintain price stability		
<b>Account Management</b>		
Relationship management		
Market intelligence		

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The Channel Assessment Framework starts with traditional sales / revenue generation and account management process and then asks the questions, “ Which functions are necessary and who is best suited to perform those functions? We have specifically added “market intelligence” as a channel function. We strongly believe your channels have to be a part of your learning organization.

The first task is to identify which channel functions are required for each stage of the sales process. These tasks need to be specific to customer segments and product / service offerings. In some scenarios a demonstration, requiring physical possession of a product is necessary to close a sale, but local inventory is not necessary since factory made-to order drop shipments may be adequate. In this case, you would indicate that you need physical possession of demonstration units for the channel responsible for the presale stage, but the channel doesn't (or no longer) needs to inventory units for sale.

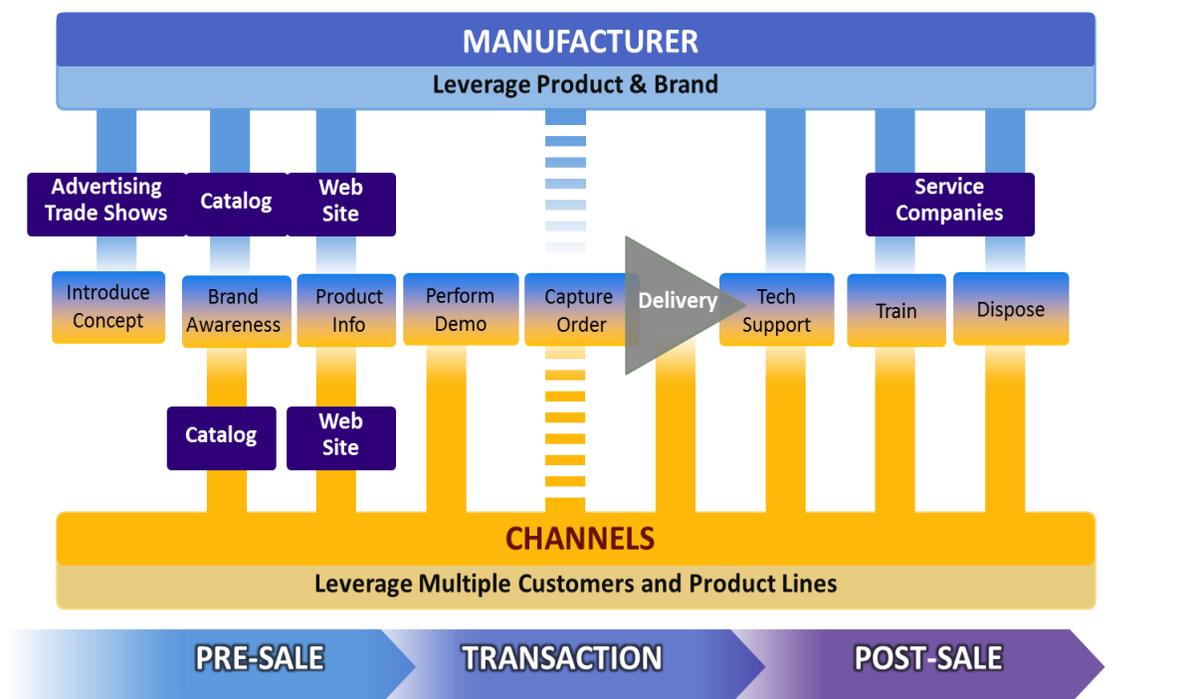
By mapping the channel functions against the steps of the sale, you can begin to see the roles your channels must play – and where modifications or a redesign are possible.

The second task would be to ask, “How can the task be performed? The table below begins to map tasks to channel types from traditional media to web channels through all varieties of “information” management channels.

This will lead to the new channel design that you will want to implement by making modifications and additions to your existing channel system.

We believe you are working towards creating a marketing workflow model where you use the strengths of multiple channel types to meet your marketing objectives.

### QDI'S MARKETING WORKFLOW MODEL



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The path going forward is not clear, but the imperative is real. Our channels are breaking and will not heal on their own.

To discuss the concepts in this white paper, or for help in applying them to your channels, give us a call.

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