

Industrial Marketing Services.

Helping organizations grow!™

Business Insight.

Sales channel design starts with the customer.

*by Sanjay Limaye.
Principal Consultant.*

Sales channel design starts with the customer.

Organizations are finding, "front end" of their business - Sales Channels, are increasingly a source of differentiation.

As product technologies become similar, customers are making decisions to buy on process benefits, like convenience, customization, and support & service, which are many times beyond the manufacturer's direct control. Channel selection and deployment is one of the most critical sales & marketing issues, companies are facing today. Powerful products & to some degree, great brands no longer provide sustainable differentiation to customers. Customers are looking for superior value in all the 'solutions' they consider. Increasingly, the sales channel creates the most powerful and sustainable differentiation in delivering superior value to customers.

Because of ineffective channel design & management, many companies don't get the sales growth, market penetration and customer satisfaction. In assessing the channel effectiveness of number of organizations, we find companies doing things backwards i.e., designing their sales channels from inside out, i.e. based on a company focused strategy.

It is our experience, the easiest & most effective means of designing and deploying effective sales channel starts with the customer!

The traditional Approach:

- Unfortunately, many great companies are prisoners of their past. Their sales channel design & management is driven by their past. They continue to do the same thing, only more and faster, but not necessarily better. Those organizations that had a strong focus on company owned field sales channels continue to expand that organization, often-losing productivity, effectiveness, and profitability.
- Other companies try to do everything, exploiting multiple channels to reach the same customers, confusing the customer, creating channel conflict, eroding margins, losing share and opportunities. These companies have all the traditional channels in place and are adding all the new and fashionable channels (Internet, direct marketing, and others) without rationalizing the strategy and approach.
- Others drive their channel strategies based solely on financial criteria, i.e. cost of sales, not treating the sales channels as investments which are expected to produce a reasonable return. We see companies, shifting from a high fixed cost of their own organization to the lower or variable costs of an indirect channel structure (distributors, resellers, dealers, sales representatives etc.). Their decisions are driven by expense criteria, not the ability of the channel to effectively reach the right customers at the right time with the right solutions.

- Then there are those who can't decide, every year changing their sales strategy to something different than before. Shifting from indirect sales to company owned sales forces to direct marketing. Moving to the internet. Then starting the whole process again, where each move fails to achieve the results needed.

All these attempts are driven by, dozens of 'task force', studies, organizational assessments and other research efforts to search the right channel design.

All these efforts unfortunately miss the point! Essence of an effective channel design requires a fundamental understanding of who your customers are & how they buy.

Remember

"Channels don't select customers. Customer's select channels!"

Designing a customer-focused channel involves several simple steps: Now let us study the steps involved in a effective channel design.

Designing a customer-focused channel involves simple steps:

1. Start with the customer. Who are the customers we want to serve? Do we want to expand our relationships with our current customers? Do we want to acquire new customers?
2. How do we segment these customers and characterize each segment?
3. How do these customer segments buy products/services like the one's we offer?
4. From whom do they buy those products/services solutions? How do they buy?
5. What are their expectations of those products/services providers?
6. What is the profile of these products/services providers, what are their characteristics? How are they organized to support the customers?
7. How do we map our products and services into the channels that most effectively reach these customers?
8. What channel programs do we need to put in place to support the channels?

Exploring these issues will help establish the design and the deployment of the correct sales resources to achieve your objectives. The "right" channel design and structure will start to become obvious with this analysis. Usually, a couple of alternatives that emerge, & a variety of criteria can be used in selecting the best alternative.

In addition to making the channel design and deployment process much easier, since this approach is customer driven, it becomes immediately obvious and easy for your customer to buy your products and services in a way that is most suitable to their needs.

Critical Success Factors-

Based on our experience, very few companies can achieve their objectives with a single channel strategy approach. Most organizations must establish a variety of different channels to reach their customers most effectively. Leading companies will have a combination of many different channels. However, from the customer view, the sales channel should be very clear and easy to understand!

Rule 1: Don't confuse the customer about how he acquires your products / services; keep it simple, intuitive and obvious!

Rule 2: There will be overlap in channels, but this should be minimized and managed effectively. Focus your channels on competing against the competition, not against each other.

Rule 3: Remember your channel partners are your customers as well. What's your value proposition to them?

Rule 4: Mind share in the channel is based on how important your product and services are to their success. If you aren't in the top five, you won't get sufficient attention.

Rule 5: Channel strategies cannot be cast in concrete. They must evolve, or sometimes, go through revolutionary change! Designing The Channel Is Just The Start!

Designing the channel is just the start, what is crucial to the success is execution! The best channel design in the world does not mean anything until we start implementing it and tuning the strategy for reality. Which includes, putting the channel in place, putting the programs in place to support the channel, and putting the measurements in place to assure they are accomplishing what we expected.

About Sanjay Limaye:

As a consultant with over two decades of experience in sales, sales management, marketing and corporate management, Sanjay brings clients wide-ranging expertise in developing, growing and running sales and marketing organizations in today's global economy.

What's next? If you find this write up valuable, then:

Print It – YES, you are free to print and freely distribute this write-up as long as its contents are not changed.

Spread the Word – Ask your friend or colleague to visit <http://www.inmas.com> so they can download their own copy.

Stay Informed – Subscribe to monthly e-mail newsletter **Business Insight**[®] at <http://www.inmas.com/nletter.php> to keep updated about strategies to improve business.

Learn More – Contact me at sanjaylimaye@inmas.com to find out more how we can help you improve business.