

Distributor Management

Equipping Your People to manage the Distributor Relationships

Mark Hollyoake has recently returned to the subject of the potential training and development needs for distributor managers. The need emerged from a recent research, customer discussion and feedback from distributor managers.

Some of the potential need areas cropped up:-

- a. What's the difference between transactional customers and distributors and how do we approach them effectively.*
- b. Motivation and Reward, in the form of both tactical and strategic tools that the distributor managers can access appropriately.*
- c. Is a distributor the right choice to manage our customers?*

Based upon the above and a lot, lot more, an outline programme has been put together to provide:-

~ An intensive one day focused session on a specific area of the overall programme, i.e. Reward & Motivation.

~ Full distributor management training and development programme.

This is outlined below...

Context

Distributors are managed in many different ways within organisations; from stand alone commercial teams in some businesses right through to being managed along side or in the same way as traditional "transactional" customers. The key issue for brand owning companies is that within distributor based relationships there exists an element of value exchange but the "value" is less about transactions and more about shared objectives and the ability to offer an effective Customer Management service.

Your distributors should be extensions of your customer management, they should be filling customer management competency gaps that you do not currently possess or wish to develop within this market/customer (s).

It is recognised that managing a market/distributor relationship today (and this will become more complex going forward) requires many skills outside of the normal capability and competencies of a transactional account manager.

What do we mean?

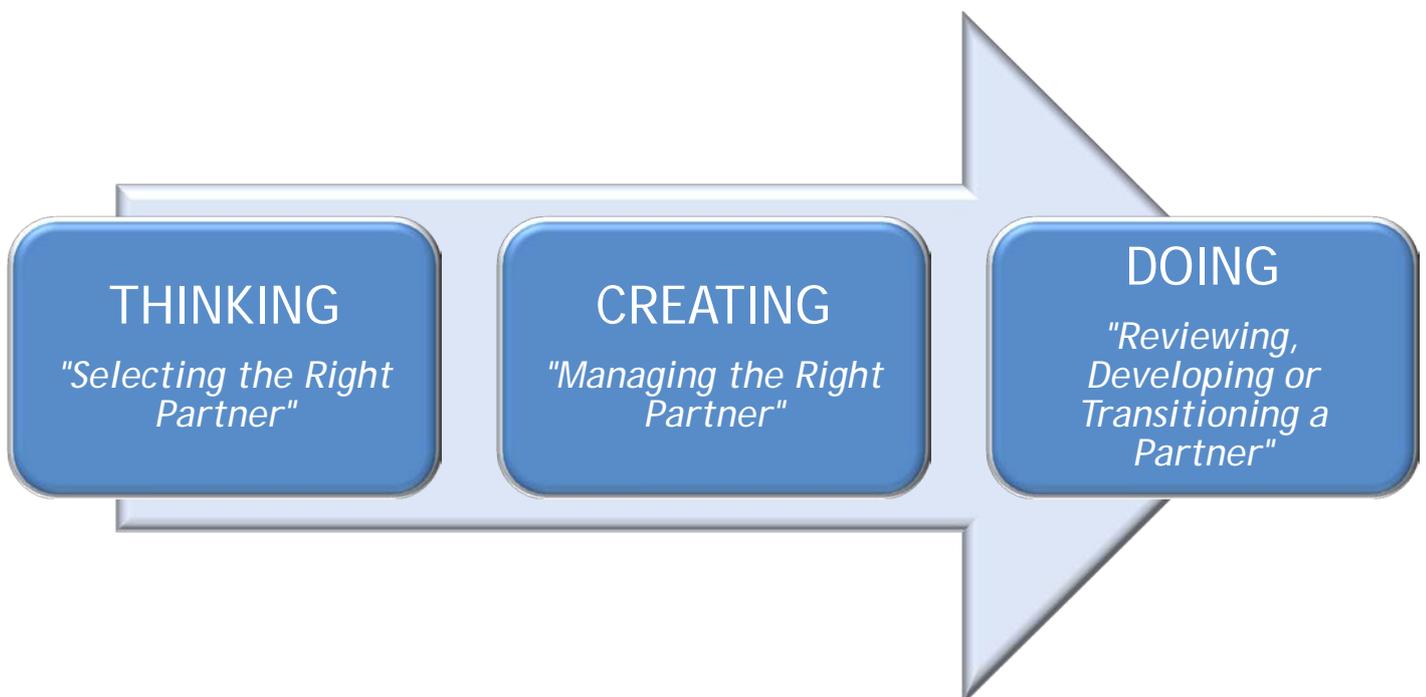
- *A Distributor - An organisation that acts as an extension for your company within a defined boundary to undertake elements of your customer management to an agreed , strategy, objectives and specification.*
- *A partnership - is a type of business entity in which partners share with each other the profits or losses of the business undertaking in which all have invested.*
<http://en.wikipedia.org/wiki/Partnership>

- *Partnering - Two or more partners working closely together to achieve something one cannot easily do or chooses not to do alone. Source:- Mark Darby: ALLIANCE BRAND, Fulfilling the Promise of Partnering*

Brand owning companies looking to enter new markets but unwilling/unable to set up stand alone in-market operations typically face some of the challenges detailed below:-

- It is difficult to find distributors that live up to their expectations.
- Their distributor relationships don't seem to last very long.
- They never seem to get the right level of value from the relationships.
- They struggle to get our fair share of mind/share of voice within the relationship?
- They fail to reward and motivate their distributors based on delivery of their expectations.
- They struggle to ensure their distributors deliver and meet their objectives and expectations?
- They often end up spending more time in legal discussions than developing the business.

The Customer Attuned Distributor Management Process



Dependent upon the maturity of your relationship or position within your customer development cycle, will indicate the position you access the above process map.

Distributor Management ~ 'The CA Way'

We have designed a flexible modular programme as shown above that allows you to select the modules you think most closely match your needs (for example, where a Distributor is in place already and with a long contract running the expectation is that training would commence at Step 3).

We would propose to run the programme in one of two ways:-

1. As distance learning followed by one day intensive workshops focused on specific modules
2. As a complete programme spread over three core workshops:-

Stage 1 is designed to ensure everyone starts from the same place in the early stages of the commercial relationship - it has been shown many times that a failure to drive good understanding at this early stage almost always leads to relationship failure later. During this stage we would clearly outline the key differences in type of distributor, we would define what a distributor "is" and how they should best be managed. We would explore the common pitfalls and failings of distributor relationships and seek to drive reflection about just how good your existing distributor relationships are?

In module two we are still within the "Thinking" section and here we cover :

1. Define the strategy, objectives and expectations for the market / customer (s).
2. Identify the type of relationship we need to deliver our strategy
3. Provide a process to ensure the selection of a 'best fit' distributor partner.

In module three we move into the "Creating" part of the programme...this provides the framework for developing the distributor relationship so ensuring we deliver our strategy. It defines clearly the value opportunity (for both parties) and the role each party must play to extract the identified value. In this stage we identify exactly how you and the distributor will work together, we acknowledge what will be different from current practices (and hence a "stretch") and also the culture, values and systems each organisation operates with today. In addition we document all stakeholders in the relationship and develop a plan for effectively managing/influencing them.

In modules five and six we move firmly into our "Doing" section...here we outline those things we need *to do* as managers of distributor relationships within your markets/customers. The review process ensures what we are doing is having the required effect and ensures the relationship remains healthy and positive.

The one day intensive workshops are highly interactive and focus firmly on the 'practical how' of distributor management. Theory can often be covered as pre-reading to free up time in the workshop environment to discuss its practical application and to practice appropriate skills - one thing is developing a Distributor Development Plan, quite another is to take that plan to the Distributor and present it in a positive way such that the Distributor becomes excited/enthused to make the plan happen. Delegates will often be directly involved in the development of "your how" to ensure that the final agreed operating standards are fully owned by the team.

Programme

Aim

Increase the level of efficiency and effectiveness of your distributor relationships via the development of 'good practice' distributor management practices.

Develop a consistent approach to distributor management within your commercial Team.

Establish distributor management as a core commercial competence within your organisation.

Outputs

A reduction in the requirement to change distributor(s) or reversion to the contract to resolve performance issues.

An increase in the value generating potential from distributor based relationships.

A recognised "way" of managing customers through distributor relationships.

| Module | Section | Detail |
|--------------|---|--|
| 1. Our World | Aim:- | <ul style="list-style-type: none"> Ensure everyone shares a common understanding of what we mean by 'distributor'. Identify the key differences and what they mean for your distributor management. Challenge current preconceptions within your organisation regarding the role, use and management of distributors. Explore some of the current pitfalls and failures that relate to your distributor partnerships. |
| | Output:- | <ul style="list-style-type: none"> A shared understanding that distributors need to be managed differently from transactional customers. Top ten 'why distributor partnerships fail' The platform for distributor development within your company. |
| | 1. Agreeing the fundamentals | 1. What is the difference between a distributor and a customer? 2. Why should we have a different approach? 3. Why bother using a distributor? |
| | 2. Our customers | 1. How can we improve the way that they are managed? 2. Where is your opportunity within the market, channel, customers? |
| | 3. 70% of distributor relationships fail! | 1. Avoiding the pitfalls 2. Learning from others 3. Your top ten do's and don'ts |
| 2. Thinking | Aim:- | <ul style="list-style-type: none"> Understand why we need a distributor and the role we would like them to undertake. Defining our requirement and translating this into an assessment framework. Putting together a distributor deal and negotiating it through to conclusion. |
| | Output:- | <ul style="list-style-type: none"> Strategic evaluation matrix Distributor requirement and assessment framework Developing and negotiating a 'win / win' deal |

| | | |
|---------------------------|--|---|
| | <p>1. What's our market, channel, customer strategy?</p> | <p>1. What are we good at? 2. What gaps are we looking for a distributor to fill? 3. What's the size of the prize? 4. Is everyone clear and on board with the idea? 4. Is a distributor the right or only choice?</p> |
| | <p>2. Distributor Requirements</p> | <p>1. Working out what you need and translating it into objective criteria. 2. Choosing the right distributor and due diligence. 3. Gauging the level of commitment. 4. Assessing their capability. 5. Defining the requirement and relationship then translating it into a working agreement. 6. Understanding the task to value equation. 7. Agreeing and defining the basis for success and translation into KPI's 8. Negotiating the deal.</p> |
| <p>3. Creating</p> | <p>Aim:-</p> <ul style="list-style-type: none"> • Moving from the agreement to the plan that delivers the agreement • Shaping and developing the plan • Identifying where the value exists and likely barriers to overcome. <p>Output:-</p> <ul style="list-style-type: none"> • A strategic value opportunity assessment • A commercial plan for implementation through the distributor partner. • Stakeholder map and influencing plan. <p>1. Developing a joint plan</p> <p>1. What's in ~what's out? 2. Setting the distributor expectations. 3. Strategic value creation and identification 'CRAMM' (developing the distributor P&L) 4. Agreeing the sales and marketing plan, who does what, investment and responsibilities:- Price (price tree development) Promotion Place ~ Distribution Portfolio Proposition People Processes Point of purchase (What do we need to see) Point of decision (How is it influenced) 5. Highlighting the potential barriers:- culture, values, beliefs, language, ambitions, capabilities, resources and commitment. 6. Defining the customer management process.</p> <p>2. Launching the distributor agreement</p> <p>1. How will we work differently? 2. Your training and development plan. 3. Stakeholder identification, influence and management. 4. PR Planning and execution</p> | |
| <p>4. Doing</p> | <p>Aim:-</p> <ul style="list-style-type: none"> • Identify the role of the distributor manager • Develop the capabilities and competencies of the distributor manager • Provide the tactical and strategic tools to improve the management of the distributor partnership. <p>Output:-</p> <ul style="list-style-type: none"> • Clear understanding of 'what a distributor manager does' • Individuals with the core capabilities and competencies to effectively manage distributor partnerships • A set of tactical and strategic tools that distributor managers can use to | |

| improve the effectiveness of the distributor partnership. | |
|---|--|
| 1. Delivering through the distributor relationship | <ol style="list-style-type: none"> 1. Defining the role of the distributor manager. 2. Distributor penetration 3. Contact strategy development 4. Managing a reward and motivation programme ~ tactical and strategic 5. Reporting process 6. Information flow 7. Communication planning. 8. Selling within a distributor based relationship. 9. Negotiation within a distributor based relationship 10. Managing the business meeting 11. Customer engagement 12. Training and development 13. Supply chain 14. Forecasting and budgeting 15. Managing dissatisfaction 16. Managing and maintaining the optimum level of 'share of mind and share of voice'. 17. Having a 'win-back' plan. |
| 2. Reviewing the distributor relationship. | <ol style="list-style-type: none"> 1. Relationship 'health check' assessment 2. Management by Objectives and review of progress. 3. Are we on plan? If not why not? What's the process to get back on track. 4. Delivering 'bad news' what do we do when it's all over? |

The programme outlined above can be delivered through the CA 'blended learning' approach. This is a mix of:- self study, intranet based materials and intensive workshops. Alternatively, it can be provided through interactive workshops with tailored support materials in hard and soft copy form.

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