



# MANAGING DISTRIBUTORS AS PARTNERS

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## MANAGING AND DEVELOPING YOUR DISTRIBUTOR RELATIONSHIP

Are you considering using distributors, or unsure whether you are getting the most from your existing distributors? Or, are you a distributor manager looking to up your game and improve the relationships you already have? This book draws on years of expertise and experience combined with current research to enable you to develop 'good practice' distributor management in this increasingly complex field. It focuses on how to select the right partner, manage the right partner, and develop or transition the right partner.

Each chapter will take you through practical steps to enable you to:

- Increase the level of efficiency and effectiveness of your distributor relationships.
- Develop a consistent approach to distributor management within your commercial team.
- Establish distributor management as a core commercial competence within your organisation.
- Reduce the need to change distributor(s) or reversion to the contract to resolve performance issues.
- Enable you to increase the value generating potential from distributor based relationships.
- Create a recognised 'way' of managing customers through distributor relationships.

## WHY NOW?

Historically, distributor relations have been regarded as a quiet backwater, led by distributors actively seeking out organisations and brands, rather than organisations actively seeking professional distributor partners to grow markets. However, as home markets come under increased pressure, and operating companies need to realise shareholder expectations, more and more organisations are turning to the distributed route to market as a way to grow value and volume. It offers a viable (and highly profitable) means to unlock potential growth. If organisations get it right, the rewards are considerable. A major and already successful FMCG brand who decided to take a more active approach to distribution in USA/Canada saw their export sales and profits double over a two year period, which enabled and supported the opening of a sales and marketing office in the market. A life-science company who identified an energetic and enterprising distributor to launch a new solution into a large and developing healthcare market saw the product double sales each year for the last five years while market entry costs have remained low.

Many organisations steer away from distributor management, considering the area too complex and beyond the organisation's immediate sphere of influence and core competencies. In reality, good distributor management requires the same approach as good direct customer management through a salesforce or key account team (instead of customers you simply have partners), but the same principles of good practice customer management apply. In short, the distributor organisation needs the right people for the job with the necessary skills and competencies to drive the end customer relationships forward.

## FINDING THE 'RIGHT' PARTNER

The three 'golden rules' when looking for the right partner:

1. Clarify EXACTLY what value you want from the relationship and the value you are prepared to share.
2. Communicate proactively all expectations and joint plan market entry/development with your partner. The rule should be 'no surprises.'
3. Consider how the relationship will be reviewed and evaluated? If you invest time and effort in the three areas above the rewards your organisation can expect from a well appointed and managed distributor relationship can be considerable.

Distributors can offer significant channel expertise that you may need to reach your shoppers/consumers. Distributor is a term used to cover a wide variety of approaches. We define the term as: 'an organisation that acts as an extension of your company within a defined boundary to undertake agreed elements of customer management strategy and objectives.' In effect, the distributor is a partner in market development, and as such shares the profits or losses of the business undertaking in which they have invested.

However, it is worth remembering that a Distributor is a 3rd Party organisation. It is a different legal entity to the supplier/brand owner. This is a very important distinction recognised in law which needs to be understood. It directly impacts what can and cannot be discussed in certain subject areas.

Distributors are managed in many different ways within organisations, from stand alone commercial teams in some businesses right through to being managed alongside or in the same way as traditional 'transactional'

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## CASE STUDY

In the vision-care market we worked with a major contact lens solution supplier and identified the pharmacy channel as offering significant growth opportunities across Europe. The scale of their business and relatively low rate of sale per outlet precluded a direct selling approach, but by identifying partners for whom contact lens solutions represented a complementary additional product and who exhibited the right competencies and desire they quickly took a 'category leadership' position, gained significant distribution and made substantial volumes and profits.

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

For brand owning organisations, successful distributor based relationships ensure 'value exchange' is less about transactions and more about shared objectives, and the ability to offer effective customer management for an equitable cost.

## WHY DO BRAND OWNING ORGANISATIONS USE DISTRIBUTORS?

Organisations frequently use distributors when they enter new markets but are either unwilling to take risks (e.g., high set up costs of a wholly employed sales/marketing team) or unable to set up stand-alone market operations.

The most common challenges faced are:

- Difficulties finding distributors who live up to (sometimes excessive or unreasonable) expectations
- Distributor relationships viewed as short term and tactical. Lack of long term strategic market investment
- Failure to accrue the 'right' level of value from the relationship
- Struggle to get a fair share of mind/voice within the relationship
- Failure to reward and motivate distributors based on delivery of expectations, resorting to commissions and/or incentives.
- Struggle to ensure their distributors deliver and meet objectives and expectations
- Time spent on legal/contractual discussions rather than developing business opportunities

Thinking about entering into distributor relations in the same way you may enter into personal relationships is helpful. Yet, we all know that relationships can frequently deliver as many challenges as profits. Around 70% of all distributor relationships fail. Mainly they fail through rushing in with the wrong partners, lack of adequate planning, poor management, lack of focus on motivation and reward. When done well, the benefits of distributor partnerships can be significant and include:

- A recognised 'way' of managing customers through distributor relationships.
- Distributors working within joint business and development plans
- Margins for your brands that represent the task to value distributors undertake on your behalf and fair-share for both sides.
- Distributor managers understanding, negotiating and managing the value chain.
- Development plans with distributors that aim to plug key capability gaps currently preventing you from achieving your market potential.
- A reduction in the requirement to change distributors or reversion to the contract to resolve performance issues.
- An increase in the value generation potential from distributor based relationships.
- Distributors proactively developing the business in line with organisational growth strategy and with a clear understanding of the benefits.
- Ability to take early action to rectify underperforming distributors.
- Distributors reporting against a set format provide strategic value and provide market insight.
- Developing plans with distributors aimed at plugging key capability gaps which may currently prevent organisations from achieving their market potential.

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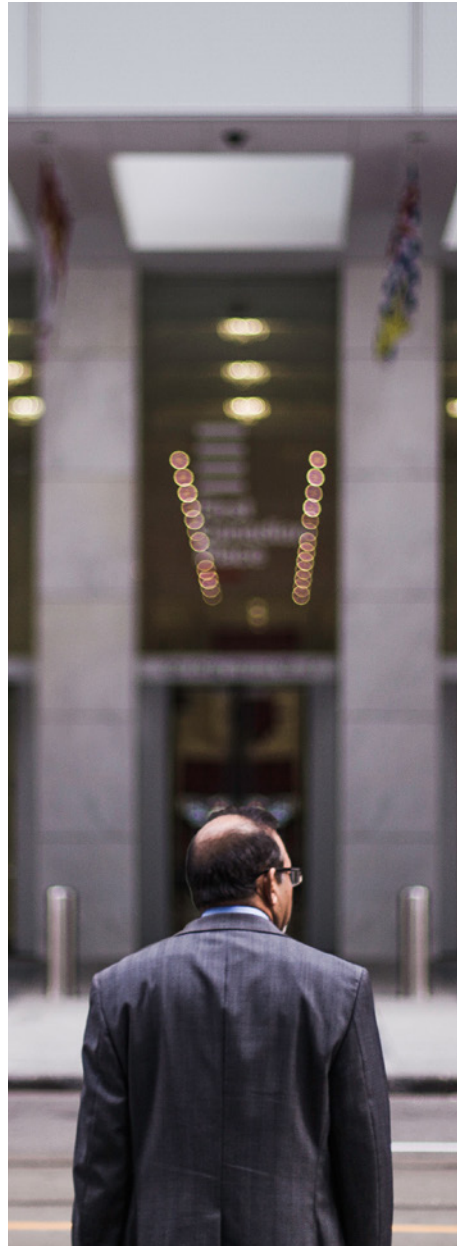
## CASE STUDY

We worked with a global stationery provider who was looking at the Russian market. Based on population numbers and median income they could see little reason why this should not be a significant opportunity (at least East of the Ural mountains). Their issue was scale - they could not form a compelling business case for a full time sales and marketing office and came to us looking for alternatives. Eventually a partner company who already had a successful team selling paper products into the Russian market was identified. The partnership was established with high levels of transparency and cooperation and the stationery business now represents >€2 million of profit annually (and growing 15% annually). The paper manufacturer has a profit stream which covers 30% of their sales and marketing costs - a true WIN-WIN for both sides.

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## SUMMARY

Distributor channels offer high potential in value and volume to organisations who enter into the distributor relationship skilfully. Managing a market/distributor relationship today requires a specific set of skills beyond those demonstrated within the normal capabilities and competencies of a transactional account manager. Distributors should be extensions of the suppliers customer management; ideally, they should fill customer management competency gaps that either organisations do not possess or wish to develop within the selected markets/ customers, and be treated as partners. Partnerships perform most effectively and profitably when they are planned, managed, motivated and rewarded.



## IS A PARTNER THE ONLY WAY TO GO?

This chapter explores whether using a distributor is the ideal choice, what other options you have available, and what market conditions can help you decide on the optimum route to market.

Historically, when companies lacked expertise in a specific area, or needed to develop a new market sector, they would either try and develop it in-house or buy someone in (recruit a skillset) who did. Markets moved at a steady pace that allowed companies to match them and stay aligned to their development. However, with the increase in globalisation and the rise of multinationalism, the pace of market development has accelerated. The ability to access resources or develop additional competency in line with market requirements has become increasingly difficult. In many instances, it just is not feasible from an ROI or sheer ability to 'make it happen' in an acceptable time perspective.

For the above reason, companies have turned to working with others through partnerships and alliances to create value. A successful RTM partner with a proven track record, who can build competencies and capabilities to allow for market knowledge, in market support, specialist contacts and relationships is now a prized and valuable asset. If the initial risk of entry is too high or return on investment too low, using a distributor may enable the organisation to exploit the market potential. In a nutshell, the distributor may well offer a more cost effective solution than going it alone.

### THE 'BUY VERSUS PARTNER' QUESTION

Too often, companies fail to weigh the merits and demerits of 'should we buy them or partner with them?' These two strategies differ in fundamental ways:

Should we 'buy them?' decisions are competitive, based upon market price and are inherently risky.

Should we 'partner them', partnership/alliances are co-operative, negotiated, and are less risky.

A company's initial experiences could dictate future actions for example; if they have already

pulled off an acquisition or two successfully, they are likely to default towards an acquisition even when logic says alternatives are preferable.

Key factors that drive partnerships/alliances are:

- Companies find it increasingly difficult to achieve and sustain growth.
- Companies place their faith in acquisitions and alliances to achieve sales profits, and importantly, stock prices



## IS A DISTRIBUTOR THE RIGHT CHOICE?

Firstly, it's worth asking: is a distributor my only choice?

The simple answer to this question is always NO.

A point of interest here: the decision to use a distributor should be a strategic one. i.e. strategy is about choices. Is sales and distribution a core competency for your organisation which you would expect to give you a competitive advantage? If so, don't use a distributor! Consider the following scenario: Two competitors in the two categories in which your two brands compete are a factor of 20 times bigger than you and 100 times bigger than you respectively. They will likely always have access to bigger salesforces, more trade spend etc. Equally your diagnosis tells you that sales and distribution is not where you can compete with them and win. Consequently, you are not going to invest in developing category leading capability in this discipline. You have decided to out-source this capability... to distribution partners. You need to be competitive, but not industry leading. It is vital for the supplier to know this i.e. the 'why': why am I entering this partnership? It governs many future decisions.

You have a number of options available:

Wholly owned affiliate	An operating company that is owned and controlled by the parent organisation.
Advantages:	The brand owning company has full control of the route to market and marketing mix (all the way to the consumer/user).
When this may be the optimal route to market?	<p>Where growth prospects are strong and where the in-market margin gives a good return versus the set up costs of the affiliate.</p> <p>Where growth prospects are good and there is no local distributor option available.</p> <p>Where growth prospects are good and the key competition has a local affiliate giving them competitive advantage through transfer pricing and market control opportunities.</p> <p>Where the supply company can cost effectively access a main part of their target market, e.g. where key customers account for 50-60% of the market.</p>

## IS A PARTNER THE ONLY WAY TO GO?

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Joint Venture (JV)	A company in which you share equity jointly with another company.
Advantages:	Sharing of the cost base and pooling of skills make market entry both feasible and profitable
When this may be the optimal route to market?	Where a joint venture partner has a particular local skillset that you need access to and which cannot be obtained any other way. Where a cost sharing joint venture helps to reduce overhead costs or allows improved market access. A JV of this sort would normally be done with an international company which does not compete directly with your brands.

Full Service Distributor	Local company that holds inventory and acts as a sales force to all specific channels in a market. It would normally import the inventory and also undertake marketing execution.
Advantages:	The full service distributor may have established resources and market knowledge to allow rapid and cost effective market penetration.
When this may be the optimal route to market?	Full service distributor is the ideal route to market given that a reliable distributor offering sufficient share of mind (focus) can be found for non-strategic markets. The presumption is that a full service distributor will have a lower cost for the supplier than an affiliate.

Importer	A company whose expertise is the importing of goods into a market. An importer typically does not have an extensive sales force or marketing expertise and may or may not hold inventory. An importer does not usually supply all trade channels.
Advantages:	Where the key to market success is the facilitation of product entry into the market an importer is likely to be the lowest cost option. Where market entry is the key to success – e.g. Low barriers to retailer listing and high latent consumer demand.
When this may be the optimal route to market?	Where there is no obvious full service distributor candidate but the market needs to be supplied. Where special licenses or skills are required to clear goods into a market.

## IS A PARTNER THE ONLY WAY TO GO?

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Agent	An agent does not own inventory, but acts on your behalf as a salesperson, collecting orders and managing marketing execution in some instances.
Advantages:	If the key to market success is the effective influencing of the supply chain (to the consumer) then a logistics partner combined with a selling agent may be the most cost effective option. You aim to expand distribution without increasing risk.
When this may be the optimal route to market?	Where sales contacts/relationships are the key to unlocking market growth. Where a market is in considerable turmoil and permanent presence is required to understand what is happening/solicit orders on a day to day basis.

Wholesaler	A wholesaler is a local company that sells all brands to the retail and/or food service sectors and may have a sales force.
Advantages:	A rapid and low cost method of gaining distribution but often with significant limitations - e.g., tendency to focus on traditional trade and low share of mind.
When this may be the optimal route to market?	Wholesaler would not normally have complete coverage of a market or all channels – only optimal if the channels in which the wholesaler is effective are key to overall market success. Working directly with wholesalers in conjunction with an importer may be appropriate where a full service distributor is not available. The downside to this option is that the level of work required to get full market coverage is high.

The table above demonstrates the significant number of options at the disposal of a company wishing to enter or develop a new market. A strategic approach may see the deployment of a number of options over time, e.g., one might enter the market through a wholesaler(s) to test and/or establish the product. Once a level of brand/product performance has been established, you have a base to attract and negotiate with a distributor. The nature of the optimal arrangement will be dependent on your aspirations for the market, for example, a small but energetic distributor may provide the impetus and focus to step change the brand/product within the market. Once critical mass has been achieved, the distributor has the option of investing into the partnership and growing with the proposition or negotiating an acceptable withdrawal.

The above example demonstrates that the initial market entry solution should be regularly reviewed against CURRENT AND FUTURE objectives. Your brand will mature and the market will change over time - this requires adjustment.

## CASE STUDY

A major global beer brand undertook market research to examine how to achieve success with their product in the Italian market. They had a longstanding distributor in place who was a manufacturer of an Italian spirit based liquor. However, upon examination, it became evident that this distributor took excessive margins (speciality spirit rather than beer margin level) and was poor at managing the rapidly growing modern trade. By moving to a FMCG distributor the beer company became more profitable whilst making its brand more competitive for consumers and growing distribution in key channels.

## SO, WHY DON'T COMPANIES SIMPLY SET UP AN OPERATION IN THE MARKET AND TRADE DIRECTLY?

This question is at the heart of the partner/distributor philosophy as, in essence, an organisation tries to mitigate the risks, investment case and chances of success by utilising the alternative option, in this instance, a distributor partner, (DM). In doing so, they are outsourcing the market development to a third party in exchange for part of the profit potential available from their brands, products and or services in that market.

If a distribution partner appears to be the route you want to take, it is critical at this point to take a good look at your strengths and weaknesses, to be open and honest. Ask: what are you really good at? If a distributor partner has greater competencies than you do in key areas, then direct entry is questionable. The key is in understanding what you expect the partner to do for you and the value you are prepared to share for this.

Take a look at the graph below and consider:

- The advantages and disadvantages of each quadrant
- What would you gain from direct trading?
- What competencies/capabilities/resources would you need in each?



## DIRECT TRANSACTIONAL TRADING

You don't mind having a go on a build basis, and have the resources to do it. The optimal solution may be direct trading with a large consolidated customer or retailer on a direct basis.

**Have A Go Yourself:** If the accessible market you have identified is large and valuable, you have a good internal market development team and the business isn't risk adverse then this is a potentially viable option. Here, taking an action orientated approach – learn through doing – is recommended.

**Distributor:** If, for example, your organisation is risk adverse and lacking internal market development experience and resources, yet the accessible market identified has potential then a distributor would appear to offer a good option.

**Agent/Wholesaler:** Alternatively, if you are not risk adverse, yet have high expectation about market potential and are prepared to

put specialist resources against development of the market then a direct operation may be optimal.

This table is a check list for you to establish the level of information you have upon which to base your decision or the research requirements.

To affectively address the market opportunity and the best decision for market development you will need to fill in the blanks surrounding your market understanding. This you will uncover in the forthcoming sessions.

To help this process we have developed a number of tools you can deploy to ensure you examine all aspects of the business and develop consistency across the team.

MARKET RESEARCH TO ESTABLISH	Yr1	Yr2	Yr3
Potential no. shoppers/consumers			
Penetration of category			
Size of market			
SWOT of leading players			
ABC proposition - competitive position?			
Target market share, mid, downsize volume			
ABC margin/mark-up			
Profit estimate			
Potential partner margin			
Potential partner GP			
Potential partner investment			
Potential partner NP			

## WHAT DO WE KNOW AND WHAT WE WILL NEED TO FIND OUT?

You need to gain an understanding of the potential barriers you may face as you try and enter the market. Once again these will have a significant bearing on your choice(s), and expectations.

The following tool is a prompt for the market manager:

## HOW DO YOU WANT TO SEE YOUR BRANDS AT THE POP?

This tool is effectively a picture of your perfect situation at the point of sale, (i.e. the situation which would optimise your sales). The tool captures by outlet type, (hyper, super, kiosk, high street, etc.) each of the marketing mix variables – price, range, display, promotion, POS material, consumer information etc.

Why is the tool of value for partner managers? If you have real clarity about your ideal POP by outlet type, it becomes relatively easy to assess the gap between your current situation and the vision. Having established the 'gap' you can set targets for improvement with your distribution partner.

Top tips for developing/using this approach  
Once you have decided on your selection this provides an ideal way to develop the initial discussions in the market with your partner and openly discuss the ideal POP situation. Look to document the 'perfect' outlet and offer to train the salesforce in seeking to achieve the POP vision over time.

## WHAT COULD STAND IN YOUR WAY?

- What barriers have you come across?
- What barriers exist today?
- What actions might you recommend?

This tool provides an evaluation of those factors which are limiting, or will limit your success in entering or growing within a market/channel. Factors can vary widely from legal issues (e.g., taxes on imported products which make your consumer selling price high), to channel issues, (e.g., the payment of high listing fees for international brands in hyper and large supermarket chains), to customer issues, (e.g., strategy of supporting local brands).

Seek to discuss barriers broadly with both potential distribution partners, other market players and end customers in order to get a full and rounded view.

Once you have an answer then ask yourself:

- So what?
- What is the data telling me?



## WHICH CUSTOMERS WILL YOU TARGET?

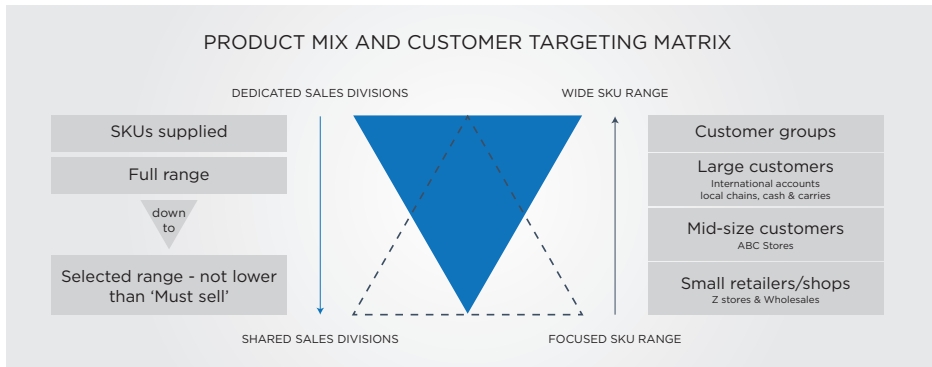
This tool is a useful model showing the relationship between channel types, outlet numbers, range and necessary salesforce. By thinking about all of these variables consecutively the sales person can quickly understand his/her requirements from the distribution partner.

Why is the tool of value for partner managers? The 'at-a-glance' view of the marketplace and requirements allows clear thinking around the necessary distribution partner.

Top tips for developing/using the tool - Review with your distribution partner the ideal range of products by channel and discuss the most pragmatic type of sales support necessary.

- So what?
- List out your insights

At this point, it is worth asking some big questions to test your understanding and readiness to move to the next session.



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Key Accounts	<b>YOUR CO-KAM?</b>		
Mid-sized corporate	Indirect channels (Distributors/Business partners)		KAM/ Field sales force
Small corporate/ individual	Direct marketing (e.g. internet and call centres)		(No sales)
Customers / Products	Supplies & peripherals	Standard product	Customised solutions

- Why do you need a partner, (you could set up your own office/people) to manage this channel?
- Can one partner do everything everywhere?
- What do you need a partner to DO for you, (to achieve your objectives?)
- What capabilities will the partner need?
- What sales team will be required?
- How will the partner overcome barriers?

## SUMMARY

Market entry is a significant undertaking for any organisation. It is therefore worth investing time and effort to do it properly. Investing time to develop a market strategy is a vital approach. The push towards a distributor as the first option is often predicated on the organisation's appetite for low risk and/or lack of market intelligence. The distributor often, therefore, meets a risk and information need. It may not be the only or best option, so be really clear about the potential the market offers, and how easy it is to enter. Having made your choice, ensure you select wisely. From this point, the assumption is you have decided that a distributor is your preferred option to develop the market, and will consider how you then select, onboard and develop the new distributor partner.

## KILLER QUESTIONS

1. Why are you doing this
2. What are you trying to achieve
3. What are the available options open to you and which seem the most attractive

## TOP TIPS

1. Working out the size of the prize
2. What you would need to do to realise the prize
3. Understand the internal appetite for going after the prize.





## LOOKING INSIDE YOUR OWN ORGANISATION

A successful distributor management relationship depends on analysing your own organisational strengths, as well as a clear understanding of the market potential and the capabilities of the distributor partner. This chapter examines ways to audit internal capabilities and competences.

The most successful distributor relationships are built on planning which draws on up to date information about the market you are entering, combined with insights into the internal capabilities and competencies of the organisation. If you only look outwardly at the market, you are in danger of launching into a partnership which may fill existing gaps and/or offer huge potential for growth, yet, be unachievable if your company lacks the expertise or scale to deliver. Example of issues are:

1. You have just one manager covering the entire region and the distributor does what they believed they were asked to do.
2. The distributor finds it difficult to get answers to customer questions from your organisation
3. You can't supply to the levels the distributor has unlocked in the timescales required.

You need to examine:

1. Your own strengths and weaknesses
2. Your appetite for risk

Combining the above with in-depth knowledge about the market potential, its size, scope, volume and investment required, you will be able to assess opportunities and clearly identify what you need from a distributor partner.

## RELATIONSHIP QUALITY

A positive distributor partnership is predicated on trust, interdependence and mutual value development. A key watch out: partnerships can falter if any of these become out of balance. It is worth checking the relationship at key stages through an annual relationship quality assessment.

## ASSESSING YOUR OWN COMPETENCIES & CAPABILITIES

Here are some typical areas we come across that organisations try to fill through the use of a distributor or third party:

DEFICIENCY AREA	IDEAL MKT REQUIREMENT	CURRENT SITUATION	STRATEGIC OPTIONS - LOOK AT GAPS 'IN-THE-ROUND'
Market level contacts	Some [informal] contacts make access significantly quicker and easier	We have some contacts via sister company	Just launch in capital city and surrounding area or one region with one partner specialising in this territory.
Market knowledge	Complex market with multiple stakeholders	Very limited market knowledge	
Geographical / logistical complexity	Complex logistics [poor infrastructure] and massive size of market mean network is required	We have nothing on the ground	Establish then roll later.
Scale	Intermediate scale necessary to support profitable operations	We are small and untested in-market	Partner with another westablished brand to provide them with scale.
Contact to influence	Multi-point contact necessary to the POP	We have no selling organisation	Multiple distribution partners - one per region [*5] to maximise distribution and impact at the POP.
Risk	medium to high - new and untested gov't and currency questionable	Mitigate risk via terms of agreement	

Once you have a clear idea of your own internal abilities, you can analyse your company's own strengths and weaknesses from an export market development perspective. In essence, these are your core market development competencies. As you do more international market development then the internal capabilities and competencies increase so enabling you to consider more active direct participation in international market development.

**In order to assess the direction your organisation should take, you need to get your sales team together to analyse the following:**

1. What is your appetite for risk? This will determine to a greater or lesser extent the level of involvement you take in the market as an organisation. Low/no risk means outsourcing the market development to a third party on a restricted credit or pre-payment basis. Significant risk, may mean taking a stake in a prospective partner or placing direct resource into the market.
2. What is the market stage? This objectifies your long term view of the market, enabling you to define the type of relationship and distributor you need to realise opportunities. It should include an internal audit of your macro plans, market/consumer based objectives/measures of success, and an external audit of potential markets and distributors.

3. How intense is the competition? Who buys our brands, products and or services, and where do they go to buy them?
  4. How is the market structured and where is it in its development stage? The customers or consumers for your product may currently visit outlets controlled by consolidated national, regional operations and also buy for home shopping via the online channel. This situation would mean you ideally need a partner with a good level of demonstrable capability and experience in these channels.
  5. How do you fit into the portfolio? With a potential partner selected, it is crucial to establish where you fit within the distributor portfolio. In conjunction with your distributor, develop where you sit in their growth planning within the category or sector.
- Now, you should be in a position to determine the type of partner you are looking for, what you need them to do, how easy or difficult it is likely to be to develop the market and the financial viability.

## SUMMARY

Once you know what you are capable of managing within your resources, it is possible to shape your approach. In effect, you have a list of needs you require fulfilling and you understand your internal approach to risk. You are answering the key Killer Questions.

## KILLER QUESTIONS

1. Can you do it?
2. What capabilities and competencies do you need to develop within the organisation?
3. What areas do you need to look for from your distributor partners?

It is often at this point that many organisations attempt to upskill the resource they have in place, bring in new people, or increasing the resources they have to manage distributor markets.

## TOP TIPS

1. Bring together a cross-functional internal team to establish 'what you are really good at' and what areas you would need a partners to fulfil.
2. Start building your market and distributor expectations
3. Keep the cross-functional team involved as you will need them as the project develops.

## LOOKING OUTWARDS – MARKETS

This chapter continues to plan for a successful relationship, focusing on the external market. It explores the fundamentals you need to know as a distributor manager.

It is critical to understand the market, its maturity, its current trends and potential for development. This understanding will provide insight into the level of ease of entry and positioning, and the type of partner you will need.

- What does the market map look like? This provides insight into where resources need to be focused and where the major opportunities lie.
- Where do shoppers/consumers go to buy your products? This tells you where we need to achieve distribution if we you are to maximize volume/profit.

With the right key insights, you can calculate those distributors that can access the points of purchase in a way that provides the best possible option for your brand/product/solution.

### What do brand owners need from their distribution partners?

This typically falls into six areas as shown below:

DEFICIENCY AREA	DESCRIPTION
Market level contacts	Formal or informal market level contacts are necessary if product/service is to be successfully marketed.
Market knowledge	Requirement to understand market complexities - customer structure, distribution networks, necessary contacts and influence points AND information not formally available or in public domain.
Geographical / logistical complexity	Sheer size of market and lack of good infrastructure away from major conurbations can make physical product distribution difficult. Network of distributors and local agents may be necessary.
Scale	Does your product have a projected level of turnover/profit to support an in-market operation or will bundling with others be necessary in order to operate profitably.
Contact to influence	At what level and how many contact points are necessary to effect good quality distribution and brand presentation in the market. If numerous then a complex selling organisation is required.
Risk	May be unstable government, currency, economy or lack of confidence in future product sales performance which leads supplier to mitigate risk through their distribution partner arrangements [e.g. pro-forma payment or COD terms].

## WHAT DOES THE ACCESSIBLE MARKET LOOK LIKE?

When looking at the potential of a market, it is easy to get carried away by the apparent size of the opportunity. I have often heard: 'If only we get 1% of the market, that is worth X millions.' If you apply the value chain and develop a target selling price, it provides a more realistic view of the size of the potential the market offers. In what sector/segment of the market will you be able to access, and how much is it worth? This, we refer to as the accessible market.

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### CASE STUDY

A large manufacturing organisation looking at a new market opportunity found the market represented one of the largest in volume terms, and 2% of the market looked a really viable opportunity from the distributor. However, once the value chain equation had been applied, it was quickly apparent that the market segment would be super premium. This segment had two incumbents and wasn't worth the investment or focus. The most effective solution was either work with the distributor on a JV, produce locally or not bother.

### THE VALUE CHAIN

Developing a price or value chain for the market you are operating in really adds to value understanding. It allows you to establish where value exists and if it is viable.

You need to know what value for money you can get from each market/channel and understand where the value lies. This not only includes information on getting value for money, but where do you find the option that's right for you?

Once you have rigorously analysed the potential market, you will have insight into the relative size of the prize and number of potential targets.

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## REALITY CHECK MOMENT!

A large and populous market can initially seem attractive, however once you have undertaken value chain analysis the part of the market that you can actually access PROFITABLY, it is often not as attractive as it first appeared.

Now is the time to turn your attention to the outward market and gather data about the size, potential for your product, and services in terms of value/volume.

You need to identify customers that would potentially buy your product or service and also identify similar products or services from within the category/sector. Use this information to search the internet and/or trade magazines to identify how the target product/service are represented in the market. Insights gleaned here will provide an initial thread to build from in order to compile a number of potential targets.

At this point in your investigations you should assess how much information there is about the target market, both formally and informally. Asking contacts from within your network about how they go about accessing your target market is a smart move.

You need to understand the competitive frame:

- Who do you consider competitors?
- How do they access the target market?
- Who do they use as partners?
- Who is likely to buy your products/services and where do they go to access them at the moment (if the product/service exists within the market), or something similar if the product/service is new?

Once you can identify the buying points you can develop the channel map by asking:

- What does the price tree/value chain look like for each channel?
- Who takes what value/profit. What do they do for the margin they take?

By now, you should know what the opportunity looks like, the route to market, partner, and what you are capable of handling. You will also have developed an expectation of the market potential and your ideal partner, and be ready to explore the process to select a partner.

An additional factor to consider: Where the supplier is a brand owner and/or manufacturer there is a risk/reward consideration that should be reflected in the value chain, (specifically how the available profit pool is distributed between supplier and distributor.) A manufacturer bears a much higher risk than a distributor. The fixed costs of factories are much higher than the fixed costs of distribution, (warehousing/vehicles essentially) In many cases the research and development costs required of a brand owner are also additional versus costs of distribution. Where there is higher risk so too should there be higher return. As a general rule, it is good practice to ensure a distributor's cash margin is never higher than that of the brand owner. If not, the distribution of the available profit is not equitable. This is not intended to be a

'margin grab' which negatively impacts the relationship with the distributor, (who needs a motivating margin), it's simply one of a number of reference points.

**"Heavy lifting model"**: something suggested during our numerous discussion, with leading practitioners in distributor management. So now let's consider an exception to the general rule.

There can be circumstances where the brand owner/supplier should consider giving up many of the safeguards and rights, i.e. the one above. It is always worth having a set of guidelines/best practice. It is also important to understand when they won't get you what you need. Where a route to market poses very significant challenges acting within norms often doesn't work. So what about markets, e.g. China, which are geographically vast, have trade structures that are neither concentrated or centralised and have cultural and language barriers beyond the understanding/capability of most suppliers. Sometimes the best option is to find a very big local distribution partner that you entrust with a far higher proportion of the potential profit pool and much greater than normal freedom to act in the business planning/implementation. In effect, if not in contractual terms, licence the brand out to a partner who will do 'the heavy lifting'; i.e. trade costs, marketing activity, distribution choices etc.

### **What if you already have a partner?**

At this point, you will be clear - either about the value of your existing distributor partner or your company's capabilities and competencies, and the gaps you are asking a third party to fill.

## THE MARKET MAP

The Market Map provides a ‘flash picture’ of the scale of market opportunity by region and current performance. Having a clear and fact based picture of the market opportunity by region allows you to set/agree objectives for growth with your distribution partner and to highlight opportunity areas. In order to develop realistic market growth plans you need to understand the size of opportunity available (both nationally and by region). You also need to understand relative performance in the market.

### TOP TIPS FOR DEVELOPING/USING THE MARKET MAP

In fully developed markets the information required to populate a market map may be freely available – hence completion can be easy - assuming you or the partner buy the information, and you can focus on the insights the map provides and necessary actions. In emerging markets, you should aspire to complete a market map, but may need to work much harder and use comparative data other product sectors, for example, in order to gain a measure.

You may want to assess how healthy your relationship is? Is it delivering what you expected? Are there areas for improvement? Unsurprisingly, a large number of organisations once they have appointed a distributor, have little information fed back to inform them about their progress, whether they are fulfilling sales objectives, and what the opportunities are for growth, or, even at its most basic level, what support the organisation needs to fulfil its promise.

## STRATEGIC VERSUS FINANCIAL CONTRIBUTION TO THE PARTNER

It is useful to see your products through the eyes of your distribution partner. Take a look at the image below and consider where your organisation may sit.



**CORE** - Your portfolio occupies the sweet spot from your distributor perspective, delivering significant value into the relationship and important at a category/channel/market level. The relationship is delivering for both sides and the distributor is reliant on your people for leveraging internally/penetrating on a strategic level. It is also a big value generator for the distributor operation.

**STRATEGICALLY IMPORTANT** - Your portfolio has strategic significance for the partner. This can be in the form of attracting others into the distributor portfolio. The portfolio may also be seen, as a key door opener with the channels and key customers. Your brands, products, solutions are significant from a category, sector, perspective, however, may not be a big money maker for the distributor from a direct profit return basis.

**MONEY MAKER** - When you analyse the proposition within the overall context of the distributor and market, your portfolio isn't strong within the category, or strategically important to the distributor from a market perspective. You are important from a purely money making point of view.

**QUESTION MARK** – little strategic or cash importance is likely to lead to limited interest/effort from the partner. You should urgently review your arrangements.

## SUMMARY

It is vital you have a distributor partner who shares your desire to develop the relationship or your hard work could feel like a one-way street. It is envisaged that you have already undertaken some form of strategic market and or relationship segmentation so you're working with the right people; you have also evaluated the market opportunity and know the accessible market is worth going after.

## KILLER QUESTIONS

1. Where do the consumers go to buy your product/service/solution?
2. How do you get to them?
3. Is it worth it, if you get to them?

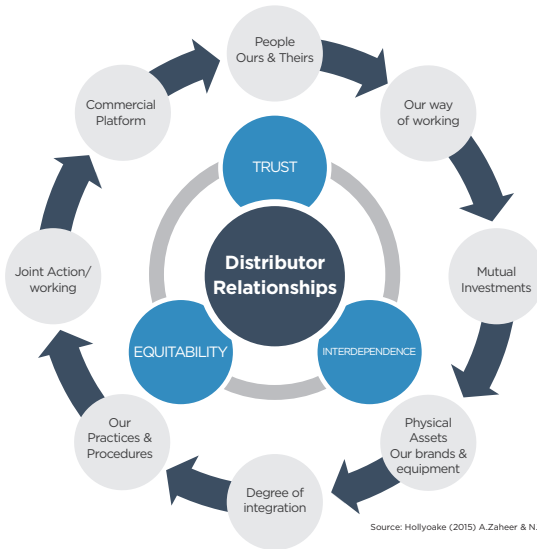
## TOP TIPS

- Ensure value content is matched to strategic importance
- Reality check the market offer
- Use the market map as a key measure of your distributor's capability
- Establish the distributor's ability to develop your business before entering into contract/partnership



## RELATIONSHIP DEVELOPMENT

This chapter focuses on ways to assess existing relationships and develop the right relationship that works for your organisation.



The eight factors shown below provide a good start point for assessing your partner relationships. If, for each factor you identify the 'ideal' scenario and then the actual position, it becomes quite easy to spot the key gaps and to develop plans to fix the relationship (or start planning to change partner if the gaps are too large).

As can be seen in the model above - at the heart of 'good practice' distributor management and development sit three core foundations:

- Trust: the 'oil' and enabler of the relationship.
- Interdependence: How closely do you work together and rely on each other?
- Mutual commercial benefit: Is the relationship balanced with both sides mutually receiving what they put in?

Cultural differences - The need to understand and factor in cultural differences is a big watch out. How cultures approach conflict, managing bad news/performance, decision making etc. can over-ride any process you put in place. A simple example: is the culture of decision making hierarchical or consensus driven or both?

The answer to this question alongside many other cultural considerations will determine how long things take, levels of commitment, what gets done etc. An honest assessment of the three core factors provides valuable insight into the health of the relationship. If any of these three 'core' elements are unbalanced then the relationship MUST be reviewed.

## WHAT'S THE UPSIDE OF A POSITIVE DISTRIBUTOR RELATIONSHIP?

- Your distributor partner may identify areas of growth you hadn't thought of or uncovered.
- It provides a perspective on the appetite for growth from your partner.
- Enrols the distributor within the process and the agreed growth becomes their growth objective
- Ensures our aspiration is grounded within your distributor partner's capability and market potential
- Provides a joint platform for development

The assessment matrix below gives you clear indicators of where the relation is working and where you need to take action.

Study the drivers of the relationship and collect the information to inform your start point by:

1. Asking or using your current knowledge and experience.
2. Translating that knowledge onto the scale below to identify those areas requiring attention and those we need to build upon.
3. Being truthful, inflating the figures only stores up trouble ahead.

## HOW HEALTHY IS YOUR DISTRIBUTOR RELATIONSHIP?

The definition of B2B trust in a distributor context offers several distinct elements that can be used to evaluate how well you are doing. When individually highlighted and applied to your relationship, it can provide an internal view of where it's working and what needs to change. Each element when broken down represents a core element of relational trust building.

The following definition outlines how trust could be defined within a business to business distributor relationship context.

The willingness to be 1. vulnerable to another party and the decision to engage in 2. actions based upon an understanding of their 3.ability, 4.credibility and the expectations of 5.mutual value exchange 6.over time. The numbers relate to the template / table that follows;

## RELATIONSHIP DEVELOPMENT

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	DEFINITION ELEMENTS	SCALE				
VULNERABLE TO ANOTHER PARTY AND THE DECISION TO ENGAGE	1. What's your appetite for risk in your customer relationship?	Low				High
ACTIONS BASED UPON AN UNDERSTANDING	2. You have a significant level of insight and understanding of the customer needs and wants.	No				Yes
THEIR ABILITY	3. How good is the customer at doing what they say?	Poor				Excellent
CREDIBILITY	4. How credible are they in your category or sector?	Not				Highly
EXPECTATIONS OF MUTUAL VALUE	5. Is the value share mutually acceptable?	No				Yes
EXCHANGE OVER TIME	6. How long will it take for you to realise the value?	Long Term				Short Term

**1. Risk:** If you are going to invest your time, energy and money, how certain are you it will deliver what you expect. Do you trust the other side to come through with the deal and a mutual value outcome or will it need to be wrapped up in contracts and SLA's?

**3. Ability:** Would you be seen as the category leaders in your sector and do you lever the insights you have to justify this position? Is the customer able to take your category insights and recommendations and turn them into mutual commercial benefit? Have they got 'experts' within the organisation that know what you're talking about, see the opportunities and can make them happen, so you see it come to life at the point of purchase and within your performance?

**4. Credibility:** When operating within the category and shopper focus, do they know how it works? Have they got the track record of performance and delivery within the sector?

Have they won awards for their category retailing, innovation, shopper experience, customer experience?

**5. Time:** Has the relationship been in existence for long and benefited from continuity of trading over that period.1. Does it operate across multiple contacts or under the remit of a contract! Have you had the chance to work on joint projects/project teams and are the war stories from the relationship used as collective shared experiences?

**6. Mutual commercial benefit:** When you look at the customers P&L is the value figure representative of the amount you put in to achieve it? Is the relationship commercially balanced, when you look at the value the relationship delivers, who is taking what and does this represent a 'fair share'? This doesn't mean it needs to be 50/50, however it does reflect a share that's good for both sides.

## SO WHAT! HOW DO YOU USE THE OUTPUTS?

1. Use the insights as the start point to identify the areas you can improve and develop the distributor relationship
2. Where does the relationship need re-alignment and where are the areas of strength that you can build upon?
3. This enables you to switch the relationship from being passive to proactive, focusing on the levers that will positively develop the relationship for mutual commercial benefit.
4. Before doing this go back to the key questions;
5. Is this market a drive &/or development priority for you?
6. Does this distributor have the potential to deliver our aspirations?
7. If the answer is yes to the above two questions, then it's worth spending some time to map out a distributor/dealer relationship development action plan.

Here's an example, with notes:

Your way of working	You are constantly chasing information around order forecasts, stock positions and product tracking through the supply chain, hospital and patient.	You need to sell the benefits to your distributor of you working together. You could focus on co-creating a way of working that meets the needs of both sides.	<ol style="list-style-type: none"> <li>1. Operation to operations heads meeting ~ qtr1</li> <li>2. Project team identified, established and project management leader(s) appointed ~qtr1</li> <li>3. Virtual project team briefing ~qtr2</li> <li>4. Kick off, first collective meeting.~qtr2</li> </ol> <p>Etc, etc.</p>
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## RELATIONSHIP DEVELOPMENT

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What we want them to do:	What they can expect from us:
Import, finance and carry adequate inventory of company brands.	Security of contract
Obtain market distribution at prices & margins competitive with alternative products within agreed distribution parameters by: trade, channel, outlet type.	
Provide sales force coverage geared to achieving distribution penetration objectives, covering all suitable outlets with the brand portfolio identified, achieving in store impact standards.	Mutually acceptable profit and growth potential
External trade credit according to local custom and practice.	Product portfolio that is relevant to the local market and with proven customer acceptance
Work to achieve objectives in respect of sales, volume, in store impact, distribution by channel/outlet type. Market share.	Product research and new product development
Promote the brands through promotional activity, working within agreed guidelines or to agree strategy plans and budget.	Marketing and sales support and national and local level
Provide competitive market intelligence reports	Developed programming for your brands portfolio
Manage key accounts within agreed guidelines and in the best interest of the company's brands	Management/product and sales training
Train staff in product knowledge and professional skills in sales, marketing and management	Regular POS material and sales literature
Participate in the annual sales and marketing planning process, providing local expertise and impact	Well defined distribution strategy
Provide performance and promotional evaluation reports as specified	Management of the supply chain to the point that the distributor takes title of the goods
Provide an organisational structure, both in quality and numbers, capable of achieving agreed objectives and implementing agreed plan	Clearly defined market strategy
Provide a level of service that meets the requirements of customers within each trade channel	Clearly defined sales strategy
Promote a positive image of the category	Support in the management of major accounts

## ONCE YOU'VE APPOINTED A DISTRIBUTOR

Do the same team undertake the on-going management and development of the relationship or is it a separate team that undertake the due diligence, negotiation and passes over to a distributor manager?

### **How the psychology works sometimes**

#### **When it comes to building equitable principal distributor relationships.**

It is equally important to remember that sometimes the psychology doesn't work this way. You can find management teams/people who are highly committed but not at all engaged. They come in to do the deal, yet have little interest in actioning the resulting outcome of the deal. In their minds this is down to another team and not their job/role.

It's just to say that sometimes the rule book that works in most circumstances will need to be put to one side. A management team or owner may be very committed but not at all engaged in the broader relationship. On occasions: so be it,

Once the distributor has been appointed, or you are trying to develop an existing relationship, it is vital to establish what your organisation wants and expects from the relationship (remember why partnerships fail). Setting clear expectations based on knowledge of the market and your own internal capabilities and competencies enables you to plan realistically and set goals. It gives you insight into the size of the gaps within the distributors' operation versus your expectations. Finally, it provides an objective position for negotiation on development areas with potential distributors.

## SUMMARY

It is important you start the relationship from the correct point. This means having clear expectations from both sides on what would be expected from the relationship. Use this as a framework to measure and monitor progress as the relationship develops. Are you clear how healthy the relationship is between both sides and what's in place to address any shortfalls?

## KILLER QUESTIONS

1. What's your intention going into this relationship?
2. Do you know the ability and credibility of the distributor to fulfil what you expect?
3. What level of interdependence do you foresee and what will be the level of commercial benefit?

## TOP TIPS

- Know the gap between what you need and what you get represents your distributor development plan.
- Develop/fix those partners that are 'up for it'
- Understand the limitations of your distributor partner to avoid later disappointment.

## THE ROLE OF THE DISTRIBUTOR MANAGER

This chapter explores the role of the distributor manager (DM) in creating successful partnerships. The DM role is pivotal to understanding the position and influence the distributor has in the supply chain and building relationships.

The distributor manager is responsible for four main areas:

1. Managing the distributor
2. Managing the relationship
3. Managing the market
4. Managing expectations

- |                          |  |
|--------------------------|--|
| Managing the Distributor | <ol style="list-style-type: none"> <li>1. Understand the role and influence the distributor plays within the supply chain.</li> <li>2. Identifies how to influence the key levers controlling and affecting the point of decision.</li> <li>3. Gather relevant distributor information and utilise this information to improve performance against KPI's and evaluated activities.</li> <li>4. Understand how to use the company portfolio to maximize potential in the market and distributor.</li> </ol> |
|--------------------------|--|

Are you doing all of the above?	Partially	Nearly All	Completely

- |                           |   |
|---------------------------|---|
| Managing the Relationship | <ol style="list-style-type: none"> <li>1. Understand the distributors key motivators and key commercial needs.</li> <li>2. Develop structured commercial agreements tailored to the distributors needs.</li> <li>3. Develop motivational programme grounded against the key motivators.</li> <li>4. Undertake formal business development meetings, using structured commercial selling and negotiation.</li> </ol> |
|---------------------------|---|

Are you doing all of the above?	Partially	Nearly All	Completely

## THE ROLE OF THE DISTRIBUTOR MANAGER

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Managing the Market

1. Understand the market dynamics, accessible channels and RTM.
2. Overlay the market dynamics onto the distributors commercial structure.
3. Ensure your market expectations 'vision' is in line with market Developments.
4. Identify development opportunities and jointly work up solutions.
5. Understand the RTM levers and influence points, match them to the distributors operation.

Are you doing all of the above?	Partially	Nearly All	Completely

Managing Expectations

1. Ensure the vision and strategy remain aligned to the markets / distributor potential.
2. Report promptly by period the market performance.
3. Provide twelve month rolling forward forecast, overlaid against budget.
4. Key deviations to be flagged early with a resolution action plan.
5. Identify the key communication flow and ensure market/ distributor reporting reflects the flow.

Are you doing all of the above?	Partially	Nearly All	Completely

The tasks and functions of a distributor manager, 'things a distributor manage actually does,' can be broken it down into key areas:

- In market activities
- Activities undertaken in the field/market
- Activities undertaken with the distributor
- What to check
- Capability and competency development for your distributor
- Database
- Structured communication
- Cost structure
- Reporting performance

It is the DM's job to identify ways to influence the key levers controlling and effecting the POP; gather relevant distributor information and utilise this information to improve performance against KPIs, and evaluated activities; understand how to use the company portfolio to maximise potential within the market and distributor; map the value chain and interpret the financial information; understand and implement the planning process to improve business management; present and agree the plan with both internal and external audiences; undertake regular review meetings with key distributor decision makers.



**In Market Activities**

It is not enough for the distributor manager to have real insight into the relationship, the distributor manager needs to understand the market within which the distributor and your brands, solutions and products operate. Through this understanding, the distributor manager develops an enviable position as an expert on the market and development opportunities.

The tasks and functions of a distributor manager focused on the market, the distributors operation in that market and what needs to be done when on a market visit;

- Understand the market dynamics, accessible channels and RTM
- Overlay the market dynamics onto the distributor’s commercial structure

- Ensure your market expectations ‘vision’ are in line with market developments
- Identify development opportunities and jointly work up solutions
- Understand the RTM levers and influence points, match the distributor’s motivation programme to maximise influence.
- Map the trade structure by channel and ensure the key accounts are managed effectively
- Understand the consumer need states, category segmentation and brand implications.
- Develop a category strategy and vision to maximise the POP

These are some of the areas we would expect you to cover when on a market visit:

<b>Planning</b>	<b>Motivation</b>
• Sales and promotional activity	• Owner/management team
• Standards of performance	• Sales force
• Sales targets and forecasts	• Sub –distributors
• Shipments, sales, stocks and payments	• Customers
• Organisational development	• KOL’s
• Availability and use of resources	
• Economic, political, social development	
<b>Communicating to the Distributor</b>	<b>Performance Monitoring</b>
Philosophies	Measure performance
Policies	Monthly reporting requirements
Programmes	Provide Feedback
Objectives	Prompt corrective action

**CHALLENGE**

What did you actually do today?  
Is it enough? When was the last time you checked?

To develop the areas outlined above, it is helpful to segregate the activities into those undertaken in the market and those undertaken with the distributor.

## THE ROLE OF THE DISTRIBUTOR MANAGER

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KEY ACTIVITIES UNDERTAKEN IN THE FIELD	ACTUAL	ACTION	KEY ACTIVITIES UNDERTAKEN WITH THE DISTRIBUTOR
Making sales presentations with distributors			Review sales performance
Conducting field sales training with distributors sales team			Provide feedback on company and distributor performance
Undertaking field distribution checks			Jointly developing approach
Assessing market reaction to products, prices and promotional activities			Presenting new products, marketing plans and promotions
Seeking and identifying new opportunities			Planning sales and marketing programmes
Problem solving (trouble shooting)			Reviewing achievement against current plans and programmes
Monitoring competitive activity			Developing corrective action programmes to counter deviations from current plans
Monitoring distributors performance/effectiveness			Assisting in distributor sales team and sales management recruitment
Provide feedback on company and distributor performance			Assisting in major sales presentations with local key accounts
Jointly developing approach			Developing goodwill for the company and products

### CHALLENGE

Do you really do these in a systematic way?  
When was the last time you checked?

When in-market, you need to be clear what you are observing and checking. More importantly why you are doing it and what you will do with the insights generated.

## THE ROLE OF THE DISTRIBUTOR MANAGER

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X vs Competitors Distribution	Why?	Action
Pricing	Are you achieving the price levels that equate to your price tree calculations? Is this in line with your competitors	
Distribution Levels	Do your competitors benefit from higher levels of distribution central to your category? Are they present in the key centres/	
Promotional Activities	Are your promotional activities being implemented properly and do they have a greater impact than your competitors?	
KOL's	Are you with the right Key Opinion Leaders/Influencers?	
<b>Distributors Reputation</b>		
Sales Force	Is the sales force enhancing your position?	
Customer Service	Are customer service letting you down and providing an edge to the competition?	
Management	Do you get the right level of focus?	
Product / Market Knowledge	Are they more knowledgeable than our distributor?	
<b>Distribution Achievements</b>		
Your brands		
Other brands handled		
Sales growth rates		
Financial performance		
Your category plans		

### CHALLENGE

Do you see your plans at shopper and / or customer level?  
What do you do when they don't match?

## THE MARKET ACTIVITIES WITH DISTRIBUTORS

You need to focus the visit on what needs to be undertaken, in the field and with the distributor.  
Examples of the key activities are provided below.

Training	Distributor Sales Force
Motivation	Selling skills
Sales planning	Territory management
Sales management	Product knowledge
Performance measurement	Training

### CHALLENGE

Have you provided any capability and competency development for your distributors?

## MANAGING ORGANISATIONAL EXPECTATIONS

It is not enough to be externally focused, however the distributor manager needs to manage internally; ensuring the organisation understands how the market/business is performing and managing internal expectations.

- Ensure the vision and strategy remain aligned to the markets/distributor potential.
- Report promptly by period the market performance
- Provide a twelve month rolling forward forecast, overlaid against the budget
- Identify the key communication flow and ensure market/relationship dynamics are clearly understood
- Contingency planning covers any budgetary upsides or downsides

## RELATIONSHIP BUILDING

Building a relationship depends on a blend of practical and pragmatic experience and proven relationship drivers. Many organisations invest time into selection and onboarding distributors, and once this is agreed and the relationship settles down, they often neglect to keep their eye on what's happening. Getting the relationship off to the right start is important but not the 'end-game'. Below, are a list of questions which give the distributor manager an internal focus on how to kick start the relationship, and some of the tried and tested solutions to managing and developing the relationship.

Contrary to most organisation's belief, it's possible to improve a distributor relationship and make an impact through simple solutions which don't necessarily require a lot of resources, yet are easy to implement and highly effective. To do so, it's worth taking a moment to review your current distributor arrangements:

**1. Does your distributor partner have the tools to do the job?** Despite best intentions, people and portfolios change over time which means the distributors sales team need to have up to date training to sell your products. Without understanding the features and benefits of your products - which can overcome objections or create the customer need - they are likely to fall into price based discussions.

*When was the last time you implemented a formal training programme for your distributors in your key drive and development markets?*

**2. Is your sales and product information relevant?** Product information supplied in an unusable format or language is amongst the top three complaints from distributors. What sales material do you currently provide? Have you surveyed your distributors to ask what works for them? When did you last review and update the support package. Rectifying the above is low cost, and a big impact distributor support area. It can work as a silent sales person for your organisation long after your market visit or last communication.

*When was the last time you reviewed your support material for its relevance and applicability?*

**3. How often do you have contact with your distributors?** Contact is an indication of commitment and a trust builder. It keeps your organisation top of mind, is key in retaining share of mind and share of voice for your portfolio within the distributors everyday business. The better you plan this area the more effective your contact will be – for instance, a quarterly market visit, with monthly phone calls and weekly e-mail leads to a positive relationship driven through the market manager.

Do you use a contact plan? This can increase contact effectiveness even more. Try to include others within the contact framework, e.g., market visits from other functions, planned monthly calls between functions and e-mail, developed against an internally agreed contact plan. In this way the distributor and contacts within the business are receiving a regular and consistent level of communication that ensures your organisation stays top of mind.

**4. Do you incentivise the performance you desire?** It's amazing how often this area is overlooked or badly managed. To ensure you engage, retain the attention of your sales team, make sure you incentivise and reward the areas you want to see work for your portfolio, and don't get side-lined into a catch-all programme.

## THE ROLE OF THE DISTRIBUTOR MANAGER

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Distributor Profile	Distributor File
About the distributor:	Knowledge about our situation with distributor :
Organisation Structure	~ Trading Agreement
• Key personnel: style/needs	• Terms & conditions of contract
• Responsibility levels	• Cost structure
• Contact details	• Pricing/trade/wholesale/Competitor
• Sales force	• Payment terms
• Depots/branches	
• Organisational development plan	
~ Strategies/Plans	~ Current Performance
Portfolio/brands-	Volume/revenue/profit
Categories	Distribution/channel/brand
Share of turnover	Pricing through the chain
Channel focus/coverage	Share of category/distributors turnover
Development plans	KOL Development
Marketing activity	
~ Current Situation	~ Marketing Plans
Volume/Revenue/Profit	Objectives
Financial position	Activity/brand/channel
Distribution coverage	Budget
Outlet coverage levels	ROI
Customer service levels	~ Sales Plans
Pricing policy	Objectives
Trading agreements	Actual
Activity levels /timings	Budget
	~ Key Project Initiatives
	Cat dev ~ Customer to In-Home
	~ Communication
	Contact Report
	Internal
	~ Three year plan
	Vision
	Objectives
	Investment
	ROI
	Distributor
	Investment/commitment
	External

## PARTNER DATA BASE: OPERATING STANDARDS

A key element of the distributor managers role is the ownership, management and updating of the distributors, market and our performance information. This should be in a format that is readily accessible, yet provides information relevant to the person's level and responsibility within the organisation.

## CHALLENGE

Can you find this information in the profile/file?

## STRUCTURED COMMUNICATION: OPERATING STANDARDS

The market manager is often the conduit for information between you and the market, distributor and customers. It is important to develop and maintain a consistent and structured approach across the business. This is a very important distinction and needs to be recognised in law, what can and can't be done and needs to be understood by the market manager. It directly impacts what can and cannot be discussed in certain subject areas. For example, in most jurisdictions Competition Law will restrict what can be discussed and what data can be exchanged between the parties. Pricing being the most obvious example. The penalties for getting this wrong are severe. So, in terms of pricing audit comments, they need to be framed in terms of what local jurisdiction permits. In general, a third party distributor must decide their pricing to their customers and be seen to be deciding. Some companies undertake extensive training every year with constant dialogue between commercial managers and their legal team on a case by case basis on Competition Law issues. People need to have their 'eyes wide open' in this area.

Meetings	
Preparation	i) Written objectives and agenda to be agreed, minimum 5 working days prior to the meeting date
	ii) Data required for the meeting to be briefed and / or exchanged minimum 5 working days before the meeting date.
	iii) Personnel to attend the meeting to be agreed 5 working days before the meeting.
Format	i) Slide show/overhead or hard copy of slides (Copy for distributor)
	ii) Generic Smartmaster Background
	iii) Graphic Colour
FOLLOW UP	i) Minutes and action points to be written up with:
	- Statement achievement versus objectives
	- Responsibilities for specific action points
	- Timescale for achievement of action points
	ii) Minutes /action points to be received by partner, maximum 3 working days after the meeting

Another legal watch out (particularly if a British company) are the supplier/brand owner obligations/liabilities under Anti-Bribery and Corruption legislation. If you have a potential (or current) distributor who will not engage on the subject or sign up to the right processes our counsel: don't do business with them.

## THE ROLE OF THE DISTRIBUTOR MANAGER

.....

CONTENT GUIDELINE	
i) Performance	i) Market performance, total and category.
	ii) Relationship performance; YTD versus LYTD, BOY versus plan, forward stock cover, key issues and key actions
ii) Marketing	i) Actual versus plan
	ii) Effectiveness/evaluation
	iii) Confirm forthcoming activity: timing, cost
iii) Distribution	i) Channel coverage
	ii) Outlet penetration
iv) Customer Impact/contact	i) Customer relationship quality
	ii) Frequency of contact / review
	iii) Pricing: key brands, Competitor key brands
	ii) Minutes /action points to be received by partner, maximum 3 working days after the meeting

### CHALLENGE

Are you meeting the standards?

Have some of them lapsed?



## COST STRUCTURE: OPERATING STANDARDS

Keeping tight financial control over the relationship is crucial if you want to drive long term sustainable value. It ensures the relationship remains mutually equitable for both parties, providing a platform for on-going investment. It ensures you keep re-enforcing the importance of the relationship from a financial value point of view.

Market Cost Structure	Profit & Loss Management	Other Finance Issues
<ul style="list-style-type: none"> <li>- The cost structure from prime cost to customer price must be understood, competitive &amp; sustainable.</li> <li>- The distributor margin (% &amp; cash) must be agreed.</li> <li>% Contribution to trade costs.</li> <li>% Contribution to fixed costs.</li> <li>% Net profit</li> <li>- The Distributors P+L should be calculated / reviewed 2 times per year.</li> <li>- Expenditure responsibilities must be defined &amp; built into the distributor margin.</li> </ul>	<ul style="list-style-type: none"> <li>- The market P&amp;L must be evaluated every period.</li> <li>- Every brand in the portfolio must have a minimum 50% Gross contribution after marketing and sales costs. Brands delivering less than 50% must be signed off on a market needs/business case basis.</li> <li>- Invoicing currency movements must be analysed every period with appropriate action implemented.</li> <li>- Marketing &amp; Commercial spend must be accrued every period in line with the sales benefit generated by the spend.</li> </ul>	<ul style="list-style-type: none"> <li>- The distributors price list must be on file. (A benchmark for pricing decisions + timing of last increase).</li> <li>- Finance terms must be documented and performance checked every period. This must cover payment terms (i.e. number of days credit) + Invoice terms (i.e. FOB or CIF) + Method of payment (i.e. open account or letter of credit, etc.)</li> <li>- Incentive schemes (see motivation)</li> <li>- Any distributor transfer must deliver a positive NPV (net Present Value) in 2 years.</li> </ul>

### CHALLENGE

Are you really doing the above?

## REPORTING PERFORMANCE: OPERATING STANDARDS

REQUIREMENT	DATA PROVISION	COMMENTS
1. Partner Monthly Report	Stock and sales for the month + cumulative versus previous year.	To be received maximum 5 working days following the month end.
	Volume/Value (Actual/Budget)	
	Customer price audit, competitor activity summary.	
	Report on implementation, evaluation & expenditure of agreed activity plan.	
	Monthly update of 12 months rolling order forecast.	
	Distribution by channel by outlet (monthly report template available).	
2. Regional Manager Period Report	In market performance (as par 1 above).	To be received on the Monday WK3 of every period.
	Report on implementation, evaluation and expenditure of agreed activity plan (could include activity not controlled by our partner i.e. media/ research)	
	Period update on full year P&L latest estimate.	
	Profitability analysis with key issues & action plans.	

## REPORTING PERFORMANCE: OPERATING STANDARDS

Key Indicators	a) Year on year performance
	b) Year to date: Balance of year
	- Is the performance year to date consistent with year to go estimate?
	- Is the balance of year estimate built up from a solid base: i.e., stock movements, NPD, promotional phasing, competitor behaviour, seasonality, etc?
Forecasting	- A rolling 13 period/12 month forecast by product is required from distributor partners (mandatory).
	- Forecasts must be based on customer demand and evolving trends (not just the current situation).
Finance	Commercial managers must review profit and loss statements on a period basis. Certain key measures are a priority.
	a) Sales value, gross contribution (GC) and market profit per key product versus budget and previous year.
	b) Moving annual totals (MAT's) on sales and market profit
	c) Sales (value), GC, marketing spend and market profit versus budget and previous year.

N.B. It is the responsibility of every commercial manager to understand business performance on the day reports are published.

### CHALLENGE

Have you enrolled your distributors in the process?  
Do they see the benefit?

## SUMMARY

The distributor manager is pivotal to the success of the organisation's development within the market. The capabilities and competencies of an effective distributor manager are not easy to find, however can be developed. The demands at a tactical, operational level need to be balanced against the strategic longer term market and relationship potential. The four areas identified:

1. Manage the distributor
2. Manage the relationship
3. Manage the market
4. Manage the expectations

These provide a framework for a distributor manager to organise, check their own performance and develop. Once this is underway further detail enables a proactive distributor manager to dig deeper into the key areas to improve their efficiency and effectiveness.

## KILLER QUESTIONS

1. Do you know the quality of the relationship you have with your distributor partner?
2. Do you know the quality of the relationship your distributor has with your customers?
3. When was the last time you personally trained the distributors sales team?

## TOP TIPS

- Undertake regular updates within the organisation to manage expectations.
- Visit customer beyond the obvious market in each region to get a view of the distributors operational effectiveness.
- Ensure you have meetings with more than the principal when you visit.



## MOTIVATION & REWARD

Whilst you only have one distributor, it's worth bearing in mind that you may be one of a number of companies within the distributor's portfolio and staying top of mind can be a challenge even when you have an excellent relationship. This chapter focuses on practical ways to motivate and reward your distributor.

Even when the distributor is highly engaged with your organisation, you may not be getting the share of mind and share of voice your portfolio deserves. It is easier to focus a sales team at customer facing level on your goals if they are motivated and rewarded in the right way.

You can augment your relationship by instigating a reward and motivation programme that gains the share of mind and share of voice and delivers for you at customer facing level. This doesn't need to be a financial bonus as often thought, reward and motivation is an area that spans many elements and one that can be pro-actively planned. Within this section we will explore the 'how' of reward and and motivation to enable you to develop your own Reward and Motivation plan for your key distributors.

The first thing companies often do is throw money at the distributors sales force through incentives, bonuses, etc., as an approach to reward and motivate the customer facing teams. Unfortunately, this can be expensive, short term and not ideal as a standalone R&M programme. We need to address two things - what are the main motivational drivers? What constitute the levers of a good reward and motivational programme?

### Key areas to address for the distributor manager.

1. Securing the time and focus of the customer facing team.
2. Pro-actively planning reward and motivation for short, medium and long term
3. Bringing together the financial and non-financial elements of R&M.
4. Confidence that the customer facing team are focused on your plans
5. The ability to tie-in across the region.

### How Do You Do This?

There are two distinct groupings, organisational and social, which can help you filter and focus on the best approach to motivating your specific distributor, based upon the relationship you currently enjoy. With each one an example is offered, which aims to bring it to life and help trigger the development of your ideas in this area.

### What does Social mean?

We focus on four different sub-areas. These relate to the individual relationships with members of your distributor teams; they relate to you or on a personal level, and how show how they can generate reward and motivation, with examples you could develop for your own organisation.

SECURITY

HARMONY

RECOGNITION  
/ ESTEEM

ACCEPTANCE  
/ FRIENDSHIP

## MOTIVATION & REWARD

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SOCIAL		Example
Security	Belonging to a team of winners	<p>Sharing the company strategy and solid performance</p> <p>Highlighting the innovation and product excellence</p> <p>Sharing distributor 'good practice' from other markets within the region.</p> <p>Entry to the distributors platinum club</p> <p>Distributor of the year award</p> <p>Distributor conference for the achievers/ winners</p>
Harmony	A solid framework to the relationship negates uncertainty and conflict	<p>Operating within a co-created joint business plan</p> <p>Formalised relationship review mechanism</p> <p>Regular, open and multi-level communication</p>
Recognition / Esteem	Identified as a success and feeling valued	<p>Leader board of the distributors within the region</p> <p>Distributor of the month, quarter and year</p> <p>Awards ceremony for top distributors</p> <p>Sharing a league table with the region</p> <p>Tiered membership to distributor club and invitation to join based upon performance</p>
Acceptance / Friendship	Working within the team and seen as a team member, gaining support through the team network	<p>Distributor team members invited to development/growth meetings</p> <p>Distributor team members invited to organisations social events</p> <p>Distributor team members included within organisational initiatives.</p>

## WHAT DOES ORGANISATIONAL MEAN?

The term refers to the relationship the distributor has with the management team and your organisation. These are elements of reward and motivation that are directly related to your organisation and areas you can lever. We deal with each one in turn, with a description and example.

## ORGANISATION

MANAGEMENT  
EXPERTISE

VALUE  
ENHANCEMENT

SECURITY

STATUS  
/ PRESTIGE

**Let's bring it to life: How can you influence your distributor?**

ORGANISATION		Example
Management Expertise	You provide the expertise in specific areas that would help your distributor's team. It is worth remembering that once the knowledge is transferred it loses its value as a motivator.	Category insight Technical and product staff development Sales and negotiation capability and competency development Managing and developing key accounts.
Value Enhancement	You identify that through improved individual and /or team performance the organisation increases its value and opportunity to reward it staff	Development of bonuses related to performance targets. Team based recognition through a value based reward.
Security	Strong organisation + good performance = job and contract security	Communicating performance The principals commitment and named within newsletters, etc.
Status / Prestige	Being the best or within a team of the best. Belonging to a growing and developing organisation – association with success.	Recognition of performance achievement Awards for individual and/or team performance Invite to regional distributor conference League table and leader board (monthly / quarterly)

## WHAT DO YOU NEED TO ASK!

It's all about what you know about your distributor partner. The questioning and understanding of what type of reward and motivation will gain you the enhancements you require. Often it's a balance of elements as purely financial reward can lose its effect over time. The social elements focus on the customer facing teams and organisational elements with the principal and/or senior leadership team.

### **So, start asking these high gain questions around reward and motivation.**

1. Have you run any reward programmes in the past, especially which ones from memory were the most effective and why was that?
2. If you could implement your ideal sales team reward programme what would it be?
3. What do you find the most effective with your sales teams, short term reward programme or something that builds over time, could it be a blend of both?
4. What really gets them focused, financial reward or being seen as the best? Have you mixed them before and what results did you get?
5. As a business what really motivates your organisation?
6. Do other companies run distributor of the year, quarter awards and how does that tend to work? What have you found to be the most effective for your business.

Use the answers to these questions to influence and develop your reward and motivation plan.

### **So What! How do we use the outputs?**

The reward and motivation drivers above provide you with the ideal platform and insight to develop a market specific plan. This can be overlaid and augmented into a regional plan adding an additional level of reward into the programme.

1. Be clear about what you want the R&M programme to achieve and deliver for you. What are the programme objectives and over what time period do you want it to run?
2. How will it be measured and administered?
3. Which elements will you focus on?
4. Keep it simple.
5. Make sure you are not paying for something you would normally expect your distributor to deliver.
6. Put 'pen to paper' and develop the proposed reward and motivation plan into a two pager that you can share internally and then with your distributor partner. This should be a sales orientated document as you are trying to gain buy-in to the programme.
7. Finally, can this programme gain leverage through application across the region? i.e., local performance goal achievement gets reflected into a regional league table with distributor of the quarter gaining a bonus or award and an eventual accolade of distributor of the year.



Distributor Motivation and Reward Plan			
Social	Security	Belonging to a team of winners	WHAT IS YOUR PLAN?
	Harmony	A Solid Framework to the relationship negates uncertainty and conflict	
	Recognition / Esteem	Identified as a success and feeling valued	
	Acceptance / Friendship	Working within the team and seen as a team member, gaining support through the team network	
Organisation	Management Expertise	You provide the expertise in specific areas that would help your distributor's team. It is worth remembering that once the knowledge is transferred it loses its value as a motivator.	
	Value Enhancement	You identify that through improved individual and /or team performance the organisation increases its value and opportunity to reward it staff	
	Security	Strong organisation + good performance = job and contract security	
	Status / Prestige	Being the best or within a team of the best. Belonging to a growing and developing organisation – association with success.	

## SUMMARY

Reward & Motivation is a key element in the distributor manager's toolbox. Used efficiently and effectively it can ensure your organisation grows share of mind and share of voice beyond your market visit. Start by asking your distributor and sales team what works best for them. Use the key levers to develop a creative programme that doesn't overly rely on just one element of reward and motivation.

## KILLER QUESTIONS

1. What works the most effectively for your distributor and sales team?
2. How can you reward and motivate the sales team beyond financial inducement?
3. Which levers of reward and motivation work the most effectively for your distributor sales team?

## TOP TIPS

- Margin is a poor motivator – treated as a hygiene factor.
- Think 'total reward package.'
- Different distributors are motivated by very different things.

## SELL TO - SELL THROUGH

Why do your distributors and customers buy your products/brands/services? This question is often overlooked and misunderstood by distributor developers. A key skill of the distributor manager is to work through a number of sales lenses which means understanding many different requirements and needs. Any successful sales process with the distributor partner must focus on the needs of the distributor business; this would typically be consultative in nature, seeking a mutual commercial outcome extending through the distributor organisation into how the sales people would sell the proposition to their target customers. In some instances, it goes a stage further to cover how the target customers sell, sample, display etc., to their customers, consumers and shoppers.

The model of good selling to distribution partners recognises that selling through the supply chain is inherently more complex than traditional selling. Partner managers need to sell the benefits to both the distribution partner, other supply chain links and the

end customer of your company's products/ services. Selling effectively will improve partner focus and motivation levels.

**Why is the tool of value for partner managers?** It ensures you sell all benefits at all times which will improve partner and market performance.

**Top tips for developing/using the tool –** invest time to write down the benefits for every link in the supply chain and end users whenever you have a major company deal or initiative to sell – then create your selling presentation. Look to quantify benefits in not only customer outcomes however also in value terms whenever possible, particularly for the distribution partner. Make your partners life easy by preparing their onward selling presentation in benefits language.

List out the reasons you think your distributors /dealers 'BUY':

	channel	channel	What's missing	What are customers looking for
1	Performance	Unique product		
2	Brand recognition	Brand recognition		
3	Portfolio fit	Portfolio fit		

	channel 1	channel 2	What's missing	What are customers looking for
1	Performance	Reputation		
2	KOL/Case Study	Track Record		
3	Innovation	Applications		
4		Satisfied customers / repeat		

## WHAT DO YOU NEED TO DO?

1. Put yourself in the shoes of one of your dealers' sales people. How would you overcome an objection from a customer about buying your products versus the competition?
2. Do they know your propositions 'why buy?' Test them/train them!

It starts by having a development proposition for the market. Take time with a cross-functional group to develop all the elements of the 'why buy' proposition for the company and product/solution/service. It doesn't matter how small or (in your view) insignificant. Draft out the needs of the distributor, how do the elements of the proposition fit and map out the needs, beliefs and wants of the distributor. How do the elements of the proposition fit, and what does the footprint look like? This becomes the basis for your distributor sales approach, pitch and presentation.

Switch the emphasis slightly, and work with the distributor sales and marketing team to develop the proposition for the end customers. Get them to list out the needs, beliefs, and wants. Match the proposition elements to this and identify areas of competitive advantage and/or potential objections. Develop the proposition footprint and use the outputs for sales team and sales aids and training, and how to handle objections.

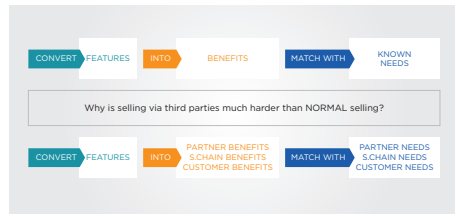
You may be able to take this a stage further, with the sales team or a friendly customer to develop how they would sell it to their customers, shoppers, consumers. With this in mind develop POP vision, materials and support.

## SUMMARY

The proposition you develop for your distributor will be based on your understanding of their needs, insights and how the portfolio can meet/exceed those needs. This translates into mutual commercial value for both sides. However, when approaching the market, you will need to work with the distributor's sales team to undertake this exercise however from an end customers perspective. How does the portfolio meet the needs of the customers in the market to develop mutual commercial benefit?

## KILLER QUESTIONS

1. What is your product/solution proposition for your distributor?
2. How will they sell your product/solution to their customers?
3. What's the commercial opportunity for the distributor and their customers?



## TOP TIPS

- Get someone you know and trust to play the distributor and develop the proposition with them until they are satisfied.
- Undertake the same exercise with someone 'standing in the shoes' of a customer or different types of customers. Use the insight as the catalyst for a distributor's sales team 'how to sell your brand/product/solutions workshop.
- Work with the sales team to ensure the proposition you developed is the one actually being delivered.

## JOINT BUSINESS PLANNING

This chapter addresses the on-going challenge of managing and developing the relationship. It focusses on joint planning, relationship reviews and relationship measures. If you have a relationship that's underperforming, stagnating and it's difficult to pinpoint why it's not performing, then read on:

### PLANNING FOR GROWTH OR JOINT BUSINESS PLANNING

Distributor Managers can often be given a target to achieve which they then impose on the distributor partner as their budget/target for the next financial year. Apart from demotivating everyone, this approach also ignores the best in-market resource you possess – your distributor partner! Start from a position of knowledge. Ask your distributor partner to join you in planning the year or years ahead as a collaborative unit. They can offer insight about the market, customers, category, where growth is likely to come from and how much growth you can expect.

It is better to understand how the distributor plans to grow their business so you can work with it and harness it collectively. At worst this process provides insight on any pitfalls ahead. As a distributor manager, you bring insights into the process based on the company's strategy, market development plans, innovation and development activity.

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### CASE STUDY

A medical devices organisation imposed an arbitrary 5% growth target across the board. It was only when the organisation entered into joint planning, that it became clear the potential was close to double that figure. It is important to understand where the distributor leadership team sees growth for their business. This may have a positive or negative impact on your own development. When faced with looking at potential growth, the MD of a large regional distributor for a life-sciences company, claimed he could add about 3-4 million dollars, by moving into neurosciences, as the rest of the sectors were quite flat. This is a classic example of a distributor using an already established supply chain to grow through new product distribution. This isn't good for the client or the distributor manager but, it's a good example of a distributor manager unable to offer value add and creativity within the relationship to offset the need to look at other therapy areas.

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## THE FIRST STAGE OF THE PROCESS

Agree the information both sides need to develop and bring to the initial planning workshop. Set a date and decide who needs to be at the planning workshop. Your stakeholder map could be a useful guide to the best audience. Establish an outline agenda between yourself and the distributor leadership team –see the example below.

Stage	Detail	Timing
Intro	Aim of the day Expectations	9.00 ~ 9.30
Vision	Collective view of the joint plan outcomes captured in a charter	9.30 ~ 10.30
Outside	What's going on in the market, category, customers	10.30 ~ 11.30
Inside	Our growth aspirations Your growth aspirations	11.30 ~ 12.30
Joint SWOT	Undertaking a SWOT from a joint perspective mixed group	13.30 ~ 15.00
Prioritising	Identifying the value streams	15.00 ~ 16.30
Action planning	Developing 30, 60, 90 day plans.	16.30 ~ 17.30
Next Steps	Agreeing the review process	17.30 ~ 18.00

At the first workshop it is useful to use a joint SWOT as a focus point for the information both sides have developed. Here's one that works well across a number of sectors:

Strengths (joint perspective)	<b>We should emphasise, develop, ring fence</b>	Opportunities (we could collectively develop)	<b>We could develop, enhance, plan, seize.</b>
Weaknesses (joint perspective)	We could, negate, work-around, reduce and/or eliminate	<b>Threats (we face to the continued growth and development of the relationship)</b>	We could work around, evade, mitigate, eliminate take head-on.

Here's how to complete the template:

Strengths (joint perspective)	<b>We should emphasise, develop, ring-fence</b>	Opportunities (we could collectively develop)	<b>We could develop, enhance, plan, seize.</b>
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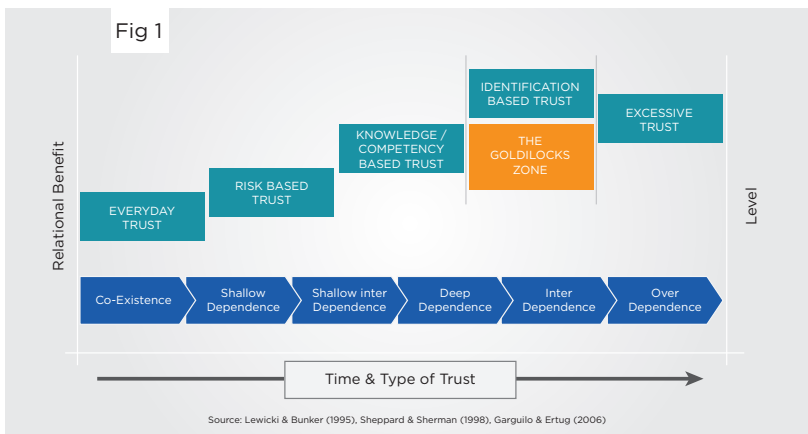
## JOINT BUSINESS PLANNING

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<p><b>In this part list out all the things the team think represent the strengths from the relationship, i.e. the two brands, the way we work, trading history, etc.</b></p> <p><b>This needs to be developed from a joint platform and represents the core elements of your relationship with this customer.</b></p>	<p>What could we do as team to harness the relationship to build on, develop or hold to and maintain the strengths we have identified?</p>	<p>In this part list out all the things the team think represent the opportunities on offer to the collective relationship, i.e. premium brand development, linking landside to airside, etc.</p> <p>This needs to be developed from a joint platform and represents the growth and development elements of your relationship.</p>	
<p>Weaknesses (joint perspective)</p>	<p>We could, negate, work-around, reduce and/or eliminate</p>	<p><b>Threats (we face to the continued growth and development of the relationship)</b></p>	<p>We could work around, evade, mitigate, eliminate take head-on.</p>
<p><b>In this part list out all the things the team think represent the weaknesses in the relationship, i.e. the two brands, the way we work, trading history, etc.</b></p> <p><b>This needs to be developed from a joint platform and represents the core elements of your relationship with this customer.</b></p>	<p>In this part list out all the things the team think represent the weaknesses in the relationship, i.e. the two brands, the way we work, trading history, etc.</p> <p>This needs to be developed from a joint platform and represents the core elements of your relationship with this customer.</p> <p>What could we do as a team to overcome the weaknesses we have identified?</p> <p>These often form joint actions, requiring creative solutions and collaborative working which is a key element of relationship building.</p>	<p>The team look outward at the market, category, competition and channel. They determine what could stand in the way of the relationship achieving the potential outlined and developed by the joint team. This needs to be developed from a joint platform and represents the hurdles to the growth and development of your relationship from the external environment.</p>	

REMEMBER:

- Make sure you have a joint team looking at each area!
- Number all of the outputs
- As a team prioritise what you could do together to make some of this happen and work around the rest.
- At this stage try and cluster some of the outputs, it will be easier to manage them going forward
- As you move towards evaluating the development areas, start from a market and category first. E.g., if the market is predicated to carry on growing at +2% then that's the baseline for the joint plan.
- A key driver of a strategic 'goldilocks zone' trust based relationship is the development of a co-created and mutually beneficial joint business plan.



DEVELOPING A STRATEGIC BUSINESS FRAMEWORK

This section explores and develops a joint business planning process that allows you to develop a strategic business framework beyond the normal annual planning process. This framework provides a consistent approach across the business. This consistency of approach has been proven to develop customers to view the supplier within a strategic longer term context, leading to greater value opportunities.

The Joint Business Partner Plan (see below) document is a good practice framework for a strategic customer relationship. The plan starts with a long term 'mission/vision' stating where your customer would 'like' to be in circa 3 years' time, flows through the market situation, action plans and objectives before finally arriving at numbers.



### Why is the tool of value for distributor managers?

The process of planning drives high quality thinking about the market opportunity and leads to plans which optimise the FULL OPPORTUNITY for you and the distributor. The plan provides direction and should be co-developed with the partner in order to enrol their support in achieving the objectives set.

Top tips for developing/using the tool - Take time to research the market opportunity before completing your plan. Where possible work jointly with your partner in creating the plan – in that way they will be more committed. Convert your plan into a partner benefits based presentation and 'sell' the benefits of achieving the plan.

1. Both sides are involved within the development
2. Develop stretch plans
3. Use plan as the review framework
4. Use plan as key feed for the contract development
5. Plan is the relationship foundation, make sure the foundation is a strong one

## THE PROCESS AND KEY TEMPLATES

This section covers the entire process step by step and provides both examples of the templates 'how to' instructions and 'completed'. It assumes the development of a joint business plan is something both sides are equally committed to creating. If not, then you will need to ensure it remains mutually viable through the development process. It may also be worth setting out the context and the 'why bother.'



**Reasons for developing a joint plan:**

1. Provides a development framework for the relationship beyond the normal annual planning time horizon.
2. Means both sides are equally committed to the realisation of the value opportunities the plan identifies.
3. Enables the development of collective experiences, which leads to deeper trust based relationships.
4. Facilitates cross-functional working, deeper understanding of the organisation and stakeholders. Develops the internal networks beyond the procurement team.
5. The alignment of category insight and customer strategy unlocks not only short to medium term potential, but allows a longer term perspective to category development.
6. Develops a framework that is almost impossible for the competition to replicate

**INSIGHT**

Begin by collecting what you know about the 'big bad world' you operate in, your collective competition, categories, customers and shoppers. Then, take a hard look at what you are really good at: individually and collectively. Apply a heavy dose of 'so what' to uncover the insights from the analysis. You will need to run a number of interactive workshops with a cross-functional team, comprising your people, and those from your customer's

category team, to collect information and insights. From experience, it is advisable to get an outside/objective party to undertake the first workshop. This retains a level of impartiality and objectivity in the process, allowing time for a greater level of trust to develop and transferring it to the joint working party/project team.

The first task is to focus on the external and internal world from a collective perspective.

**HOW?**

1. Organise into two mixed cross-functional teams

**Team exercise one:**

2. What are the 'big questions' you need to answer?
  - a. What is the market doing and how is it likely to develop?
  - b. How will outside factors impact upon It: economic, political, social, technological, environmental and legal (regulation)?
  - c. What is the category doing within the retailer's estate and what development is planned?
  - d. What's happening in the market and where are you strong?
  - e. What do you know about your consumers, what are your plans?
  - f. Who shops your category? How is this changing and how do you stack up to take advantage of these changes?
  - g. What is your competition up to and what are they likely to do?

JOINT BUSINESS PLANNING

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**What do you know? (jointly developed with the customer within a cross-functional team)**

Externally	What	Internally	So What
Market		What are you good at	
Category		How good are you?	
Retail		What are you really good at?	
Consumers			
Shoppers			
Competition			

**HERE'S HOW TO COMPLETE THE TEMPLATE:**

**What do you know? (jointly developed with the customer within a cross-functional team)**

Externally	What	Internally	So What
Market		What are we good at?	
Category			
Retail		What are you really good at?	
Consumers			
Shoppers			
Competition			

## KEY OUTPUT

- The core success factors of the relations
- The core watch out factors of the relationship
- An outline vision 'art of the possible' for the relationship.

## CREATING A JOINT SWOT

Unlike the traditional SWOT (strengths, weaknesses, opportunities and threats), the analysis outlined above will enable you to develop a SWOT to focus on a relational perspective. It builds on the previous insights and lays a strong foundation for the joint planning process. It also acts as a seminal relationship developer, building joint understanding, trust, collaborative insights, and collective experience.

## HOW DOES IT DIFFER?

1. The strengths and weaknesses are completed from a joint relationship point of view. This works more effectively if you mix up your team and customer team, and then form two mixed teams. One focuses on the strengths and one on the weaknesses. These represent the internal dimensions of the relationship, in effect what's working and what's not working.
2. Now, turn the attention of the two teams outwards onto the opportunities you could both work on collaboratively to develop value, and the threats you face in pursuit of continued collaborative growth and development. In essence, where are the growth opportunities, and what could prevent you from getting them?

### **You now have the four key areas mapped.**

The next step is to apply the SO WHAT! to the JOINT SWOT.

3. Stay in mixed customer teams. One team takes internal positive strengths and external negative (threats). The other team takes an internal negative (weaknesses) and external positive (opportunities). This prevents one team getting all the negatives.

### **The focus is on how, as a team, you can:**

- a. Emphasise, develop, ring-fence, enhance seize, etc. - the strengths and opportunities the team have already identified.
- b. Negate, work around, minimise, sort out, resolve, etc. - the weaknesses and threats already listed out by the team.

These form the basis of value development for the next couple of years. They have been jointly developed they are jointly owned.

## JOINT BUSINESS PLANNING

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Strengths (joint perspective)	<b>You should emphasise, develop, ring fence</b>	Opportunities (you could collectively develop)	<b>You could develop, enhance, plan, seize.</b>
Weaknesses (joint perspective)	You could, negate, work-around, reduce and/or eliminate	<b>Threats (you face to the continued growth and development of the relationship)</b>	You could work around, evade, mitigate, eliminate take head-on.

Here's how to complete the template:

Strengths (joint perspective)	<b>You should emphasise, develop, ring-fence</b>	Opportunities (you could collectively develop)	<b>You could develop, enhance, plan, seize.</b>
<p><b>In this part list out all the things the team think represent the strengths from the relationship, i.e. the two brands, the way you work, trading history, etc.</b></p> <p><b>This needs to be developed from a joint platform and represents the core elements of your relationship with this customer.</b></p>	What could you do as a team to harness the relationship to build on, develop or hold to and maintain the strengths we have identified?	<p>In this part list out all the things the team think represent the opportunities on offer to the collective relationship, i.e. premium brand development, linking different luxury user occasions, etc.</p> <p>This needs to be developed from a joint platform and represents the growth and development elements of your relationship.</p>	
Weaknesses (joint perspective)	You could, negate, work-around, reduce and/or eliminate	<b>Threats (you face to the continued growth and development of the relationship)</b>	You could work around, evade, mitigate, eliminate take head-on.
<p><b>In this part list out all the things the team think represent the weaknesses in the relationship, i.e. the two brands, the way you work, trading history, etc.</b></p> <p><b>This needs to be developed from a joint platform and represents the core elements of your relationship with this customer.</b></p>	<p>What could we do as a team to overcome the weaknesses we have identified?</p> <p>These often form joint actions, requiring creative solutions and collaborative working which is a key element of relationship building.</p>	The team look outward at the market, category, competition and channel. They determine what could stand in the way of the relationship achieving the potential outlined and developed by the joint team. This needs to be developed from a joint platform and represents the hurdles to the growth and development of your relationship from the external environment.	

## JOINT OPPORTUNITY

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### JOINT CHARM

Value lever	What	Is it worth it?	
		Ease	£££
Create New			
Hold			
Add			
Risk Mitigation			
Manage Cost			

### JOINT OPPORTUNITY

What's the opportunity	Size of the prize	Time Required	Investment
1.			
2.			
3.			

Joint Plan What	So What	So What	
		Who	When
1.			
2.			
3.			

## MANAGING PERFORMANCE, TARGETS & KPIS

### Context

Ideally, distributors would all to work towards achieving your market and growth objectives; operating as extensions of your sales and marketing capability outside of your home markets. Unfortunately, this is not always the case. Distributors often pursue their own agenda or carry on in the same old way they always have. If you want to change the way your distributors respond to your targets, growth aspirations and market based objectives, then you need to rethink the way you work, as it's more about changing behaviours. The old adage holds true, measures drive behaviours, so before embarking on a sat of measures understand the behaviours you would like to develop.

### DIFFERENT NEEDS

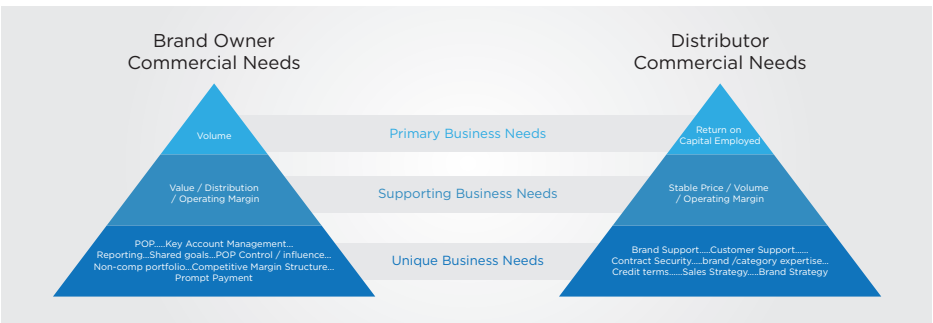
The most common problem arising when targets and measures are not working within a distributor relationship, is that of differing needs. The targets and measures being deployed are diametrically opposed to those of the distributor. It's worth taking a moment to map the distributor's needs, and see where they align with yours, or how you can harness them to achieve your brand objectives.

### Working Example: Identify your approach and business objectives:

In this example, the distributor is primarily focused in making his money work as smart as possible, yet you are pursuing volume. It's important, therefore, to frame the measures and requirements to hit the distributor's sweet spots.

### WHAT'S THE UPSIDE?

1. Provides a joint platform for development.
2. Ensures you measure the things that are important to your distributor and to your business.
3. Linking targets to the needs of your distributor.
4. Enables you to see which areas are going to be of the most interest and those that will need work.



## BEHAVIOURS

The old adage still holds true 'measures drive behaviours.' But, what exactly are the behaviours and measures you need to put in place to develop them?

For example, if you would like your distributor to develop a focus on selling and developing premium lines or products, then measuring volume is unlikely to encourage the move.

Use the following table to identify behaviour areas you can use as a development platform for your programme.

Behaviours	Your MARKET FOCUS	
	YES	NO
Focus on areas of the market and customers that use a number of units and replace on a regular basis		
Focus on sectors and customer that use specialist, premium equipment and require a higher level of expertise.		
Focus on managing the value of the total customer base through retention and new business generation.		
An internal awareness of the level of customer experience that influences relationship and retention.		
Focus on growing overall profitability. Managing the market / region rather than continual focus on chasing new.		
Focus on writing business that delivers long-term sustainable value and maximises customer potential.		
Develop a customer centric account management. Focus on building trust, interdependence and value share within a customer centric framework.		
Sales focusing on solution /added value selling and growing the total customer value. Effective farming & account management. Leading transformation in the market.		
Attuned to the market and forecasting accurately		
Drive to increase market share. Attention to closing the deal and seeing it all the way through to the order.		
Reason for loss as key feed into continuous improvement programme.		
Real focus on prioritisation, time management and face to face sales effectiveness		
Identification of additional value streams within the overall basket to manage the figure upwards over time.		
Development of team stability and increased retention.		
Seeking out development roles and opportunities. i.e. Company champion(s)		
Focus on motivating and developing the team as a core driver of growth in productivity, customer satisfaction, employee retention and profitability		

## JOINT OPPORTUNITY

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Behaviours	MARKET FOCUS		Descriptor	Measure
	YES	NO		
Focus on areas of the market and customers that use a number of units and replace on a regular basis			Monthly measure of the number of units shipped and sold within the market.	Number of units shipped and sold
Focus on sectors and customer that use specialist, premium equipment and require a higher level of expertise.			Monthly measure of the value of the units shipped and sold within the market	Value of units shipped and sold
Focus on managing the value of the total customer base through retention and new business generation.			Monthly measure of losses and gains by channel /sales team.	Customer movement
An internal awareness of the level of customer experience that influences relationship and retention.			Levels of relationship quality, risk of loss, view of the customer facing team and support functions as a %.	Customer satisfaction
Focus on growing overall profitability. Managing the market /region rather than continual focus on chasing new.			Gross profit by team/ individual MAT, LY vs TY	GP of sales
Focus on writing business that delivers long-term sustainable value and maximises customer potential.			Average monthly GP for all accounts in team/ individual portfolio post-sales. Taking account of customers lost and gained.	Account Value (post sales)
Develop a customer centric account management. Focus on building trust, interdependence and value share within a customer centric framework.			% of defined top customer working within a co-created joint business plan	Number of JBP's in place with defined top customers (Key Accounts)
Sales focusing on solution /added value selling and growing the total customer value. Effective farming & account management. Leading transformation in the market.			Number of new solutions and services sold; (need to reflect our offerings here that move the business towards total sample prep centric services) A = x, b = y, c = z	Up-sell: additional equipment and Services in field



## JOINT OPPORTUNITY

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Behaviours	MARKET FOCUS		Descriptor	Measure
	YES	NO		
Drive to increase market share. Attention to closing the deal and seeing it all the way through to the order.			Number of proposals that lead to an order as a %.	Proposal conversion (reason for loss recorded)
Reason for loss as key feed into continuous improvement programme.			If unsuccessful - why	Average weeks stock cover
Attuned to the market and forecasting accurately			The level of stock held within the market verses the actual and forecast demand	out of stocks
Real focus on prioritisation, time management and face to face sales effectiveness			Regional/national indicator that provides a measure of sales effectiveness & efficiency. Should go down over time.	Cost of sales as a % of total revenue
Development of team stability and increased retention.			Month on month staff churn as a %	Commercial team retention
Seeking out development roles and opportunities. i.e. champion(s)			The number of people developed from within as a % of externals.	internal promotion / succession

### HOW TO USE THE TEMPLATE

1. Think about the aim and growth objectives for the market and distributor in question.
2. Which of the behaviours reflect those objectives? Select them in the 'yes/no' column.
3. Use the list to identify the potential measures we could use in the following table.

Once, you have collected this data, you can convert it into descriptors and measures – as shown on the following page.

## SETTING DISTRIBUTORS TARGET OBJECTIVES

Link the target to a set of measures and activities. In this example you are aiming to Monitor & Adjust Stock Levels

Metric	Measure	Comment
Stock on hand	100	
Average sales per week	10	
Weeks stock cover	10	
Agreed weeks of stock cover	4	
Impact of forward marketing/ sales activity	+ 20%	Assume forward demand will rise to 12/week
Action agreed to move stock level back in line with target	Cancel three weekly orders of 10 units	Monitor closely – possible need to upweight marketing/sales activity

## HOW

Ask yourself the question: what are you trying to achieve? E.g., to sell more units in the indies channel The behavior you want is one that initially focuses on volume and channel specialisation (the indies channel).



## STEP 1: WHAT BEHAVIOURS DO YOU NEED?

Worked Example

Target	Measure	Behaviour	Descriptor
X number of units by product spec	Unit volume	Focus on areas of the market and customers that use a number of units and replace on a regular basis	Monthly measure of the number of units shipped and sold within the market.
Y % channel share	Channel share	Focus on managing the volume of the total customer base within the forensic analysis channel through retention and new business generation.	Monthly measure of volume, customer losses and gains by channel /sales team.

## STEP 2: HOW DO THEY TRANSLATE INTO MEASURES

Target	Measure	Behaviour	Descriptor
	Unit volume	Focus on areas of the market and customers that use a number of units and replace on a regular basis	Monthly measure of the number of units shipped and sold within the market.
	Channel share	Focus on managing the volume of the total customer base within the forensic analysis channel through retention and new business generation.	Monthly measure of volume, customer losses and gains by channel /sales team.

## STEP 3: WHAT IS THE TARGET?

Target	Measure	Behaviour	Descriptor
X number of units by product spec	Unit volume	Focus on areas of the market and customers that use a number of units and replace on a regular basis	Monthly measure of the number of units shipped and sold within the market.
Y % channel share	Channel share	Focus on managing the volume of the total customer base within the forensic analysis channel through retention and new business generation.	Monthly measure of volume, customer losses and gains by channel /sales team.

## STEP 4: HOW WILL YOU MEASURE IT?

Set performance targets for your distributors. Here's an example of a pure volume orientated target:

Target	Measure	Behaviour	Descriptor
75% success rate to all proposals and tenders	Proposal conversion (reason for loss recorded)	Drive to increase market share. Attention to closing the deal and seeing it all the way through to the order.	Number of proposals that lead to an order as a %. If unsuccessful - why?
5 <insert brand>per month 7 <insert brand>per month	Number of units shipped and sold	Focus on areas of the market and customers that use a number of units and replace on a regular basis.	Monthly measure of the number of units shipped and sold within the market.

## SUMMARY

Once you have established the KPIs for the relationship, make sure both sides understand what they are, where the information comes from, and how you will use them. Once agreed, they form part of your monthly and quarterly review process. The insights they provide allow you to keep the relationship on track and deliver the KPIs. The joint business plan brings together both sides around a mutually desirable commercial benefit. It provides the relationship framework within which to develop for the duration of the plan. Measuring its success is a key component of the relationship efficacy and effectiveness. Establish measures to drive the behaviours both side are trying to develop. Use a review process to feedback progress on the plan and fine tune it, based on the insight from the KPIs.

## KILLER QUESTIONS

1. Where do you see growth coming from for your business?
2. How do you know they are successful?
3. What does success look like for this partnership?

## TOP TIPS

- Use joint teams and co-create the business plan.
- Ensure your measures are driving the right behaviours.
- Use the joint business plan as the relationship development framework.

## IN SUMMARY

The management and development of effective distributor partners is, 'part art and part science'. It's a subject that little has been written about or time given to develop a good practice approach to its improvement.

In this book we have taken a logical, practical and pragmatic approach based on years of experience and sound customer management. A distributor relationship is never the finished article as its always 'work in progress'. We liken the process to sailing, where you

have a destination in mind, yet need to constantly trim the sails to optimise the wind to maximise your momentum. You may not end up in exactly the place you intended, however it will be close and you and your partners should be making progress towards common market goals.

Remember this is the start of a journey... using and applying the thinking in this book will enable you to make your distributor relationships an extension of your organisation and a real value enhancer.

NOTES: 1 - page 35, (Noordeweir et al. 1990)

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## ABOUT THE AUTHORS

### **Mark Hollyoake**

Mark is a co-founder and Director of Customer Attuned Ltd. He is currently studying for his Doctorate at Southampton University, focused on Trust as a dynamic within business to business customer relationships.

He is an expert in B2B Customer Experience and Customer Management. This includes CM strategy development; execution of improvement plans (incl. organisational modelling for customer management); programme design; and partnership & alliance development. His applied work across FMCG, industrials, medical devices, financial

services, business services and construction has led to organisations making significant improvements to their customer management. A large focus of this work has been moving organisations up the Trust Ladder to enable them to benefit from reduced cost to serve, while continuing to innovate and deliver mutual value.

He is a Fellow of the Chartered Institute of Marketing and Member of the Institute of Sales and Marketing Management. He holds an MBA in strategy from Henley Business School.

### **Chris Hudd**

Following a senior commercial career with Kraft Foods and Guinness in both the UK and Spanish grocery channels, Chris moved into Guinness Europe to become Take Home Trade Controller Europe.

In this role Chris both ran European Duty Free through distributors and drove sales of Take Home Trade products with the Guinness distribution network from Moscow in the North to Portugal in the South.

Chris also focussed on creating a systematic approach to Distributor Management which culminated in him developing and training 'The Guinness Way of Partner Management' to the European team.

Chris next moved to Seagram Europe and Africa [ Chivas, Martell, Sandeman, Absolut and many other spirit/wine brands ] where he

ran the various Sales Development initiatives including Distributor Management. Chris again developed and trained a 'Seagram Way of Distributor Management' across Europe.

Since moving into consultancy Chris has trained scores of companies across multiple sectors in the art and science of distributor management over the last fifteen years. He continues to develop his thinking through a network of senior distribution management contacts.

Chris lives in Scotland, has two children and plays golf very badly !

The background of the page features a dark blue gradient with faint, semi-transparent silhouettes of several business professionals in a meeting. One person in the foreground is holding a laptop, while others in the background appear to be engaged in conversation. A solid red vertical bar is positioned on the right side of the page.

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