

OPTIMIZING CHANNEL ALIGNMENT

A program to develop collaborative advantage

8-Week Program (Jul 13 – Aug 31, 2023)

Jul 13	Jul 20	Jul 27	Aug 03	Aug 10	Aug 17	Aug 24	Aug 31
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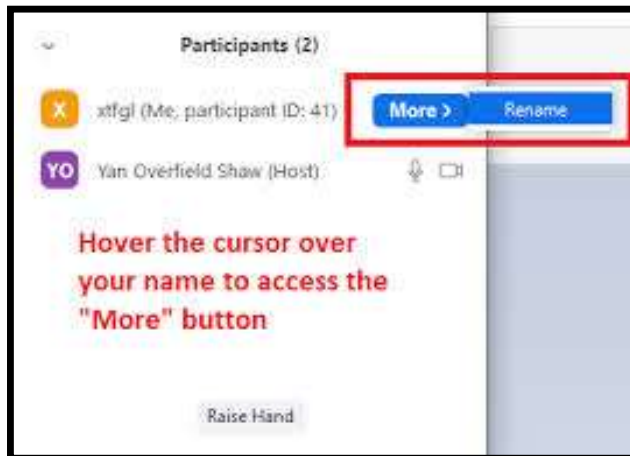


Leading the Channel Forward®

ACTvantage

Zoom Platform Instructions

- Please Add Team # to your name, by clicking 'Rename' option
- **Example**
 - J Doe [Team 1]



First Name	Last Name	Team #	Company
Katie	Bloom	Team 1	US Tool Group
Kayla	McLaughlin	Team 1	Surpless Dunn
Jared	Beach	Team 1	Jergens Inc
Richard	Geary	Team 1	INSIZE USA
Erik	Olson	Team 1	SBD
Mike	Weber	Team 2	Weber Group of Companies
Maria	Payne	Team 2	Jergens Inc
Jillian	Johnson	Team 2	SBD
Brandon	Verzal	Team 2	SBD
Taylor	Music	Team 3	Pack-n-Tape
Juan	Santiago	Team 3	Jergens Inc.
David	Sachs	Team 3	SBD
Frankie	Rodriguez	Team 3	Kennametal
Lisa	Higginbotham	Team 4	Pack-n-Tape
Josh	Ashley	Team 4	Norton Saint-Gobain
Ryan	Bankert	Team 4	SBD
Raphael	Silva	Team 4	Kennametal
Jen	Huber	Team 5	Stellar
Shane	McCarville	Team 5	WD-40
Allison	D'Onofrio	Team 5	SBD
Austin	Drake	Team 5	Norton Saint-Gobain



Optimizing Channel Alignment Certification in 8 Weeks

Channel Growth (Part 1)

Supplier Perspective

Assess your current channel goal-setting process

Translate firm-level financial goals to channel goals

Identify critical success factors for achieving channel goals

Channel Growth (Part 2)

Distributor Perspective

Learn to diagnose distributor growth challenges

Comprehend the key elements of the generating growth framework

Learn about nine growth strategies used by distributors

Channel Focus

Learn to identify the right channel partners.

Assess existing channel partner performance.

Leverage purchase order data for channel relationship.

Channel Value Proposition (Part 1)

Understand the trade-off of channel value proposition.

Discover the critical elements of channel value creation.

Learn about channel compensation comprehensively using 11 forms of capital

Channel Value Proposition (Part 2)

Measure the effectiveness of channel compensation elements.

Assess current channel compensation elements.

Harness the power of channel data.

Channel Alignment

Assess your current channel alignment process.

Connect channel stakeholders' interest to create channel alignment.

Apply the channel alignment framework as a channel relationship tool.

Understand how to quantitatively measure channel alignment.

Channel Evolution

Understand the implementation factors for channel management processes.

Learn four phases of implementing channel performance analytics.

Real-World Example.

Roadmap: A Plan of Action

Learn to adapt to channel forces.

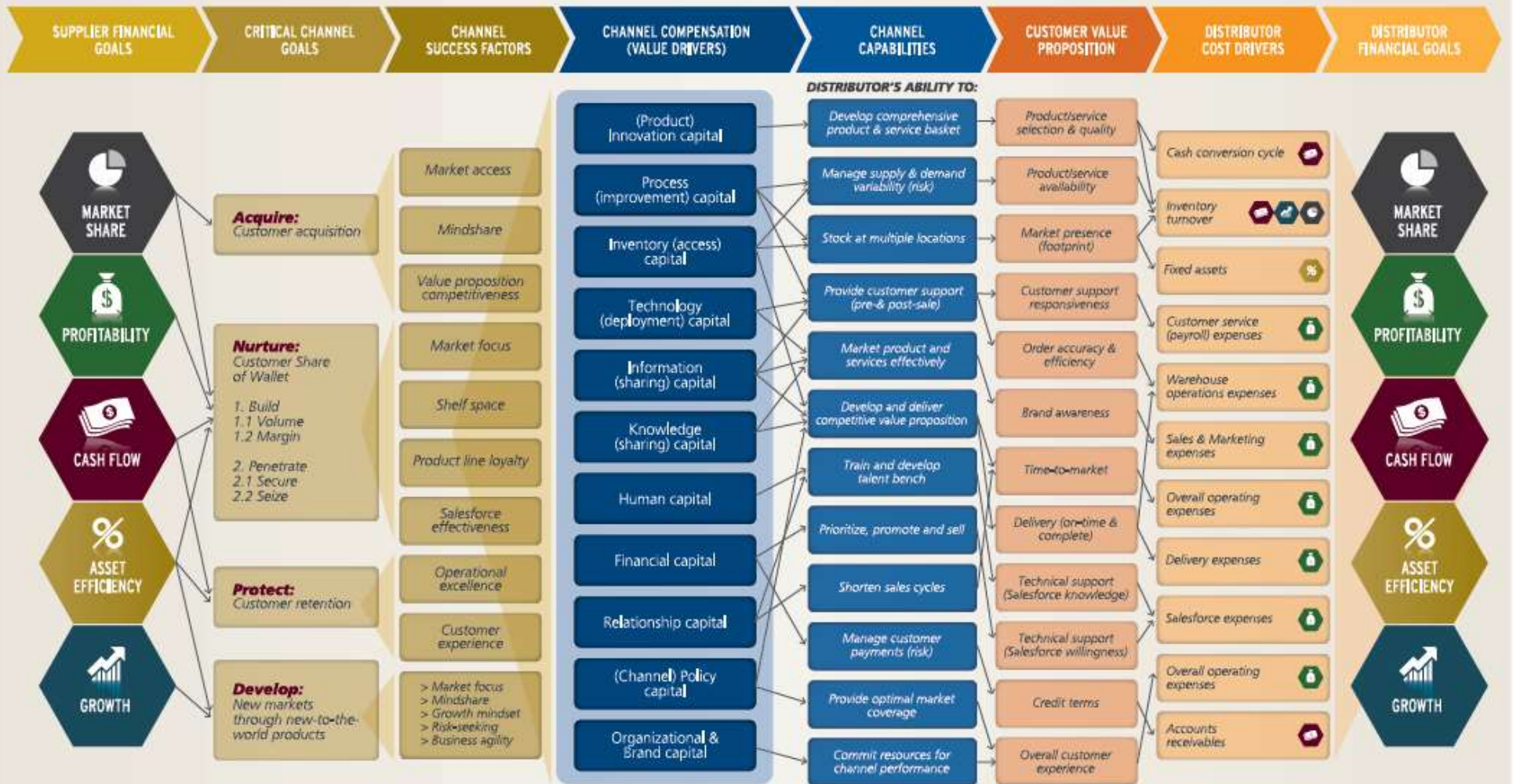
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

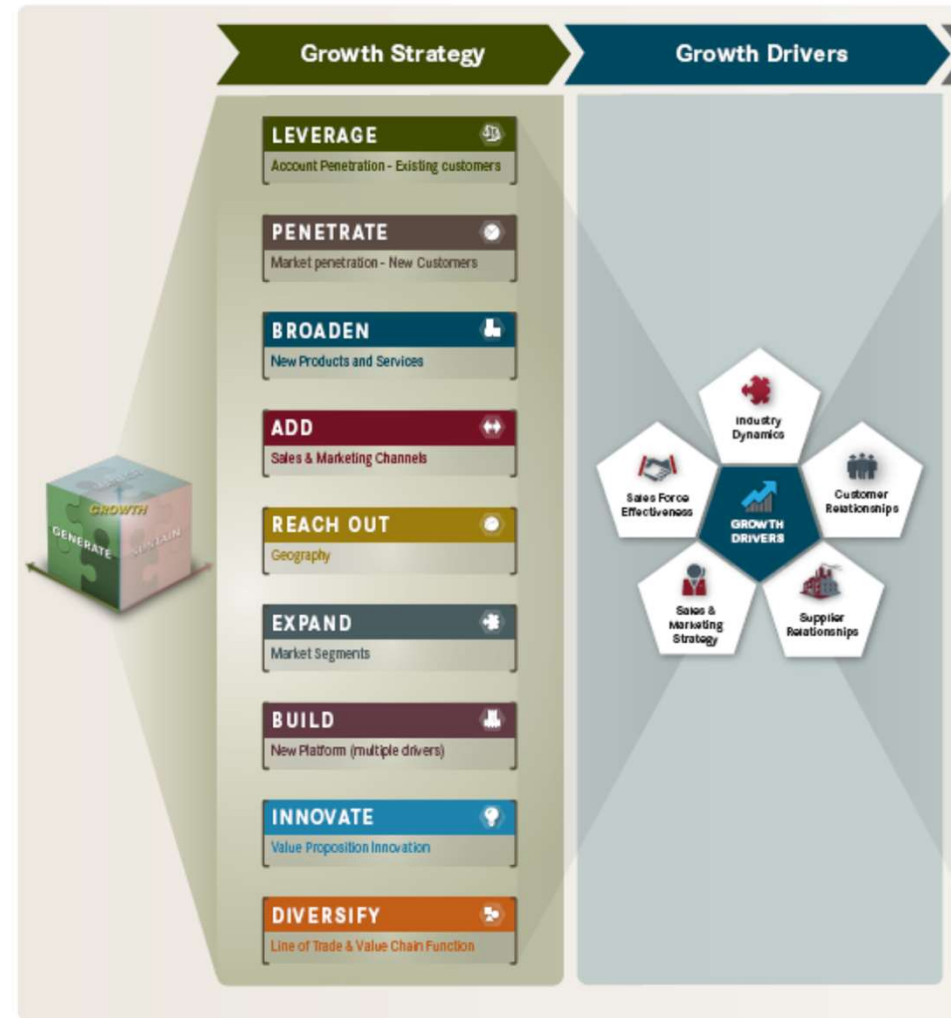
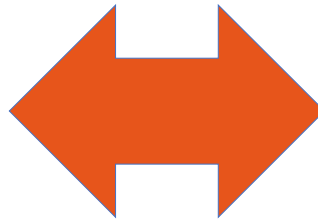
8 Weeks, 60 Minutes Each Week.

CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer



CHANNEL GROWTH: ALIGNING SUPPLIER AND DISTRIBUTOR PERSPECTIVES





Responses from the Groups

1) Having learned both perspectives, what will you change in your conversation about growth strategies/practices?

2) What are the different growth strategies you would recommend for your channel partners?

Each group is required to summarize the responses when we come back.



TEAM 1

- Learning both perspectives, customer segmentation or stratification is so important before deciding upon a growth strategy. It is critical to first identify your target customer(s), whether that is a distributor or end user.

Once you understand and recognize where the target customer(s) fit in your overall strategy, you can better determine the appropriate growth strategy for each customer and allocate resources + implement best practices accordingly.

- We had a couple examples for this portion –
 - A. **BROADEN** makes the most sense. We often find ourselves offering the best of the best, but customers are hesitant to fix things if they aren't broken, We offer one of the safest and most effective hand cleaning wipes, but folks like Clorox. We offer instant pothole repair, but folks like traditional methodology as that's already been proven. We offer gloves just like everyone else on the planet post-covid, yet ours are one of the most sustainable lines on the market. It all comes down to proof of concept and demos – but a willingness to broaden their product lines with new, BETTER products, is where we win.
 - B. **LEVERAGE** and **PENTRATE** also make a lot of sense. With one of our manufacturers, there are a lot of established relationships across distribution. **LEVERAGE** – ing existing partnerships and relationships is a major key to grow the manufacturer business as distributors evolve into areas like eCommerce. Market **PENETRATION** is also constantly of focus for our manufacturers. New customers and markets are a key growth drivers that can be obtained through product innovation. One of our manufacturers has a history of market penetration through acquisition of competitor brands that offer market share of existing or new product lines.



TEAM 2

- Being more transparent with customer segmentation and metrics to cultivate more “core customers” - EX: Distributor sharing customer stratification with manufacturer to identify ways to improve margin or volume with opportunistic, marginal, or service drain customers
- Collaborate on top 10 target customers in each bucket and prioritize time/actions:
 - General Example: Recommend reevaluating “Service Drain customers” (both from a distribution and manufacturer perspectives) by adding more profitable product lines
 - SBD EX: Metrics have revealed that top Service drain customers are only purchasing low margin power tools in high volumes
 - As a manufacturer we can come in by helping the distributor to add and expand their offering to power tool accessories, which is a high margin SKU and typically sold with power tools
 - This will increase gross margin and provide a better value to the customer
 - The Driver we would utilize is enhancing the effectiveness of the distributors sales team
 - Educate them on how to sell accessories and increase attachment rate.



TEAM 3

- We were mainly all in agreeance that the conversation surrounding growth strategies and practices need to involve a more dialed in approach on segmentation. Very similar to your outline – we all hope to implement more of a segmentation strategy that puts our accounts into a quadrant based on NP and CLV.
- In terms of growth strategies, we'd recommend to channel partners, we said that we want to see more segmentation in general. In order to see growth, we think that it's important to understand your audience and be able to target them and their needs by segmenting them out. Not all accounts are created equal and some have different needs than others and require different resources and support. Being at least aware of this is important.



TEAM 4

- Align distributor and manufacturer goals
- **Develop metrics** to track these goals
- **Review metrics with sales force teams** and management teams
- To track success of initiatives like new product launches, promotions, etc.



TEAM 5

- Growth is built by the integration of distributor, IMR, and supplier sales teams. This is the foundation of growth for all parties. Leveraging all parties market penetration to drive profitability, market share, and market access.
- **Two key growth strategies** that we recommend is **leverage** and **expanding market share**. First, leverage provides opportunities for suppliers and distributors to sell new products to existing customers. Stepping end users up to more profitable product lines and in turn growing distributor margins. Second, expanding market segments provides untapped opportunities and profitability for both supplier and distributor. This includes growing in specific fields ie Jan San, Medical, and Manufacturing.



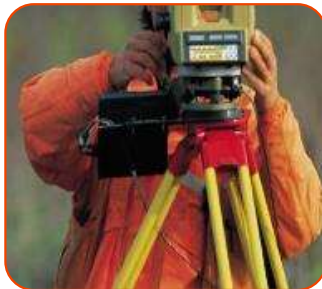
Learning Objectives – WEEK 4

Channel Focus

- Learn to identify the right channel partners.
- Assess existing channel partner performance.
- Leverage purchase order data for channel relationships.



Channel Focus



Identify channel partners to achieve channel growth



To whom do we create value in the channel?



Who is important to us in the channel?



Equally important is, **to who are we important?**



Channel Focus

- The channel focus is the process of identifying the right channel partners to achieve channel goals.
- It consists of two processes:
 - New channel partner selection and
 - Existing partner performance assessment

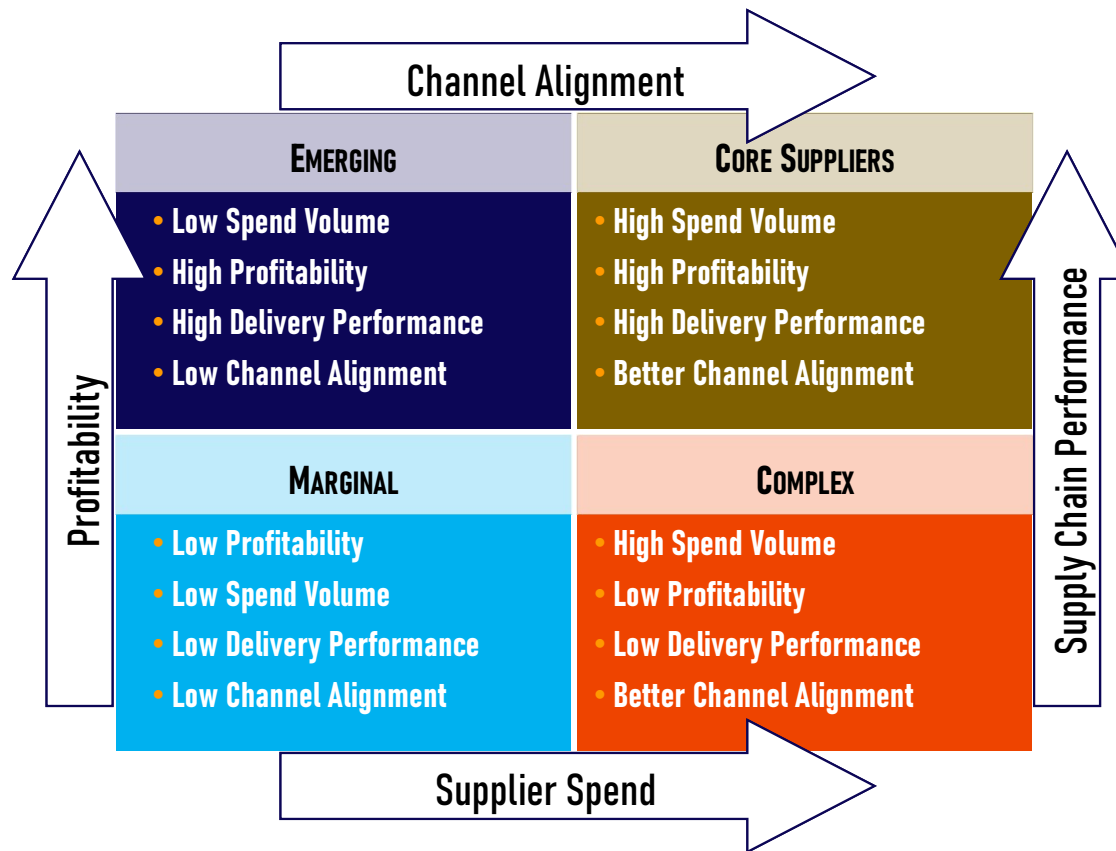
Discussion: Individual Activity – 5 Minutes (Type in the chat window)

How do you assess/evaluate channel partner (supplier or distributor) performance currently?





Distributor Perspective: Assessing Suppliers' **TOTAL** Performance



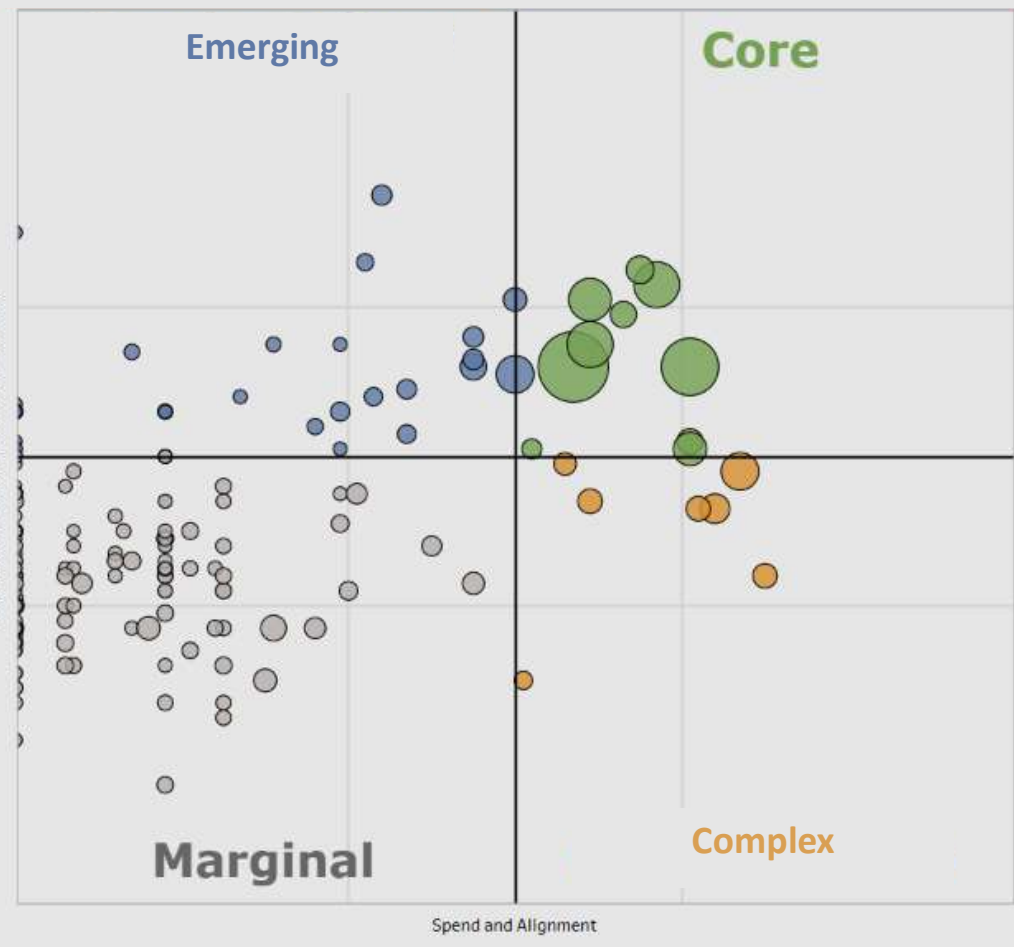
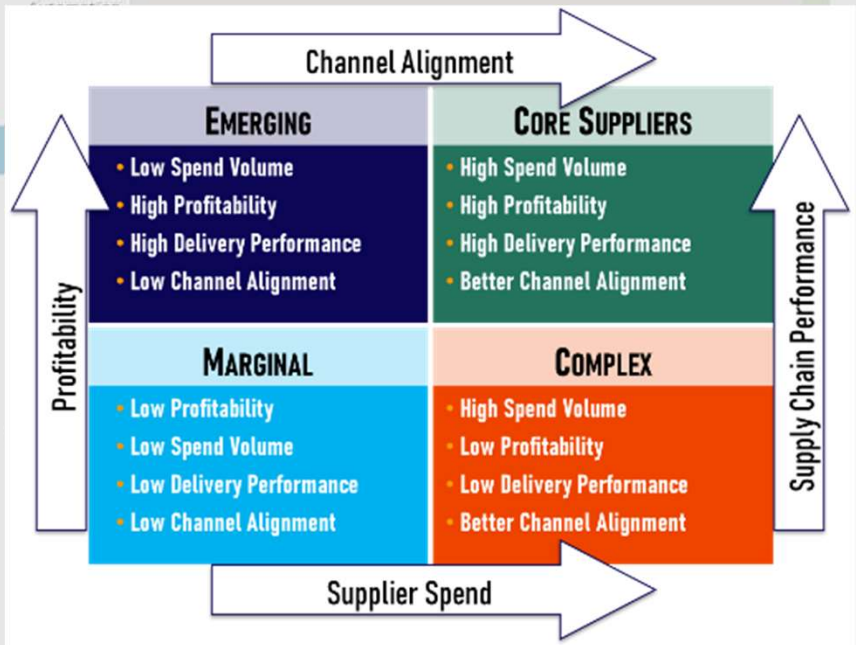


Supplier Stratification - Partner Performance Analytics

Current Year: APR 2021 - MAR 2022; Previous Year: APR 2020 - MAR 2021

CategoryN..	Spend	# Suppliers
Electronics	\$3,597,266	203

CategoryName



SCORECARD

PLAYBOOK

SUPPLIER MIGRATION

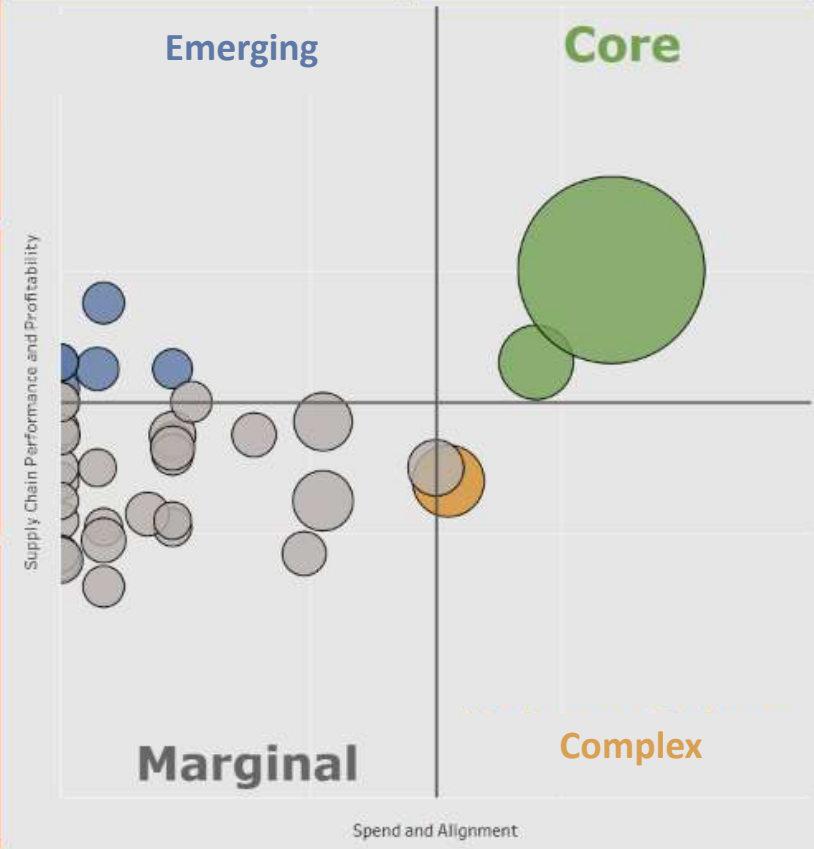


Supplier Stratification - DIAGNOSTIC Insights

Current Year: APR 2021 - MAR 2022; Previous Year: APR 2020 - MAR 2021

SupplierName: (Multiple values) [dropdown]
 CategoryName: IAQ [dropdown]

SupplierName: SPENCER HVAC
 CategoryName: IAQ
 Supplier Final Zone: Volume Driver



	SupplierSpend	\$37K	\$2K	\$4K	\$9K
SupplierSpend	\$198.1K	\$33.0K	\$66.9K	\$111.0K	\$198.1K
SpentAndAlignment	57	34	68	136	
ChannelAlignment	6	4	8		
Profitability	-18.6%	.0%	3.0%	5.0%	
SupplyChainPerformance	-36.3%	.0%	5.0%	10.0%	
SupplyChainPerformanceAndProfitability	12	35	17	9	
	78.0%	59.6%	47.7%	23.9%	
	33.0%	25.0%	50.0%	75.0%	
	4	1	2		
	100.0%	75.0%	85.0%	95.0%	
Profitability	\$29K	\$34K	\$68K	\$135K	
	13.5%	19.6%	26.2%	32.7%	
	66.5%	25.6%	51.3%	76.9%	
	10		20	30	

SCORECARD

PLAYBOOK

SUPPLIER MIGRATION

Supply Chain Performance and Profitability

Spend and Alignment



Role-based Prescriptive Playbooks



Identify product categories with too many suppliers

EXAMINE



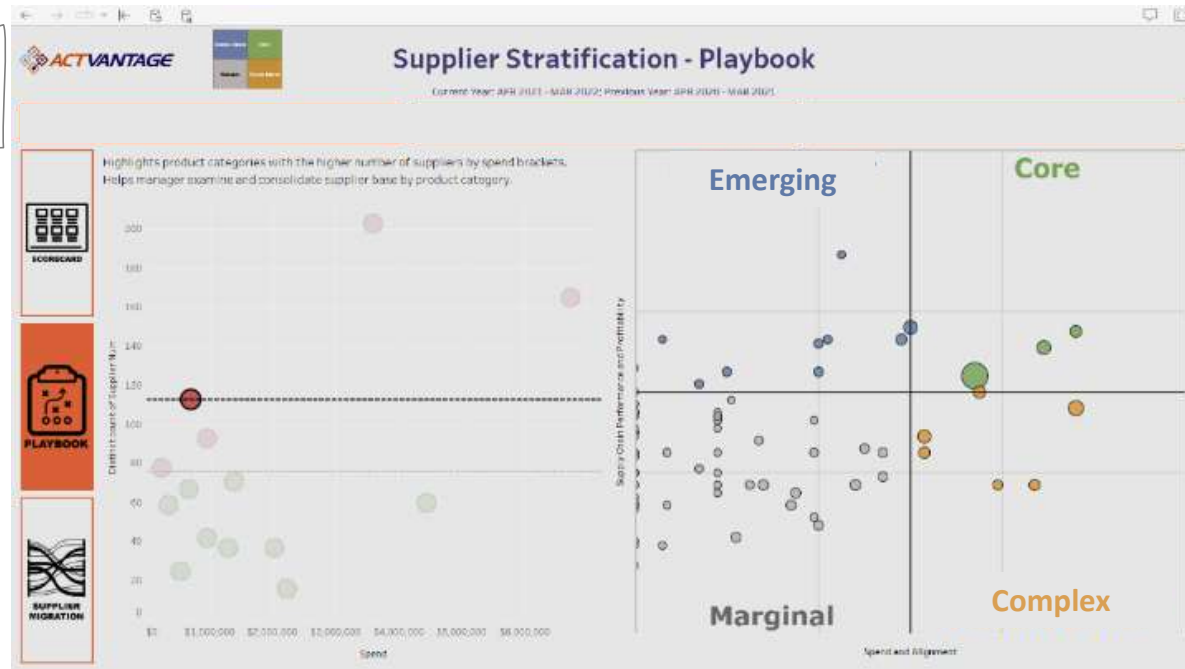
Identify MARGINAL suppliers and consider consolidation, within a product category.

ELIMINATE



Identify EMERGING and consider expansion, within a product category.

EXPAND





Channel Partner Performance: **Key Take-Aways**

Channel Performance

Qualitative to
Quantitative

Subjective to
Objective

Anecdotal to
Analytics

Not just a partner scorecard

Diagnostic Insights

Prescriptive Actions

Predictive Guidance

Benefits

Strategic

- Channel Accountability
- Partner Mindshare

Financial

- Lower COGS (thru consolidated spending)
- Less cost-to-supply (channel costs)
- Higher market share, and profitability



Manufacturer Perspective: Assessing Distributor's **TOTAL** Performance

Distributor stratification is the process of assessing distributors based on **growth, profitability, alignment, and supply chain performance**

The process enables manufacturers to assess distributors **objectively** based on transactional data

This model is **adapted** from customer stratification, a best practice for assessing the distributor's customer relationships.

EXAMPLE – ELECTRICAL MANUFACTURER

Revenue

\$225MM

Gross Margin

>30%

Brands

15

of SKUs

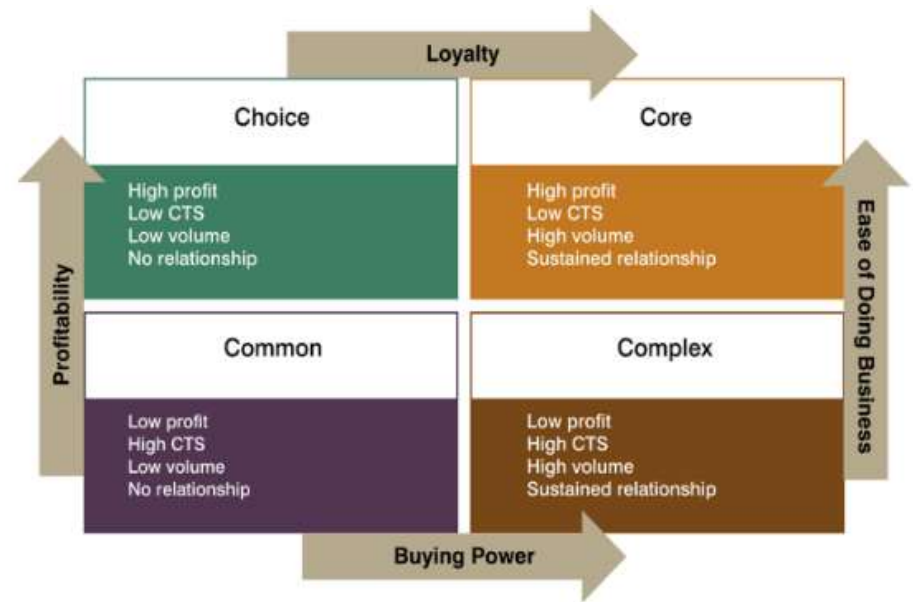
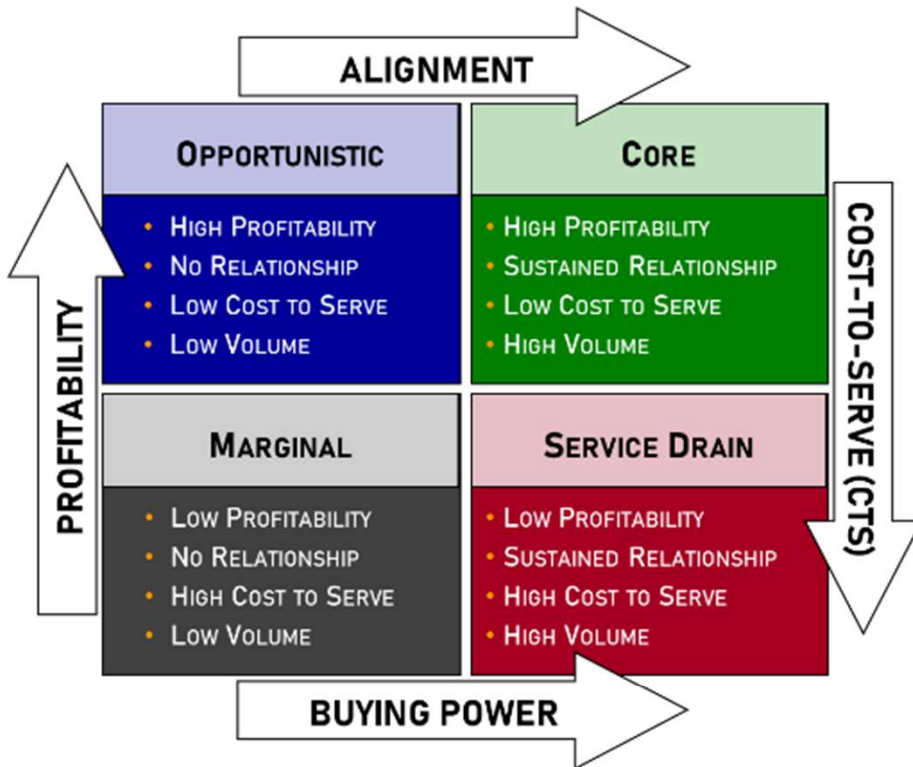
8,250+

Categories

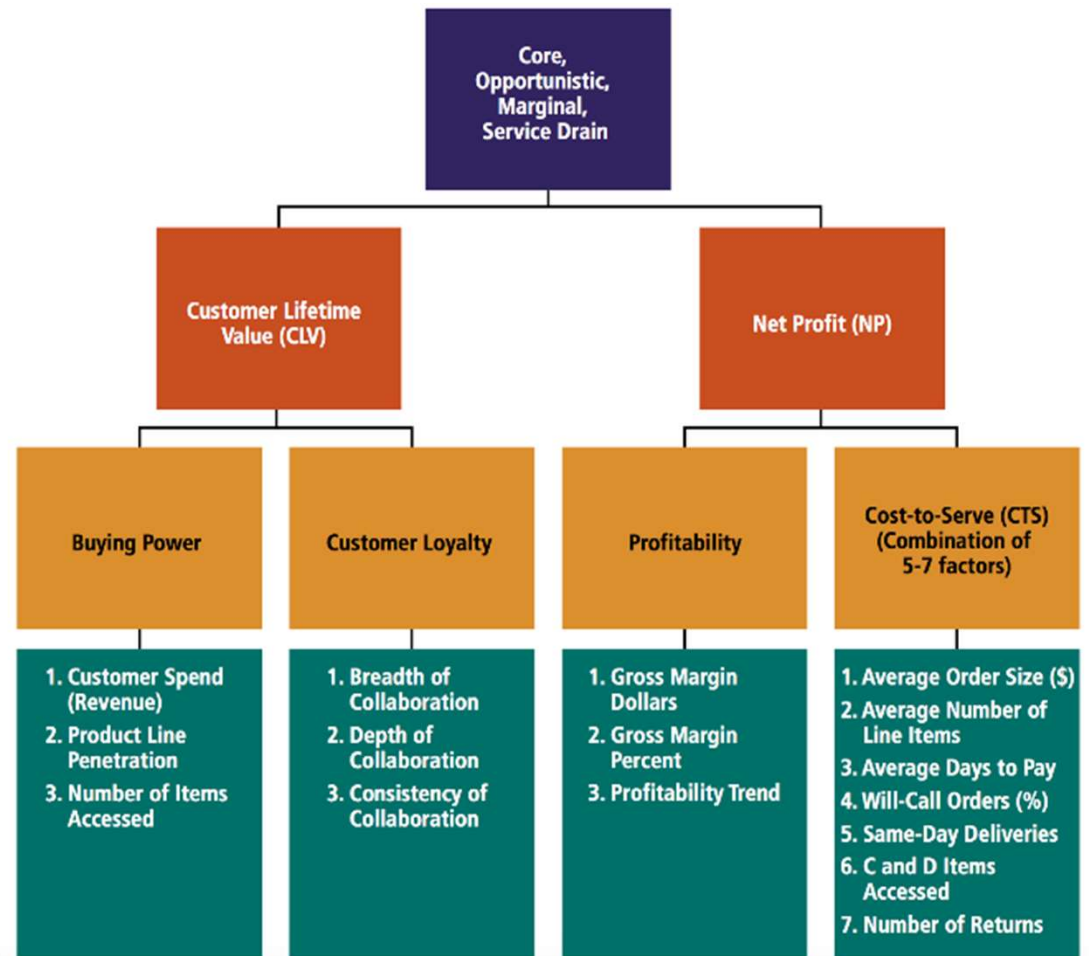
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**# of customers
(distributors)**

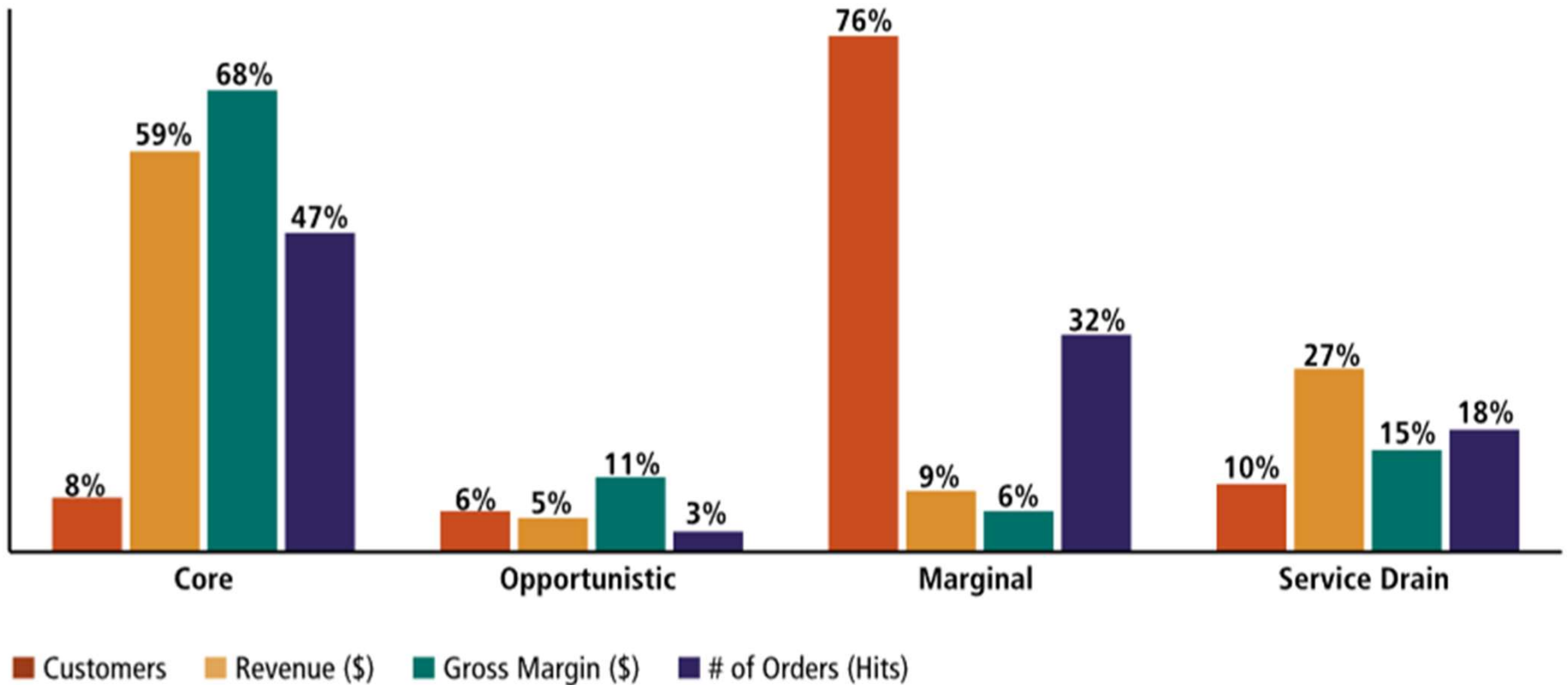
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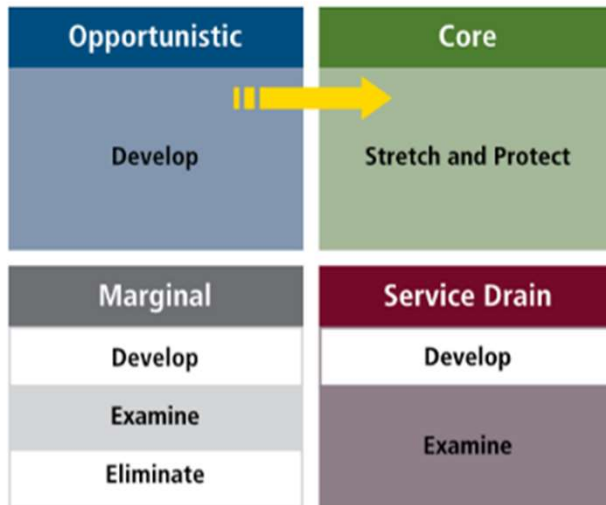
Channel Partner – Stratification Criteria



Actionable Insights: Distributor Stratification by Brand



Insights to Actions: Distributor Stratification



Branch	Region	Salesperson ID	GMS	Core	Opportunistic	Marginal	Service Drain
1	Houston	11891	\$975,508	69%	3%	14%	14%
1	Houston	12946	\$945,061	50%	12%	36%	2%
1	Houston	13061	\$940,106	75%	0%	25%	0%
1	Houston	12703	\$854,773	86%	0%	5%	9%
1	Houston	13280	\$836,379	63%	7%	15%	15%
1	Houston	15645	\$793,670	60%	5%	20%	15%
1	Houston	11644	\$602,453	20%	5%	15%	60%
1	Houston	11162	\$597,003	11%	3%	12%	74%
1	Houston	11421	\$555,098	15%	4%	1%	80%
1	Houston	13959	\$467,890	35%	3%	7%	55%

The SPEED strategy means to “Stretch, Protect, Examine, Eliminate, and/or Develop” business with customers based on their status.



Discussion: Group activity – 10 minutes

1) Having learned data-driven partner performance assessment approach, what improvements will you recommend to your firm's existing practice?

2) Who is accountable in your organization to perform and take ownership of performance assessment analytics?

Each group is required to summarize the responses when we come back.

Contact Information



Dr. Senthil Gunasekaran

senthil@actvantage.com

Dr. Pradip Krishnadevarajan

pradip@actvantage.com

