

OPTIMIZING CHANNEL ALIGNMENT

A program to develop collaborative advantage

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

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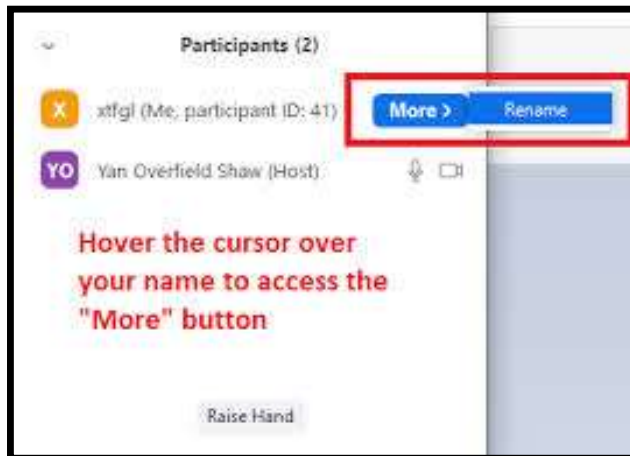


Leading the Channel Forward®

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

Program Overview

ISA Channel 2.0 Framework

Channel Alignment Framework – Research

Program Overview & Course Approach

Channel Goals

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

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 Compensation

Understand the trade-offs in channel compensation focus.

Learn about channel compensation comprehensively using 11 forms of capital

Measure the effectiveness of channel compensation elements.

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.

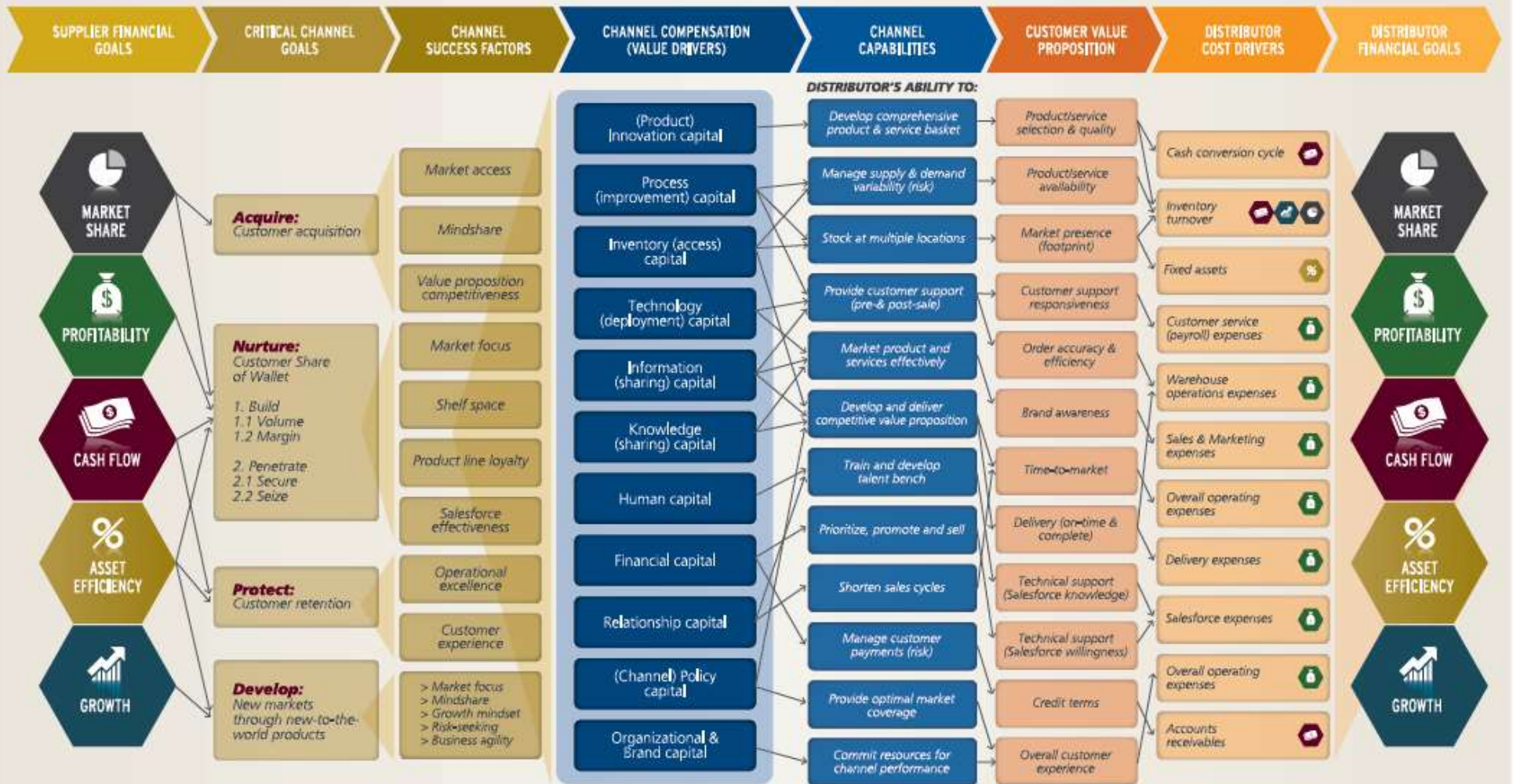
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

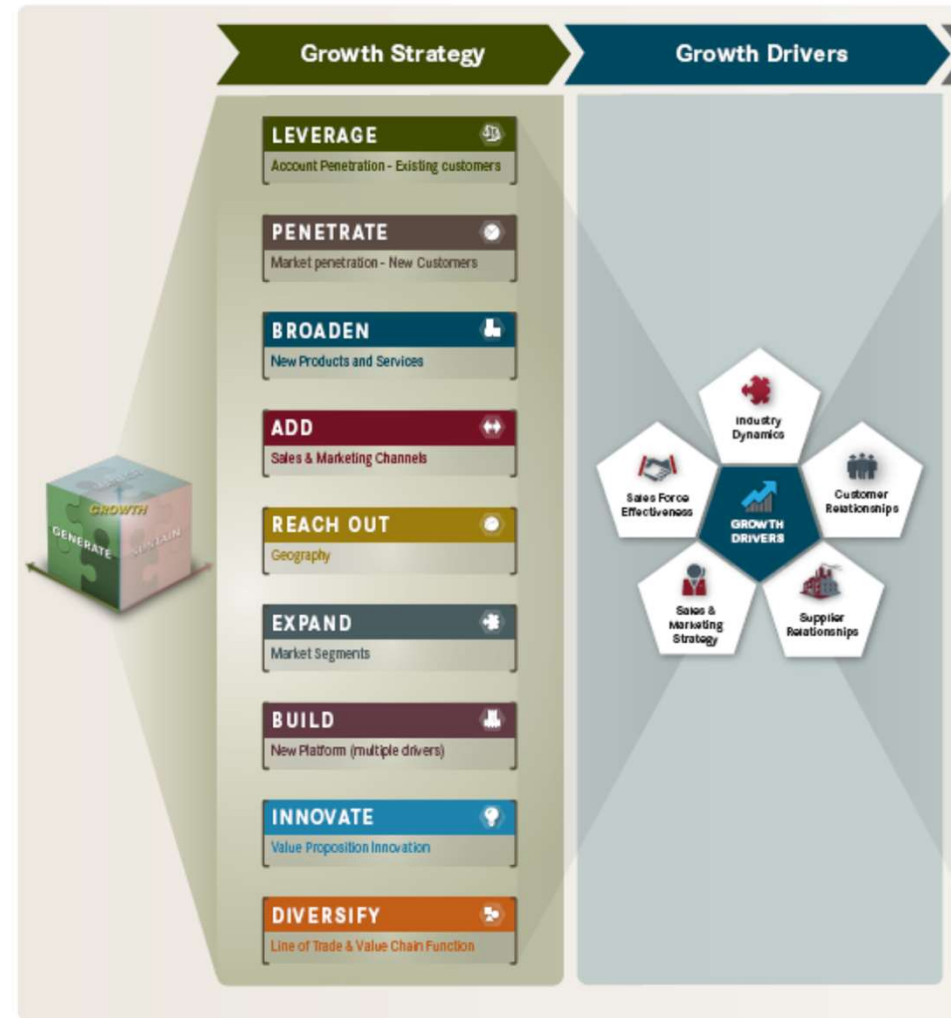
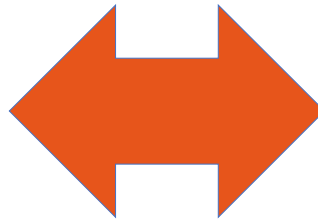
8 Weeks, 75 Minutes Each Week.

CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer



CHANNEL GROWTH: ALIGNING SUPPLIER AND DISTRIBUTOR PERSPECTIVES





Channel Partner Performance Assessment: Good to Great

Anecdotal

- Subjective
- Selective memory
- Recent incident



Partner Scorecard

- Pros:
Quantitative & Descriptive [WHAT]
- Cons: **Lacks**
 1. comparative assessment
 2. prescriptive guidance (goals)
 3. follow-through



Supplier or Distributor Stratification

- Comprehensive
 - 4 Dimensions
- Diagnostic [WHY]
- Provides benchmark
- Comparative ranking
- Tracks performance over time





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.



TEAM 1

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

- Data driven partner performance is ideal, **but realistically – in our company – we would not be able to allocate sufficient time considering we have 42+ manufacturer partners**
- SO...would recommend **being as proactive as possible before the data “comes out”** – taking the steps to recognize trends in spend; identify buying or stocking programs to increase partner's profitability; identifying opportunities to improve delivery; and targeting “more ideal” customers – **as opposed to “Responding” after the scorecard comes out**
- **We all agreed scorecards are subject to error, and do not tell “an entire story” behind a partner's performance**

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

- Some of our members work directly with “their accounts” – in which case they are responsible for the analytics, and what a performance assessment truly means, or which actions a performance assessment suggests
- In one opinion, **everyone in an organization should be analyzing their own performance**, and their partners' performance; should not hold a single person accountable



TEAM 2

1. What improvements will you recommend to your firm's existing practices?

- a. **Begin using more data to make decisions.**
- b. We often make these decisions off top & bottom line growth and how we “feel” about the relationship with the customer (ie. do we enjoy talking to them on Monday mornings). **Adding in more quantitative metrics to the supply chain performance and relationship will help us** to better align to CORE customer segmentations and growth opportunities.

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

- a. We realized that there are a TON of leaders in both supplier and distributors organizations responsible for this performance assessment. Sales VPs/leadership, Channel partners, Finance leadership, Marketing and the field sales teams. **If we can craft a story using data vs. feelings**, we'll be more successful in our work to enhance our distributor's partner's business no matter which customer segmentation they're currently in.



TEAM 3

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

- **Recommended improvements** – Stronger and more focused engagement with our channel partners **earlier in the year**. We found that towards the end of the year, our partners are simply trying to complete tasks to gain scorecard points or increase rebate value because they were not focused enough early in the year. **This is partly due to our lack of engagement and focus with the partner early in the year. We need to be more strategic on when and how we engage with our partners.**

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

- **Accountability** – Our Channel Management Team, District Business Managers, and Field Sales are ultimately accountable to perform and **take ownership of performance assessment analytics.**



TEAM 4

- Personally, working for a distributor, my company is constantly being evaluated, but my other group members, who are manufacturers, do have departments that use similar procedures like what you described, or do this themselves when evaluating their current relationships with their partners.
- All these improvements would accelerate any current program, but the couple that stood out to us are **Buying Power, and Profitability.**



TEAM 5

- **Question 1:**

- Improvements can be made regarding channel alignment. There needs to be a constant re-evaluation of what partners, or potential partners, are best aligned and will work with us to provide the best value proposition to the end customer.
- This matrix is constantly changing and **we need to improve on how quickly we can get to the “why” when analyzing results whether good or bad.**
- **Sharing this data regularly with the sales teams would aid in efficient resource management in the field.**

- **Question 2:**

- **National Accounts Team and Product Management** are responsible to collect sales order data, analyze, and implement channel optimization strategy on a high level.
- **There is a data analytics team** that filters that pulls relevant data, organizes it, sends it to sales support teams, and they are able to share with field sales reps.
- Individual Salespeople are responsible for implementing strategy at a local (or territory) level based on their own unique mix of channel partners.



Learning Objectives – Week 5

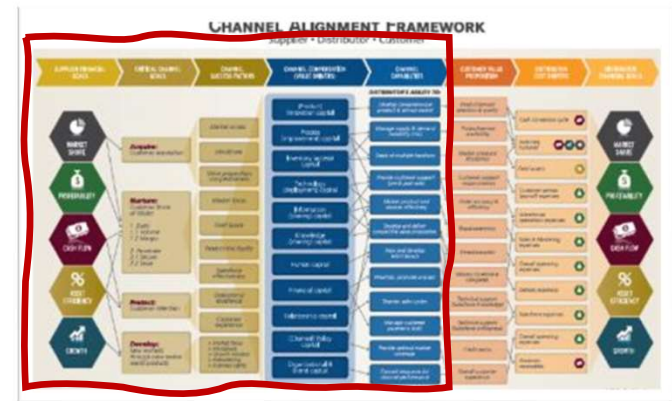
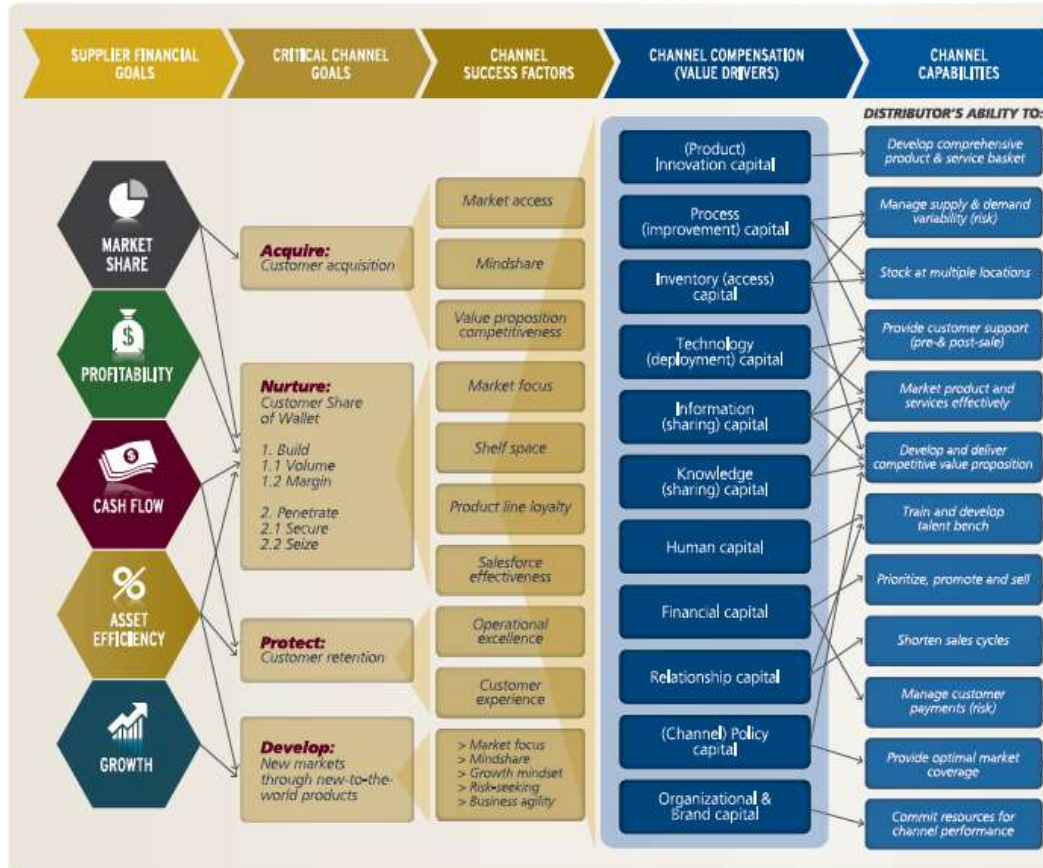
Channel Compensation

[Motivation →
Methods →
Metrics]

- Learn about channel compensation comprehensively using 11 forms of capital that match channel dynamics
- Measure the effectiveness of channel compensation elements
- Assess current channel compensation elements

CHANNEL ALIGNMENT FRAMEWORK

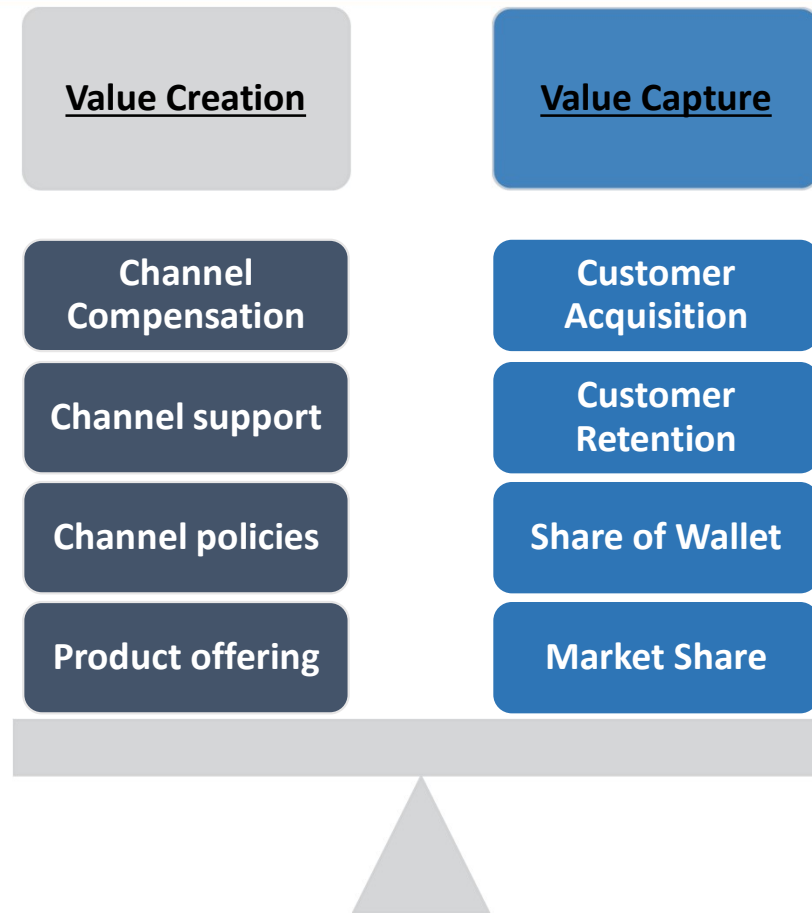
Supplier • Distributor • Customer



Understanding Channel Compensation

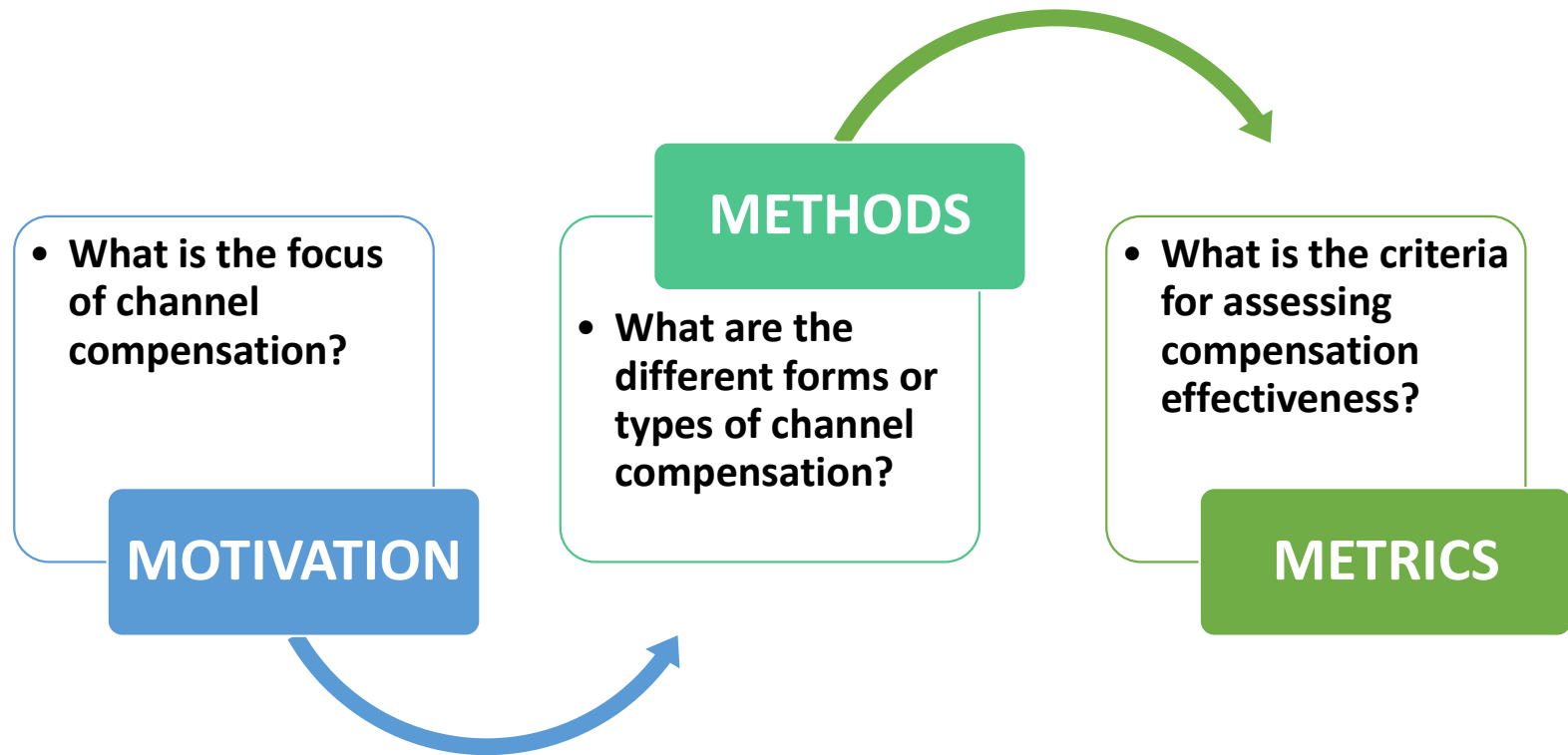


Channel Value Proposition



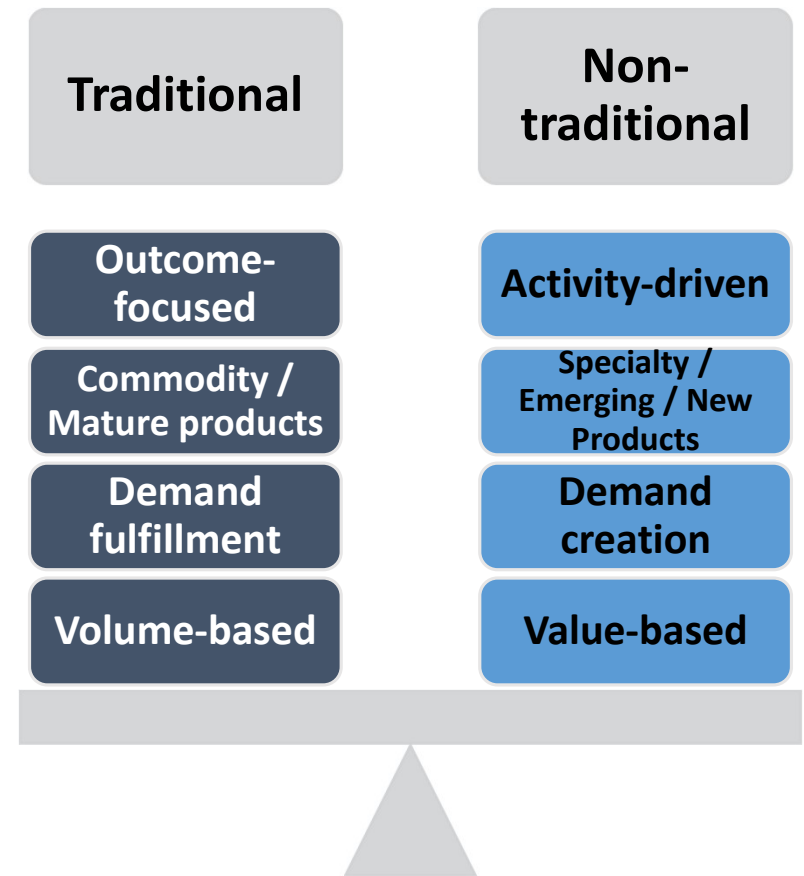
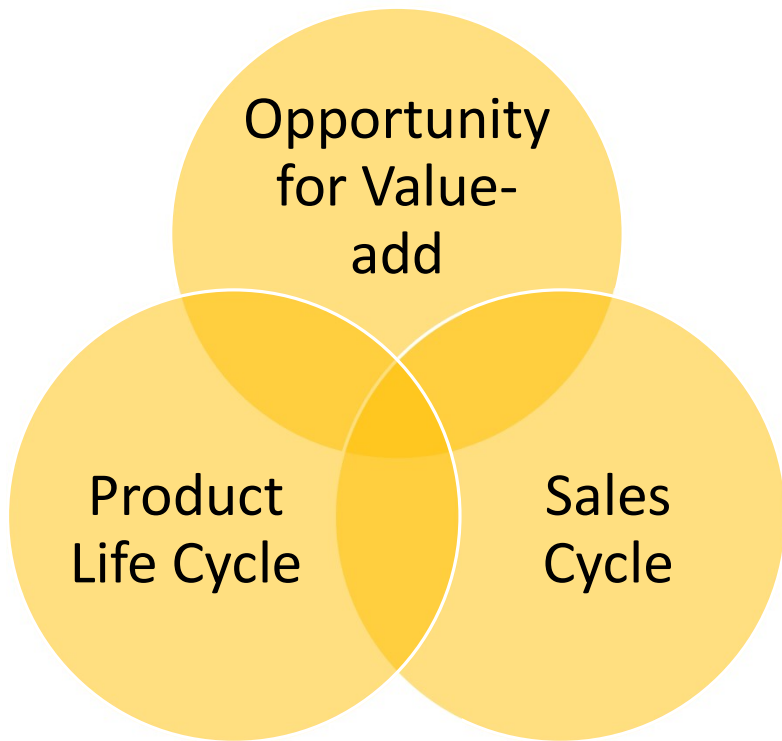


Channel Compensation: 3 Steps





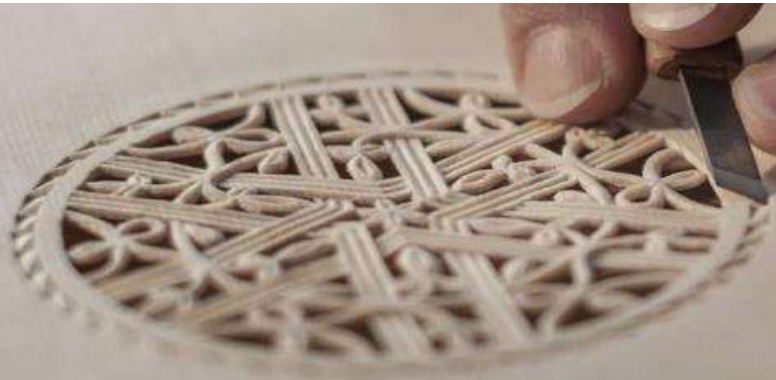
STEP 1: Trade-offs in Channel Compensation Focus: What do we want channel partners to focus on?



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

MFR: What are the different types of channel compensation/support you provide to your channel partners?

OTHERS: What are the different types of channel compensation/support you receive from your channel partners?





STEP 2: What are the different forms or types of channel compensation? Channel Compensation Types



Working capital



Policy capital



Relationship capital



Information capital



Talent capital



Process capital



Organization Capital



Brand capital



Knowledge capital



Innovation capital



Technology capital



Financial capital

| Source of value | Supplier support or assistance in the form of | Example - Support description | Example - Support metric | Note |
|---|---|--|---|--|
| Innovation (product-focused) capital | Product enhancements or new products | Supplier enhances a valve's design to overcome recurring customer complaints about leakage. | Salability; improves resource utilization (sales force time) | Product is supplier's core value proposition but its improvements can provide support as well in terms of channel partners' resource requirements. |
| Process capital | Process improvements | Supplier simplifies order management process through process redesign (from 12 steps to 7 steps) | Time to place order or follow-up goes down | Focused on increasing process efficiency and accuracy; typically focuses on tactical interactions such as order-to-invoice management |
| Knowledge capital | Product knowledge, service know-how, and process best practices | Providing technical training for new product; Sharing know-how of best practices such as customer stratification, pricing, etc. | Increases capability hence resource deployment and ROI | Support can be provided by sharing knowledge across three key dimensions - product, service and process |
| Human capital | Human resources (knowledge, skills and abilities) | Providing support for a (product line) dedicated sales person | Increases capability hence resource deployment and ROI | Other examples include dedicated technical support for indirect channels or selected partners |
| Technology capital | Technology-assisted tools and support | Using technology to simplify rebate tracking process | Time to follow-up rebates goes down & Rebate Reconciliation Ratio (RRR) goes down | Focused on increasing process efficiency and accuracy; automates existing process; closely related to process capital but differentiated due to its unique application of automation. |
| Information capital | Information (external and internal) sharing | Sharing information about market intelligence or trends | Effective resource deployment | External information is related to market research, competitor info, economic conditions, and industry analysis. Internal information includes new product development, business plans, and sales and marketing plans. |
| Financial capital | Financial incentives | Providing special pricing assistance for new products | Revenue growth and Gross margin | |
| Relationship capital | Customer and supplier relationship transfers | Supplier turns over a group of customers to distributors when they change channel partners or channel policy | Revenue growth and Gross margin | Providing a set of customers to manage; Providing a set of supply sources; When product basket strongly influences customer preferences, the supplier of the core product introduces the suppliers of accessory or complementary products to distributors. |
| Policy capital | Channel policy | Changing channel density from intensive to selective | Revenue growth and Gross margin | Applies to various channel policies such as returns, warranties, new product introductions, allocation policies, etc. A notable example is exclusivity provided by suppliers for a given product in a geography. This falls under policy capital. |
| Supply chain capital | Supply chain performance improvements | Reducing lead time variability of a product line | Safety stock investment and service level | This is indirectly related to process capital and part of supplier's core channel value proposition. But in channel context (where two firms interact), supply chain performance plays a central role because it influences both end-customer requirements (service level) and distributor investments (primarily inventory, the largest |
| Organizational capital | Culture | Supplier CEO attending 2-day channel effectiveness course along with channel partners; Channel partners have direct access to top management personnel | Improves trust and communication, leading to relationship longevity | Top management commitment (behavior) sends a message to middle-managers about the importance of channel relationship |

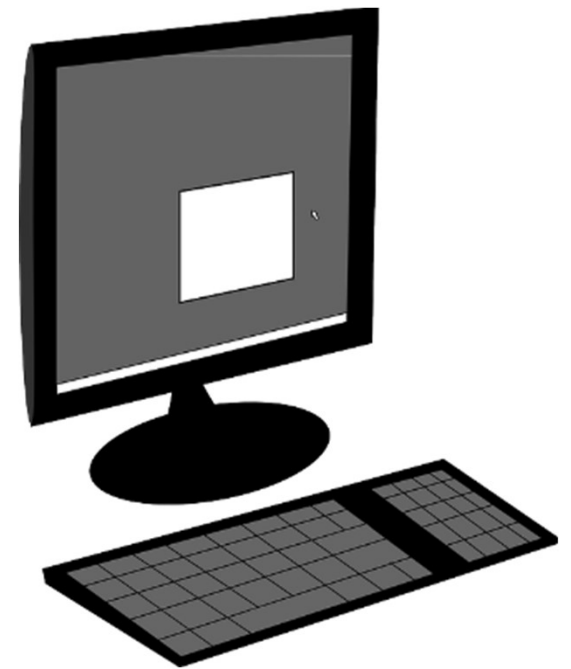
Inventory Access Capital



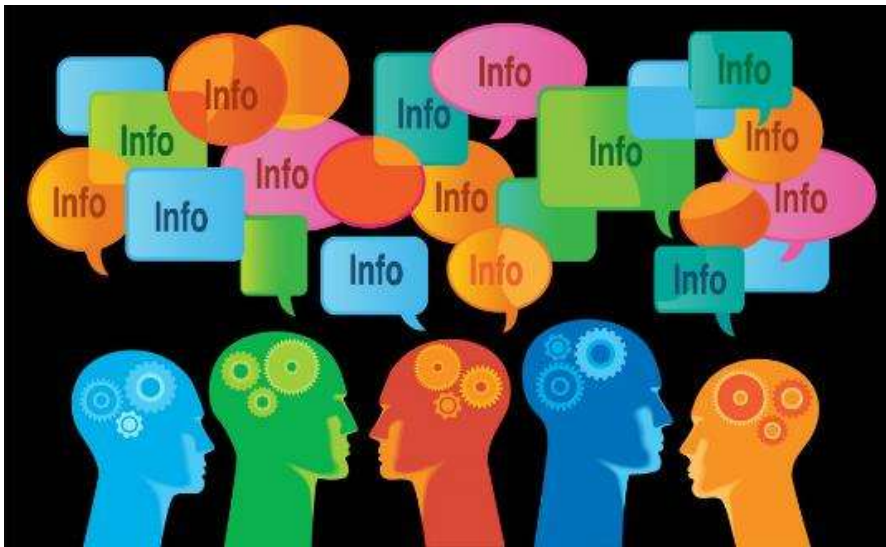
- Supply chain performance improvements
- Example
 - Support: Reducing lead time variability of a product line
 - Support Metric: Safety stock investment and service level

Technology Capital

- Technology-assisted tools and support
- Example
 - Support: Using technology to simplify rebate tracking process
 - Support Metric: Time to follow-up rebates goes down & Rebate Reconciliation Ratio (RRR) goes down



Information Capital



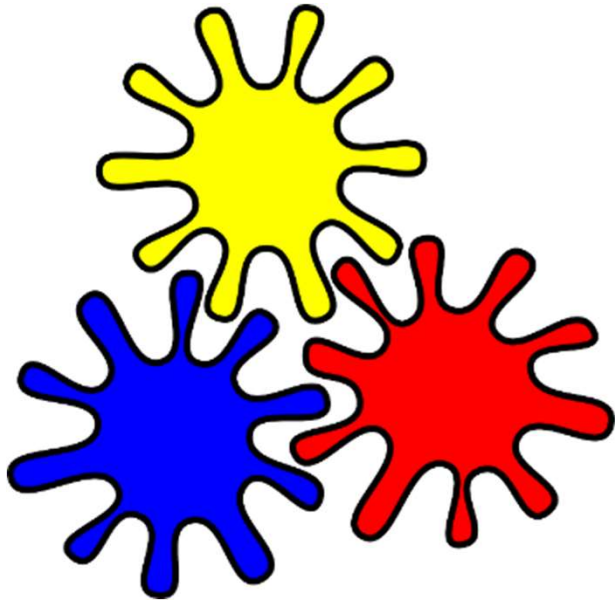
- Information (external and internal) sharing
- Example
 - Support: Sharing information about market intelligence or trends
 - Support Metric: Effective resource deployment

Innovation Capital

- Product enhancements or new products
- Example
 - Support: Supplier enhances a valve's design to overcome recurring customer complaints about leakage.
 - Support Metric: Salability; improves resource utilization (sales force time)



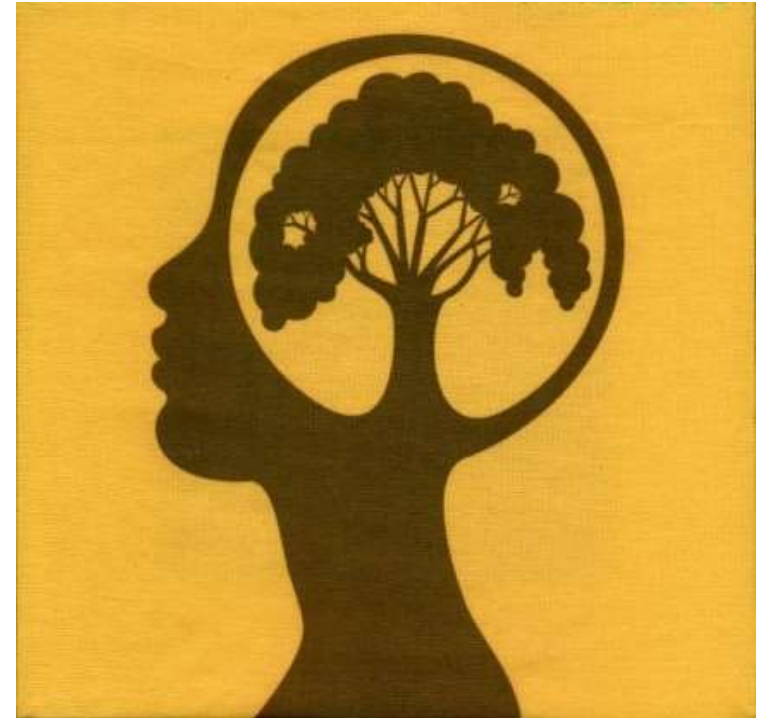
Process Capital



- Process improvements
- Example
 - Support: Supplier simplifies order management process through process redesign (from 12 steps to 7 steps)
 - Support Metric: Time to place order or follow-up goes down

Knowledge Capital

- Product knowledge, service know-how, and process best practices
- Example
 - Support: Providing technical training for new product; Sharing know-how of best practices such as customer stratification, pricing, etc.
 - Support Metric: Increases capability hence resource deployment and ROI



Talent Capital



- Talent (people, human resource) – knowledge, skills and abilities
- Example
 - Support: Providing support for a (product line) dedicated salesperson
 - Support Metric: Increases capability hence resource deployment and ROI

Financial Capital

- Financial incentives
- Example
 - Support: Providing special pricing assistance for new products
 - Support Metric: Revenue growth and Gross margin



Relationship Capital



- Customer and supplier relationship transfers
- Example
 - Support: Supplier turns over a group of customers to distributors when they change channel partners or channel policy
 - Support Metric: Revenue growth and Gross margin

Policy Capital

- Channel policy
- Example
 - Support: Changing channel density from intensive to selective
 - Support Metric: Revenue growth and Gross margin



Organizational & Brand Capital

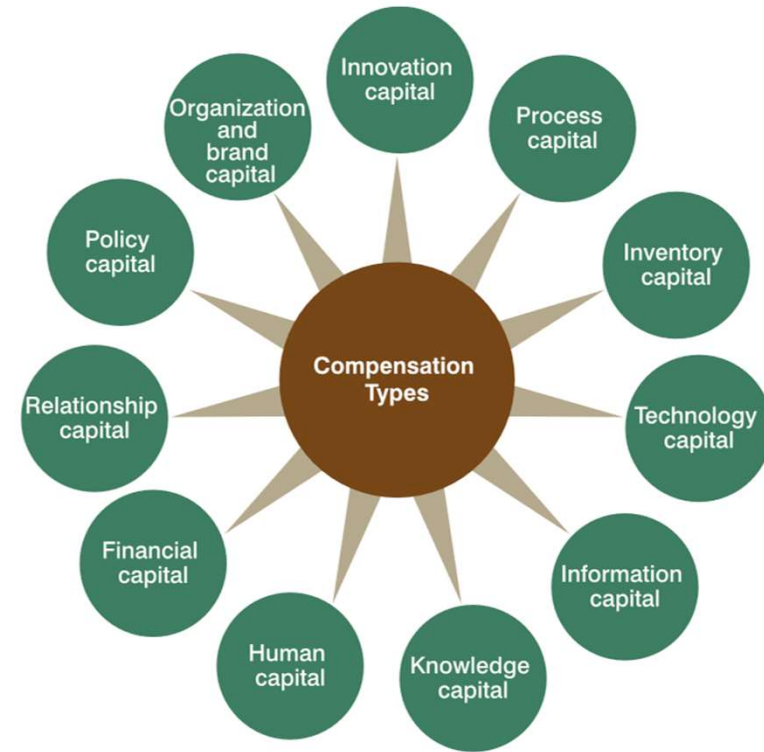
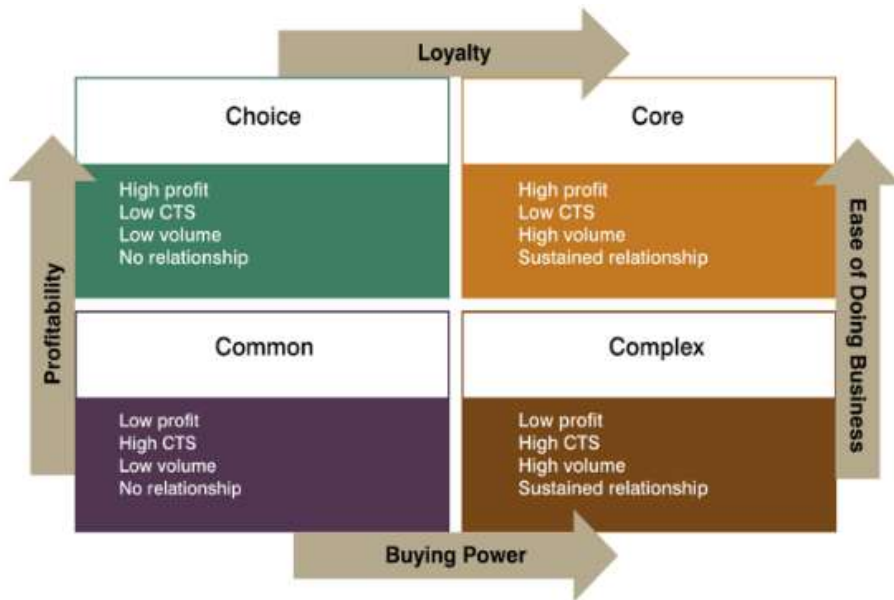
- Culture
- Example
 - Support: Supplier CEO attending 2-day channel effectiveness course along with channel partners; Channel partners have direct access to top management personnel.
 - Support Metric: Improves trust and communication, leading to relationship longevity





Aligning channel compensation to channel partner performance

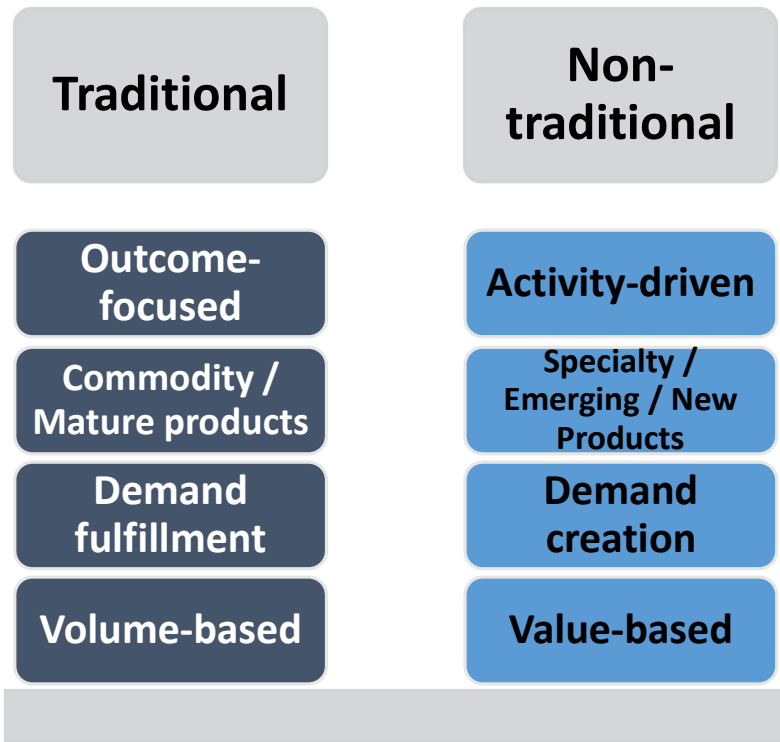
Distributor Stratification



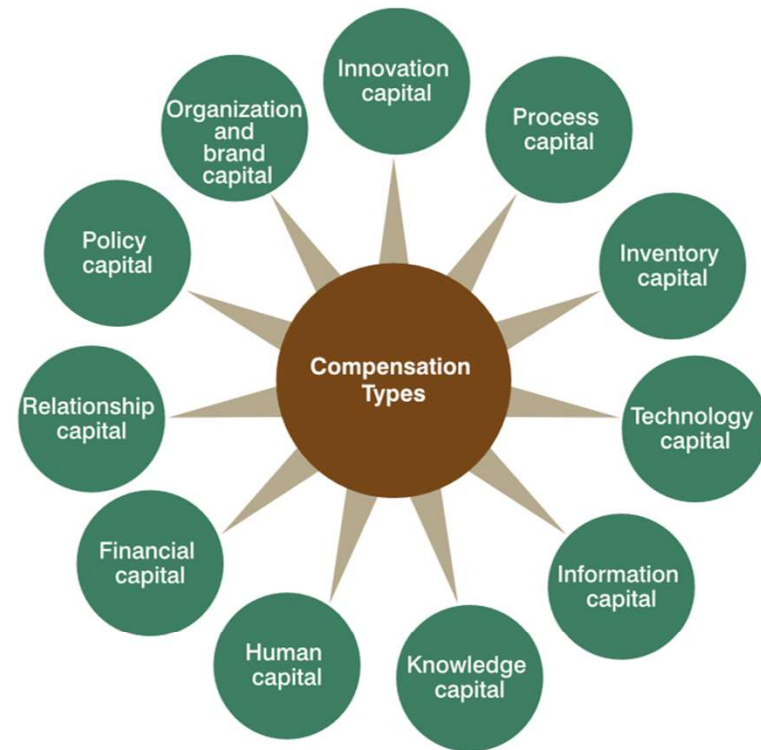
Are you customizing channel comp based on partner performance or one-size-fits-all?



Key Takeaways



STEP 1: What is the FOCUS of your existing channel compensation



STEP 2: Are you BALANCING channel comp across 11 capitals or overusing a few? Are you customizing channel comp based on channel partner performance?

Discussion: Group activity – 10 minutes

Having learned MOTIVATION and METHODS of channel compensation,

1) What is the FOCUS of your existing channel compensation mechanism?

- Does it encourage demand fulfillment or demand creation?
- Does it benefit distributors with value-add capabilities or those with higher volume?
- Does it motivate channel outcomes (results) or activity (behavior and capability)?

What improvements will you recommend to your firm's existing practice?

2) List at least TWO compensation types (out of eleven) that you would recommend your firm consider offering/improving?

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

