

# 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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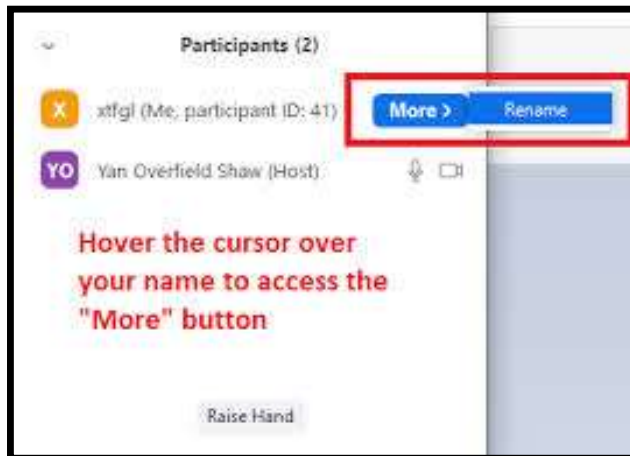


Leading the Channel Forward®

**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

## 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.

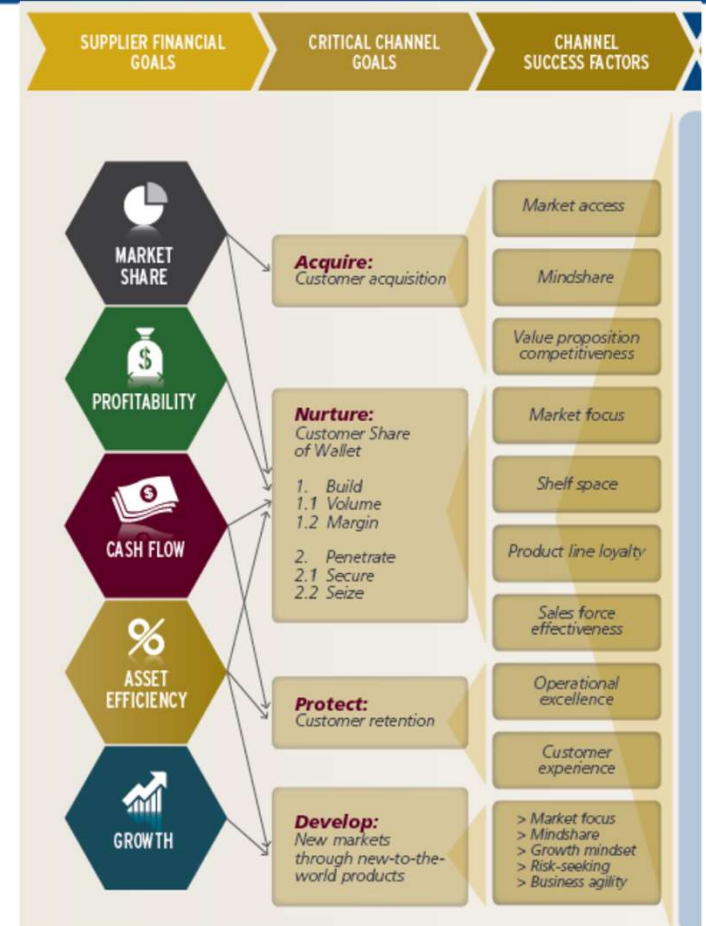
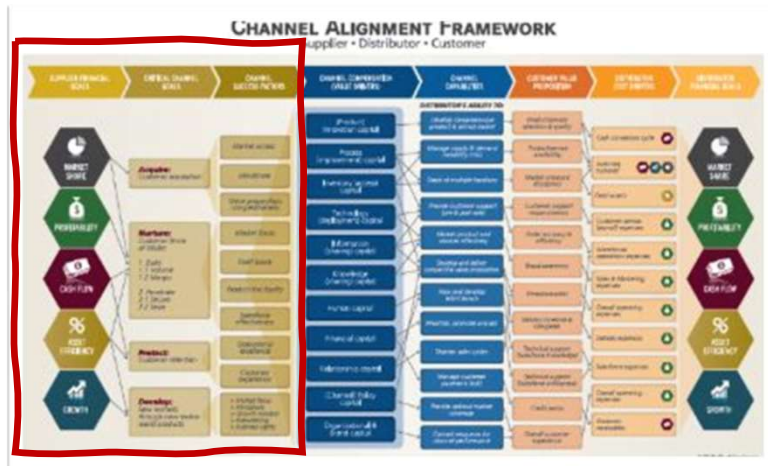
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

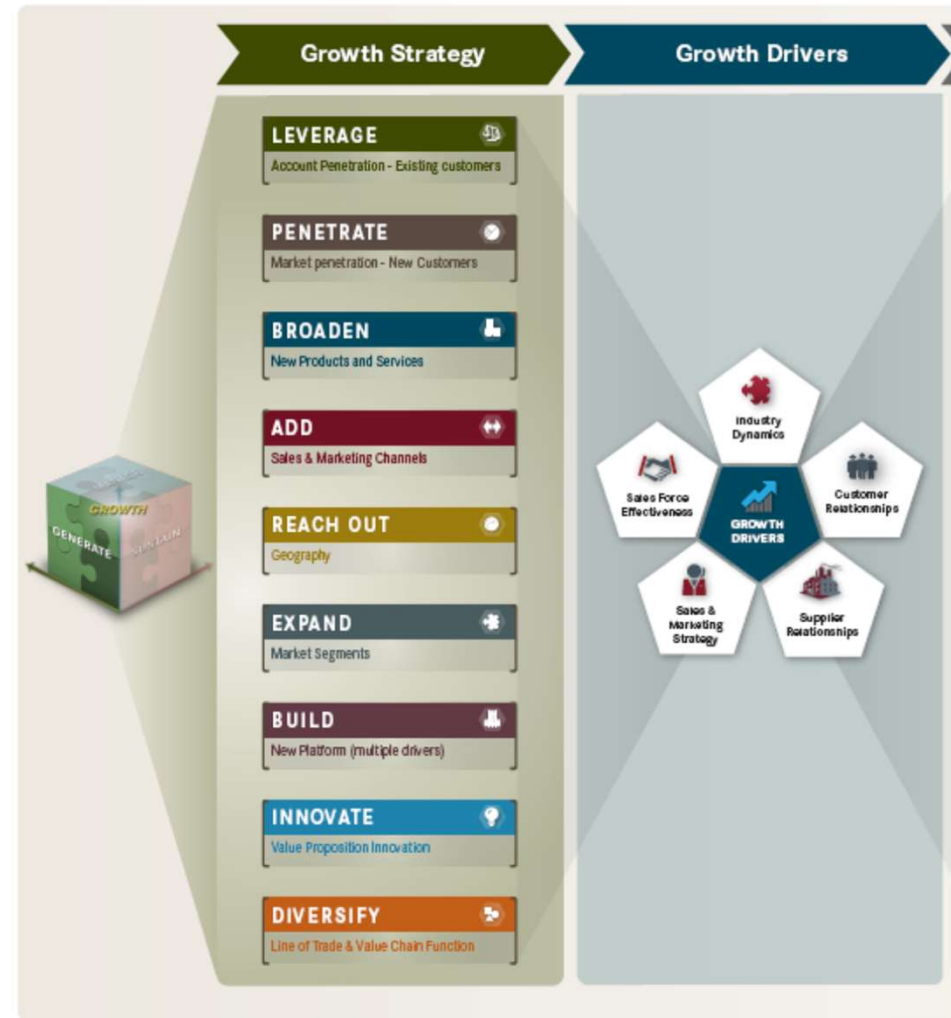
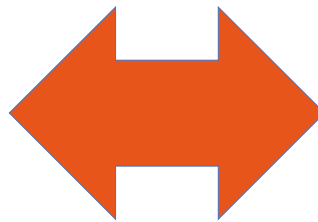
*8 Weeks, 75 Minutes Each Week.*



# Connecting Financial and Channel Goals to Channel Success Factors



# CHANNEL GROWTH: ALIGNING SUPPLIER AND DISTRIBUTOR PERSPECTIVES





# Channel Partner Performance Assessment: Good to Great

## Anecdotal

- Subjective
- Selective memory
- Recent incident



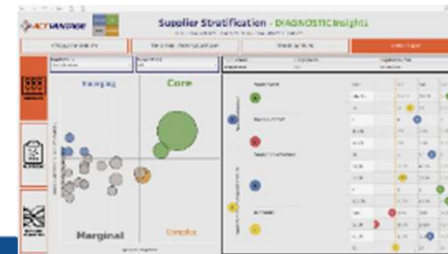
## Partner Scorecard

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



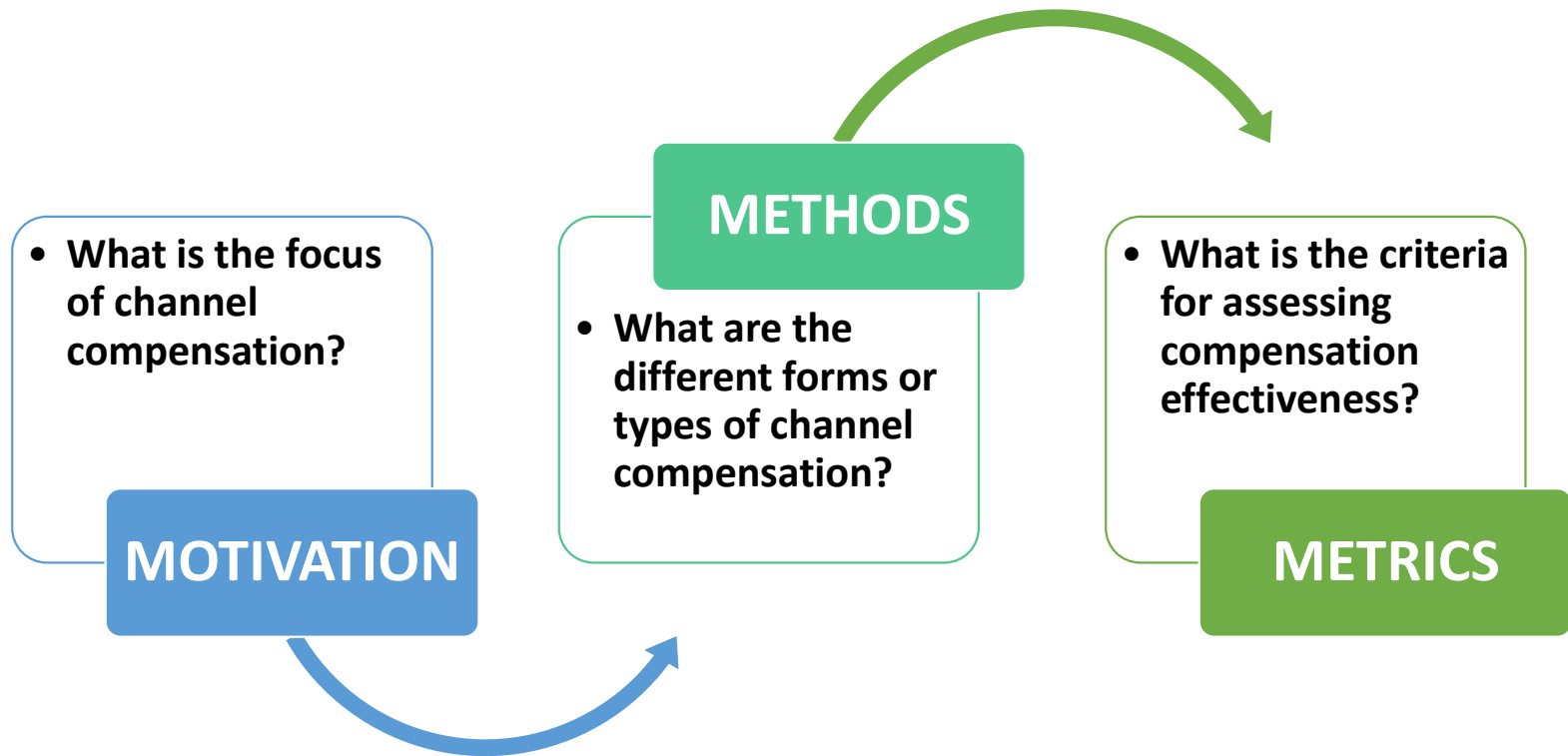
## Supplier or Distributor Stratification

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



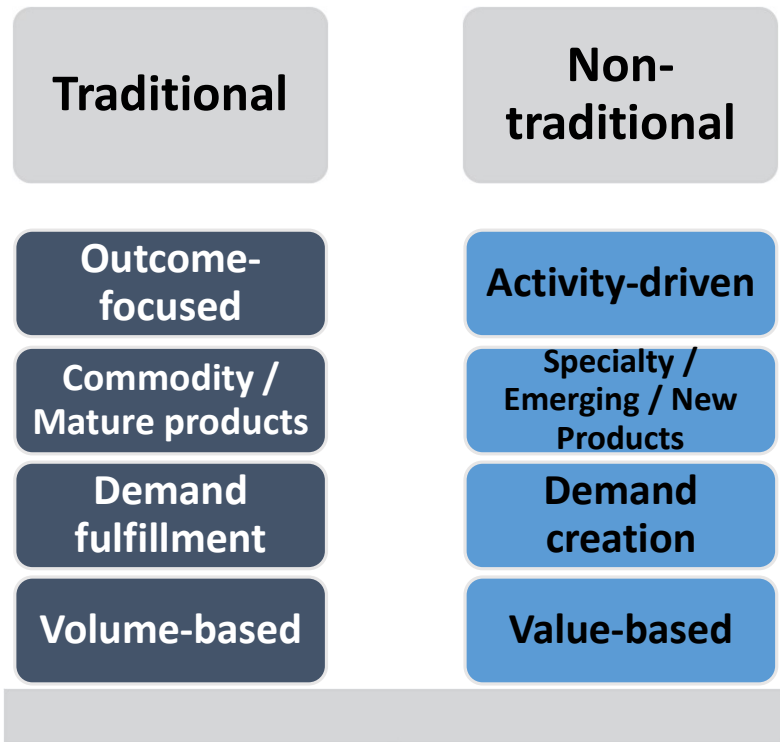


# Channel Compensation: 3 Steps

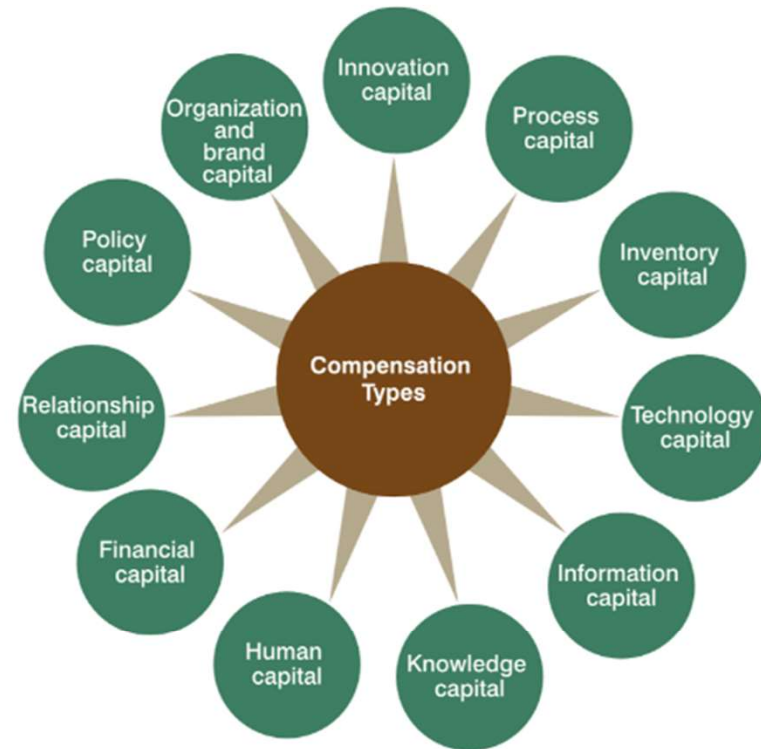




## Key Takeaways



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

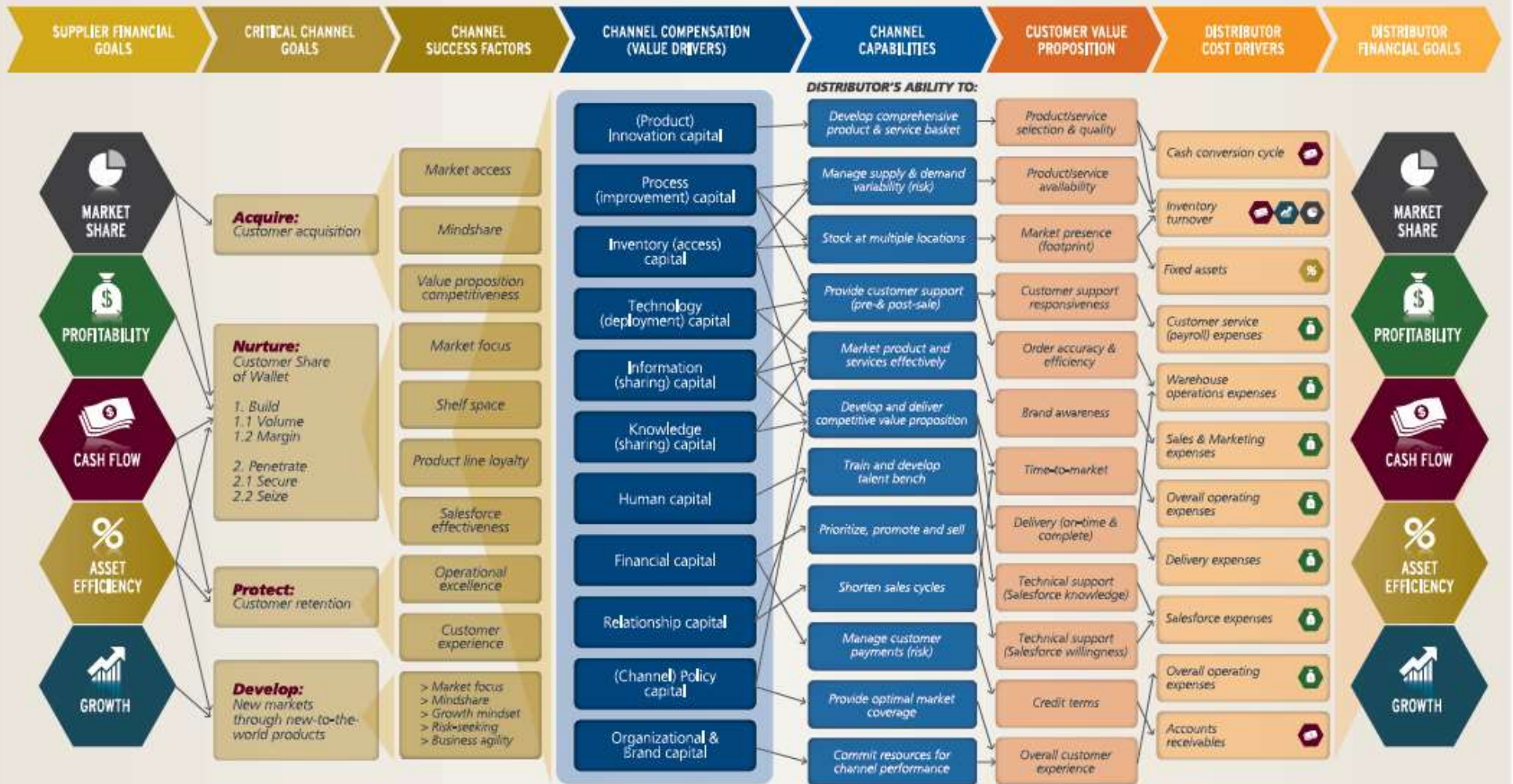


**STEP 2: Are you BALANCING channel comp across 11 capitals or overusing a few? Are you customizing channel comp based on channel partner performance?**



# CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer



## 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.



# TEAM 1

## 1. What is the FOCUS of your existing channel compensation?

- What improvements will you recommend to your firm's existing practice?
- Currently a couple of our firms takes a tiered approach to channel compensation depending on the size and relationship of the channel partner. The channel compensation structure is more diverse and lucrative for partners that have a greater ability to add value or drive high volume.
- One example that came up was channel exclusives for brand and/or product lines as a driver for more growth or volume purchased. This can be tied to shelf space, product location inside the store and marketing dollars invested.
- Improvements that could be implemented at our firms is more diverse/creative channel compensation for smaller customers, not just larger customers. This way we are less reliant on simply providing Financial Capital to smaller partners. This would benefit both sides of the partnership.

## 1. List at least TWO compensation types that you would recommend your firm consider offering/improving?

- Channel Policy could be improved with my firm. We work with so many distributor partners that are direct competitors. I think there is potential to prioritize via the partner stratification process and provide channel policy that blocks out lesser partners that we work with. This could happen as finitely as product or product line exclusivity by channel or specific channel partner.
- Human Capital - I think with some of my firms faster growing partners, there is opportunity to dedicate more human capital. Human capital is one of the most important compensation resources that we can award a smaller, fast growing distributor that may have limited human capital currently.



## TEAM 2

- What is the FOCUS of your existing Channel Compensation mechanism? **Financial Capital; Human Capital; Informational Capital**
  - Does it encourage demand fulfillment or demand creation? **Demand creation.**
  - Does it benefit distributors with value-add capabilities or those with higher volume? **Higher Volume.**
  - Does it motivate channel outcomes (results) or activity (behavior and capability)? **Activity.**
- What improvements will you recommend to your firm's existing practices? **Better understand & leverage all 11 compensation types so we don't silo to only 3**
  - List at least TWO compensation types (out of 11) that you would recommend your firm consider offering/improving?
    1. **Process Capital – Continuous improvements needed**
    2. **Human Capital – better leverage this as a compensation type and take more credit for the people investments.**



## TEAM 3

- The focus of my organization, being a rep firm – **the focus is demand fulfillment**. Solving a problem quickly, second to price. We offer 40+ lines with each visit from our reps. Having the best of the best, or the most readily available item, isn't always the solution. Perhaps this could be considered **activity-driven** too; generating "Activity" in the field with demonstrations of our very "hands on" products.
- When it comes to **channel compensation** – our team discussed how some of these compensation types are more timely, or more developed than others. In other words, **some channel compensation types are more accessible than others**. For example, financial capital i.e. rebates, promotions, pricing, etc can be handed out overnight. Innovation, processes, and knowledge is developed over time. Human capital can be instant (temporary help) and can also be providing your strongest salesperson (developed over time) to a resource. Relationships are built over time. Brand capital can work in your favor, especially when trusted over time, but can also be lost immediately should the company commit a PR crisis.
- The cool thing about being a rep, is having very **mutual relationships where channel compensation is exchanged**. Our **manufacturers are able to provide** so many of the channel compensations (information, technology, knowledge, innovation) where **our company can provide** relationships, financial, inventory access, brand capital, etc.



## TEAM 5

- **What is the focus of your existing channel compensation?**
- The focus of our team's channel compensation is **financial, and knowledge based**. Our organizations tend to incentivize key value add partners through strategic pricing agreements, sales incentive programs, and growth rebate programs. Additionally, our organizations implement knowledge capital through product knowledge sessions, lunch and learns, providing virtual training programs, and sales team integration with channel partners.
- **List at least two compensation types that you recommend your firm consider improving?**
- A common trend amongst our team was **the need for Inventory Access Capital and Information (sharing) Capital**.
  - Due to COVID-19, many suppliers saw massive shortages of raw materials and crucial production pieces to support business. We feel that we must fortify our supply chain to fulfill our obligations to our channel partners. This includes being on time and in full, (OTIF), safety stock (raining day inventory investment), and lessening variability of lead times from manufacturing.
  - Second is actively investing in information sharing with our channel partners. This includes market data, economic forecasts, critical infrastructure data, new product development (Bookshelf Technology), and sales data. This creates the ability to unify business plans heading into an uncertain future.



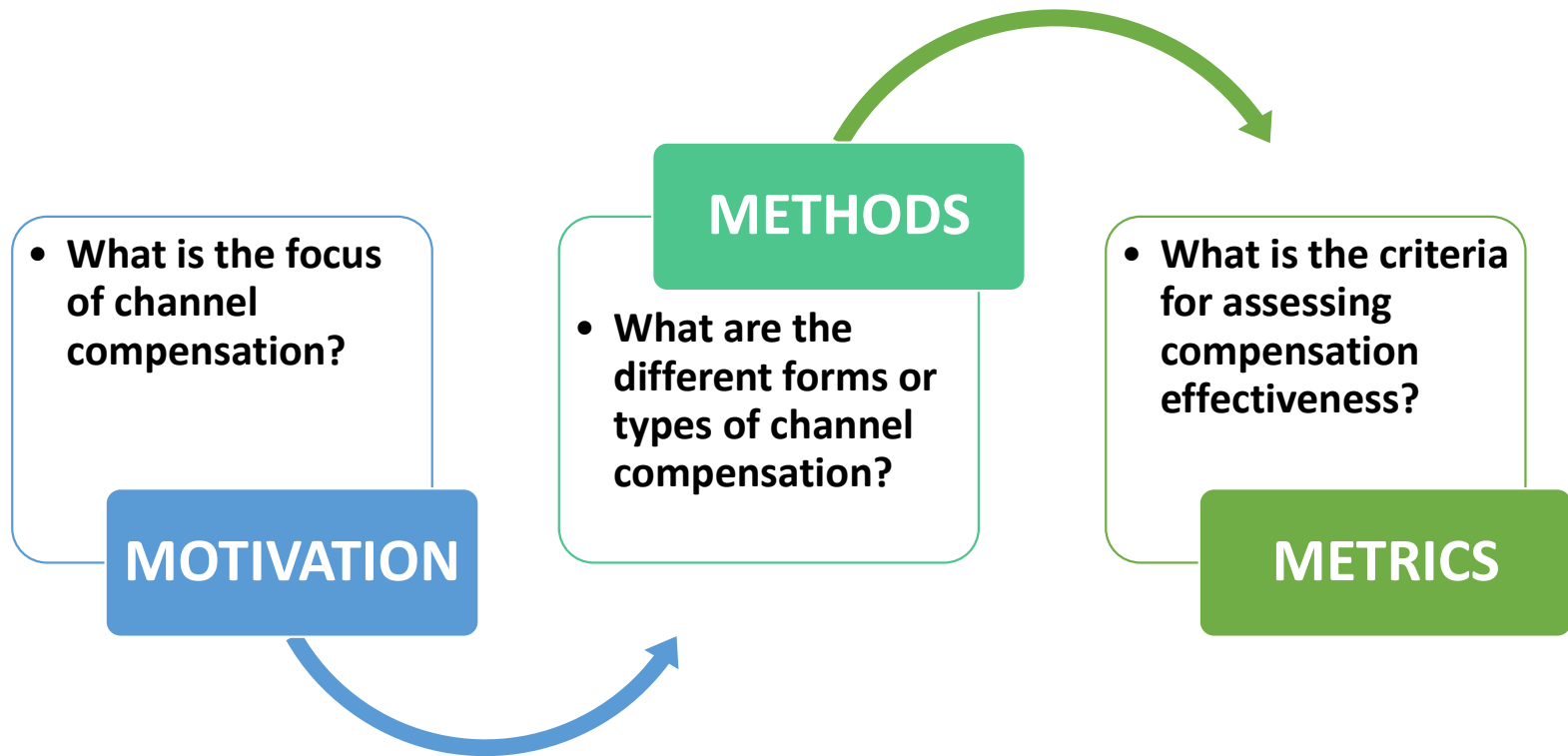
## Learning Objectives – Week 6

### Channel Alignment

- Assess your current channel alignment process
- Connect all three entities (manufacturer, distributor, and customer) value creation and capture efforts to create a common ground for channel alignment
- Apply the channel alignment framework as a conflict resolution and value proposition tool
- Understand how to quantitatively measure channel alignment.



# Channel Compensation: 3 Steps







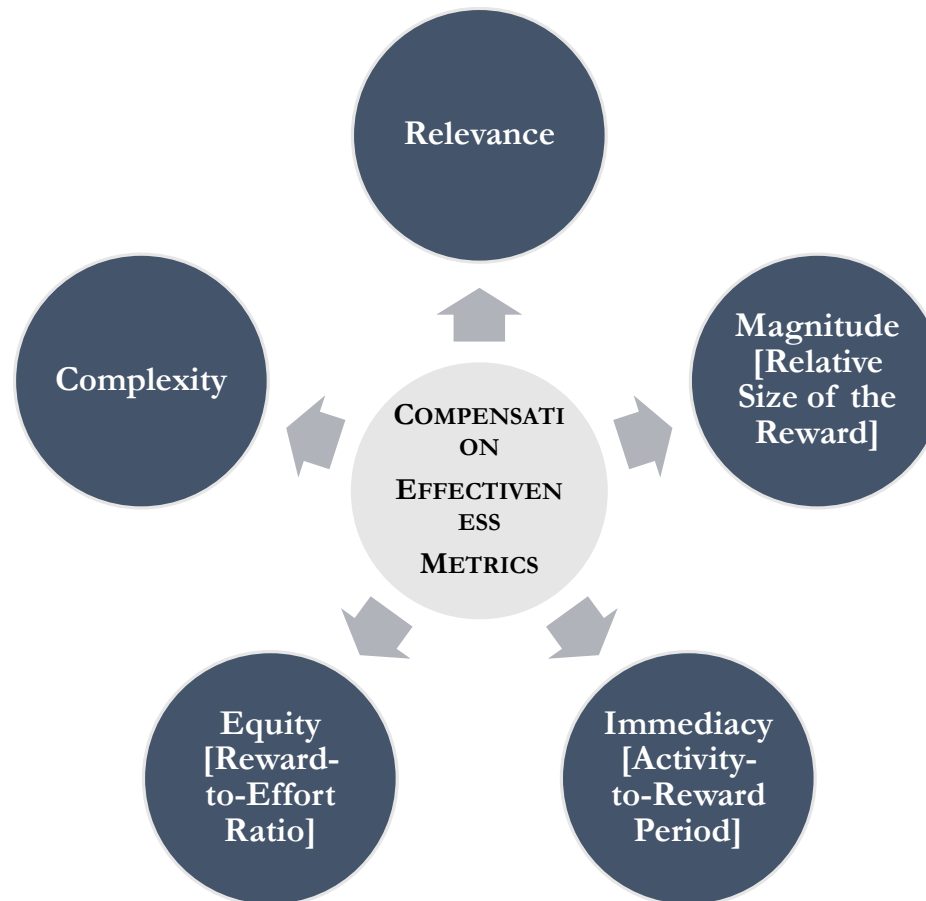
Discussion: Individual Activity – 5 Minutes (Type in the chat window)

**MFR:** How do you assess / measure the effectiveness of many channel compensation / support that you currently offer? Share a few metrics that you track.

**OTHERS:** How do you decide to engage with a given channel compensation/support from your channel partners? Especially, when would you NOT engage with channel support offerings.



## STEP 3: What is the criteria for assessing compensation effectiveness?

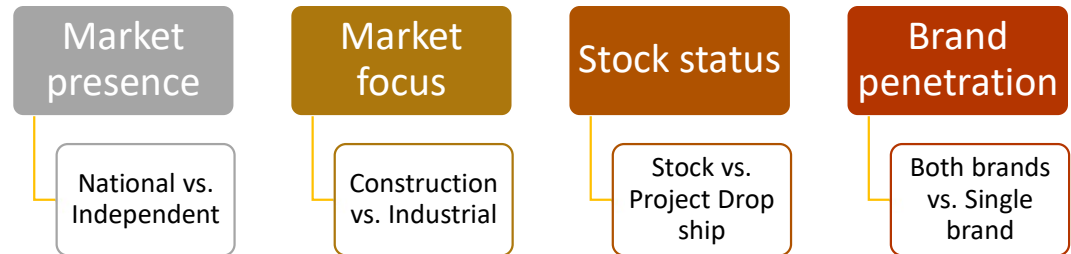
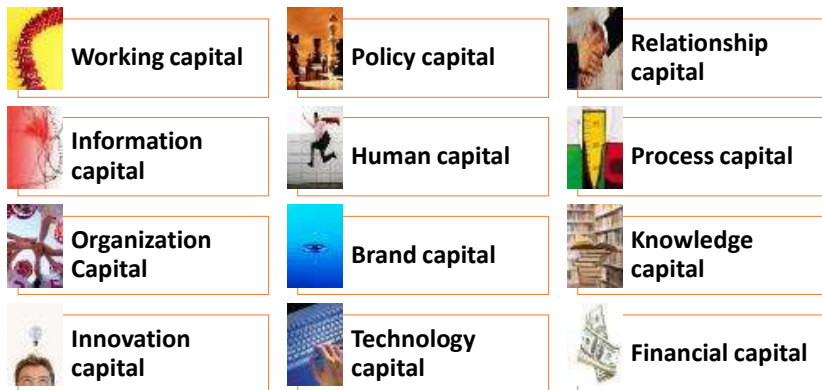


## DIFFERENT TYPES OF DISTRIBUTORS: ASSESSING RELEVANCE OF A CHANNEL COMPENSATION

Business Models	“Supply House” “Mom & Pop”	Niche distributor	Multi-line distributor	Full line distributor
<b>Product breadth</b>	Low	Low	High	High
<b>Product variety (brands)</b>	Low	High	Low to Medium	High
<b>Market presence (# locations)</b>	Local / Metro / Regional	Local / Metro / Regional	Regional / super-regional	Super-regional / National / Global
<b>Market focus</b>	Single segment	Varies		Multiple segments
<b>Growth stage/size</b>	Small (< \$50 MM)	Small to mid-size (\$ 50 – 250 MM)	Mid-size to Large (\$ 100 – 750 MM)	Large (> \$ 750 MM)
<b>Competitive advantage</b>	Product brand	Focus	Mix of brands and convenience	One-stop-shop
<b>Economic drivers</b>	Focus on ‘earn’ and ‘turn’ varies			
<b>Focus on services</b>	Varies (low to high) based on industry dynamics, customer, top management commitment, & competition			

# Example – Relevancy

An electrical manufacturer modeled value proposition based on multiple types of distributors



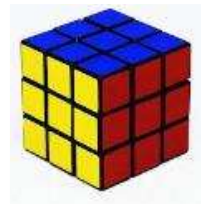


# Channel Compensation – Best Practices Summary



## Current Compensation Challenges

- General
- Imbalance
- Ineffective
- Controls activity



## Partner-focused Compensation

- Customized
  - Relevancy
- Balanced
  - Multiple capital
- Effective
  - Metrics
- Controls capability & activity

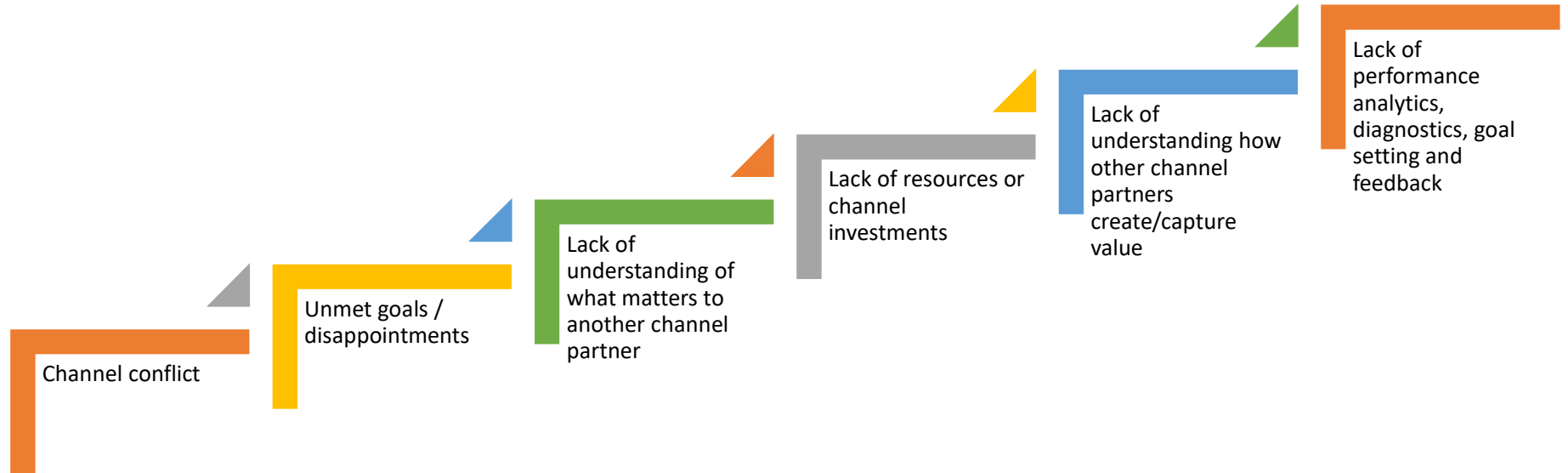


# Channel Alignment





# Channel conflict: Root Cause Analysis





# Defining Channel Alignment: 2 Dimensions



**Goal congruence:** the degree to which major strategic objectives of both firms are either shared or complement one another



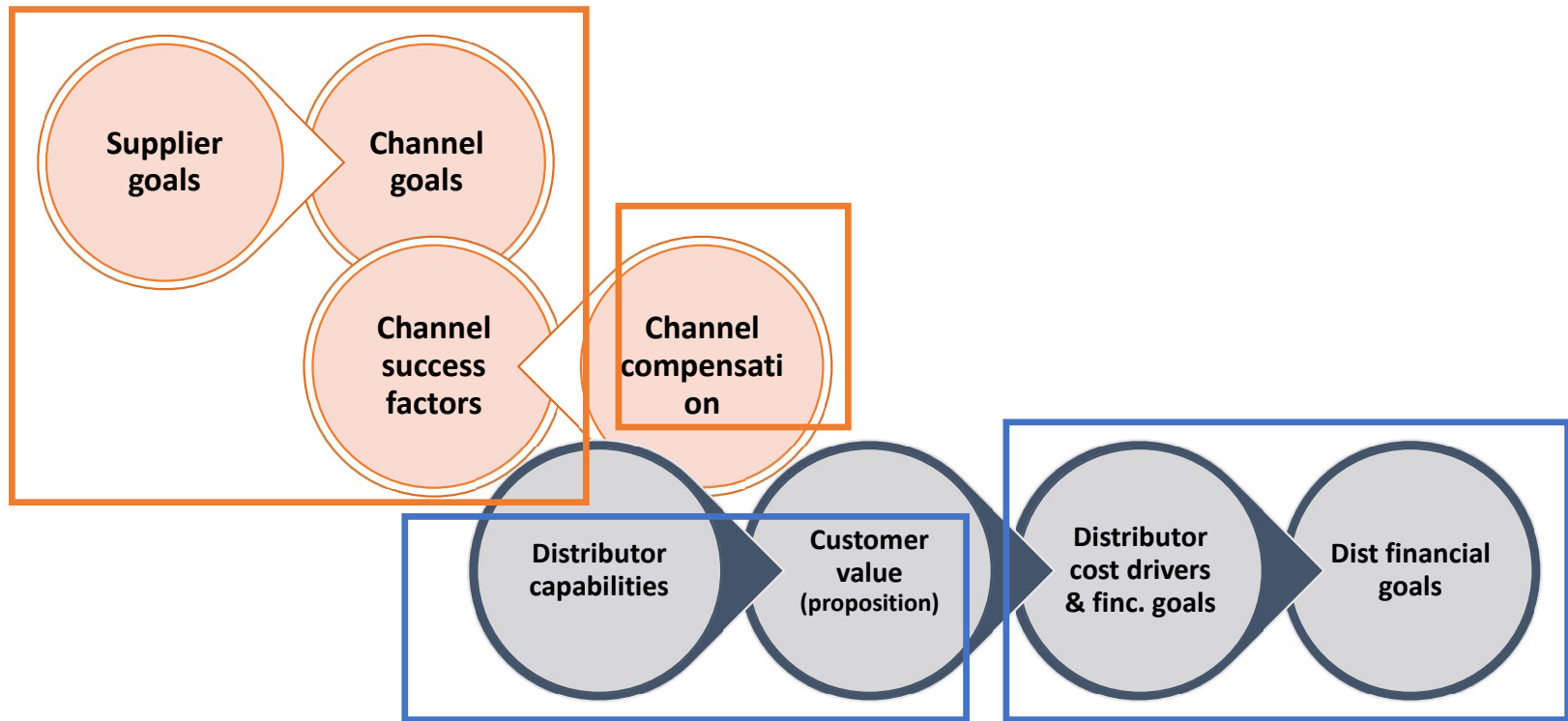
**Complementarity of resources and capabilities:** the extent to which one firm in a working relationship possesses essential capabilities or assets that the other firm can leverage or use for its own benefit



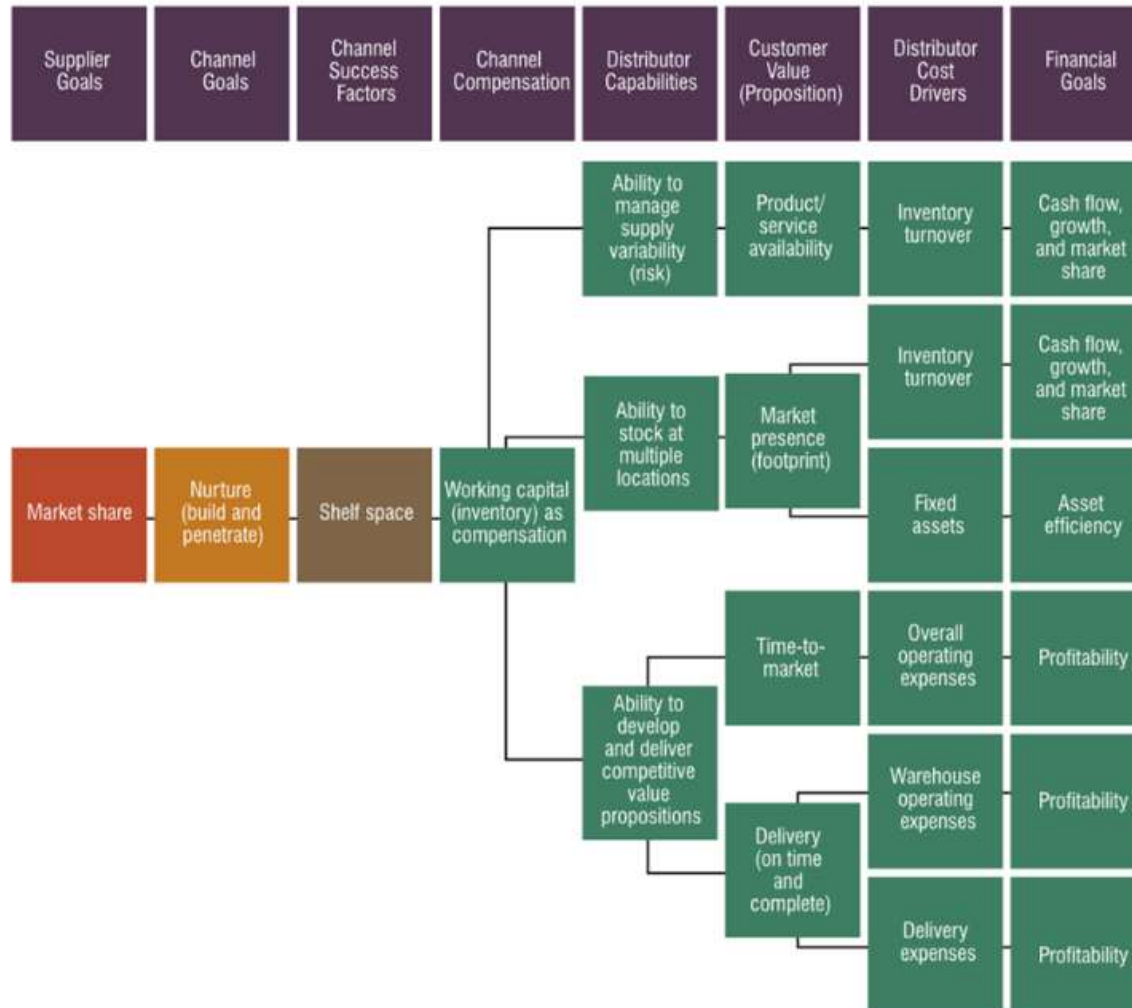




# Channel Value Alignment

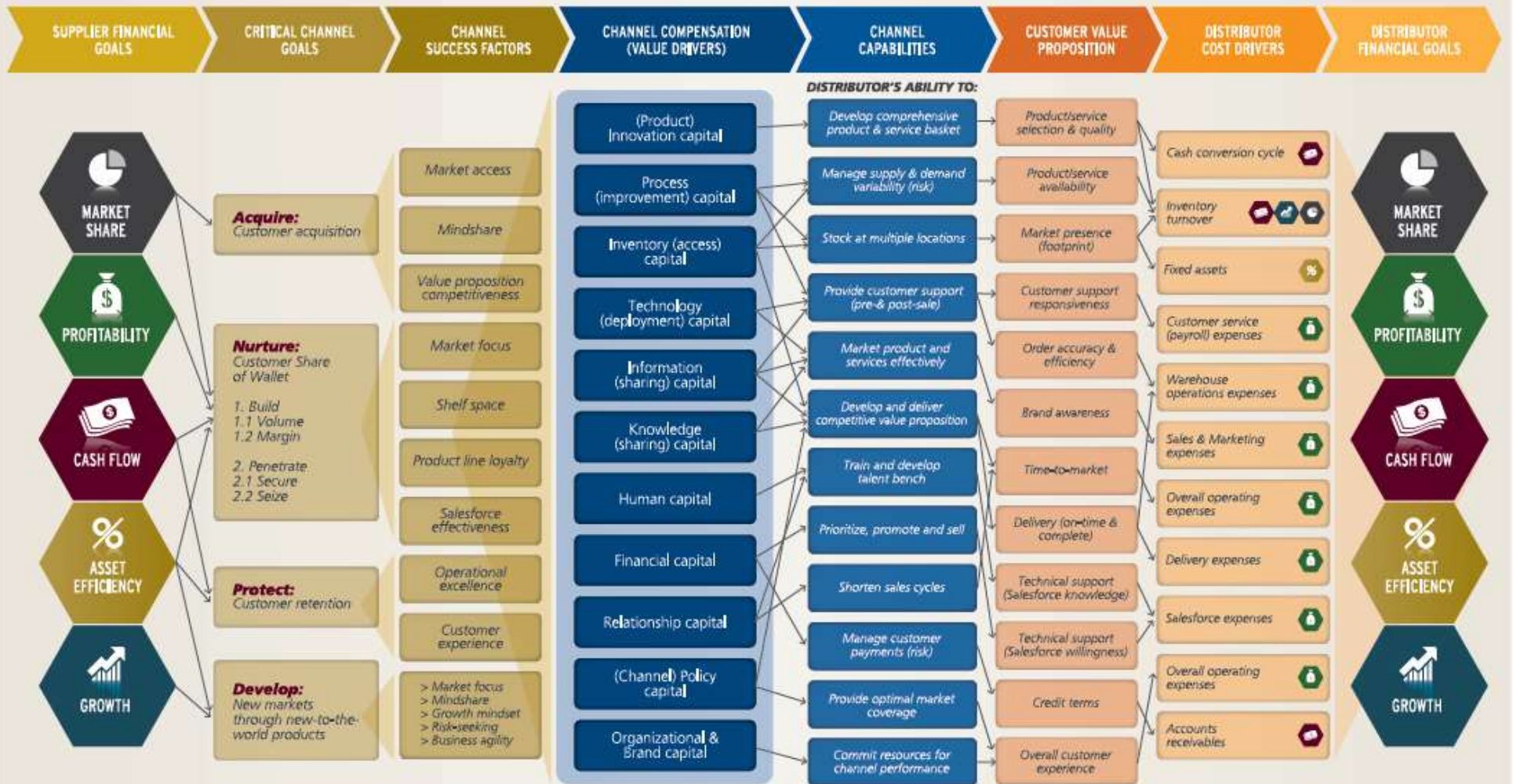


**Exhibit 6-3.** Channel Alignment Framework: Working Capital as Compensation.



# CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer





# Channel Alignment Framework: Applications

Develop a common ground/platform for mfr and distributors to



Recognize, understand and address the goals of both entities in a working relationship



Identify channel collaboration opportunities



Develop channel strategically using 11 compensation/investment capitals



Understand the benefits of various channel investments thru one-to-one/cause-n-effect approach (hence set realistic expectations)



Resolve channel conflicts resulting from misunderstanding how others create/capture value

## Discussion: Group activity – 10 minutes

Having learned Channel Alignment Framework and its applications,

1) List at least three channel conflicts faced by your team members? How do you currently manage the same?

2) What improvements will you recommend to your firm's existing practice of channel conflict resolution using Channel Alignment Framework?

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

# Contact Information



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