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

ISA — Leading the Channel Forward®
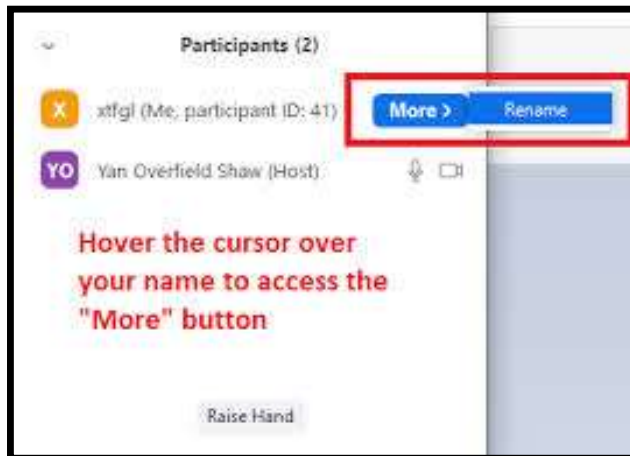
EMERGING LEADERS — ELCC — CHANNEL CERTIFICATION — ISA

ACTvantage

Zoom Platform Instructions

- Please Add Team # to your name, by clicking '<mark>Rename</mark>' 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	Rodrigez	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
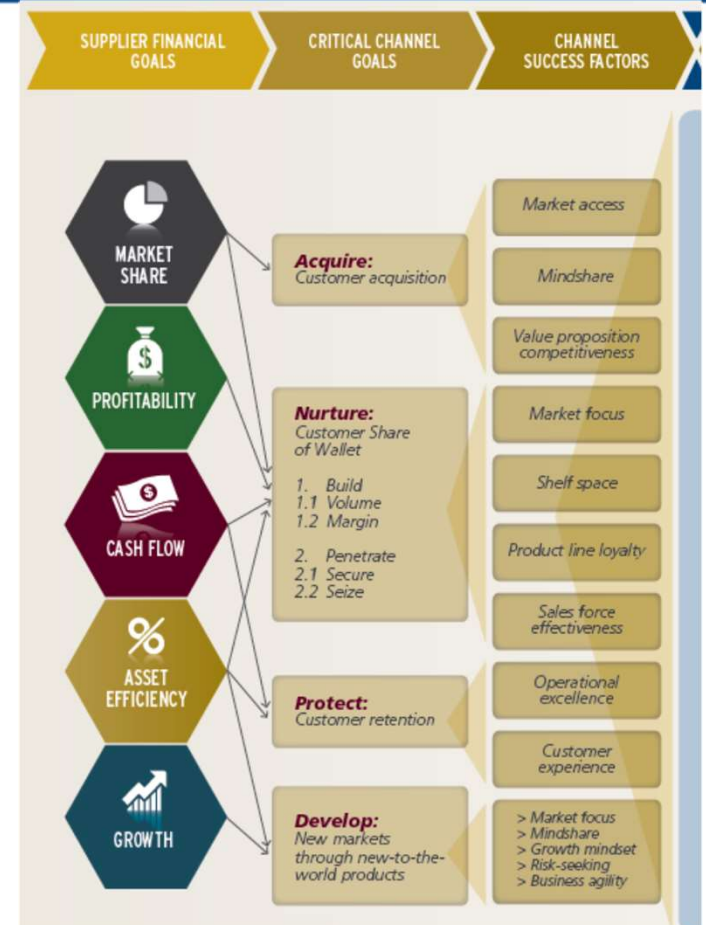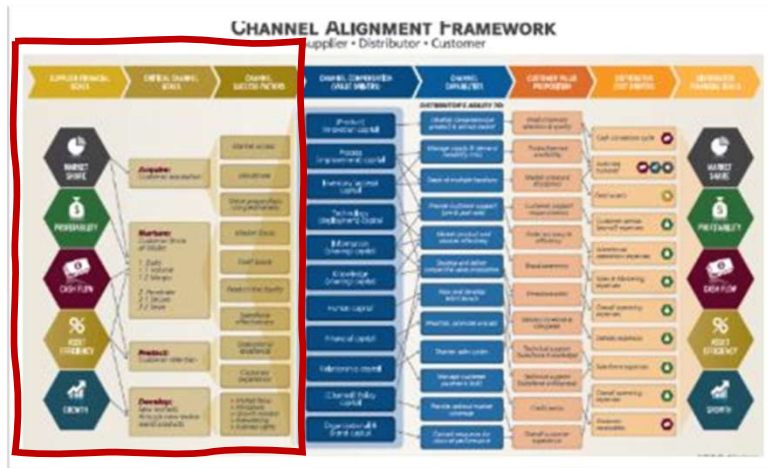
- Learn to adapt to channel forces.
- Comprehend the five principles of channel advantage.
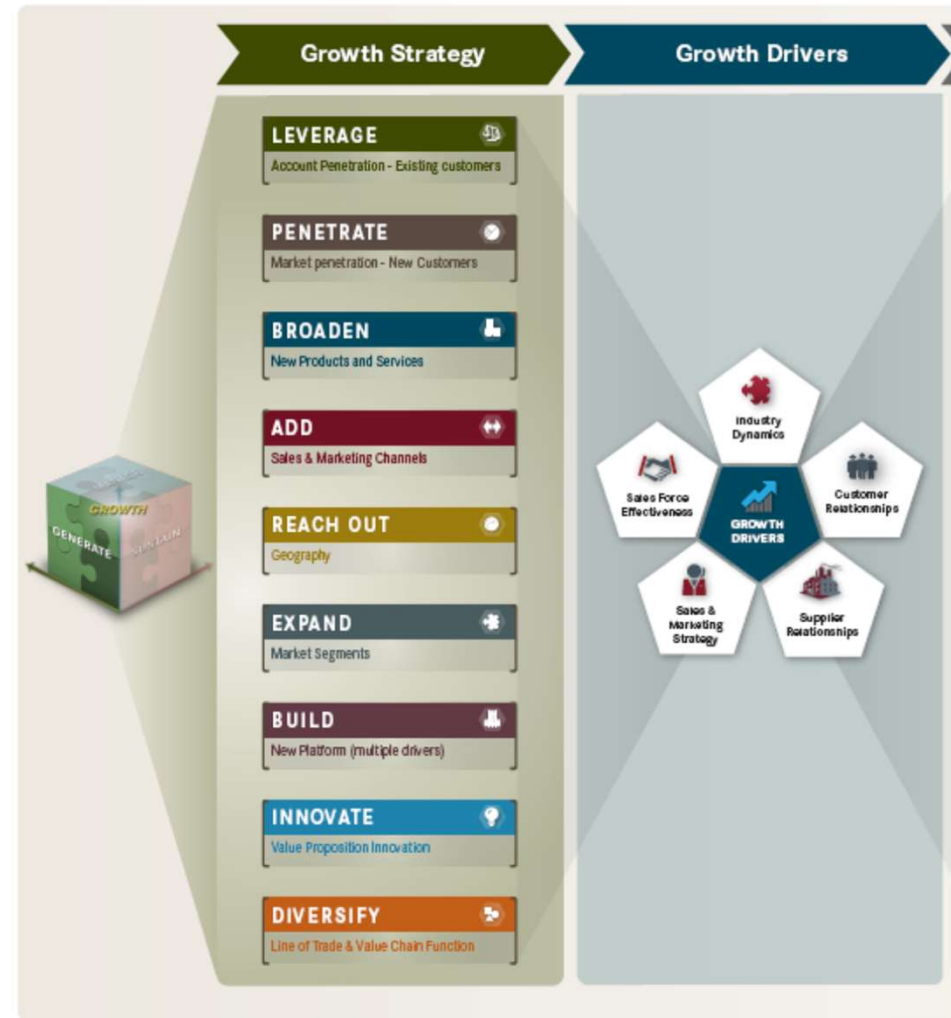- The Roadmap: How to apply this at your company

8 Weeks, 75 Minutes Each Week.

Channel Growth: Aligning Supplier and Distributor Perspectives
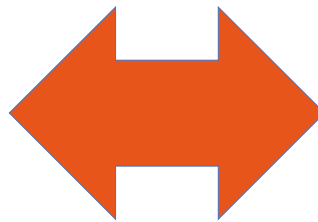
Channel Partner Performance Assessment:
Good to Great

Anecdotal

- **Subjective**
- **Selective memory**
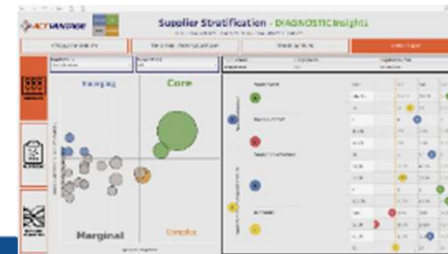- **Recent incident**

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**

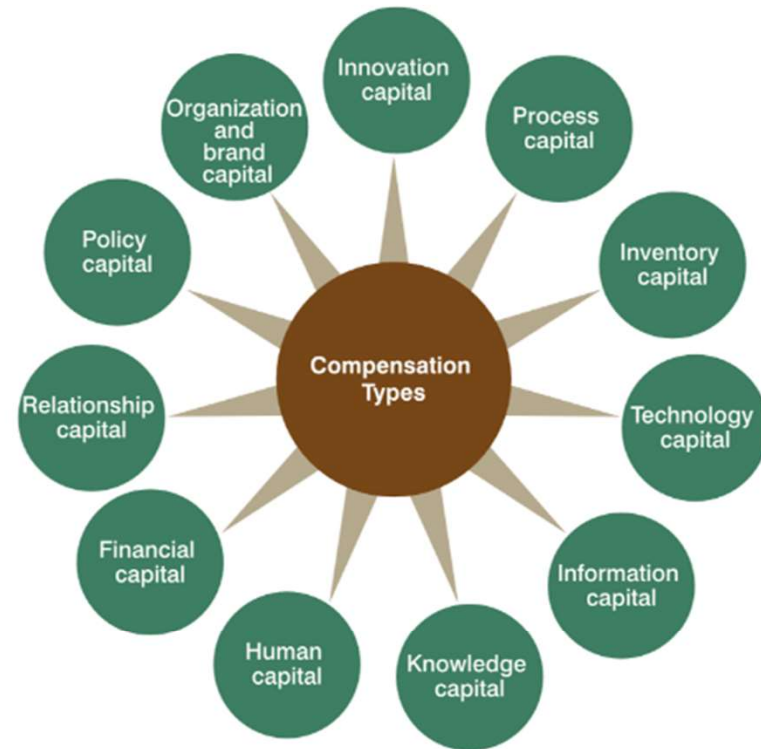# Channel Compensation: 3 Steps

MOTIVATION
- What is the focus of channel compensation?

METHODS
- What are the different forms or types of channel compensation?

METRICS
- What is the criteria for assessing compensation effectiveness?

Key Takeaways

Traditional	Non-traditional
Outcome-focused	Activity-driven
Commodity / Mature products	Specialty / Emerging / New Products
Demand fulfillment	Demand creation
Volume-based	Value-based

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

Compensation Types: Innovation capital, Process capital, Inventory capital, Technology capital, Information capital, Knowledge capital, Human capital, Financial capital, Relationship capital, Policy capital, Organization and brand capital

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
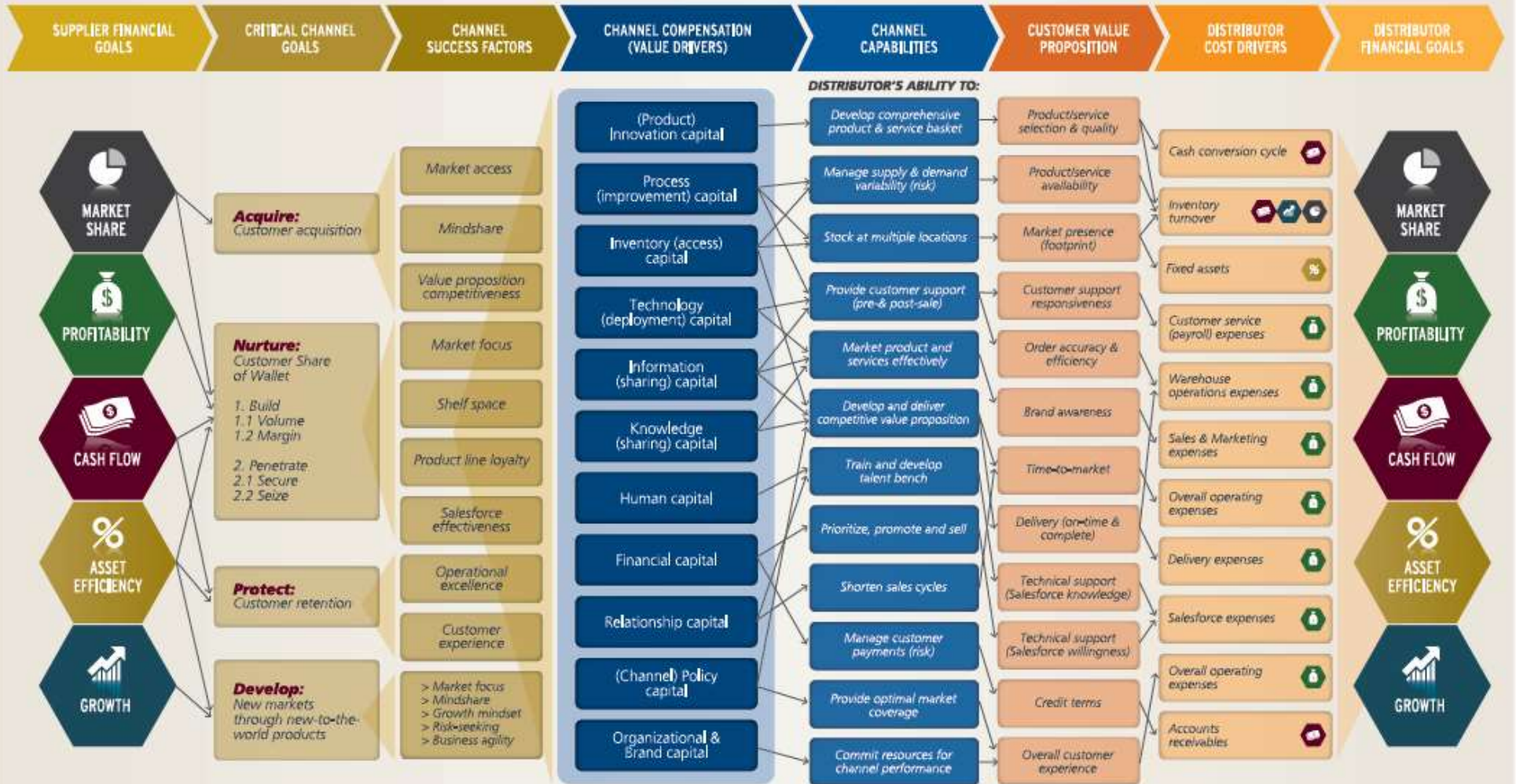
Discussion: Group activity – 10 minutes

Having learned Channel Alignment Framework and its applications,

1) List atleast 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.

TEAM 2

- **List at least three <u>channel conflicts</u> faced by your team members. How do you currently manage these?**
- Sales targets/commitments not met – meet with the parties to get opinions of why the goals weren't met, which can be very subjective.
- Limited Inventory Access – inventory is allocated to distributors with best partnership/alignment.
- Product Access (Exclusive Lines) – try to offer alternatives where possible, but not all distributors can be open to all lines.

- **What <u>improvements</u> will recommend to your firm's existing practice of channel conflict resolution using the Channel Alignment Framework?**
- Spend more time understanding why the conflict is happening to provide more beneficial compensation to meet goals.
- We used the example of a manufacturer trying to gain market share through promotional pricing, and the distributor wanting to increase their profitability, but neither goal being met. Traditionally, parties can just blame each other for either not promoting the product, or not offering competitive enough pricing. Looking through the framework, more energy should be focused on understanding why the goals weren't met and how to better support each parties' goals. Instead of just offering financial capital, it may be better to also add some human capital to better train on what the value of the promotions and products are and how to better sell them. This leads to a more knowledgeable, efficient, and driven sales force for the distributor which greatly increases the ability of both parties achieving their goals.

TEAM 3

- **List at least three channel conflicts faced by your team members. How do you currently manage these?**
- A - Managing prioritization of limited products (Manufacturer): Currently prioritizing key Core customers and giving them early/special access to new product lines due to their large % share of company's sales
- B - Product Allocation and On Time Delivery (Manufacturer): Similar to the above, when product availability is limited, current key customers get access/priority to these products before others due to their influence on company's total sales volume
- C - Visibility and Inventory Stocking (Distributor): Having enough stock to meet customer demands and having access to new product lines in a timely manner

- **What improvements will recommend to your firm's existing practice of channel conflict resolution using the Channel Alignment Framework?**
- On both the manufacturer and distributor side we feel that maintaining transparency and honesty regarding goals and resource allocation between the channel partners can assist in resolving channel conflicts. We think that one way to improve upon this would be by implementing a strategy where prioritization of limited products/new product lines is based on specific metrics being hit i.e. market share %, sales growth, etc. This would be shared with all distributors so they have clear guidelines and opportunities to receive these benefits if they qualify. We think doing this could help improve upon relationships between the channel partners.

TEAM 4

- **List at least three channel conflicts faced by your team members. How do you currently manage these?**
- [Manufacturer] – Pricing on products that are seen as a commodity, creating a "race to the bottom" on quotes to end user through distribution. Struggle to properly sell a performance value when distributor's goals are to win bids at low cost
- [Distributor] – Supply Disruptions & Price Increases from suppliers that need to be actioned or communicated to customers. Disrupt customer acquisition & retention.
- [Manufacturer] – Growing mind share of distribution to sell your full lineup of products when they are working with an end-user. Developing distributor & end-user into a customer with greater lifetime value.

- **What improvements will recommend to your firm's existing practice of channel conflict resolution using the Channel Alignment Framework?**
- In terms of the mindshare conflict above, we discussed how a firm can better align channel compensation to sell a full offering versus limited offering through a distributor. For example, a distributor and manufacturer could exchange human capital for additional inventory capital. "If you expand your stocked items to include our full lineup, we'll give you a dedicated sales resource to call on end-users in partnership with your outside sales team." This benefits the manufacturer by increasing the value of the distributor and benefits the distributor by having a knowledgeable resource assist in growing sales with end users.

TEAM 5

- **List at least three channel conflicts faced by your team members. How do you currently manage these?**
- The three most frequent channel conflicts that our team has faced is as follows: CO-OP funding conflicts (who the money belongs to), whose holding inventory of certain items (distributor or manufacturer), and channel conflicts based on relationship capital invested in core customers.
- First, regarding CO-OP funding issues we are currently utilizing rebate programs to provide a metric based system for distributors to accrue. Second, regarding inventory issues we are working with our distributor partners to ensure that they carry certain items prior to order due to lead times. Lastly, regarding relationship capital, we currently remain impartial to distributors' business based on access to what we have to provide them.

- **What improvements will recommend to your firm's existing practice of channel conflict resolution using the Channel Alignment Framework?**

- Regarding CO-OP funding or financial capital conflicts, we could improve this by utilizing goal congruence in channel policy. Level the playing field with customer stratification, making each segment tiered in funding and pricing. Essentially, standardizing the process of rebate programs, co-op funding, and pricing to avoid any confusion or conflict that shall arise.

Adapt to Channel Forces

- Understand the <u>implementation factors</u> for channel management processes
- Learn <u>four phases</u> of implementing channel performance analytics

Guest Speaker: Bill Ward

Shell Oil Products US
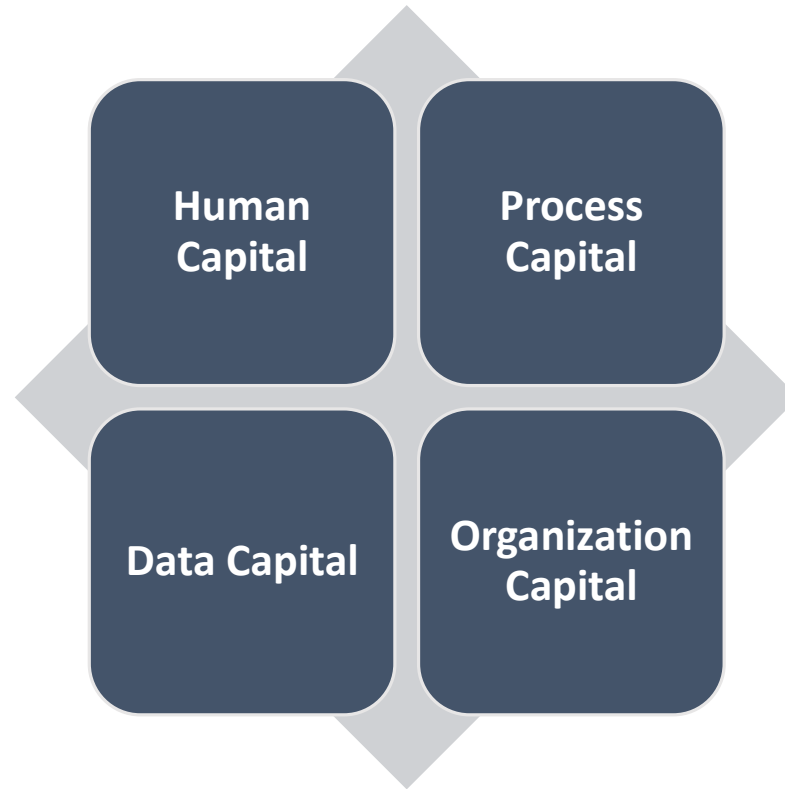
Manager, Distribution Strategy & Implementation

Manager, Distributor Business Performance

Retired

Channel Management – Processes and Implementation Factors

Channel Management Processes	Human Capital	Process Capital	Data Capital	Organization Capital
Determine Channel Goals	• Resources	• Framework	• Data requirements	• Top management commitment
Decide Channel Focus	• Roles and responsibilities	• Process	• Definitions and assumptions	• Change management
Design Channel Compensation	• Accountability	• Methodology	• Analytics	• Learning and development
Manage Channel Alignment		• Process owner		• Culture
		• Collaboration		

Channel Mindset

Top management orientation towards channel relationship

Channel mindset (as-is)

- Undesirable but must be accepted
- Sunk cost or dead expense
- Subjective complaint list
- Short-term fixes

Channel mindset (to-be)

- Focused partners for competitive advantage
- Investment for collaborative advantage
- Objective performance analytics
- Balanced solutions

Discussion: Group activity – 10 minutes

Having learned about FOUR implementation components and its applications,

1) Share the channel-related best practice project and its outcome to your team. Link the contributing factors to four capitals.

2) What <u>improvements</u> will you recommend to your firm's existing practice of channel project implementation approach?

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Design Channel Compensation	• Accountability	• Methodology	• Analytics	• Learning and development
Manage Channel Alignment		• Process owner		• Culture
		• Collaboration		

Contact Information

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