

North American Management Briefs

Published by:



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You Should Know...

Watch Your Wallet

Americans lost \$560 million last year in internet fraud reports the FBI. The most common fraud? Scammers and con-artists impersonating FBI agents.

The Point: Trust but verify.

Good News

US traffic deaths fell to their lowest level in 56 years in 2009 with fewer than 34,000 people killed. The reason? Side airbags and other safety features along with the drop in miles driven because of the recession reports the *Detroit News*.

The Point: Maybe the recession does have a silver lining.

Start Saving

CNN reports that 43% of Americans have saved less than \$10,000 for their retirement.

The Point: This is very troubling as the median age is 37 in the US.

Crime Pays?

A female robber in Riverside, CA held up a store with eleven customers. The take? Six dollars.

The Point: Talk about risk/reward.

Inflation Coming?

The first Super Bowl tickets in 1967 were \$12 each and the game did not sell out. In 2010 they were auctioned online starting at \$2,700 each reports *The New York Times*

The Point: Yes, that's inflation.

April's Quote

*"Who is rich? He that is content.
 Who is that? Nobody."
 Benjamin Franklin*

Life Cycle Channel Management

A manufacturer's channel model and how its participants are compensated should be reviewed periodically. Why? Changes in the economic or competitive environments, technology, etc. The most common reason, however, is the maturation of a product line. A product in the early phase of its life cycle requires quite a different channel model than does a product in the mature phase.

Most B2B manufacturers establish a channel process and a supporting compensation program, but rarely change either unless forced to. This is the single greatest reason for "leadership rotation" within an industry. Understanding life cycle channel management is essential to maintaining leadership. Here are some tips.

In the **embryonic** phase of a product's life cycle missionary/pioneer work is required. Existing channel partners are usually unwilling to do it knowing that 72% of B2B products fail within 3 years. A manufacturer then must prove a product's marketability to them by investing in direct sales, marketing communication, and pre- and post-sale technical support. This means a highly focused direct sales initiative.

During the **growth** phase it becomes both easier and necessary to recruit quality channel partners to cover the expanding market. During this phase:

- *Distribution partners are often granted exclusivity.*
- *Pricing policies are developed to include discounts for large orders and/or contract accounts.*
- *"List" pricing is often reduced to erect a "barrier to entry" for competitors.*

- *Channel compensation programs focus on rewarding account/customer acquisition, not retention.*

During the **mature** phase you must:

- *Maintain direct contact with the largest accounts and often directly participate in price negotiations.*
- *Sell through multiple channel vehicles, each providing a different set of services at a different price.*
- *Utilize excess capacity by soliciting private label business.*
- *Compensate your channels for increasing your share.*

The last or **harvest** phase calls for distribution channels to be expanded. Direct, internet selling of large accounts and increasing prices as competitors withdraw is required.

The Point: Using exactly the same channel process for products in the embryonic phase for those in the harvest phase is unwise. You may use the same channel partners, but their number and compensation should be different.

Top 10 Countries with the Largest Areas of Forest

| Country | Sq. KM (millions) |
|-----------------------|-------------------|
| 1. Russia | 8.1 |
| 2. Brazil | 4.8 |
| 3. Canada | 3.1 |
| 4. USA | 3.0 |
| 5. China | 2.0 |
| 6. Australia | 1.6 |
| 7. Dem. Rep. Of Congo | 1.3 |
| 8. Indonesia | 0.9 |
| 9. Peru | 0.7 |
| 10. India | 0.7 |
| World Total | 39.5 |

Source: United Nations Food & Agriculture Organization, *Global Forest Resources Assessment 2005*