

North American Management Briefs

Published by:



LEHNEN, MOLLAN & Associates

Channel Distribution and Pricing Consultants

Phone: 1-815-226-1666 www.lmausa.com

You Should Know...

Food Allergy?

30% of Americans believe they suffer from a food allergy. The actual number? Only 5%.

The Point: Self-diagnosis can be misleading.

A Chinese Chevy?

General Motors' auto sales in China have surpassed those in the US for the first time. In Q1 and Q2 of 2010 GM sold 1.2 million vehicles in China compared with 1.07 million in the US reports *247Wallst.com*.

The Point: Just another confirmation of how quickly the Chinese consumer is increasing his/her standard of living.

Prohibition Is Not Over

One in nine counties in the US still prohibits the sale of alcohol even though dozens in Texas, Tennessee, and Kansas have voted to go "wet" in recent years reports *USA Today*.

The Point: That 11% of US counties still prohibit the sale of alcohol is quite surprising.

Fowl Play

Police in India detained a pigeon under the suspicion it was on a special mission "spying" for Pakistan. It is being kept under armed guard, without visitors.

The Point: You can't be too careful.

August's Quote

"All good things that exist are the fruits of originality."
John Stuart Mill

Reducing SG&A Costs

Increasing sales, market share, and improving the efficiency of your "go to market" process are subjects that we commonly address in this newsletter. Reducing sales costs and reallocating marketing resources are also critical to the success of any sales and marketing program.

In recessionary times costs must be reduced, but carefully. Many companies reduce costs in a way that enables them to survive a recession, but leaves them too weak to recover post-recession. In fact, more companies are forced to exit their industry after a recession than during it.

First, what not to do:

- *Marketing communication costs* seem to be an easy, painless way to reduce expenses. Case study after case study, however, has shown that doing this greatly reduces an organization's post-recession competitiveness resulting in a loss of share followed by a decline in average selling prices.
- *Firing your distributors and reps and taking the business direct.* This will indeed allow you to "harvest" your product line for profits for 12-18 months and help you to survive the recession, but again puts you in a dangerous position post-recession.

What should you do?

- *Examine how your sales resources are allocated.* Are they focused on defending old products and retaining low margin customers, or on introducing new products, penetrating new markets, and acquiring new customers? Increasing your market share is easiest during a recession because your

competitors are weak and their customers are more willing to switch suppliers.

- *Channel compensation.* Is the variable compensation your distributors, independent reps, and salespeople earn aligned with your strategic and operational goals? Are they being compensated for the same things that you are?
- *Trade exhibitions.* Unless you are introducing new products or attempting to expand your channels you can usually skip them for one or even two years with very little risk to your business.
- *Better educate your salespeople specifically on negotiating prices.* Purchasing agents, sourcing agents, etc. are now much more skilled at negotiating than are many of the salespeople they deal with. Some even have degrees in sourcing and supply chain management. If your salespeople have not had a formal course in negotiating, then it's likely the increased pressure of the recession will cause them to "cave in" even more quickly during price negotiations.

The Point: During a recession it's usually necessary to reduce costs. Sales and marketing costs are no exception. Be careful how you do it, however, as "cutting in the wrong places" can permanently reduce your competitiveness.

Countries With the Highest Murder Rates Murders per 100,000 population

Country	Murder Rate
Venezuela	42.0
South Africa	39.5
Colombia	39.3
Jamaica	31.6
El Salvador	31.5
Brazil	27.0
Guatemala	25.5
Russia	19.8

Ecuador	18.3
Kazakhstan	16.3

Source: *The Human World*, 2009