



## You Should Know...

### Affording Luxury?

*The New York Times* reports that 86% of all luxury (\$50,000+) automobiles sold in the US in 2009 were purchased by individuals with a net worth of less than \$1 million.

**The Point:** Perhaps the wealthy are doing something else with their money. Investing?

### Unreliable People Wanted

A British government job center rejected an ad from a company that specified that applicants "must be very reliable and hard-working." The reason? Fear of a law suit for discriminating against "unreliable people."

**The Point:** There can't possibly be one.

### Calling Captain Kirk

NASA has reduced the selling price of several of its '70s era spacecraft, which will go out of service later this year, from \$42 million to \$28.8 million for each, reports *The Washington Post*.

**The Point:** Get the extended warranty.

### Crime Pays But Poorly

The black market is awash in stolen credit card numbers, driving down their value. Identity thieves now make about \$0.50 per stolen number, down from \$16 in mid-2007, reports *The Washington Post*.

**The Point:** Crime pays but not very well.

### February's Quote

*"There is nothing so useless as doing efficiently that which should not be done at all."*

Peter F. Drucker

## Have Your Channels Become Dysfunctional?

The recession has caused participants in many B2B industries to change what they require of a "go to market" process. These changes are sometimes dramatic and almost always irreversible. As a result, some previously successful channel models have become dysfunctional, their market coverage poor, loyalty to any one brand suspect, and/or their operating cost high.

First, the basics. What should a B2B channel process do? The most basic elements include a) carrying inventory, b) selling/demand generation, c) physical distribution, d) after-sale service, and e) extending credit. Which type of channel partner or vehicle you choose to perform each function is an economic decision, but all must be performed.

How can you tell if your channel process has become dysfunctional? Ask,

- *Is the geographic concentration of your sales inconsistent with the geographic concentration of your markets?*
- *Are your channel partners carrying minimal inventory and asking you to "drop ship" to their customers?*
- *Are your larger channel partners carrying their own competitive, private label brands?*
- *Are your channel partners reluctant to let you communicate directly with their customers?*
- *Is your channel compensation program poorly understood by your channel partners?*

The answers to these questions often reveal what many executives already suspect, their current channel process is becoming

obsolete. Why not just change it? Sometimes it's because of what Peter Drucker calls "big company disease" in which marketers focus on "patching and modifying obsolete/dysfunctional models rather than replacing them." This usually just increases channel costs.

Obsolete channel models must be replaced not just patched. Innovative consumer marketers such as P&G, Apple, Tiffany, Verizon, New Balance, Cole Haan, and others have long recognized that "one size does not fit all" when it comes to market coverage. Direct selling, multi-level distribution, retail, online catalogers, etc. are often required, simultaneously, to fully cover a market. When to change your model? During a recession or a period of economic turmoil. There will be much less resistance then.

**The Point:** One characteristic of market leadership is the ability and willingness to respond to changes in the market or in the competitive environment. In next month's *North American Management Briefs* we'll discuss the next step: **Identifying the model your market requires and is willing to pay for.**

Top 10 Countries with the Highest % of Adults in Further Education

Country	%
1. Finland	92%
2. South Korea	91%
3. Greece	89%
4. USA	83%
5. = New Zealand	82%
= Sweden	82%
7. Slovenia	81%
8. = Denmark	80%
= Norway	80%
10. Lithuania	73%

Source: UNESCO, Global Education Digest 2007