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Distribution & Pricing Techniques

THE EXECUTIVE SUMMARY

Fully Covering Your Markets

A B2B manufacturer's "go to market" process is typically the most costly single element in its business model. Investments in engineering/R&D, manufacturing processes, and even technology cannot be profitably leveraged without an efficient "go to market" process.

What should your "go to market" process do? Three things:

- Communicate. It must completely and cost effectively communicate to your *entire* target market what you have, why it's of value, and where they can obtain it.
 - Provide access. The target market must be able to obtain performance information/specifications about the products, prices, as well as the products themselves conveniently and in a manner consistent with both their requirements and the competitive environment.
 - Operate efficiently. B2B sales, distribution, and marketing expenses typically total 25% to 40% of the end user price. Inefficiencies in a "go to market" process result in higher market prices, a less competitive product offering, and/or lower profits.
- Unfortunately some manufacturers fail to leverage all three of these elements. In fact, those that develop and manufacture the most sophisticated and technically complex products (electronics, analytical instruments, biochemicals, etc.) often fail to capture their full sales and profit potential because their "go to market" process is too narrow and/or inefficient. In other words, it's actually an impediment to their growth.
- There are a number of excellent texts* that provide guidance on this subject; however, let's review the basics.
- First, clearly define your target markets. B2B markets are people with names and titles, not companies or industries (manufacturers reps, distributors, retailers, etc. are not markets either, they are channel vehicles). You need names, titles, contact information, applications, and areas of geographic concentration. This information and data is the "foundation" of an efficient "go to market" process.

- Identify and prioritize the SORs** your target markets most value. Which ones do your markets require? Which are unimportant? You should select channels that deliver the SORs that your target market most values.

- Segment your markets by their SORs. Large urban customers require different SORs than small rural ones. Accounts with internal engineering capabilities require different SORs than those that outsource those services. For channel design and management purposes segment your target markets by their SORs, not by their geographic location, industry, application, etc.

- Develop a channel vehicle/SOR matrix. It should define each channel vehicle that covers your target markets (direct sales, manufacturers reps, distributors, the internet, agents, retailers, wholesalers, etc.) and identify the SORs each vehicle provides/can provide efficiently.

- Assess how cost efficiently each channel vehicle delivers these SORs. Select the channel vehicles that deliver the SORs your markets require and estimate the cost of providing them. Paying a channel vehicle too much to deliver SORs that are not valued by your market increases the price of your products without increasing their value.

- Repeat the process every two years. A successful "go to market" program is dynamic. It must constantly evolve reflecting changes in products, communication technology, the competitive environment, etc. Recessions accelerate these changes. Evaluate your channel process periodically and refocus it especially during recessionary times, just like you rebalance your investment portfolio.

The Point: Developing a "go to market" process that fully and efficiently covers your target markets is not an art. It is an analytical process, one that must be repeated every two years if you are to fully and profitably cover your markets.

* *Marketing Channels*, ISBN 0-13-191346-8, Stern/EI-Ansary/ Coughlan/Anderson

** SORs (service output requirements) consist of all "non-product" attributes that influence the end customers' brand/supplier selection decision including warrantee, delivery, technical assistance, access to engineering, ease of ordering, price, packaging, product assortment, etc.



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