

North American Management Briefs

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You Should Know...

Portable Encyclopedia?

Web searches on desktop computers declined in 2012 for the first time in six years according to Macquarie Group. Searches on mobile devices, however, increased dramatically.

The Point: Tablets and smart-phones are like having an encyclopedia in your pocket. They are quickly changing the knowledge base of those that use them.

Are You Kidding?

A pit bull that attacked a five-year-old child in Georgia has been provided a court-appointed lawyer. The lawyer, appointed by Judge William Woodrum Jr., is to represent the interests of the dog.

The Point: We don't know and neither does Mr. Kicklighter, the lawyer. He said "I really don't know what the issues are."

Smartphones and Crime?

US cities are facing a smartphone crime wave. In San Francisco half of all robberies are phone-related and in New York it's 40% says the Associated Press.

The Point: Better leave both your phone and your jewelry at home.

Short Changed

Police in Syracuse, NY, arrested a 28-year-old bank robber after he returned to the bank he had just robbed to complain he wasn't given the full \$20,000 he demanded.

The Point: Probably an honest mistake.

January's Quote

"Start every day with a smile and get it over with."

W.C. Fields

Brick/Mortar Versus Online Distributors

It's a rare B2B marketing executive that hasn't fretted over the dilemma of managing both online and brick and mortar distributors. There seems to be inherent conflict in the two business models.

First a few observations:

- Online B2B purchasing is here to stay, especially for recognizable brands.
- Relationships do matter; however, end customers now place little value in them if the products are mature consumables.
- Price maintenance and channel compensation tactics/policies will not "protect" the margins of inefficient distributors.
- End customers increasingly patronize multiple channel models depending upon the services they require.

What to do? Remember Jack Welch's first commandment, "Confront reality as it is, not as you wish it were or as it used to be." This means that manufacturers of B2B products must segment their markets by the services they require not by industry, application, or geographic territory.

This method of segmentation requires dividing your end customers by their SORs. These are the non-product elements of the product offering (think brand, warrantee, pre- and post-sale assistance, price, product assortment, conflict resolution vehicles, delivery times, etc.).

When segmenting your market in this manner you will find that similar end customers in the same industry buying the same products often choose to buy from different

channel models depending on the services they value. A plant that buys industrial lubricants for example may choose a low cost, logistically efficient online distributor to buy undifferentiated commodity lubricants, but buy food grade lubricants from a full service distributor. In other words, one size no longer fits all.

The implication is clear. B2B channels are morphing just like retail channels into one of two models, one that furnishes the SORs that specific buyers require and one that provides the most efficient pick, pack, and ship ordering and logistics. They will coexist and both will prosper, but the costs of operating each model will be quite different. This means identical products sold to the same industry (or even customer) may be priced differently and be sold through different channels.

The Point: The future is clear. B2B manufacturers need to employ multiple channel models each providing different services and incurring different costs to fully penetrate the market. A one-size-fits-all model may minimize channel conflict, but will be unsuccessful in maintaining, much less capturing, market share.

Top 10 Countries with the Most Million-Plus Cities

Country	Cities (1 million + population)
China	76
USA	53
India	48
Brazil	21
Russia	15
Japan	13
=Mexico	13
Germany	10
Pakistan	8
=UK	8

Source: Top 10 of Everything 2012