

# North American Management Briefs

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## You Should Know...

### Cell Cheats?

USA Today reports that over one-fourth of teenagers' text messages are sent and received during class. They range from personal messages to answers to test questions.

**The Point:** We are only beginning to realize the ramifications of a "wired" society.

### Courageous

In California three Chihuahua dogs cornered a full-grown mountain lion in their owner's garage for 45 minutes. When police saw what had cornered the snarling mountain lion, their jaws dropped reports *The Week*.

**The Point:** Maybe their bark is worse than their bite.

### Time to Hunt?

The US bear population (350,000) has doubled since 1989. In 2008 there were over 20,000 "bear/human conflicts," most ending poorly for the human reports *The Associated Press*.

**The Point:** A walk in the woods may no longer be peaceful.

### Till Death?

In 2009 the US is experiencing a large drop in divorce filings. The number of new filings has declined by 40% mostly because people can't afford to live separately reports the *Wall Street Journal*.

**The Point:** Maybe there is a law of unintended consequences.

### July's Quote

*"There is only one success – to be able to spend your life in your own way."*

Christopher Morley

## Capturing Market Share, Part III

Capturing market share has long been important to a company's profitable growth. As the current recession lingers, however, it becomes essential to survival. The question that stymies even the most savvy marketer is what to do when a large end user is purchasing a competitor's products from one of his/her largest distributors.

Distributors, wholesalers, and other classes of resellers are no longer loyal to a single manufacturer, but now carry a menu of competitive products. What to do? Walk away from a large potential customer? Compete with your distributor? Both are unacceptable.

Manufacturers usually address this problem by,

- *Motivating their channel partners to promote their brand* via promotional allowances, spiffs, bonuses, rebates, etc. This is common, but counterproductive. Your competitors usually respond with a similar program creating a channel price war reducing everyone's profits.
- *Calling on the customer directly* and turning the orders over to the distributor. This can capture share for companies with strong brands and/or a leading market share, but often unprofitably. It results in a duplication of sales effort (and cost) without increasing the average selling price.
- *Taking the business directly.* This is an increasingly popular and aggressive option. It is successful for manufacturers whose brand is weak, product line narrow, and/or market share small. They simply have little to lose.

What to do then? First decide what you want your channel partners to do (in this case capture market share). Second develop a channel compensation program that rewards them for doing just that. How? There are several models. Compensating them on a quarterly basis for increasing their purchases of your products relative to their purchases of competitive products is one way.

Policing this plan is easy. Your distributor's public accounting firm provides a letter quarterly revealing the % growth of their purchases of competitive products. Usually the manufacturer implementing this program audits the distributor's books one quarter per year.

**The Point:** Give this or a similar program three to six months. If you have not captured additional market share, you may need to take the business directly paying your distributor a declining "agent's fee" over a three year period.

This situation is difficult and uncomfortable; however, to ignore it is to allow your distributors to control your distribution strategy and thus lose control of your business.

### Countries Working the Most Hours

Country	Average Annual Hours Per Person*
1. South Korea	2,354
2. Greece	2,053
3. Czech Republic	2,002
4. = Hungary	1,994
= Poland	1,994
6. Mexico	1,909
7. New Zealand	1,809
8. USA	1,804
9. Italy	1,801
10. Iceland	1,794

\* In employment, 2005 – total (employed and self-employed) or employed only, depending on source; OECD countries only.