

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...

Olympians Are Tough

After winning a medal German luger, David Moeller, broke a tooth when photographers asked him to take a bite of his silver medal.

The Point: We have no idea.

Big Spenders

In Q4 2009 the federal government spent \$2 for every \$1 it took in reports *USA Today*.

The Point: Even in times of financial crises it sounds dangerous.

Data Hogs

The Economist reports that 40% of AT&T's wireless broadband capacity is taken up by just 3% of the network's users.

The Point: Time for a stepped pricing policy?

Dangerous Dogs?

More than 10,000 children go to the emergency room every year because they are choking on a piece of food. Of those that died 17% of them had a piece of hot dog wedged in their throat reports *USA Today*.

The Point: The size and shape of a hot dog is a perfect plug for a child's airway reports pediatric emergency doctor Gary Smith.

March's Quote

"Opportunity is missed by most people because it comes dressed in overalls and looks like work."

Thomas Edison

Have Your Channels Become Dysfunctional? Part II

In last month's newsletter we suggested five questions to help determine whether or not a "go to market" process has become dysfunctional. If it has, there is a clear two-step process for correcting the situation. The first step is designing the most cost effective channel model that can deliver the services your market requires and is willing to pay for. The second step is designing a "bridge" program to minimize channel conflict and/or lost business during the transition.

A manufacturer requires a channel process to hold inventory, create demand, physically distribute products, provide pre- and post-sale service, and extend credit.

The market, however, requires a channel process for an entirely different set of reasons, collectively called SORs.* Different market segments require a different combination of SORs and, for cost reasons, different channel models to deliver them. A channel model that has to provide seven SORs incurs much higher costs than one that has to provide only two or three. Each market segment must be served by a channel model that delivers and charges for only those SORs each segment requires. If the channel delivers and charges for too many it will price your products too richly, reducing your share. If it

* SORs or service output requirements are all the non-product elements of the product offering that influence the markets' brand/supplier selection decision including warrantee, brand, product assortment, delivery, financing, price, convenience, technical assistance, etc.

delivers too few, it will not increase or even maintain your share.

Identifying and prioritizing each segment's SORs means doing more than just asking what the market wants in addition to a good product at a fair price. It means identifying and prioritizing the SORs that each segment most values and is willing to pay for.

Only then is it possible to develop a channel process and a complementary channel compensation program to deliver their SORs in the most cost effective manner.

Multiple market segments demanding multiple SORs often require multiple and different channel vehicles to fully (and profitably) cover them. Employing a single channel vehicle, especially if a product line and market is mature, almost always restricts your market share.

The Point: Few aspects of your business are as costly and valuable as your channel process. Treat it accordingly. Next month we will discuss **life cycle channel management**.

Top 10 Countries with the Highest Prison Population

Country	Prisoners per 100,000 of Population	Total Prisoners*
1. USA	751	2,258,983
2. China	119	1,565,771
3. Russia	632	893,220
4. Brazil	219	419,551
5. India	32	358,368
6. Mexico	198	217,436
7. South Africa	348	165,987
8. Thailand	253	165,316
9. Iran	222	158,351
10. Ukraine	325	149,690

*As at date of most recent data
Source: International Centre for Prison Studies