



THE EXECUTIVE SUMMARY

Time to Focus?

Half of 2007 will soon be gone, and with it your ability to influence this year's sales and profits.

There are still seven months to go, however, and a number of strategies are available if you focus your resources sharply.

Focus starts with having a well understood and communicated strategy. There are three strategic choices available to a manufacturer. It can,

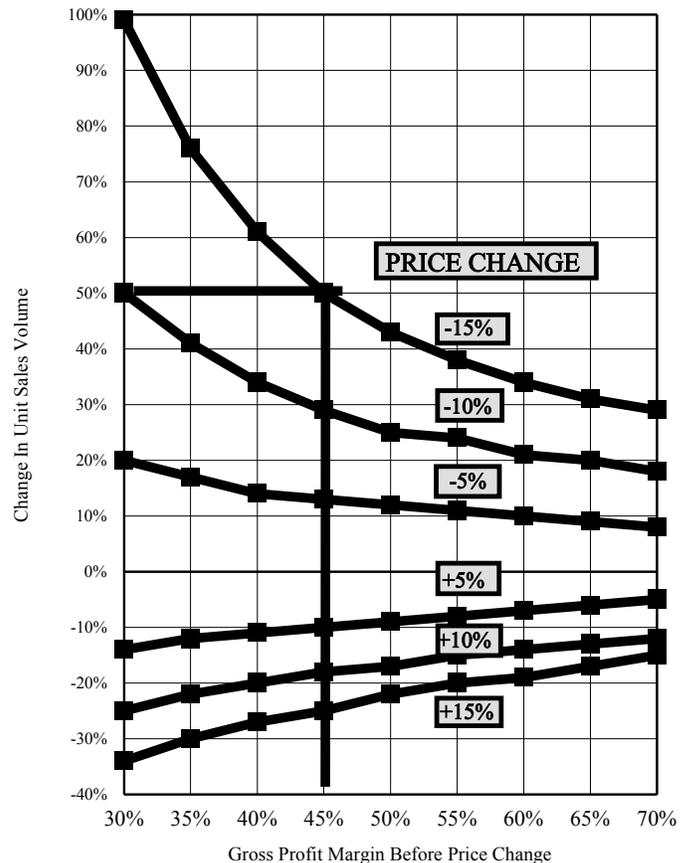
- **Be the low-cost producer** (not necessarily the low-cost seller).
- **Develop and produce products that are truly differentiated**, both physically and functionally.
- **Focus on offering a complete line of products and services** to one or more niches of the market.

The first two are mutually exclusive, but either can be combined with the third.

Once you have selected your strategy, there are a number of tactics that can still impact 2007. Let's review them.

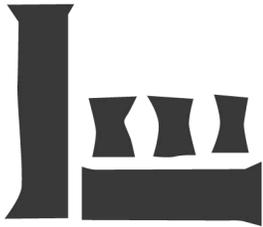
- **Expand your distribution channels.** Often effective if,
 - ◇ *Your market share is less than 35% or 40%.*
 - ◇ *Your products are under-distributed in one geographic or vertical market due to a "protect the distributor" policy.*
 - ◇ *You have numerous competitors (more than ten) and none are exiting the business.*

- ◇ *Your end users' purchasing behavior has changed* (the internet, big box stores, etc.) and your channel strategy hasn't.
- ◇ *You have a broader "bundle" of products than any competitor.*
- **Reduce prices to capture additional share.** Use the chart below to determine how many additional units you must sell to make up the profit lost by discounting.



For example, if you reduce prices by 5% and your gross profit margin is 45% before the price change, you will need to sell 12% more units just to recapture the profit lost by discounting.





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Distribution & Pricing Techniques

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- **Take large accounts "direct."** You should consider this even if it upsets your current channel partners, but only if,
 - ◇ *Most of your competitors, at least the larger ones, are already selling direct, putting you at a competitive disadvantage.*
 - ◇ *Your end customer's requirements (delivery, engineering, education, training, etc.) aren't being satisfied by your channel partners.*
 - ◇ *Your channel partners are using your brand as a price umbrella to sell low priced competitive products.*
- **Aggressively launch new products.** This will be effective in 2007 only if your product life cycle is short, less than 12 months.
- **Raise prices in 2007.** This works if you have a popular brand. You will increase profits (always important to privately held companies) faster than you will lose sales for 4 to 7 months. New products, however, must be introduced simultaneously or your market share will decline.

None of these are for the faint of heart, but all can be effective.

The point: The time for focus is now with just half of 2007 left.

Beware, however, few companies can execute more than two of these strategies simultaneously.



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