

North American Management Briefs

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You Should Know...

Distracted Driving

One in six traffic fatalities (5,474) in 2009 were directly related to the use of a cell phone and/or texting while driving said the US Dept of Transportation. Injuries? 448,000.

The Point: Cell phones and PDAs are wonderful and irresistible, but also dangerous.

Vacation?

Because of the enormous pressure to increase productivity, more than half of all American workers did not take all of their allotted vacation days in 2009 reports MSNBC.

The Point: It seems working smarter isn't enough. Now we have to work harder.

Blind Dating?

A Stanford University study reports that in 2009 nearly 30% of all new couples in the US found each other through an online dating service or another form of social media.

The Point: While not romantic it seems to make a great deal of sense in terms of compatibility.

Smoking Stabilizes

Smoking declined in the US by nearly 50% between 1965 and 2005. In the last 5 years, however, the number of US smokers has not declined. A steady 1 in 5 Americans, 21% of the population, now smoke reports *Bloomberg*.

The Point: It appears, regardless of price, smoking will be with us.

October's Quote

"It's not that I'm so smart, it's just that I stay with problems longer."

Albert Einstein

Paying Your Channel Partners Too Much?

One frequently discussed subject among our clients is how much their channel partners should be paid and what they should be paid for doing.

In the "old days" distributors and channel partners were surrogate sales forces for manufacturers. They sold solutions, represented only a few competitors (sometimes just one), and increased a manufacturer's share. Times have changed.

The most successful channel partners/distributors now carry multiple competitive brands and are essentially an outsourced purchasing function for their end customers.

There is nothing wrong with this; in fact it's a good business model for them. If they're acting as sourcing agents for their customers, however, then these customers should pay for this service not the manufacturers.

The manufacturer – channel relationship has evolved gradually to a point where many channel compensation programs are now "upside-down." What to do?

Identify the services each market segment requires and most values. What services does the market want your channel partners to provide in addition to a good product at a fair price?

Second, define the services you need your channel partners to deliver to profitably increase your market share and/or the equity of your brand.

Prioritize both and quantify the cost of providing each service. (Can you do it yourself at a lower cost? Can someone else?)

The last element is to decide how the compensation should be distributed to best motivate and direct your channel partners.

Channel partners of course will insist they need higher margins to "cover their costs." The question is "are the costs they're incurring a benefit to the manufacturer or only to their end customers?"

A channel compensation program should align the goals of a manufacturer with those of its channel partners whenever possible. A frank discussion regarding how the relationship has changed may need to be held with your channel partners and a transitional plan developed to realign their compensation with their business model.

The Point: Channel compensation is sometimes the only tool a manufacturer has for controlling/altering the behavior of a channel partner. Decide what services you need your channel partners to deliver, compensate them for doing just that, and help them drive costs out of their business. If their business model isn't competitive, your products won't be either.

Top 10 Manufacturing Industries

Mfg Industry	Companies
Pharmaceutical Preparations	4,018
Industrial Organic Chemicals	2,046
Petroleum Refining	1,988
Plastics Materials & Resins	1,872
Industrial Inorganic Chemicals	1,708
Plating & Polishing	4,058
Mineral Wool	280
Blast Furnaces & Steel Mills	3,619
Ship Building & Repairing	1,109
Agricultural Chemicals	846

Source: *Industrial Supply Magazine*, Jul/Aug 2010