

Maximizing a Distributor Sales Model

A five-step approach to ensuring your distributors succeed

By Justin Johnson

Choosing to sell your products through manufacturers' representatives and distributors is expensive and requires a lot of time, but, if done correctly, can yield significant revenue growth and profits.

In reality, doing this correctly often is complex. The responsibility is on the manufacturer to establish, build and manage these relationships on an ongoing basis. Constant communication and collaboration are critical for maximizing results.

How do you know if your investment in a channel sales model is working and delivering the results you expect? It requires a methodical approach and the attention of the executive team on a routine basis to ensure investment and partnership are being maximized and that the business is benefiting from the approach.

The following five steps provide a framework for that regular executive review and can quickly resolve issues when performance is not being maximized.



STEP 1 Understand the Costs of the Channel & Maximize Profitability

There is a cost to selling products and services through distributors and independent representatives.

Factoring in this cost, as well as understanding its impact on the manufacturer's profitability, is essential. Keep a keen eye on monthly and quarterly trends by distributor on items such as volume, returns,

profit margin and revenue contribution. In addition, track the internal investment required to support this indirect sales channel, including head count, marketing expenses, allocated overhead and rebates provided.

All distributors and representatives are not created equal, so analyze them at the individual level to learn who drives the most profitability and who is costing you the most. Once you understand these data, the steps needed to encourage the top performers and support the lowest performers will become clear.

The distributor has its own profitability targets and pays close attention to the margins it is able to secure from selling your products. Understanding its goals and how your products stack up against its other products is essential to staying both top of mind with its team and aligned with its business objectives. If either of those suffer, the relationship becomes less productive and could even fail.



STEP 2 Deliver Relevant Training & Education

The effectiveness of the training and education you provide your distributors is directly related to how successful they will be at taking your products to market. Simply creating the content and making it available to them is a passive and reactive way to help them.

For best results, make your training and education contextually relevant. Rather than hosting a physical training seminar that uses selling situations as examples, use actual

selling situations as the driver for the training.

This requires creating distributor-relevant content that distributors will need to use with their end customers and making it available in an on-demand, proactive way to their sales teams. Ideally, sales-related content will be mapped to the various product offerings and their respective deal stages so that questions can be anticipated and objections easily overcome. According to the American Marketing Assn., salespeople spend 40 to 60 hours per month creating their own materials, responses and sales presentations, reducing active selling time.

Sales enablement software platforms provide a contextually relevant environment where salespeople easily can find and utilize the most effective content available for their specific opportunities. Simply having a website or a portal solution does not proactively “push” content to the distributor or provide an optimal learning experience.

Training and education are key to on-boarding new distributors so they produce faster, improving the performance of existing distributors by helping them sell better, and increasing retention across the distributor network through proactive, targeted, relevant support.

STEP 3 **Incorporate the Voice of the Distributor Into Decision Making**
Handing off sales responsibility to a third party can create a communications challenge on both sides. Sales forecasts become difficult to create, market-based input on products and their quality is missed and feedback on the support offered by the manufacturer is nonexistent.

Inform all decisions related to the distributor sales model with the “voice of the distributor,” including feedback on pricing, promotions, lead quality, sales obstacles and new ways to support sales and go-to-market efforts.

Using a data-driven approach provides actionable insights and removes opinions and assumptions from the equation. Understanding lead quality levels through a quantified feedback mechanism allows lead quality to be measured over time and by distributor. The same analysis can be done for conversion rates, time to close and sales resources utilized.

STEP 4 **Standardize Systems & Processes**
The company-to-company collaboration required for an effective distributor sales model requires a

standardized approach at both the system and process levels. Start with the processes that need to be in place, then use technology to enable and improve them. This ensures alignment between the manufacturer and its entire distributor network around lead sharing, sales pipeline reporting and feedback.

Many companies use customer relationship management systems to manage their direct selling activities and some dimensions of partner relationships, but these systems are not designed to bridge the gap that exists between companies and the specific information flows needed for a productive distributor relationship.

Distributors can manage multiple manufacturers and related leads, promotions and incentives in one place and organize them by manufacturer for a better picture of where to spend their time and energy.

A standardized approach also alleviates channel conflict such that the manufacturer can assign and share sales leads with the proper distributor based on geography, specialization or contract terms. This unified lead management approach is essential to a high-performing distributor network and ensures the maximum return on the invested marketing dollars to generate those opportunities.

STEP 5 **Align Incentives & Support With Desired Outcomes**
The financial aspects of these relationships are important to define up front and measure on an ongoing basis. Clearly defining discounts, deals, allowances and rebates removes the risk of confusion about who does what and dollars paid. Offering distributor-friendly payment terms and financing options also aligns incentives and supports efforts to achieve maximum sales performance.

Using this five-step framework to evaluate the investment in a distributor-based sales channel creates a standard, repeatable approach such that performance can be better tracked and problems quickly identified.

A well-designed and -managed distributor network can become a competitive advantage, as presence in the market is broad and access to that market is solidified by relationships with key distribution partners.

Maintaining this strategic competitive advantage requires ongoing engagement, support and fine tuning in both directions so that incentives remain in alignment and profits are maximized. **WQP**

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