

# OPTIMIZING CHANNEL ALIGNMENT

A program to develop collaborative advantage

8-Week Program (Aug 14 – Oct 2, 2023)

Aug 14	Aug 21	Aug 28	Sep 05	Sep 11	Sep 18	Sep 25	Oct 2
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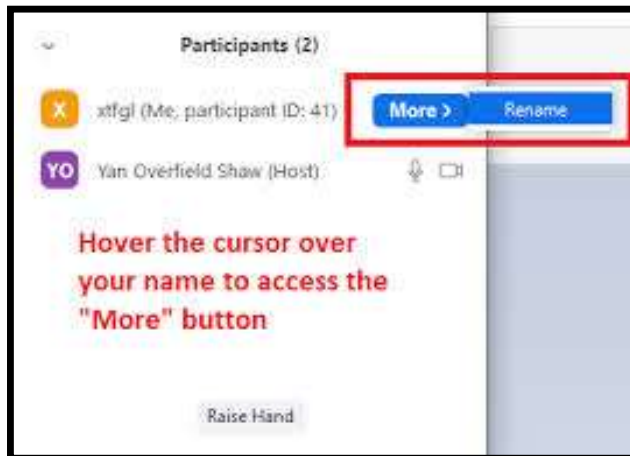


Leading the Channel Forward®

**ACT**vantage

# Zoom Platform Instructions

- Please Add Team # to your name, by clicking 'Rename' option
- **Example**
  - J Doe [Team 1]



First Name	Last Name	Team #	Company
Josh	Pinkard	Team 1	Martin Supply Inc.
Peter	Vagnoni	Team 1	Line Drive
Jessica	Mendez	Team 1	Norton Saint-Gobain
Cory	Kizielewicz	Team 1	SBD
Hannah	Shaw	Team 1	SBD
Hector	Flores	Team 2	US Tool Group
Jake	Bowen	Team 2	Line Drive
Hunter	DeFrees	Team 2	Norton Saint-Gobain
Jason	Motta	Team 2	SBD
Jacob	Puleo	Team 2	Kennametal
Caroline	Harris	Team 3	Vallen
Matt	Covert	Team 3	Norton Saint-Gobain
Darryl	Woods	Team 3	SBD
Sergio	Escalona	Team 3	Kennametal
Bill	McElhanev	Team 3	Cutler Industrial Sales
Fernando	Segovai	Team 4	Durrie Sales Company
Anja	Taylor	Team 4	ARCH Cutting Tools
Marc	Jamrose	Team 4	SBD
Sam	Stancato	Team 4	Kennametal
Will	Barrett	Team 4	3M
Tristan	Moncier	Team 5	SBD
Taelor	Simmons	Team 5	SBD
Eric	Kenney	Team 5	Kennametal
Cynthia	Gabriele	Team 5	Netplus



# Optimizing Channel Alignment Certification in 8 Weeks

## Program Overview

ISA Channel 2.0 Framework

Channel Alignment Framework – Research

Program Overview & Course Approach

## Channel Goals

Supplier Perspective

Assess your current channel goal-setting process

Translate firm-level financial goals to channel goals

Identify critical success factors for achieving channel goals

## Channel Growth

Distributor Perspective

Learn to diagnose distributor growth challenges

Comprehend the key elements of the generating growth framework

Learn about nine growth strategies used by distributors

## Channel Focus

Learn to identify the right channel partners.

Assess existing channel partner performance.

Leverage purchase order data for channel relationship.

## Channel Compensation

Understand the trade-offs in channel compensation focus.

Learn about channel compensation comprehensively using 11 forms of capital

Measure the effectiveness of channel compensation elements.

## Channel Alignment

Assess your current channel alignment process.

Connect channel stakeholders' interest to create channel alignment.

Apply the channel alignment framework as a channel relationship tool.

Understand how to quantitatively measure channel alignment.

## Channel Evolution

Understand the implementation factors for channel management processes.

Learn four phases of implementing channel performance analytics.

Real-World Example.

## Roadmap: A Plan of Action

Learn to adapt to channel forces.

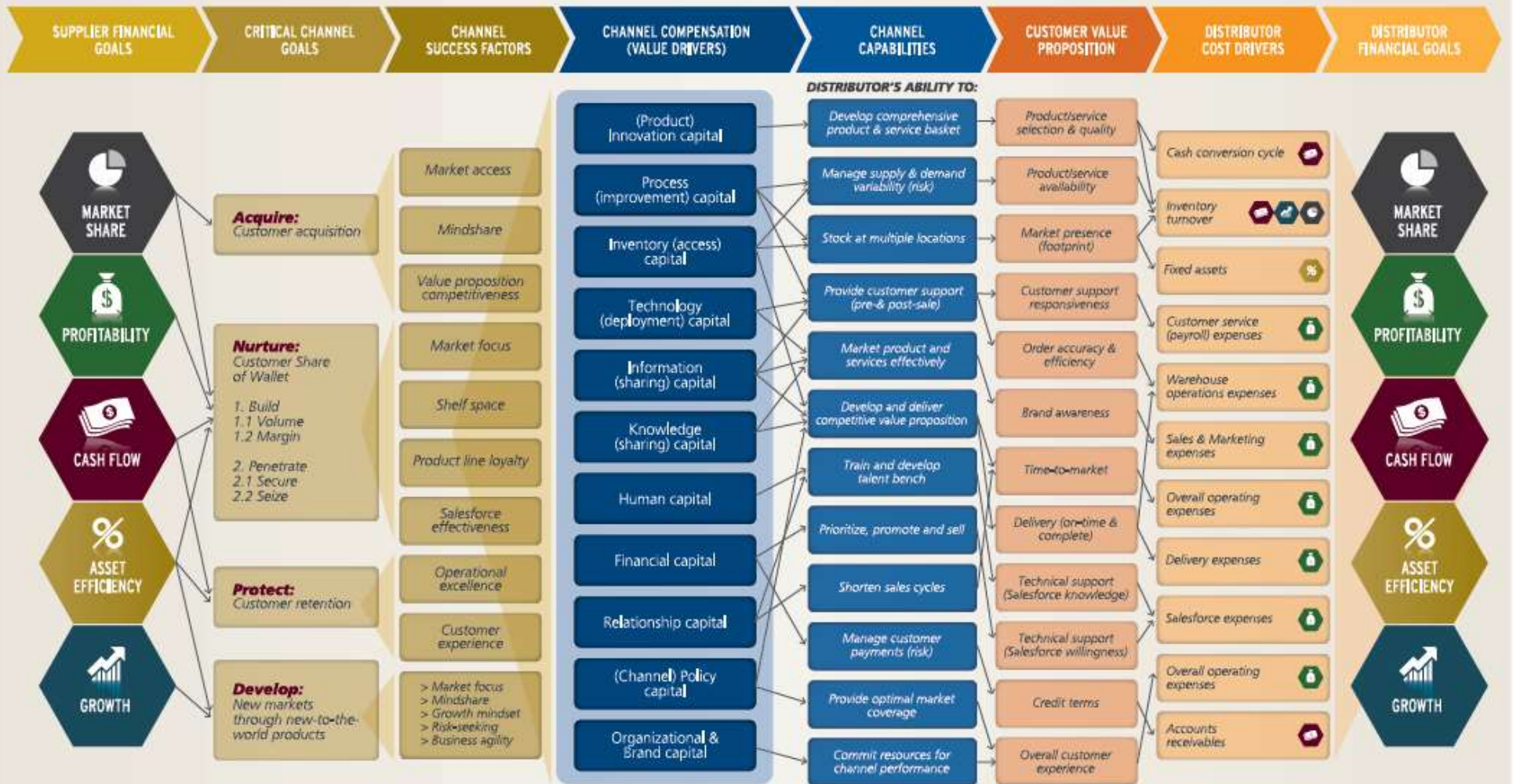
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

*8 Weeks, 75 Minutes Each Week.*

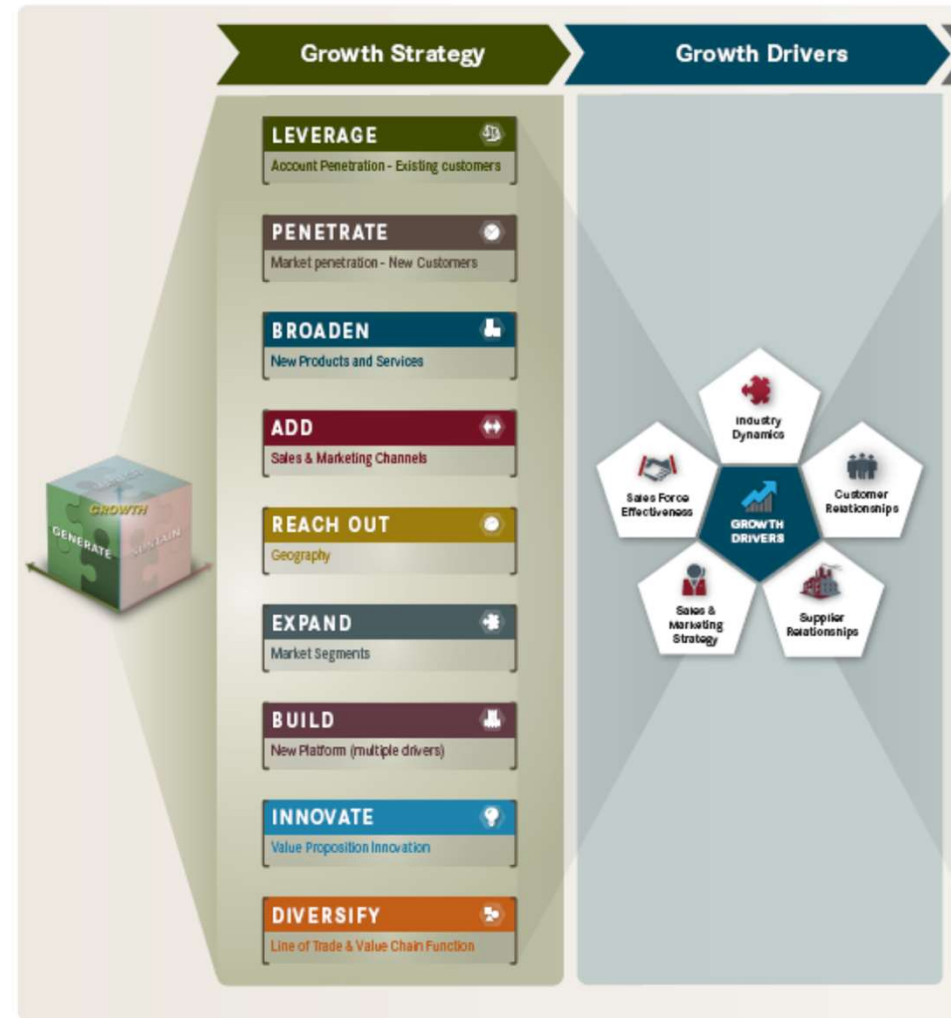
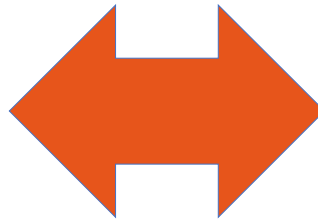
# CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer





# CHANNEL GROWTH: ALIGNING SUPPLIER AND DISTRIBUTOR PERSPECTIVES





# Channel Partner Performance Assessment: Good to Great

## Anecdotal

- Subjective
- Selective memory
- Recent incident



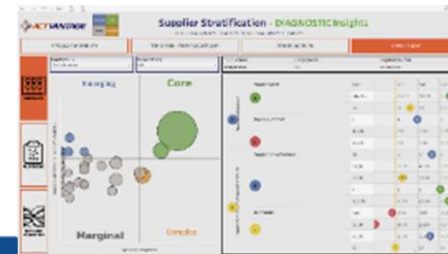
## Partner Scorecard

- Pros:  
Quantitative & Descriptive [WHAT]
- Cons: **Lacks**
  1. comparative assessment
  2. prescriptive guidance (goals)
  3. follow-through



## Supplier or Distributor Stratification

- Comprehensive
  - 4 Dimensions
- Diagnostic [WHY]
- Provides benchmark
- Comparative ranking
- Tracks performance over time





## Discussion: Group activity – 10 minutes

1) Having learned data-driven partner performance assessment approach, what improvements will you recommend to your firm's existing practice of partner performance assessment?

2) Who is accountable in your organization to perform and take ownership of performance assessment analytics?

Each group is required to summarize the responses when we come back.



# TEAM 1

- SUPPLIER PERSPECTIVE
- **Having learned data driven partner performance assessment approach, what improvements will you recommend to your firms existing practice of partner performance assessment?**
  1. Streamlining access and data to make it standardized from brand to brand to make sure that the categorizations have a true benchmark so that the comparative rankings are truly apple to apple instead of apples to oranges over a pre-set time period.
  2. Performance over time is a big goal to move forward – it needs to be more proactive instead of reactive to create true insight instead of recent incident panic responses – making it a preset 4 quarters or multiple years will give higher quality data and a more accurate assignment into one of the 4 dimensions
- **Who is accountable in your organization?**
  1. Marketing and operations or a data team. While there are individual groups within our organizations that own this data, there should still be some shared ownership to teams to have deliverables and held accountable to the different levels and dimensions.





# TEAM 2

## What improvements will you recommend to your firm's existing practice of partner performance assessment?

- **"Cost to Serve"** is an important metric to keep an eye on. Sometimes a firm can overlook how costly it is to manage a distributor or manage orders internally.
- A firm should be looking to:
  - Decrease cost of operation
  - Move orders towards e-commerce
  - Increase the dollar threshold on orders
  - Evaluate which partners are inefficient

## Who can be held accountable?

- **Customer service**: tracking order frequency, order values
- **Sales management**: which partners are engaged in their regions
- **Product marketing**: which end markets are driving business and who are the partners in those key markets



## TEAM 3

1. Taking the scorecard approach to the next step and making it more comprehensive with the 360-degree view is critical in understanding the relationship between manufacturers and distributors.
  - Current scorecard topics are based around YoY sales growth, % of orders placed online, and any rebate specifics for that distributor.
2. Either national account managers or sales operations would be responsible for driving the assessment internally. After the data is collected the NAM's share/discuss results externally with distribution partners. Typically would be done at a yearly business review.



## TEAM 4

### 1. Having learned data-driven partner performance assessment approach, what improvements will you recommend to your firm's existing practice of partner performance assessment?

- Something that stands out is that all manufacturers are top line focused and with channels a focus on margin would be more beneficial.
- How profitable are you to the channel? What is the gross margin of your products for the channel vs your competitors.
- Focus on cross selling and upselling products with the channel partner.

### 2. Who is accountable in your organization to perform and take ownership of performance assessments analytics?

- Channel Management, Regional Management, and field sales based on what level you are assessing. Every level of the organization should have accesses to business intelligence data and should be accountable for some level of performance assessment to understand how they are managing the business they are responsible for.
- If it is a campaign focus the data ownership is owned by marketing, but the delivery of the data and success of the campaign is responsibility of sales team.
- Improvement of data performance software would be beneficial for many organizations. Most of us have some in place, however the level of sophistication varies.



## TEAM 5

- 1) **Standardize the metric** for external vs internal report outs
  - Below are some of the metric we would like to see/receive:
  - **Benchmarks** against different companies (not just category aligned competitors)
  - Brand/Category share & growth within a retailer
  - POS, Margin, Partnership (engagement – program participation rates)
  - Industry engagement not direct competitive engagement
  
- 2) **Sales Ops/ Channel Team**
  - Collectively agree on standardizing communication of metrics as well as outlines on when each type should be used i.e. when and where to measure each



## Learning Objectives – Week 5

### **Channel Compensation**

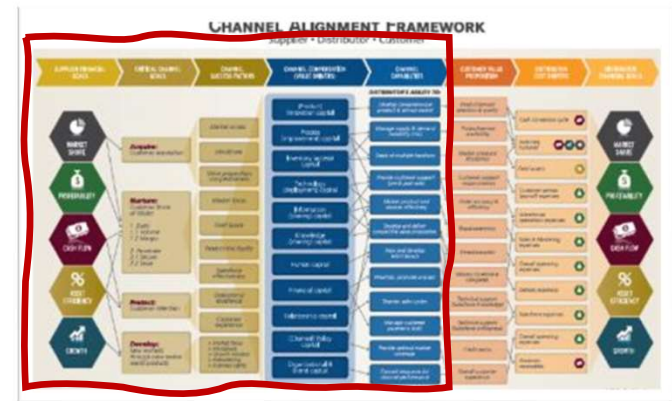
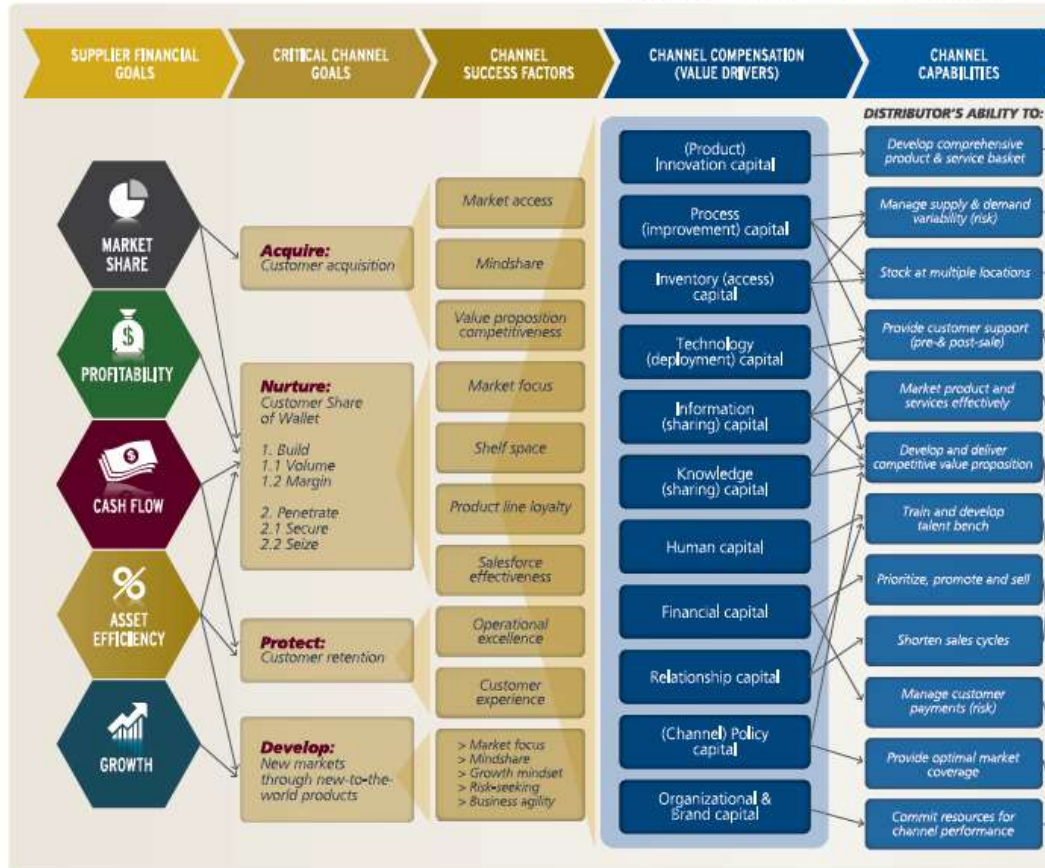
[Motivation →  
Methods →  
Metrics]

- Learn about channel compensation comprehensively using 11 forms of capital that match channel dynamics
- Measure the effectiveness of channel compensation elements
- Assess current channel compensation elements



# CHANNEL ALIGNMENT FRAMEWORK

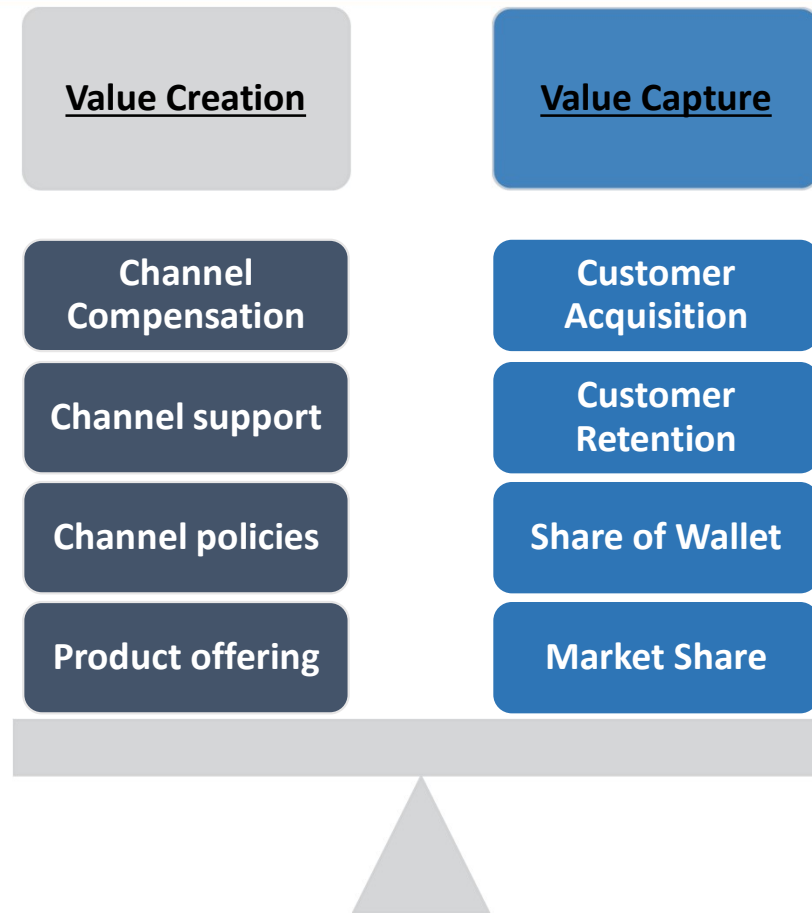
Supplier • Distributor • Customer



Understanding Channel Compensation

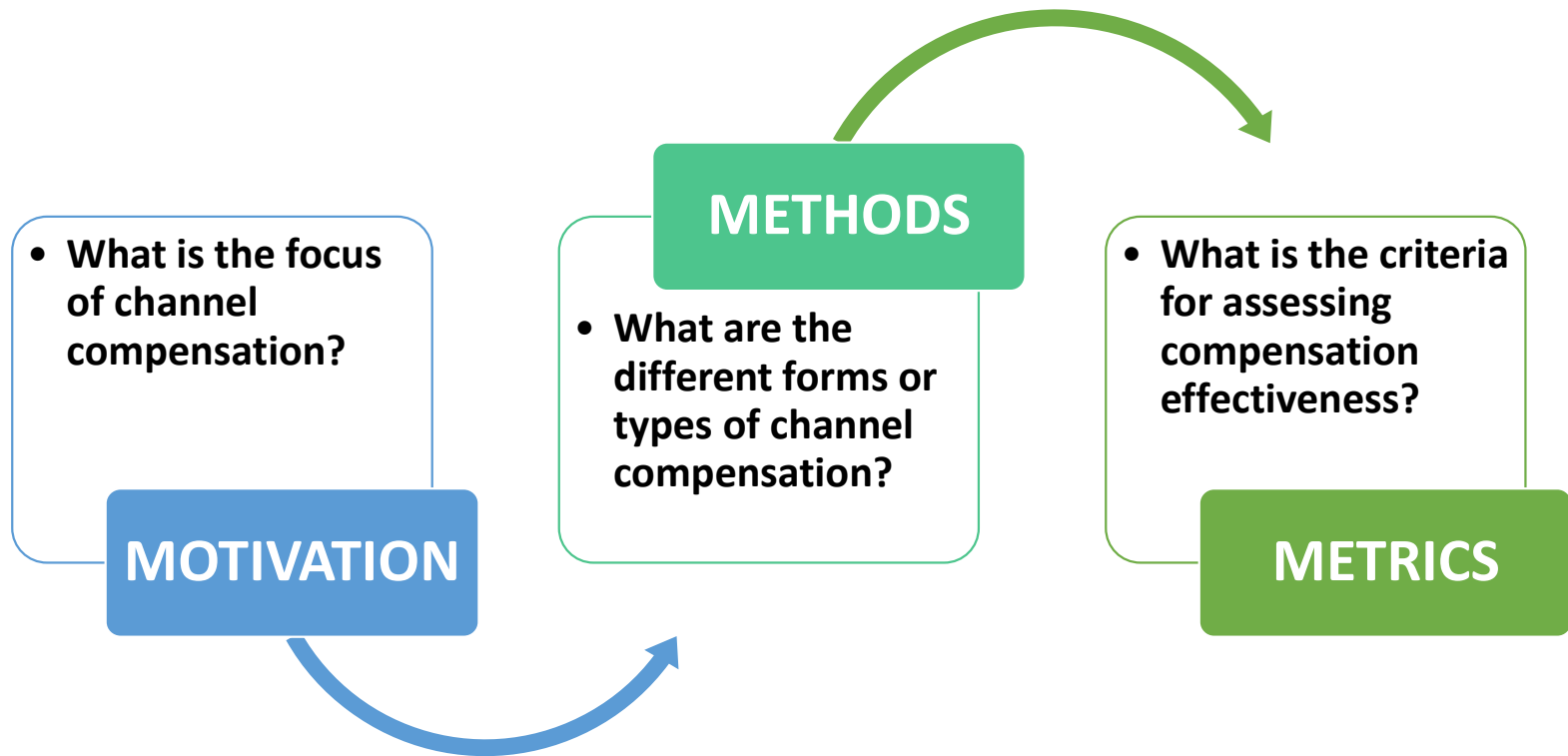


# Channel Value Proposition



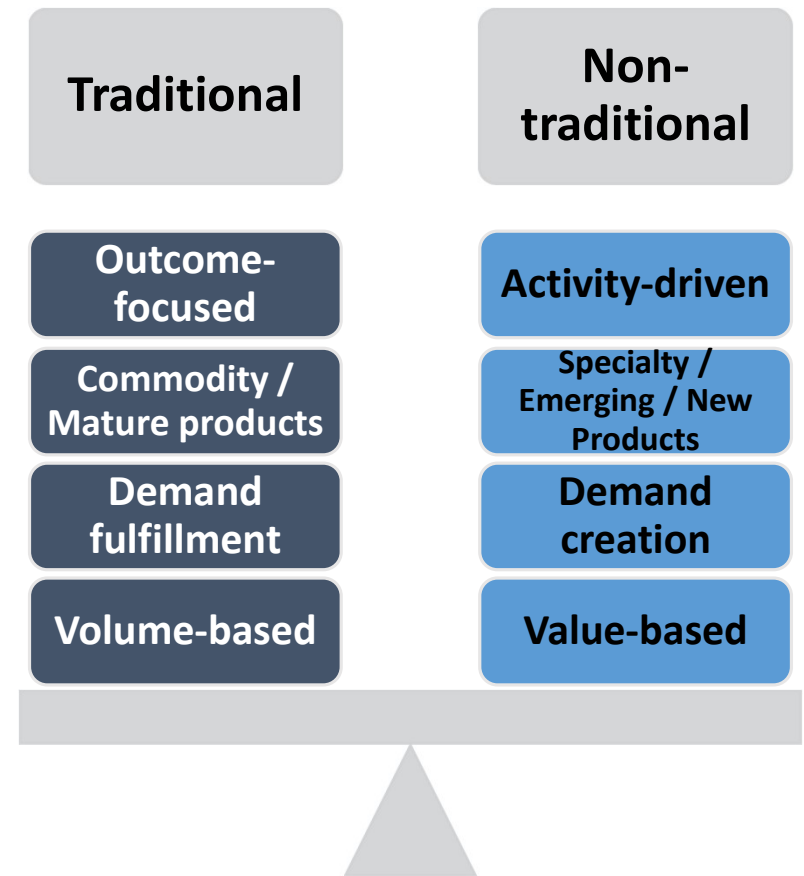
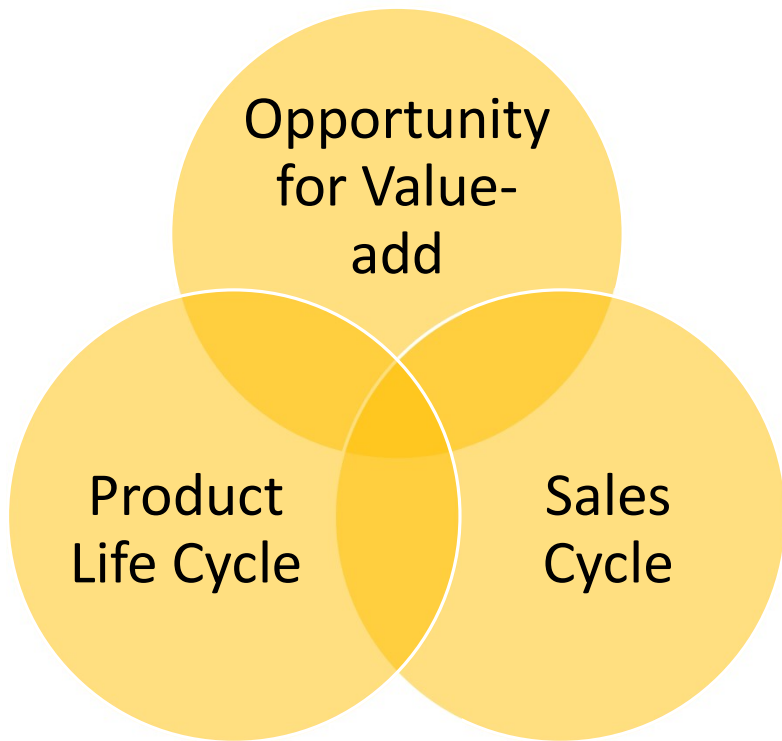


# Channel Compensation: 3 Steps





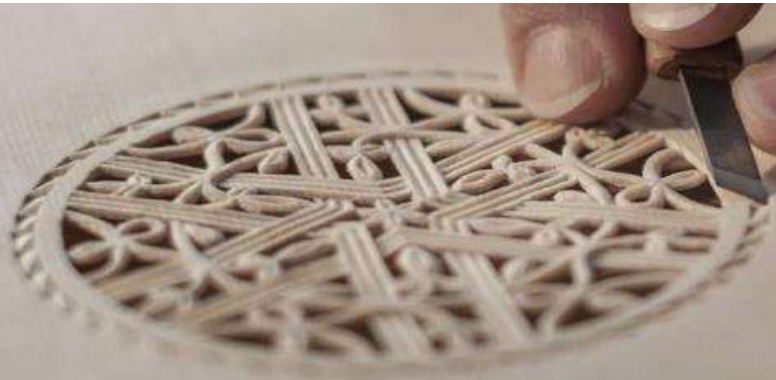
# STEP 1: Trade-offs in Channel Compensation Focus: What do we want channel partners to focus on?



Discussion: Individual Activity – 5 Minutes (Type in the chat window)

**MFR:** What are the different types of channel compensation/support you provide to your channel partners?

**OTHERS:** What are the different types of channel compensation/support you receive from your channel partners?







## **STEP 2:** What are the different forms or types of channel compensation? Channel Compensation Types



**Working capital**



**Policy capital**



**Relationship capital**



**Information capital**



**Talent capital**



**Process capital**



**Organization Capital**



**Brand capital**



**Knowledge capital**



**Innovation capital**



**Technology capital**



**Financial capital**

Source of value	Supplier support or assistance in the form of	Example - Support description	Example - Support metric	Note
<b>Innovation (product-focused) capital</b>	Product enhancements or new products	Supplier enhances a valve's design to overcome recurring customer complaints about leakage.	Salability; improves resource utilization (sales force time)	Product is supplier's core value proposition but its improvements can provide support as well in terms of channel partners' resource requirements.
<b>Process capital</b>	Process improvements	Supplier simplifies order management process through process redesign (from 12 steps to 7 steps)	Time to place order or follow-up goes down	Focused on increasing process efficiency and accuracy; typically focuses on tactical interactions such as order-to-invoice management
<b>Knowledge capital</b>	Product knowledge, service know-how, and process best practices	Providing technical training for new product; Sharing know-how of best practices such as customer stratification, pricing, etc.	Increases capability hence resource deployment and ROI	Support can be provided by sharing knowledge across three key dimensions - product, service and process
<b>Human capital</b>	Human resources (knowledge, skills and abilities)	Providing support for a (product line) dedicated sales person	Increases capability hence resource deployment and ROI	Other examples include dedicated technical support for indirect channels or selected partners
<b>Technology capital</b>	Technology-assisted tools and support	Using technology to simplify rebate tracking process	Time to follow-up rebates goes down & Rebate Reconciliation Ratio (RRR) goes down	Focused on increasing process efficiency and accuracy; automates existing process; closely related to process capital but differentiated due to its unique application of automation.
<b>Information capital</b>	Information (external and internal) sharing	Sharing information about market intelligence or trends	Effective resource deployment	External information is related to market research, competitor info, economic conditions, and industry analysis. Internal information includes new product development, business plans, and sales and marketing plans.
<b>Financial capital</b>	Financial incentives	Providing special pricing assistance for new products	Revenue growth and Gross margin	
<b>Relationship capital</b>	Customer and supplier relationship transfers	Supplier turns over a group of customers to distributors when they change channel partners or channel policy	Revenue growth and Gross margin	Providing a set of customers to manage; Providing a set of supply sources; When product basket strongly influences customer preferences, the supplier of the core product introduces the suppliers of accessory or complementary products to distributors.
<b>Policy capital</b>	Channel policy	Changing channel density from intensive to selective	Revenue growth and Gross margin	Applies to various channel policies such as returns, warranties, new product introductions, allocation policies, etc. A notable example is exclusivity provided by suppliers for a given product in a geography. This falls under policy capital.
<b>Supply chain capital</b>	Supply chain performance improvements	Reducing lead time variability of a product line	Safety stock investment and service level	This is indirectly related to process capital and part of supplier's core channel value proposition. But in channel context (where two firms interact), supply chain performance plays a central role because it influences both end-customer requirements (service level) and distributor investments (primarily inventory, the largest
<b>Organizational capital</b>	Culture	Supplier CEO attending 2-day channel effectiveness course along with channel partners; Channel partners have direct access to top management personnel	Improves trust and communication, leading to relationship longevity	Top management commitment (behavior) sends a message to middle-managers about the importance of channel relationship

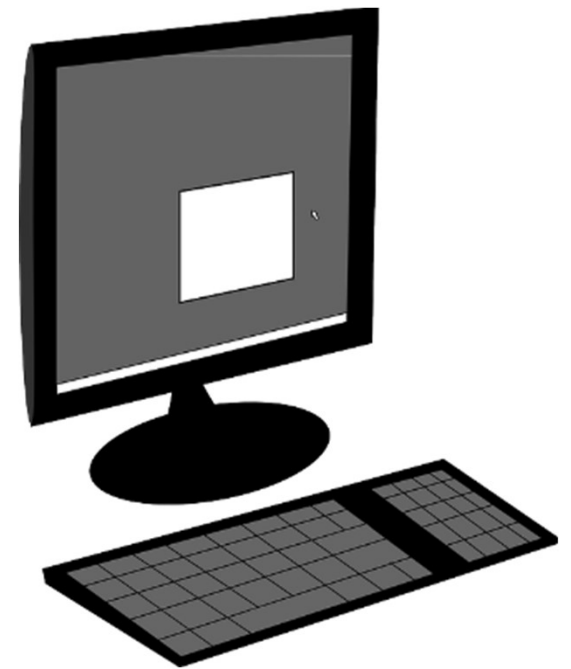
# Inventory Access Capital



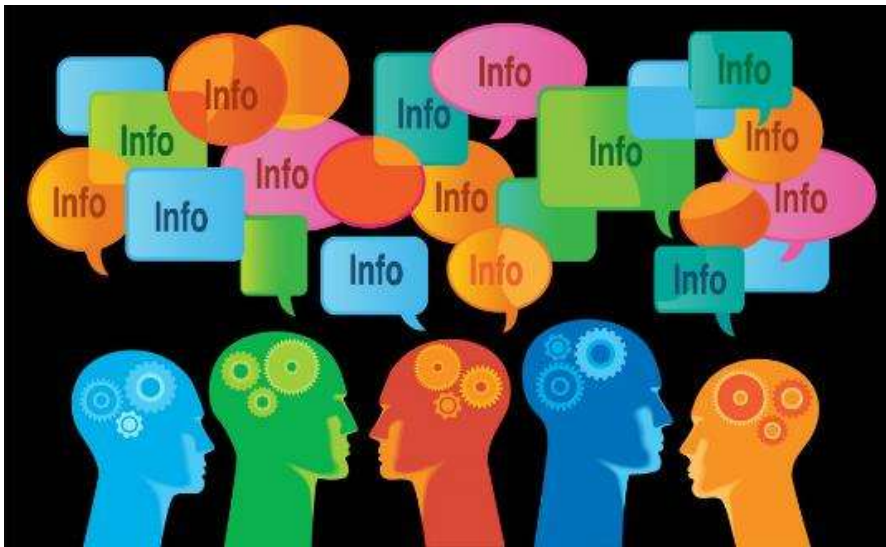
- Supply chain performance improvements
- Example
  - Support: Reducing lead time variability of a product line
  - Support Metric: Safety stock investment and service level

# Technology Capital

- Technology-assisted tools and support
- Example
  - Support: Using technology to simplify rebate tracking process
  - Support Metric: Time to follow-up rebates goes down & Rebate Reconciliation Ratio (RRR) goes down



# Information Capital



- Information (external and internal) sharing
- Example
  - Support: Sharing information about market intelligence or trends
  - Support Metric: Effective resource deployment

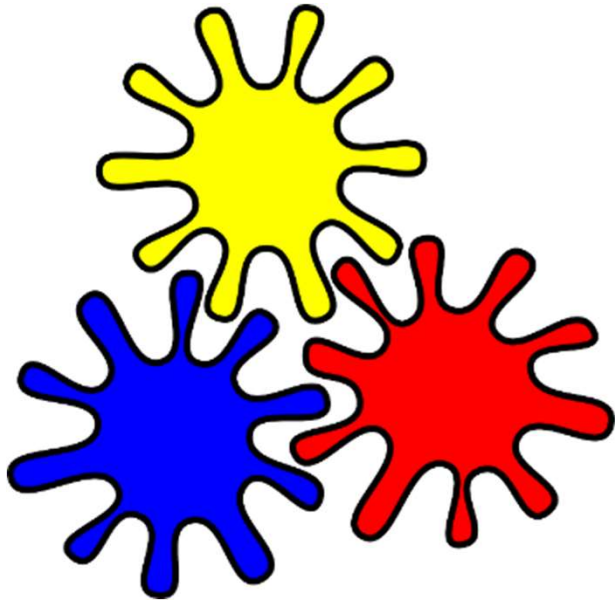


# Innovation Capital

- Product enhancements or new products
- Example
  - Support: Supplier enhances a valve's design to overcome recurring customer complaints about leakage.
  - Support Metric: Salability; improves resource utilization (sales force time)



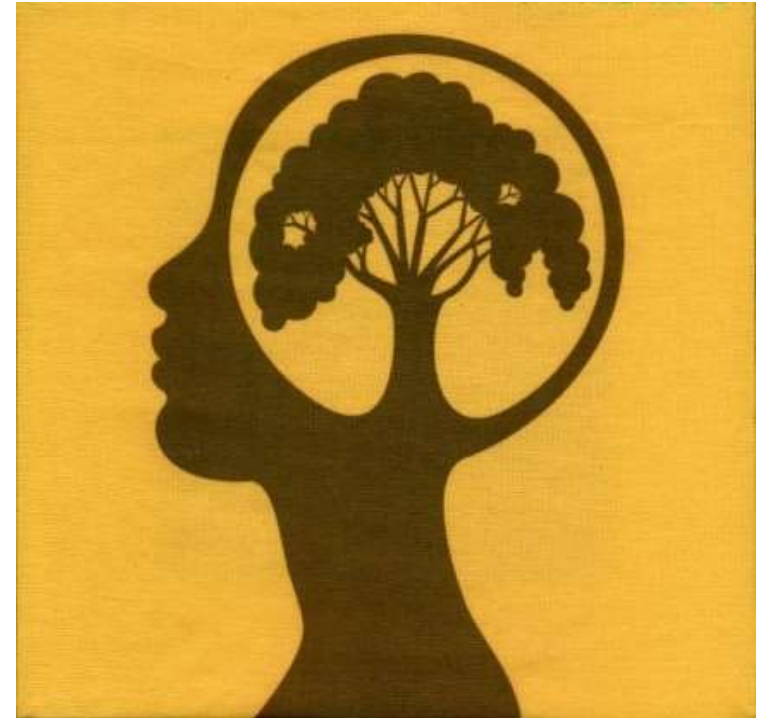
# Process Capital



- Process improvements
- Example
  - Support: Supplier simplifies order management process through process redesign (from 12 steps to 7 steps)
  - Support Metric: Time to place order or follow-up goes down

# Knowledge Capital

- Product knowledge, service know-how, and process best practices
- Example
  - Support: Providing technical training for new product; Sharing know-how of best practices such as customer stratification, pricing, etc.
  - Support Metric: Increases capability hence resource deployment and ROI



# Talent Capital



- Talent (people, human resource) – knowledge, skills and abilities
- Example
  - Support: Providing support for a (product line) dedicated salesperson
  - Support Metric: Increases capability hence resource deployment and ROI

# Financial Capital

- Financial incentives
- Example
  - Support: Providing special pricing assistance for new products
  - Support Metric: Revenue growth and Gross margin





# Relationship Capital



- Customer and supplier relationship transfers
- Example
  - Support: Supplier turns over a group of customers to distributors when they change channel partners or channel policy
  - Support Metric: Revenue growth and Gross margin

# Policy Capital

- Channel policy
- Example
  - Support: Changing channel density from intensive to selective
  - Support Metric: Revenue growth and Gross margin



# Organizational & Brand Capital

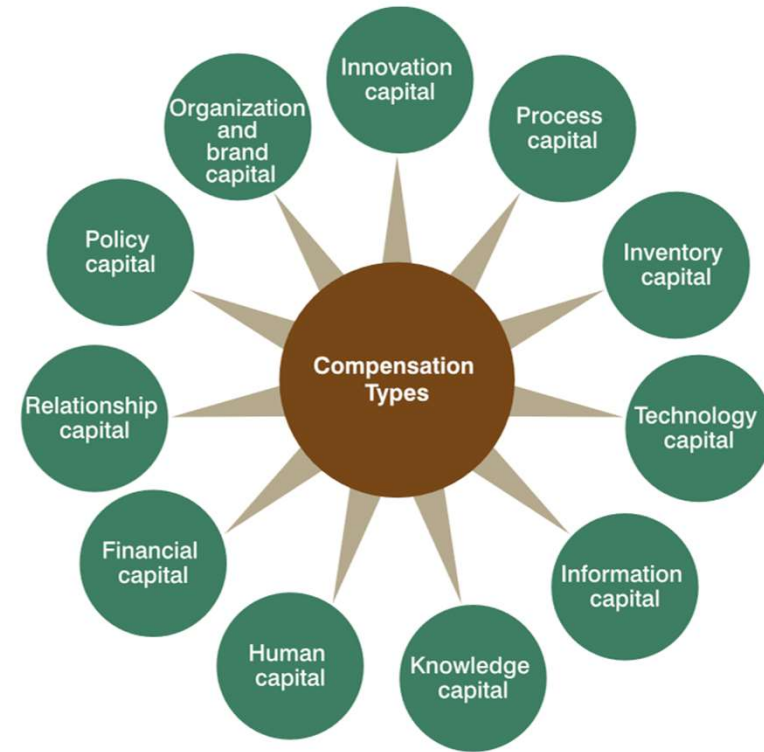
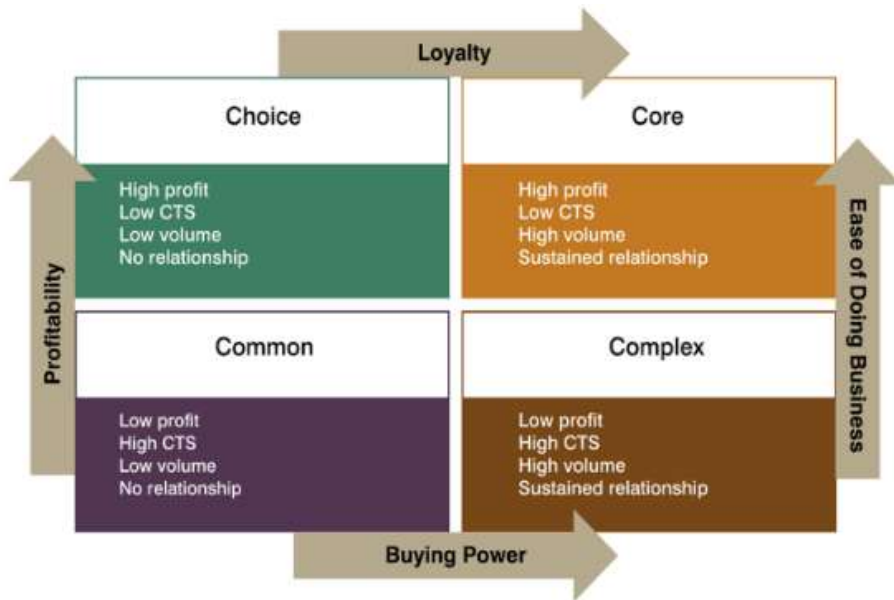
- Culture
- Example
  - Support: Supplier CEO attending 2-day channel effectiveness course along with channel partners; Channel partners have direct access to top management personnel.
  - Support Metric: Improves trust and communication, leading to relationship longevity





# Aligning channel compensation to channel partner performance

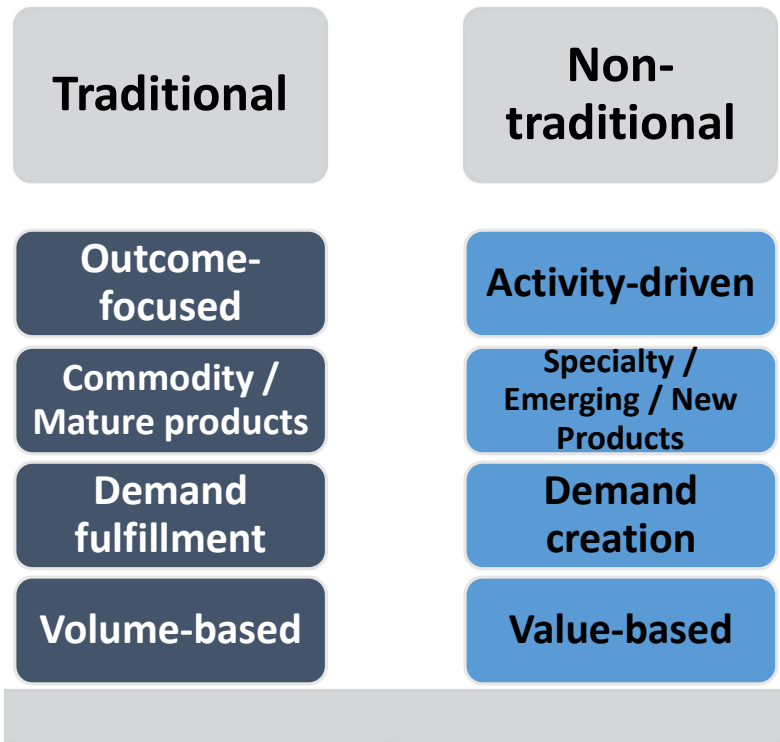
## Distributor Stratification



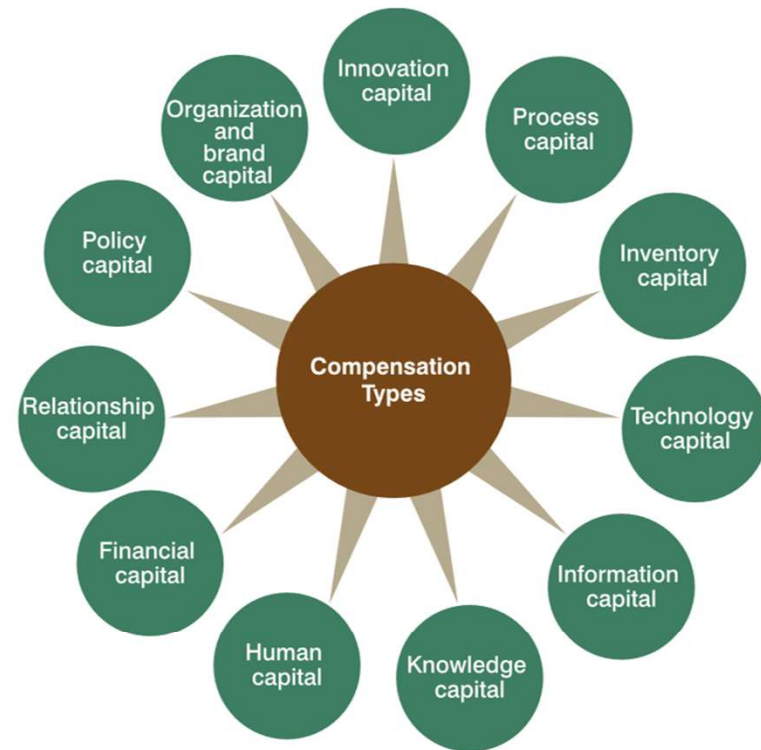
**Are you customizing channel comp based on partner performance or one-size-fits-all?**



## Key Takeaways



**STEP 1: What is the FOCUS of your existing channel compensation**



**STEP 2: Are you BALANCING channel comp across 11 capitals or overusing a few? Are you customizing channel comp based on channel partner performance?**

## Discussion: Group activity – 10 minutes

Having learned MOTIVATION and METHODS of channel compensation,

1) What is the FOCUS of your existing channel compensation mechanism?

- Does it encourage demand fulfillment or demand creation?
- Does it benefit distributors with value-add capabilities or those with higher volume?
- Does it motivate channel outcomes (results) or activity (behavior and capability)?

What improvements will you recommend to your firm's existing practice?

2) List at least TWO compensation types (out of eleven) that you would recommend your firm consider offering/improving?

Each group is required to summarize the responses when we come back.



# Contact Information



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