

# 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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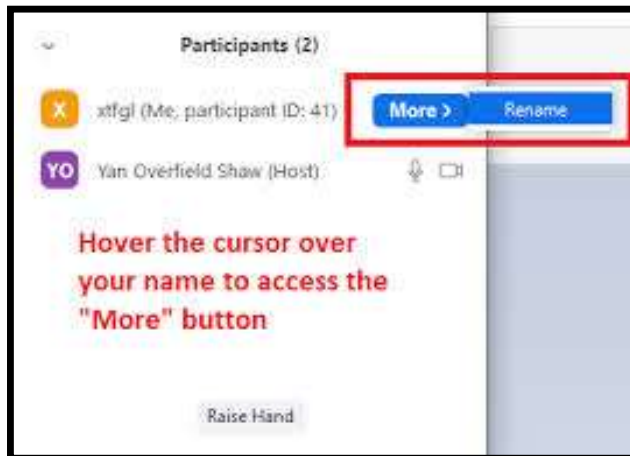


Leading the  
Channel Forward®

**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
Katie	Bloom	Team 1	US Tool Group
Kayla	McLaughlin	Team 1	Surpless Dunn
Jared	Beach	Team 1	Jergens Inc
Richard	Geary	Team 1	INSIZE USA
Erik	Olson	Team 1	SBD
Mike	Weber	Team 2	Weber Group of Companies
Maria	Payne	Team 2	Jergens Inc
Jillian	Johnson	Team 2	SBD
Brandon	Verzal	Team 2	SBD
Taylor	Music	Team 3	Pack-n-Tape
Juan	Santiago	Team 3	Jergens Inc.
David	Sachs	Team 3	SBD
Frankie	Rodriguez	Team 3	Kennametal
Lisa	Higginbotham	Team 4	Pack-n-Tape
Josh	Ashley	Team 4	Norton Saint-Gobain
Ryan	Bankert	Team 4	SBD
Raphael	Silva	Team 4	Kennametal
Jen	Huber	Team 5	Stellar
Shane	McCarville	Team 5	WD-40
Allison	D'Onofrio	Team 5	SBD
Austin	Drake	Team 5	Norton Saint-Gobain



# 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.

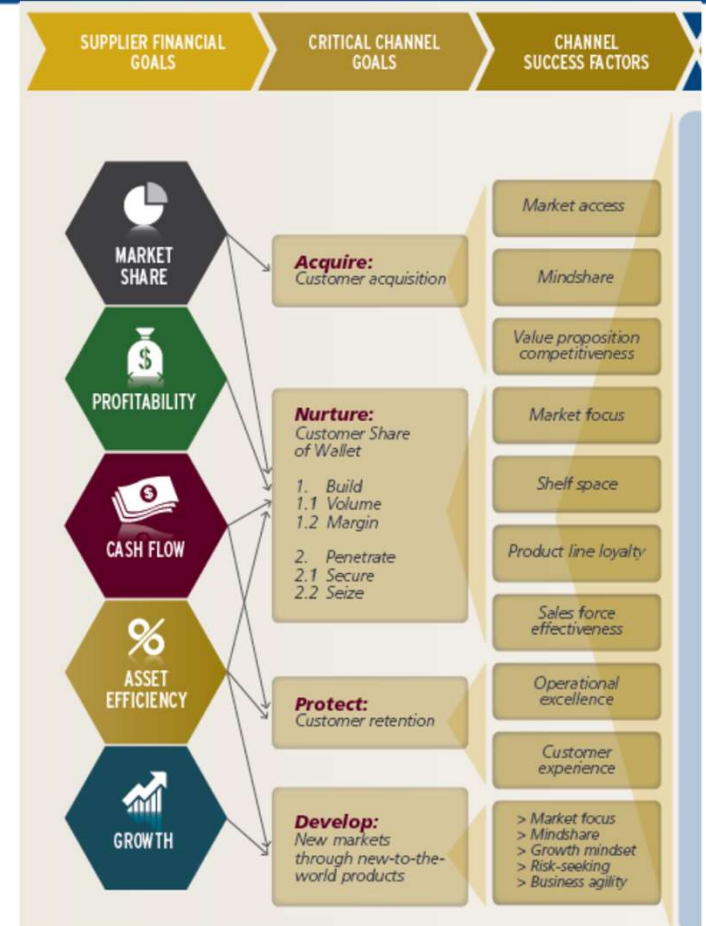
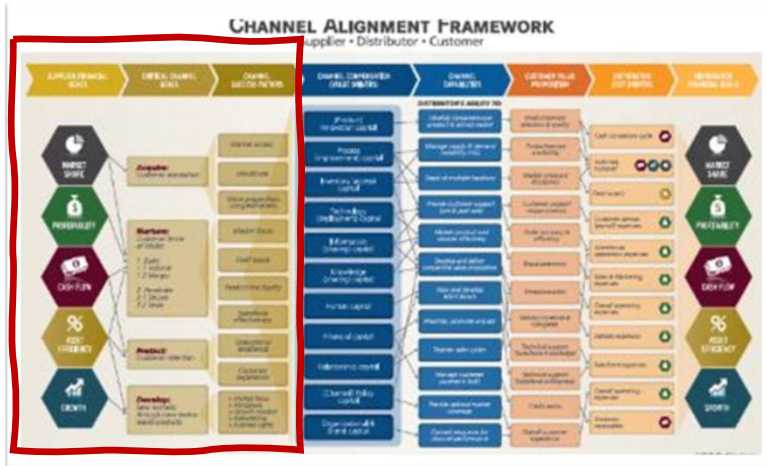
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

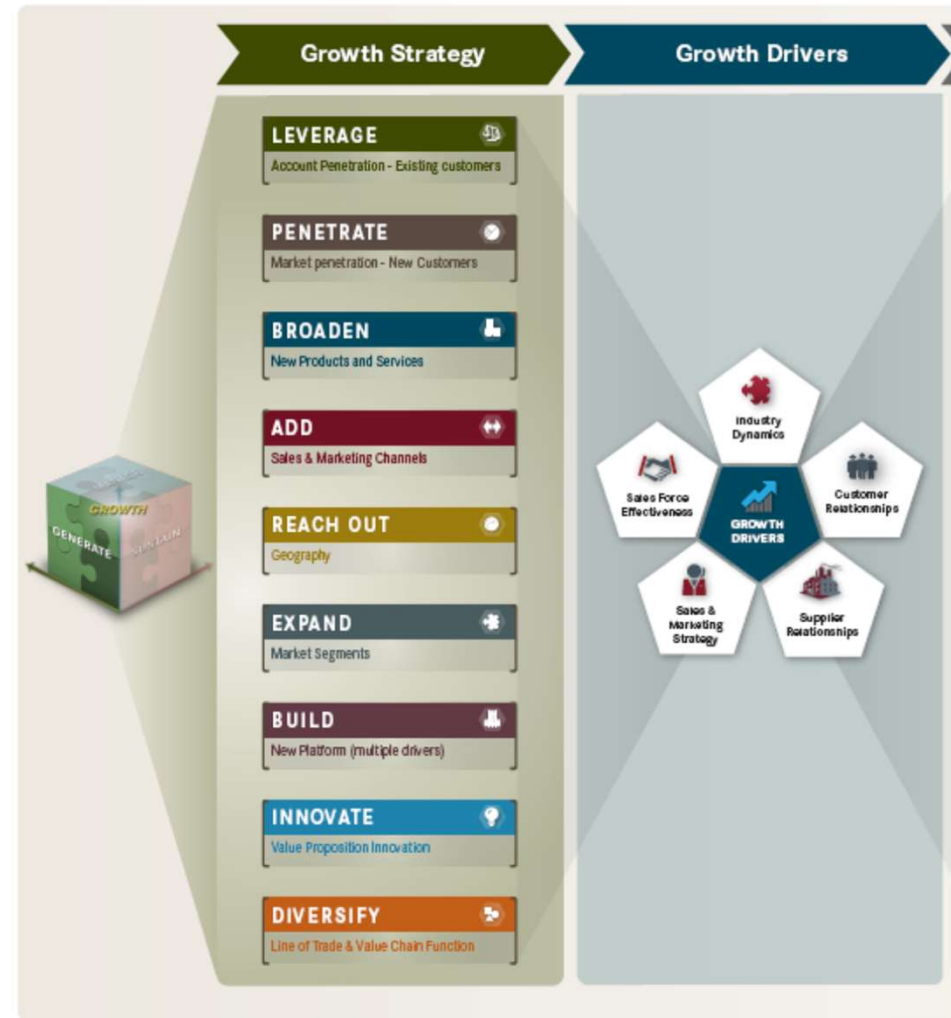
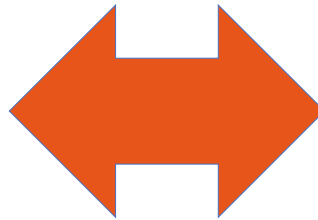
*8 Weeks, 75 Minutes Each Week.*



# Connecting Financial and Channel Goals to Channel Success Factors



# 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



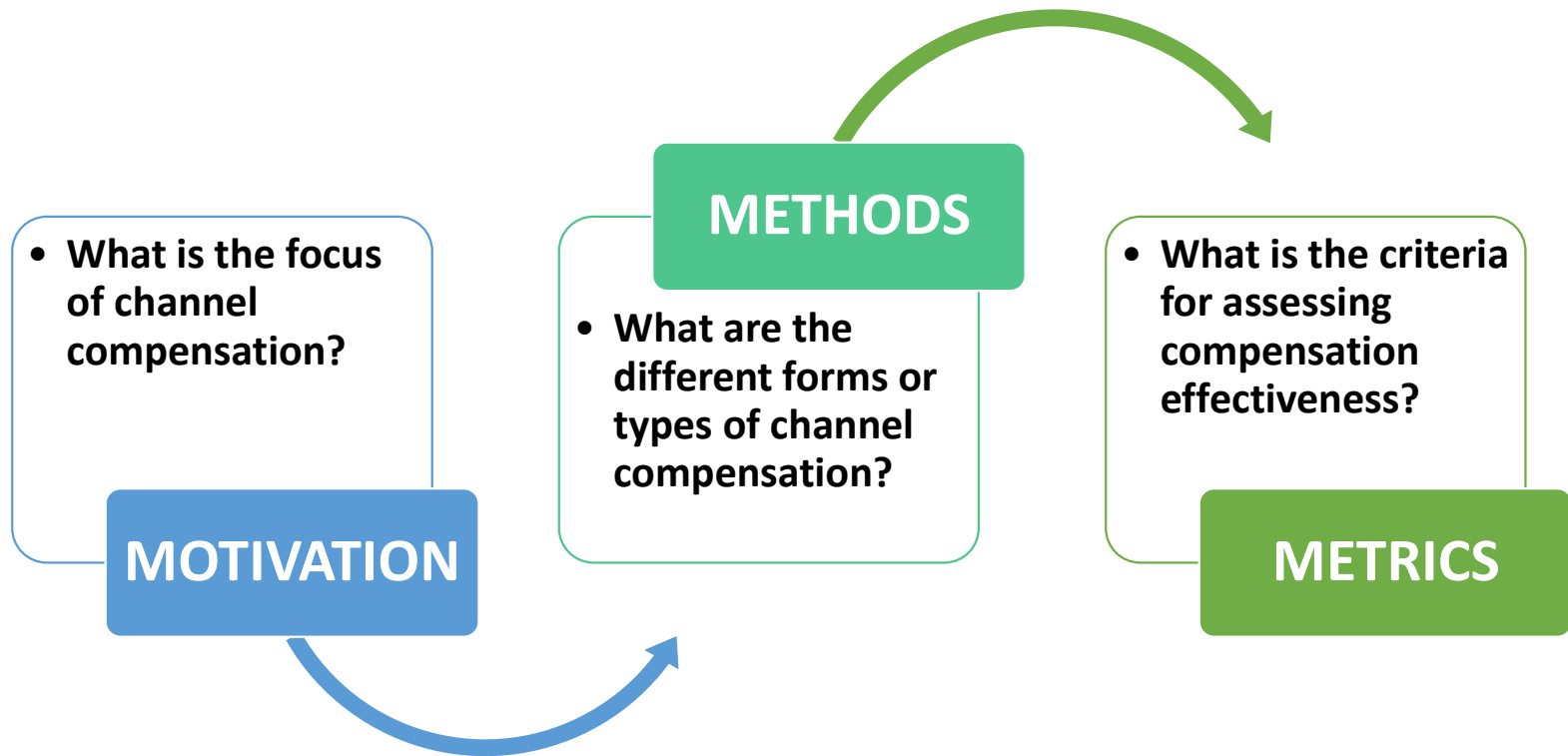
## Supplier or Distributor Stratification

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





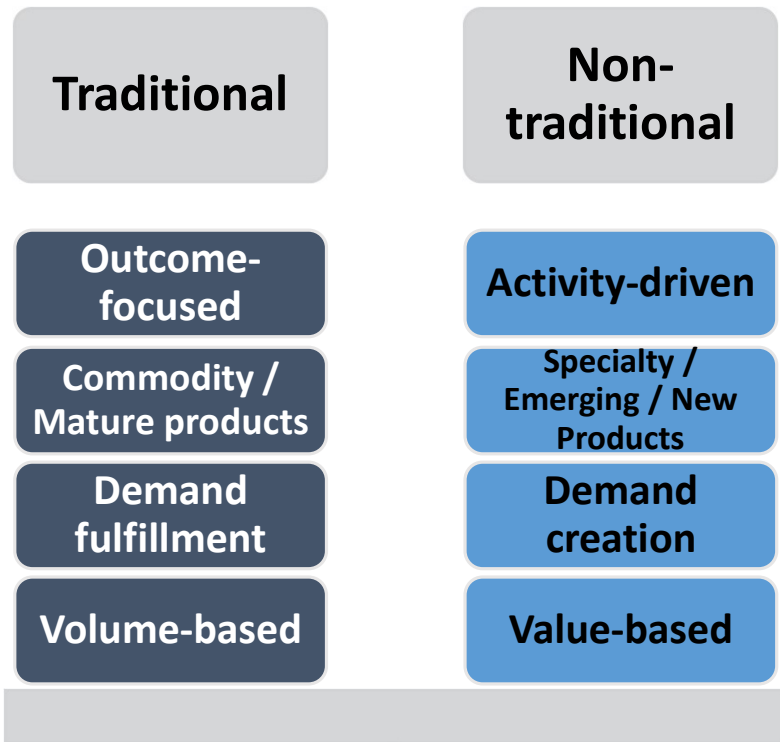
# Channel Compensation: 3 Steps



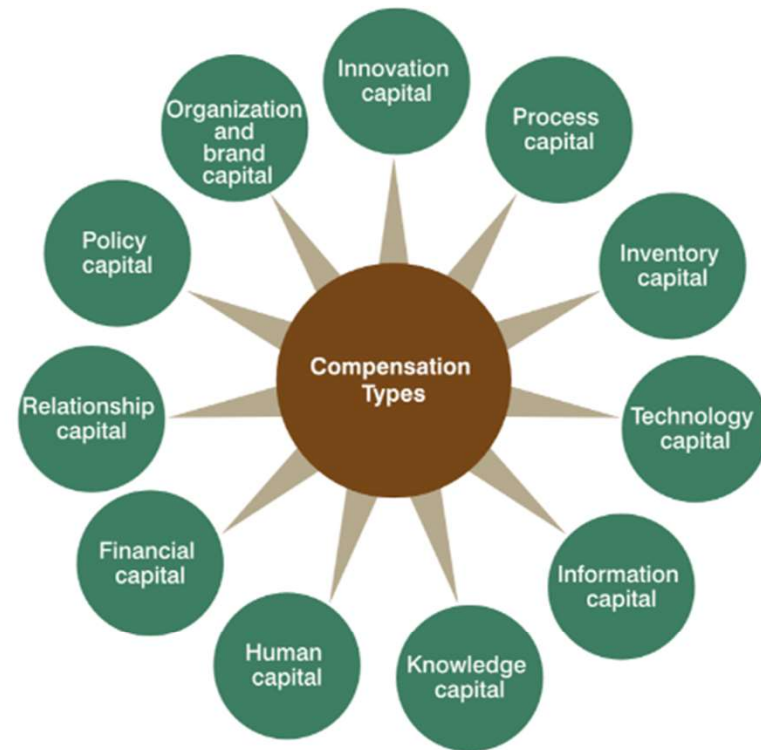




## Key Takeaways



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

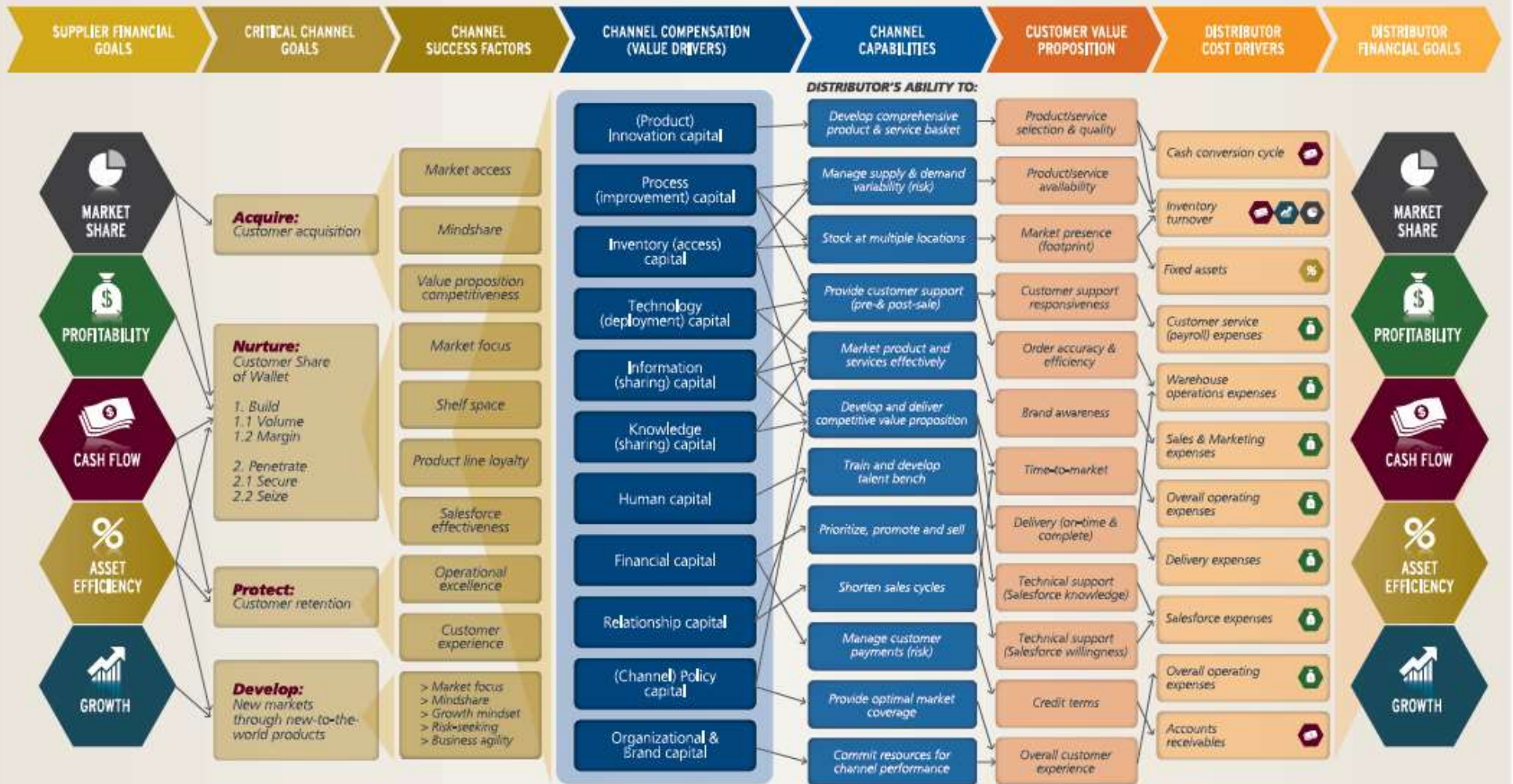


**STEP 2: Are you BALANCING channel comp across 11 capitals or overusing a few? Are you customizing channel comp based on channel partner performance?**



# CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer



## 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.



# TEAM 1

**What is the FOCUS of your existing channel compensation mechanism** – our group's current incentivization is capital. It encourages sales because they are getting more engagement and funds based on their spends and growth. The secondary incentivization would be relationships – we see this through different events and growth for new demand and growth within the product lines.

- Does it incentivize fulfillment?
  - This is important because we talked about fulfillment versus creation. **Financial is supposed to drive growth, but really it creates a fulfillment mindset instead of a growth mindset.**
- Does it incentivize volume sales?
  - **We don't think it does**, we think instead it focuses on delivery instead of new growth capitalization
- Does it motivate channel outcomes?
  - While it does motivate some sales growth, it's **not as effective as some of the other compensation models**
- What improvements will you recommend to your current practice?
  - Differentiation from Financial look to new models that can deliver intangible as well as tangible items.

**List at least 2 compensation types that you would recommend your firm consider offering/improving?**

- Focus on **information and knowledge sharing** – they are the **fastest to switch** to and while we are adding value under these, we can continue to evaluate the other of the 11 items.



TEAM 2



## TEAM 3

- Most of the manufacturers we represent have a focus on financial capital in regard to channel compensation. When selling more commodity type items, the distributor is looking for separation from their competitors typically in COGS. We feel that presenting all the other forms of capital in one package it will be recognized better by distribution.
- Thoughts on how to present this are through marketing activities or plant visits. Learning who and what is involved in making the finished product and execution of that product leaves a satisfying feel to want to do more with a company.
- Technical trainings on product use, specifications, and how to sell the product create a safety blanket for distributors when they know that training and educational support is there from a knowledge capital perspective.
- One final piece is we feel distributors would be interested in hearing from someone with a more executive position and a thank you when making large commitments. We feel they appreciate the recognition for their business and their voice to be heard if they have contingencies based on their commitments.



# TEAM 4

## What is the FOCUS of your existing channel compensation mechanism?

- For the last few years demand fulfillment has been a heavy focus for most as there was pent up demand from COVID that needed to be fulfilled along with supply chain problems
- Today more are focusing on demand creation and basing compensation programs that are heavily driven by growth. This incentivizes a change in behavior by rewarding the channel to hunt for new business as opposed to simply compensating a channel to continue to maintain/farm the exiting business.

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

- Knowledge Capital & Human Capital
- These two compensation types go hand in hand, and it is something that our marketing is hungry for today. There is a growing knowledge gap in our industry for and many distributors are looking for supplier partners with strong resources that can support them and enough of those resources. Along with this end users are also looking for knowledgeable channel and supplier partners that can help them launch new products, improve process, and save money.





# TEAM 5

## Question # 1

- **Manufacturer perspective:** The focus of existing compensation plans are geared towards “traditional” channel compensation generated around demand fulfillment, outcome focused, and based on volume. An improvement would be to incorporate “non-traditional” compensation plans to create demand generation, brand equity and revenue growth. (standard: Rebates, Co-op, ECT)
- **Buying Group perspective:** The focus of existing compensation plans are geared towards “non-traditional” compensation plans that are focused on activity driven and relationship capital. An improvement would be further utilization of the compensation plan to further drive engagement and participation (motivate activity: behavior/capability) through knowledge capital.

## Question # 2

- **Manufacturer perspective:** Financial Capital (special pricing on new products to drive revenue and market share), Knowledge Capital (technical training to differentiate our product from competitors and sell on value to end users)
- **Buying Group perspective:** Technology Capital (increase efficiency and automation of existing processes to streamline them and reduce time). Invest in new technology to better serve members business needs. Also, process capital through continuous improvement needed.





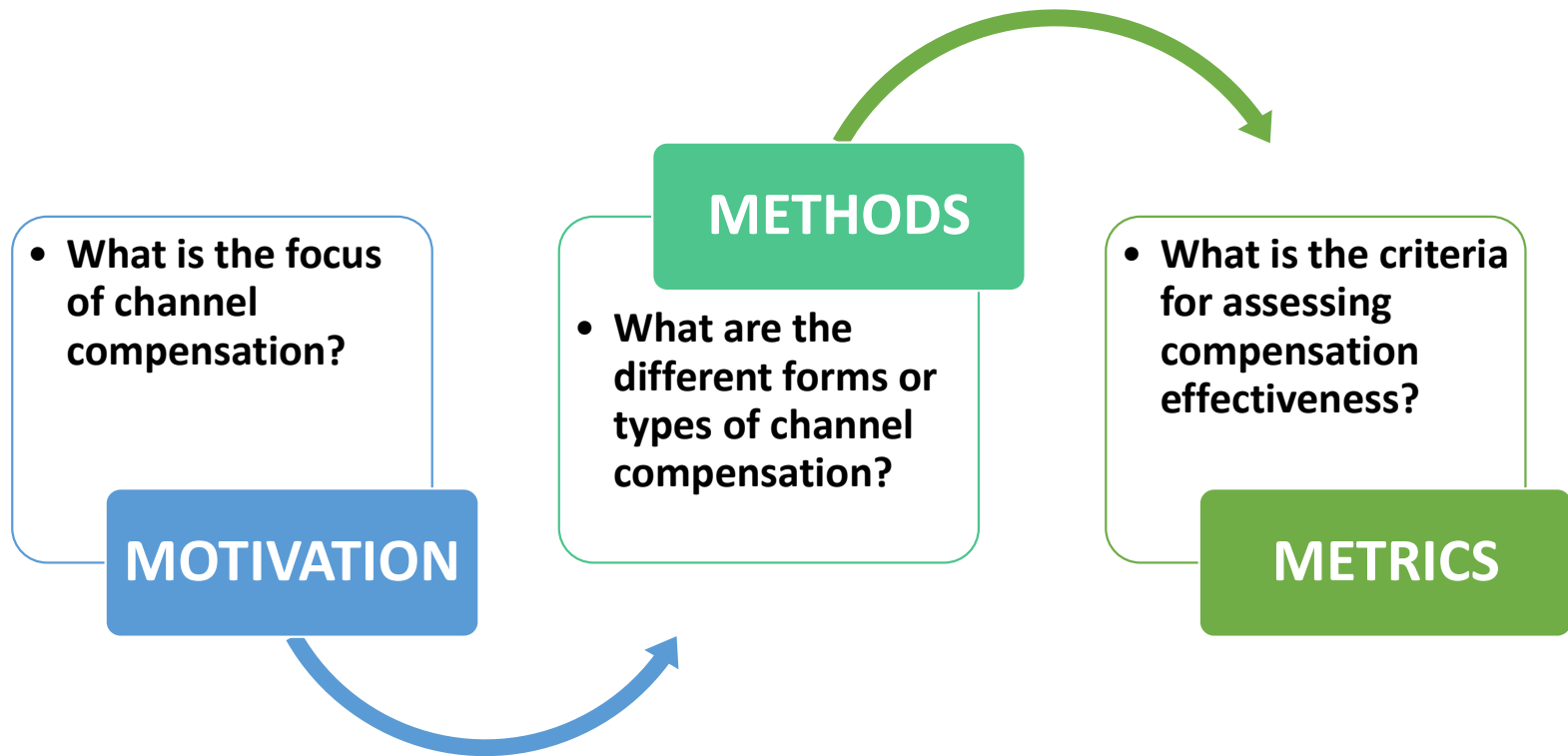
## Learning Objectives – Week 6

### Channel Alignment

- Assess your current channel alignment process
- Connect all three entities (manufacturer, distributor, and customer) value creation and capture efforts to create a common ground for channel alignment
- Apply the channel alignment framework as a conflict resolution and value proposition tool
- Understand how to quantitatively measure channel alignment.



# Channel Compensation: 3 Steps





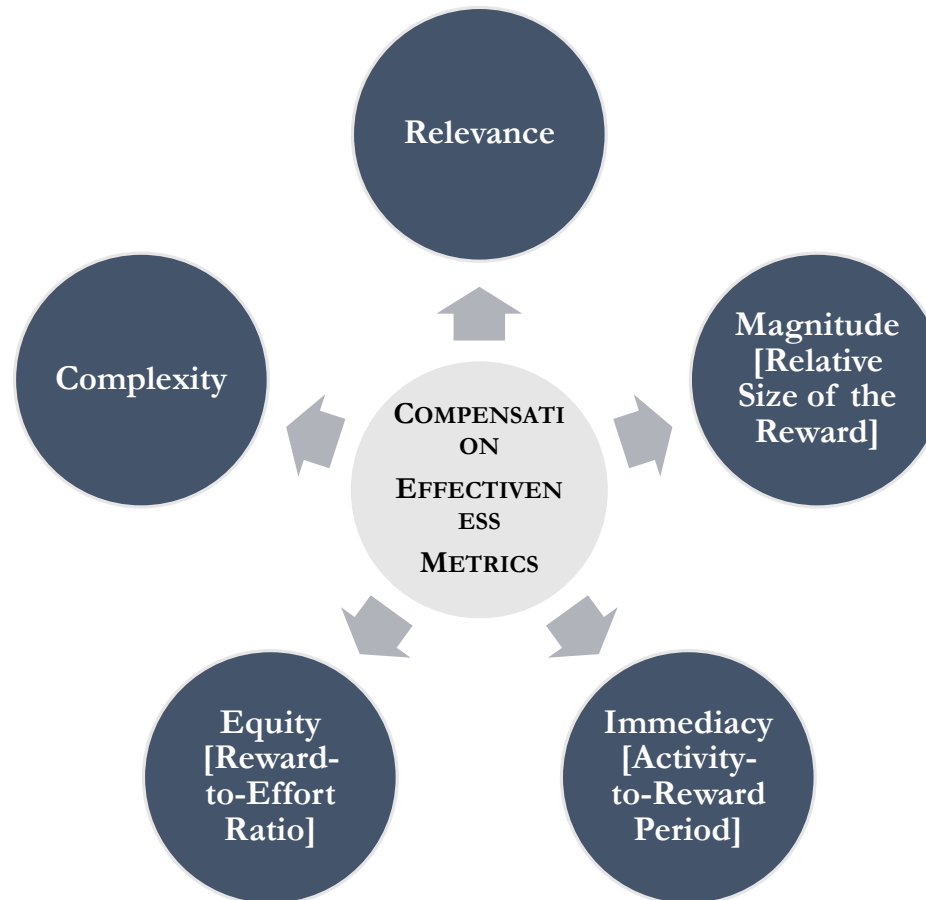
Discussion: Individual Activity – 5 Minutes (Type in the chat window)

**MFR:** How do you assess / measure the effectiveness of many channel compensation / support that you currently offer? Share a few metrics that you track.

**OTHERS:** How do you decide to engage with a given channel compensation/support from your channel partners? Especially, when would you NOT engage with channel support offerings.



## STEP 3: What is the criteria for assessing compensation effectiveness?

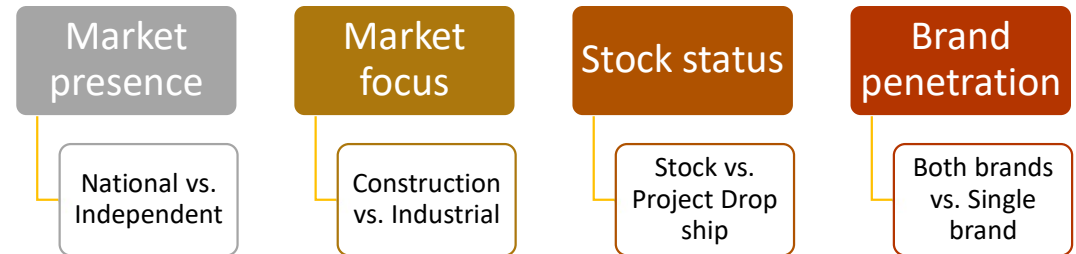


## DIFFERENT TYPES OF DISTRIBUTORS: ASSESSING RELEVANCE OF A CHANNEL COMPENSATION

Business Models	“Supply House” “Mom & Pop”	Niche distributor	Multi-line distributor	Full line distributor
<b>Product breadth</b>	Low	Low	High	High
<b>Product variety (brands)</b>	Low	High	Low to Medium	High
<b>Market presence (# locations)</b>	Local / Metro / Regional	Local / Metro / Regional	Regional / super-regional	Super-regional / National / Global
<b>Market focus</b>	Single segment	Varies		Multiple segments
<b>Growth stage/size</b>	Small (< \$50 MM)	Small to mid-size (\$ 50 – 250 MM)	Mid-size to Large (\$ 100 – 750 MM)	Large (> \$ 750 MM)
<b>Competitive advantage</b>	Product brand	Focus	Mix of brands and convenience	One-stop-shop
<b>Economic drivers</b>	Focus on ‘earn’ and ‘turn’ varies			
<b>Focus on services</b>	Varies (low to high) based on industry dynamics, customer, top management commitment, & competition			

# Example – Relevancy

An electrical manufacturer modeled value proposition based on multiple types of distributors



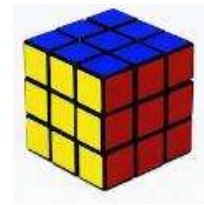


# Channel Compensation – Best Practices Summary



## Current Compensation Challenges

- General
- Imbalance
- Ineffective
- Controls activity



## Partner-focused Compensation

- Customized
  - Relevancy
- Balanced
  - Multiple capital
- Effective
  - Metrics
- Controls capability & activity



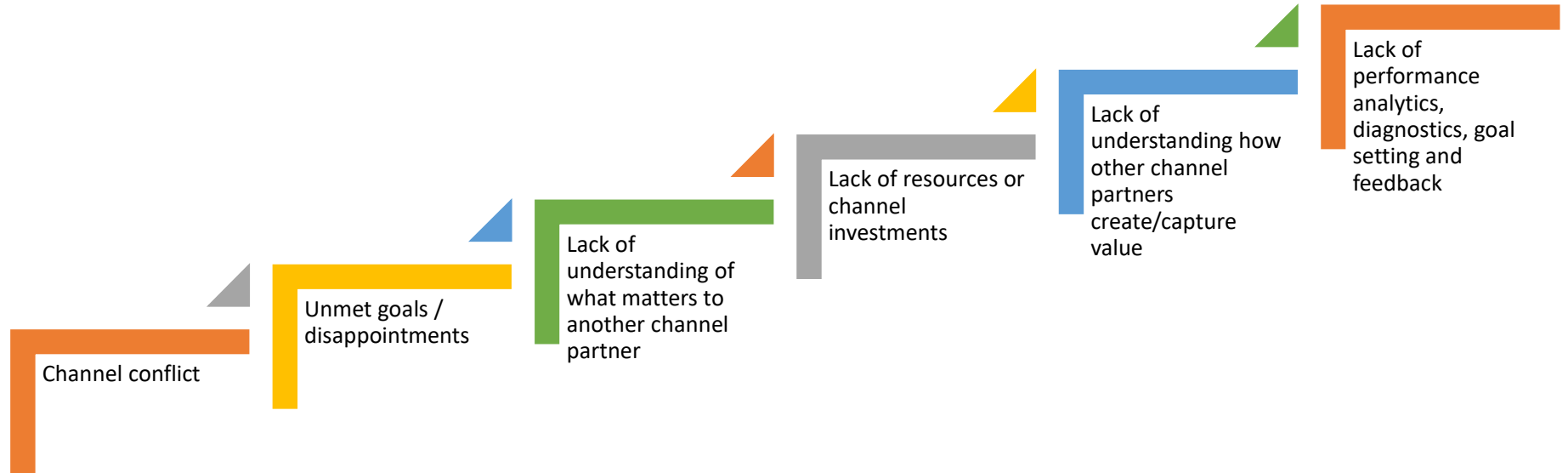


# Channel Alignment





# Channel conflict: Root Cause Analysis





# Defining Channel Alignment: 2 Dimensions



**Goal congruence:** the degree to which major strategic objectives of both firms are either shared or complement one another

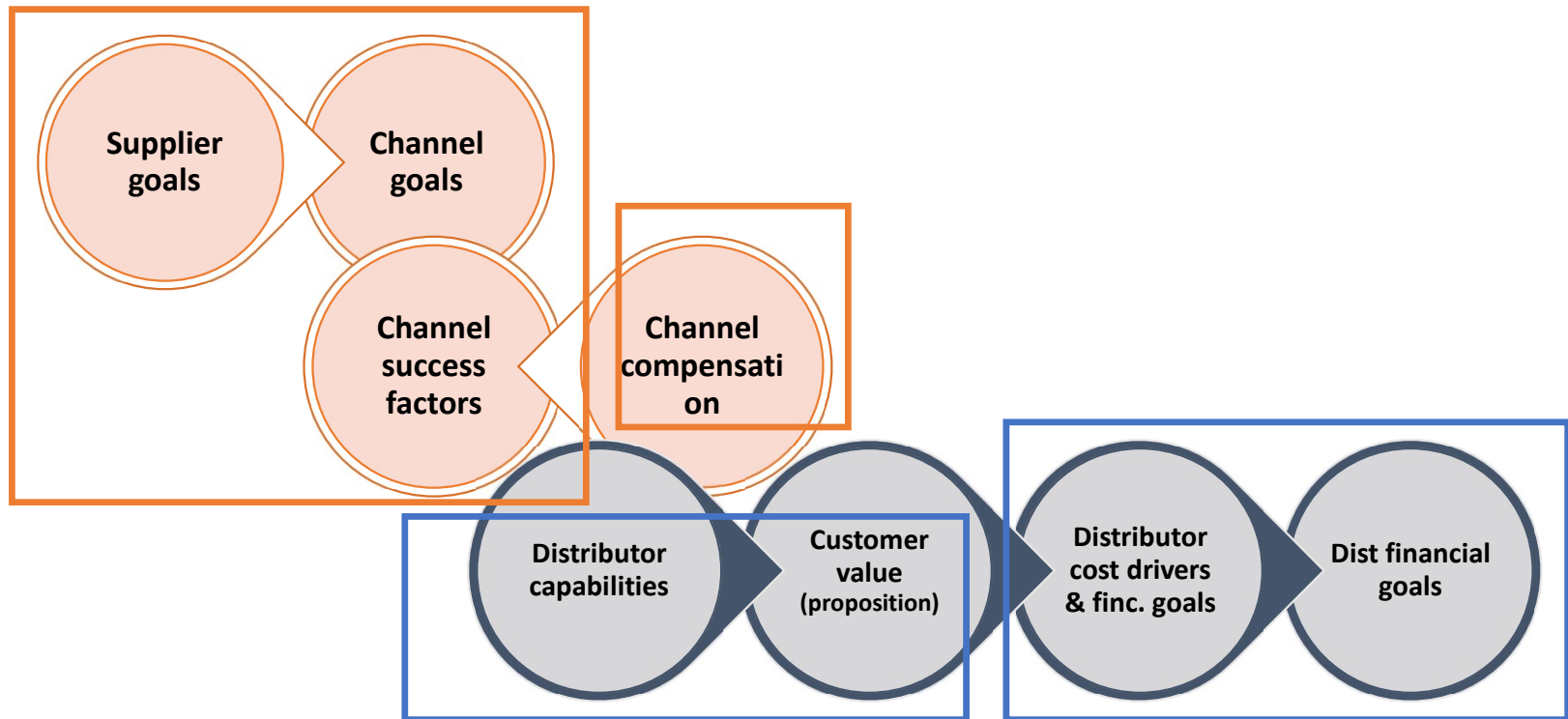


**Complementarity of resources and capabilities:** the extent to which one firm in a working relationship possesses essential capabilities or assets that the other firm can leverage or use for its own benefit

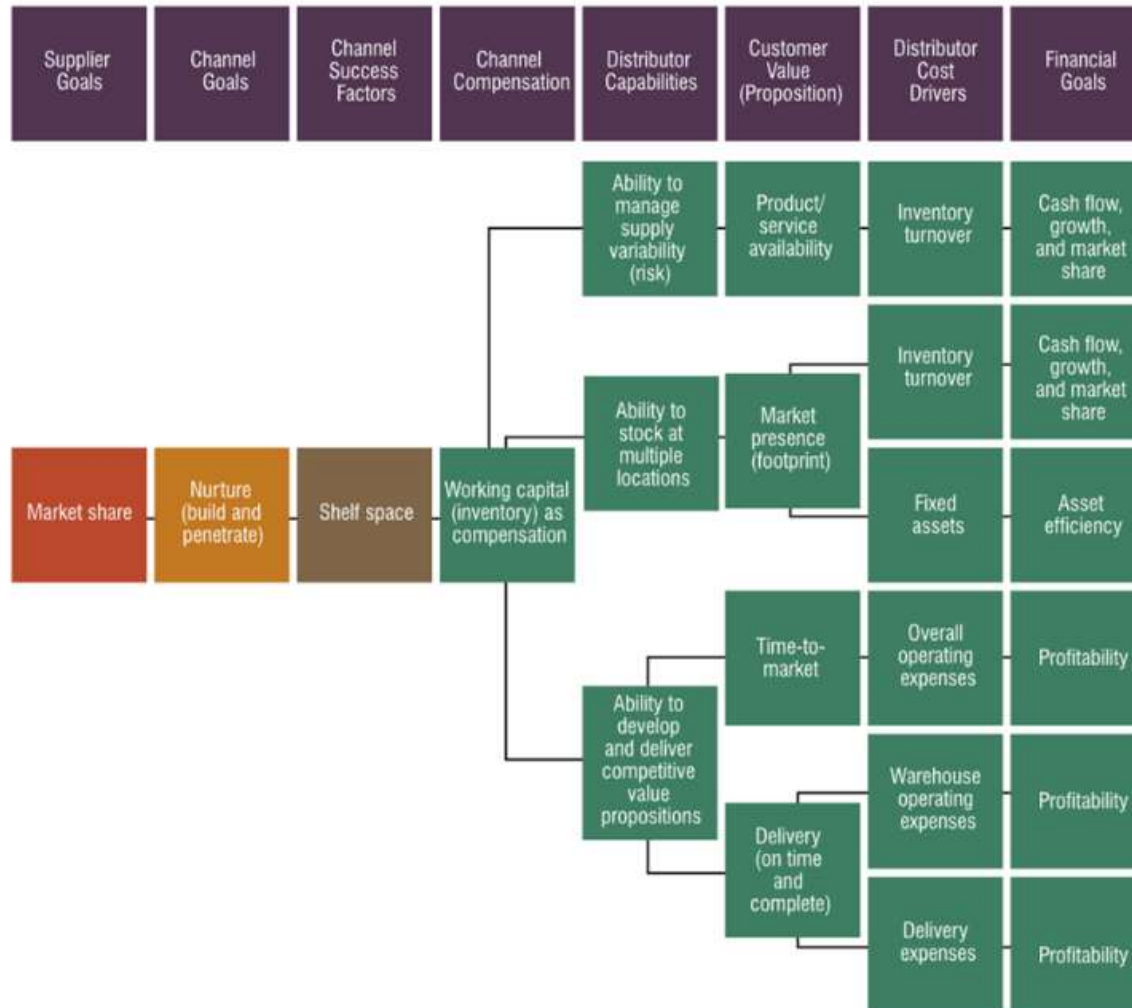




# Channel Value Alignment

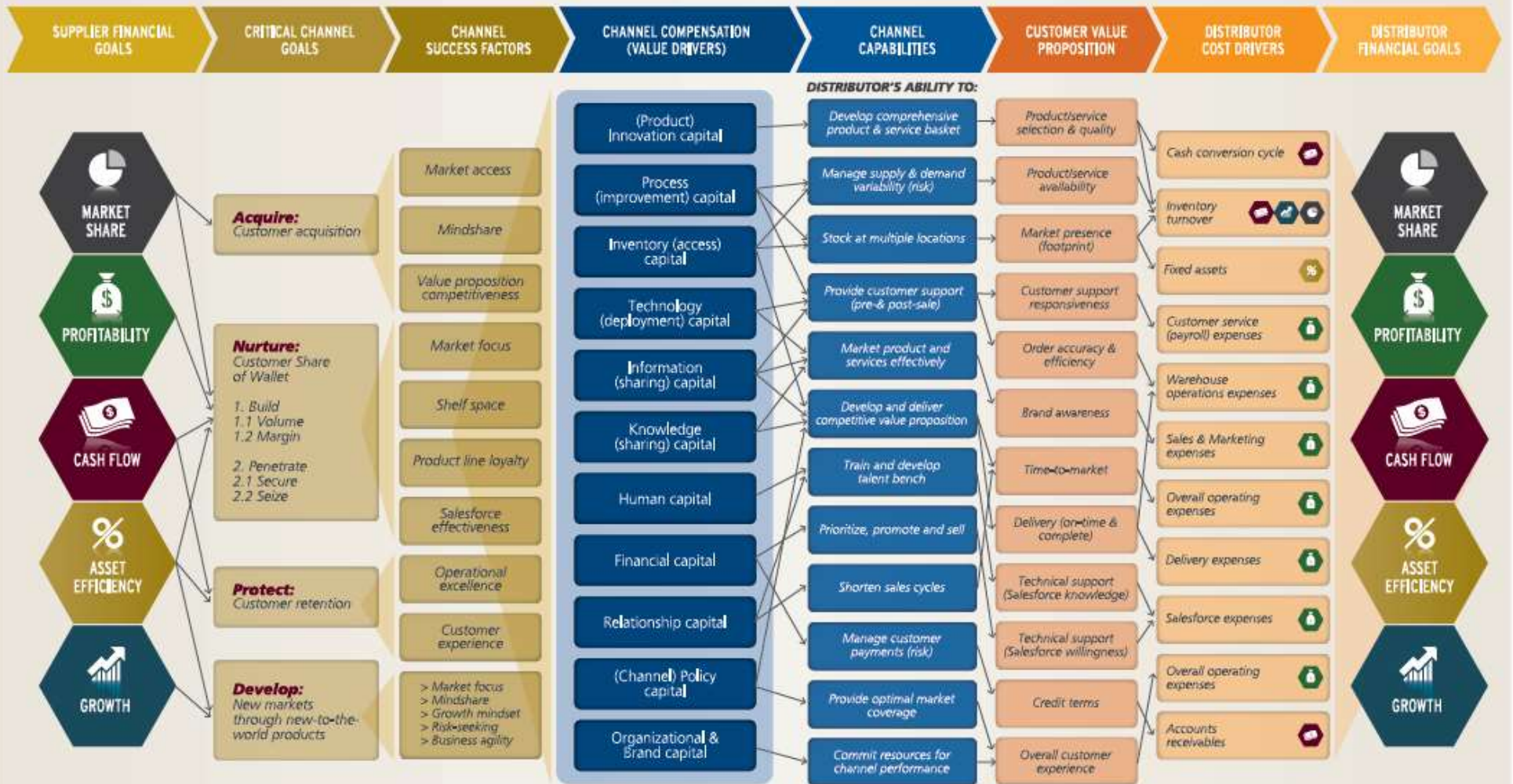


**Exhibit 6-3. Channel Alignment Framework: Working Capital as Compensation.**



# CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer





# Channel Alignment Framework: Applications

Develop a common ground/platform for mfr and distributors to



Recognize, understand and address the goals of both entities in a working relationship



Identify channel collaboration opportunities



Develop channel strategically using 11 compensation/investment capitals



Understand the benefits of various channel investments thru one-to-one/cause-n-effect approach (hence set realistic expectations)



Resolve channel conflicts resulting from misunderstanding how others create/capture value



## Discussion: Group activity – 10 minutes

Having learned Channel Alignment Framework and its applications,

1) List at least three channel conflicts faced by your team members? How do you currently manage the same?

2) What improvements will you recommend to your firm's existing practice of channel conflict resolution using Channel Alignment Framework?

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

# Contact Information



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