

BY JEANNE FEC

Is Your Channel Doing the Whole Job?

PUTTING YOUR CHANNEL UP AGAINST THE CUSTOMER BUYING PROCESS

Too often manufacturers assume their traditional channels are meeting all the needs of the customer. That assumption, however, can often prove dangerous and create openings for competitors. To determine what customers really want, marketers need to examine the customer buying process from A to Z, or rather from the beginning to the end – and back again.

A framework we use for this purpose is called Presale, Transaction, Postsale (PTP). PTP is a valuable tool to uncover potential gaps that could be draining your initial sales potential or aftermarket revenue stream. We use this framework during channel strategy projects. Many of our clients also use it to challenge their sales or marketing teams.

Let's take a look at the PTP framework to see how customer buying behavior can identify gaps in channel performance.

The Presale Phase

Reaching the customer as early as possible in the buying process is critical, especially for signing up new customers, or influencing formal product/bid specifications. Many customers don't think to contact the reseller early in the Presale Phase, and many resellers do a poor job of maintaining sufficient contact. This is particularly true for products that are infrequently purchased.

The key activities manufacturers need from their channels in the Presale Phase are:

- Calling patterns and processes that help channels to identify the start of the Presale Phase, and insert themselves into the decision-making process
- Relationships with purchase initiators and gate-keepers. Too often channels focus on users or purchasing agents. However, new decisions are often initiated by strategic planners, engineers, internal or external consultants, etc. Furthermore, final decisions might occur at senior, even executive management levels

- Selling capabilities to properly position the product/brand, conduct consultative selling where required, deflect competitors' claims, and cover the duration and geographic breadth of the decision-making process
- Technical support to handle any concerns of engineers, IT, or sophisticated users

These presales skills are a critical ticket to the next phase of the buying process.

The Transaction Phase

At the end of the Presale Phase, customers often have a "short-list", rather than a final, single brand choice. As the decision point nears, customers weigh prices, freight and delivery costs, logistics concerns, payment terms, installation needs, etc.

Not all channels provide the same set of transaction phase support. Typically channels fragment along the lines of value-add vs. logistical capabilities. Value-added channels charge higher prices and carry a narrow set of products, but can specify, install, and support products at a high-level. Logistics-oriented channels offer a very broad range of products (e.g., "one-stop shopping"), quick delivery times, and lower prices.

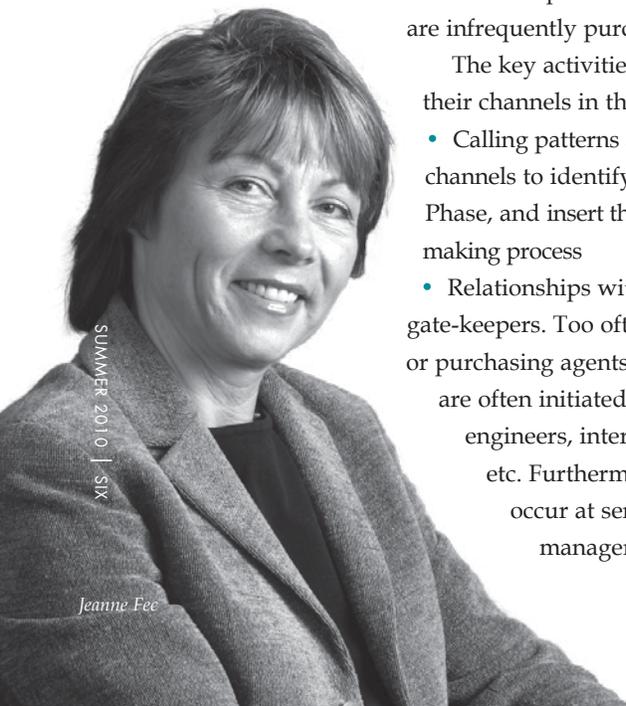
As in the Presale Phase, manufacturers need to take steps to assure that their channels provide the right mix and level of transactional services that customers require.

The Postsale/Aftermarket Phase

The first two phases of the buying framework address how channels intercept and close business. But it is just as important to understand whether channels take a proactive role in *keeping* customers loyal to the brand.

Channels sometimes assume that once a sale is made, they should focus on the next buyer. If a problem occurs, or a new sales opportunity arises, the channel may feel, "the customer will call me."

This strategy of aggressively waiting for the phone to ring may make some sense for routine purchases where the channel makes a "milk run" out to the customer on a set schedule.



PTP Framework

PRESALE PHASE

- > How do customers become aware of a purchase need?
- > What research do buyers conduct? Where?
- > What level of technical support is needed?
- > What are the key decision criteria?
- > Who are the key players – gatekeepers, decision-makers, etc?
- > What is the geographic scope of the decision process?
- > What is the timing of this phase?

TRANSACTION PHASE

- > What are the customer's delivery requirements?
- > What is the customer's price sensitivity?
- > What are the customer's order processing, financing, and payment preferences?
- > What are the customer's installation/integration needs?
- > What are the customer's immediate training needs?

POSTSALE, AFTERMARKET PHASE

- > What frequency, level, and type of account management is needed?
- > What type of warranty/repair/preventative maintenance follow up is optimal?
- > What type of planning, optimization, monitoring, or upgrade services might the customer need?
- > Does the account require service contract renewal reminders and purchase assistance?

However, in today's complex world, manufacturers often need channels that will:

- Proactively manage accounts – looking for new opportunities, suggesting areas for improvement, find new decision-makers, etc.
- Aggressively sell into the aftermarket – parts, service contract renewals, upgrades, cross-sales, etc.
- Offer complementary services – product or technology forecasts/roadmaps, outsourcing, preventative maintenance, etc.

The world of postsale account management is now much more sophisticated and complex. Channels that rely on traditional methods won't stay in their accounts much longer.

Focus on Fit and Mix Gaps

"FIT" GAPS – ARE EXISTING CHANNELS NOT DOING THE JOB?

Using the PTP framework, manufacturers must determine which customer-demanded activities, if any, their current channel fails to perform, or perform adequately. If these are moderately to high priority activities, the manufacturer must address these "fit" gaps. Options include additional channel training, adjusting compensation to favor channels that address the gap, performing the activity directly, or, most dramatically, bringing in a separate indirect channel to complement the existing channel. Training is the lowest risk, but probably lowest return option. The alternatives require careful planning, as they involve changes in how you pay the channel partners.

"MIX" GAPS – IS IT TIME TO ADD NEW CHANNELS?

Sometimes the channel's skills are significantly misaligned with customers' needs. Usually this happens not because the channel is stupid or lazy, but rather because a new customer segment has emerged and the manufacturer assumed the traditional channel would adjust. However, channels have business models and customer "windows" that are extremely resistant to change.

Manufacturers need to rapidly recognize and adjust to changing customer needs or emerging customer segments. Typically, the best approach is to adjust the "mix" of channels – adding new channels, as needed. However, adding new channels raises significant questions, including positioning, pricing, margin management, channel conflict management, and possibly kicking out incumbent competitors. As with the "fit" gaps, closing the "mix" gaps requires research and planning.

SUMMARY

If channel partners are providing presale through postsale functions for high priority activities, your channel mix may be in good shape. However, if you sense or can explicitly identify gaps, then some serious channel strategy rethinking is needed.

Contact Frank Lynn & Associates for a free half-day meeting in our Chicago offices, or a team conference call to discuss any concerns!

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