

Making the Most of Channel Advisory Councils

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In giving advice, seek to help, not please.

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Many manufacturers seek advice from their resellers by convening a channel advisory council. Given the increasing pressure from competition, technology and customers, these channel councils are more important than ever. However, many manufacturers don't understand how to structure an advisory session, and instead of advice, often just receive a barrel-load of gripe.

Over the last twenty years of channel consulting, I have attended countless channel advisory sessions. These are typically affairs held in upscale golf resorts where manufacturers prod their resellers to sell more, and the distributors vie for additional discounts from the supplier. However, I have also participated in a few councils that truly live up to the promise of providing useful, well-reasoned advice.

If managed correctly, advisory councils can provide significant benefits. From the manufacturer's perspective, these include:

- Building stronger personal relationships that can help overcome short-term strains or disagreements (especially with the key resellers typically on these councils)
- Gaining greater insight into resellers' thinking; and, by extension into end-user needs
- Avoiding expensive mistakes on new products or programs
- Exposing senior management, who may rarely deal with resellers, to channel-related issues
- Uncovering competitors' activities and potential responses

To avoid the common pitfalls inherent in channel councils, Frank Lynn & Associates has found that the following rules apply:

Advisory Council Structure

Finding the Right Council Members - You want your best channel partners as council members. You want resellers that have truly embraced a partnership attitude; those that share a common goal with you and think strategically. Granted, inherent conflicts exist in a manufacturer/channel relationship, but good resellers are focused on core issues such as building the overall market, enhancing customer satisfaction, and adding unique value on top of your product.

Therefore, biggest doesn't necessarily mean best. In fact, big resellers will often dominate a council or cause friction with other council members. It is better to seek advice from very large partners on a one-on-one basis.

In the same vein, you want a balance between diversity and common ground. Consequently, you may opt for separate councils for wholesalers versus retailers, or "box-movers" versus highly value-added resellers, or resellers that only sell to end-users versus resellers that also sell to other resellers, or resellers according to their geographic focus, etc.

You also want to avoid having direct competitors on the council at the same time.

Ideally you are seeking reseller-owners who have a strong knowledge of your products and services. Unfortunately, in many resellers the owner understands and sets the strategy, whereas a sales manager may be more familiar with your company's specifics. The council, hopefully, consists of knowledgeable owners, but you may want to invite a few thoughtful and engaged senior sales managers to round out the group.

To select the best channel partners, we have found that soliciting nominations from your field salespeople and channel programs managers, with final approval by senior sales management, is the best approach.

Meeting Frequency – Councils typically meet once each year. However, with the increasing rate of change in many industries, I have seen clients boost council meetings to twice each year to engage in more frequent dialogue.

Meeting Duration – The council meeting should last one to two days. Resellers are busy people and need to get back to running their businesses. Good resellers are in demand, not just by you, but by their other suppliers to participate in dealer councils. The time (and cost) adds up, especially for smaller partners.

Work Versus Play Philosophy – Surprisingly, this may be the most contentious structural issue. Some companies believe that golf or skiing helps build relationships. However, more and more companies just want to get down to business. My observation is that critical business issues need concentrated attention. If you want to build relationships arrange for golf, skiing, etc. at another time or on the weekend preceding the council meeting. Also, be careful not to exclude members who may not play golf or ski (yes, such people exist).

Informal breakfasts and dinners are a viable alternative for creating stronger bonds with and among resellers. Try to alternate dining mates at each meal to encourage new relationships and a cross-fertilization of ideas.

Member Rotation – A council should develop its own culture, rules, and collective memory. To perpetuate this culture, you want to carry over a core of the council membership from meeting to meeting. Members should sit on the council for two or three years and rotate off on a staggered schedule. You also want to assure continuity by assigning a council secretary to keep minutes.

Expenses – Generally the manufacturer pays for everything except travel (and sometimes lodging).

Communication

Selling the Concept – Manufacturers need to “sell” the council concept to potential reseller participants. Other than free golf, manufacturers should extol benefits such as early insight into product and marketing plans, the ability to shape the manufacturer’s strategy, an opportunity to compare notes with other successful reseller colleagues, and access to the manufacturer’s senior management.

Setting the Agenda – You want to avoid a gripe session. Therefore, you should solicit input internally and from channel members in advance of the meeting. The final agenda is the responsibility of the manufacturer. Avoid non-productive re-hashing of old issues, but still try to accommodate reseller-suggested issues.

Publish the agenda beforehand. Lock-in any speakers, presentations, or materials well in advance.

Review – At the beginning of the council meeting read the prior meeting minutes and resulting actions. Ask for questions or clarifications. Also, once you decide on an issue arising from the council meeting alert council members first, before broadly communicating the new policy/strategy to the broader reseller community.

Facilitation – Assign a meeting facilitator. If helpful, hire a professional facilitator who knows your industry or is well-prepped. We have played this role frequently and focus on four key issues. First, we make sure no one person(ality) dominates the meeting, and that the conversation is well-dispersed. Second, we balance the need to respect the agenda timing with the insights arising from the discussion. Third, on a related note, we make sure to table discussions that cannot be resolved or moved forward and assign timing and responsibility to a specific individual. Lastly, we check that this precious time is kept on-topic and generating the value and insight required.

Decision Making – Shy away from making policy decisions at the council; rather, accept advice and make decisions later, after appropriate analysis and time to consider the implications.

External Communications – Encourage council members to informally spread appropriate news to other non-council resellers. Also, formally summarize council findings in your channel newsletter or other media. This helps to portray council membership as an honor and hopefully encourages other resellers to take a productive and partnership attitude.

Council Roles and Content

Manufacturer Attendees – Among the senior staff, at the very least the V.P. of Sales and the V.P of Marketing need to attend the entire channel council. For companies under \$1B and with more than 50% of their revenue from channel partners, we strongly advise the company President to also attend. One caveat. The President needs to be prepared in advance on key channel issues/concerns and advised to not dominate the meeting.

Channel Attendees – Resellers should view themselves as consultants solving a problem or analyzing an opportunity. As noted earlier, you generally want the principal/owner of the reseller company to sit on the council.

You may also want to create subcommittees for issues such as: logistics, customer service or marketing programs. These subcommittees may hold conversations or meetings apart from the overall council but report their conclusions at the council meeting. In some cases, council members will appoint a relevant employee (e.g., the V.P. of Operations may sit on the Logistics subcommittee).

Content “Do’s” – In most cases, manufacturers should present new information and seek advice from council members regarding new product concepts, price levels, discount structures, marketing initiatives, competitive strategies, etc. Manufacturers should present concepts that are well-formed, but still open to change based on channel input.

Often, seeking advice simply requires open discussion (with, as noted earlier, a moderator or facilitator if necessary). However, we have also found it useful to create “break-out” teams – sometimes mixed manufacturer/channel teams, other times leaving the council members to meet by themselves and return with feedback or a plan.

Councils are an excellent venue to address and reduce channel conflict. We frequently see where resellers freely admit taking advantage of a manufacturer’s lapses in enforcing its existing policies – leading to channel conflict. Reseller councils will often tell the manufacturer to provide more consistent enforcement of existing policies, even at the expense of individual resellers, if the result is an equitable set of ground rules.

Content “Don’t’s” – Avoid unproductive “complaint sessions.” Rather, the facilitator should steer the group away from rehashing old problems towards understanding the root cause and potential solutions to current or potential problems (and opportunities). One way to do this is by maintaining a focus on the end-user customer and their needs and likely reactions. Also, manufacturers must establish clear ground rules regarding the discussion of pricing and other possible antitrust issues.

Don’t shy away from controversy. If disagreements exist regarding the respective role of the manufacturer or reseller, channel conflict, channel compensation or strategic direction, this is the place to raise the issue and sort through options. Remember, you are not making final decisions at the council. And, as the quote at the beginning says, “seek to help, not please.”

Along these lines, manufacturers are well-advised to establish the council as “a meeting of partners” and avoid the concept that the channel is the customer. Hopefully, the manufacturer has dismissed this old canard before the meeting; but, if necessary, the President or VP needs to forcefully address this destructive idea.

Summary

An increasingly complex competitive environment places a premium on strong manufacturer/channel communication. Channel advisory councils are an excellent forum for this type of communication. However, advisory forums can often degenerate into gripe sessions unless the manufacturer engages in careful planning, culture-building, and meeting facilitation. With proper planning, council meetings can help turn a manufacturer’s channel program into a long-term, strategic asset for the firm.

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