



IS IT TIME TO CHANGE THE CHANNEL?

Today more than ever, companies are looking for a cost-effective sales strategy, while providing improved exposure to their products or services. However most sales organizations still rely solely on the corporate directed “feet on the street” sales force, and opportunities may be lost as a result.

The advantage of the direct channel to the sale organization is you control all facets of the sales process. The disadvantage, however is the very high cost of this method of selling. When a territory becomes unprofitable because of geographic location or other factors, it is usually left vacant or becomes a “cherry picking” opportunity. Sales representatives begin to swoop down on the territory at a predetermined schedule and attempt to quickly get as much business from the low hanging fruit as possible, only to return when the company thinks the customers are ripe for the picking once again. This method does not build solid customer loyalty, and can lead to feelings that the seller is not interested in anything other than making a quick buck at the expense of its customers.

Is it time to change the channel? Many sales organizations today believe it is. They have found that by creating an alternate distribution channel, in concert with the existing sales force, they can create a lower cost sales model, with the improved product or service exposure of local representation. This alternate channel, when managed correctly, can be a win-win-win for the distributor/manufacturer of the product or service, the local sales organization who provides local representation and the ultimate consumer.

When using this new coverage model, the manufacturer increases revenue and market share in a previously untapped geographic market, and does so with relatively little risk or financial investment. The channel partner sees the relationship as a way to diversify their product line and increase their own revenues. More importantly, end user satisfaction increases, as the customer now sees a local business that will not only sell the product initially, but will also provide on-going customer support. Customer retention and repeat sales also improve since there is already a successful business model the customers have bought in to.

Xerox Corporation, among many notable others, has used this model successfully for many years with their small and mid-sized business customers in an effort to maximize the sales of document processing equipment. Xerox relies on their corporate sales force in certain geographical territories and vertical market, along with authorized resellers and agents in others. Based on Xerox's own reports this coverage model is working very well. In a 2007 press release Xerox states “Approximately 70 percent of Xerox's North American equipment installs are generated through channel partners, accounting for about 40 percent of equipment revenue.

Clearly, creating and implementing an alternate sales channel can be a successful and revenue-producing strategy. However before you jump in with both feet and begin to recruit channel partners, there are a number of issues you need to consider:

- You must determine which territories will be handled by the alternate channel, and how they will be defined. You must protect your business partner from conflicts with your direct sales force. If not, you run the risk of losing a channel partner forever, and in some smaller geographical areas, you may not have another alternative.
- The roles and responsibilities of both the manufacturer and the channel partner must be clearly defined, usually within a dealer or channel partner agreement or formal contract. Not only should this document define the territory that the channel partner will cover, it should also include the products or services to be sold, the specific quotas and the resulting revenue. You must also define



who is responsible for the selling and servicing costs associated with the relationship, as well as each party's responsibility to the ultimate customer.

- Alternate channels are most successful when the manufacturer can provide a turnkey solution to the business partner. This may include sales and service training, sales and promotional tools, and a comprehensive administrative support system. A "here's your price book. Now go and sell!" channel partner relationship will not survive in the long term.
- The channel partner is also your customer. Treat them that way. You must be prepared to provide a dedicated support structure within your organization to respond to the needs and concerns of your channel partners.
- Just as the channel partner is your customer, the end user is the channel partner's customer. Recognize and appreciate the importance of their existing long-standing business relationships. Nothing leads to a breakdown between you and your channel partner as quickly as your organization jeopardizing the relationship with their customer.
- You will only be successful if your channel partner succeeds. Make sure you are providing a win-win relationship between you, your channel partner, and their customers.

Establishing an alternate sales channel can be a major challenge for any organization. However, with proper planning, direction and business leadership from experienced channel sales professionals, it can be a very profitable exercise.

Robert J. Weese
B2B Sales Connections Inc.

Robert is a managing partner of B2B Sales Connections Inc. With over 20 years of experience in B2B sales, he has a proven track record of developing and supporting alternate sales channel strategies across different industries. B2B Sales Connections Inc. provides revenue-generating consulting services for business to business sales organizations looking to improve their revenues through client-focused sales training and establishing new sales channel strategies. For more information, please visit www.b2bsalesconnections.com, or contact Robert directly at rjweese@b2bsalesconnections.com.