



## **BUILDING THE BRIDGE TO YOUR TARGET MARKET CUSTOMERS**

Executive Overview for:

### **The Selection and Development of your Channel to Market**

*“When you have established which differentiated product solutions you are going to market with and the target market prospects you plan to penetrate, it is then all about the best and most efficient way to get your differentiated and compelling message to the targeted buying and specifying influences.*

*While direct sales, in theory, is always the best and most focused way to most accurately and consistently present and promote your message of differentiation, it can be cost prohibitive to small and mid-size privately held companies. It is not usually good to give up market coverage in order to control your market approach better with a direct force. Having your direct sales team support the “right” highly productive distribution or rep network generally achieves much improved coverage and results in greater growth.*

*In a large number of cases, the question then becomes, what is the best channel to market for our company and how do we go about either setting it up or improving the one we have? It all starts by accepting Independent Rep Firms and Distributors as just that, Independent Business People. The key to success with independent representation is to have your priorities aligned for both product positioning on their line card, and the alignment of customer relationships they have, with your target customers and buying influences. Product and customer alignment and an abundance of pertinent relationships is what you always hope to gain when selecting and developing independent representation. When the owners and reps of your chosen independent distribution firms are able to include and integrate your product solution into their acknowledged market expertise with both the same customers and buying influences the chances of a successful win-win are high.*



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*The best approach to independent representation is what we call a Direct Driven Distribution model. Remember, whoever has greater knowledge of the market has control. Manufacturers of goods and providers of services must have strong market knowledge in order to get the most out of their independent distribution channel.” - YourBoard.US*

1. The two types of distribution
2. Operating a Direct Driven Distribution Channel



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## **Types of channels used to establish a bridge to your Business-to-Business (B2B) customers**

1. **Direct Sales** –under this channel to market option you have your company’s own associates representing your products and services to the customers within targeted geographic territories. While the direct sales model is probably the most desirable it can be too expensive for a smaller, or mid-size closely or privately held company. In smaller companies, if the direct sales model is used, the territories can be too large geographically to be cost or service effective due to travel. Some companies may choose to have a combination of direct sales in some very large or active markets or for national accounts and independent reps in others depending on the logistics of the warehousing and delivery of your products. If they are durable goods, you may need independent stocking distributors in a territory. Due to the advancement of logistics technology many companies have cut back on stocking distributors and have gone to either national or regional logistics companies supported by either direct sales or independent reps performing the selling and relationship management functions.

## **2. Overview of independent representation and distribution**

I know there are a lot of business leaders who feel that a major “leak of resource” seems to occur within the channel to market.

A consistent question is, “What does distribution do for what I pay them?”

One executive experiencing the common infliction of “channel frustration” (CF) proclaims that, if you looked up “necessary evil” in the dictionary, next to the definition would be a picture of his distributors.

How many times has your sales rep told you of a horror story about traveling to West Paducah and the distributor rep had no confirmed sales calls with targeted customers. They usually “all fall through at the last minute.”

Most of these comments are clearly one sided from the perspective of the manufacturer of goods or producer of services. I personally feel that the thousands of independent reps and firms, along with distributors, are the reason most companies have been successful in the US since the Industrial Revolution. The traditional “stocking distributor” arrangement has, however, gone through some changes in the last decade.

The fact of the matter is that independent distribution can and will serve a very critical function for your manufacturing, software or service providing company, but only if they are properly selected using the proper criteria outlined in this segment and only if their focus and selling activities are aligned and guided by the manufacturer/producer of the product and services.



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The real question becomes, “How do you instill accountability toward growing your company’s sales with an independent rep/distributor with multiple lines and different priorities”.

The three greatest myths in American business are:

1. Build inventory...and they will come.
2. The check is in the mail.
3. **Your distributors will effectively stock inventory, market, sell and ship your product on their own, without the producer having invested the proper time to align the product positioning, product strategies, training and market niches.**

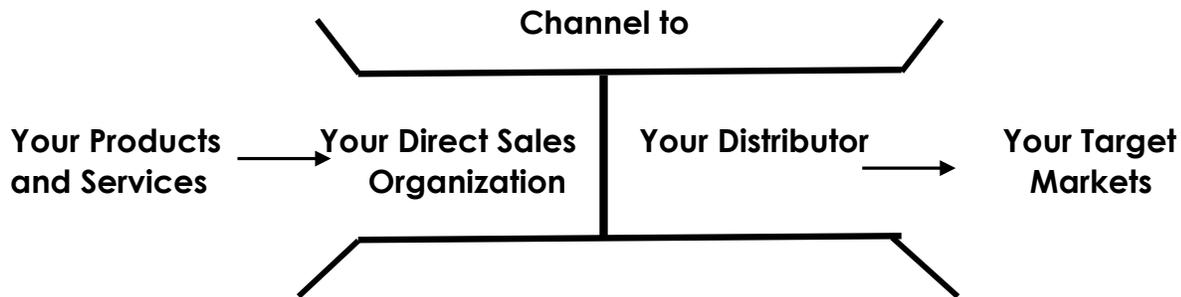


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There are two strategic approaches to independent distribution.

**A. Distribution-Driven Distribution**



**Under this typical scenario, the producer places most, if not all, of their resources and focus on “support” and then expects independent reps and distributors to take that support and convert it into a large market share for your products. Distribution clearly takes the lead and is “in charge” in this model.**

In this scenario, the company's direct sales reps spend most of their time with the reps giving logistical and technical support, some training and then going on joint sales calls, most of the time with a current customer who is having a problem, which was probably blamed on your products.

Do you want to see a pig fly? The chances are you will get to do that before your independent rep-distributors sales team identifies your targeted customers, prepares and provides your product differentiation in a way that will meet and exceed the solution requirements, invest whatever time it takes to develop the customer relationship and build customer interest around the solutions your product provides.

The problem is that independent reps are paid on commission. “Time is money.” A distributor rep considers it an “investment of time” talking to the receptionist while the purchase order is being cut. Who is responsible for investing in a relationship with new targeted customers? Generally, nobody.

The fact is that most senior independent reps service several historical or long-term customers. The Rep clearly services them well and reacts with urgency to whatever need they have.

Distributors and Reps are also effective in developing new solutions for their historical core customers.



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The question still remains, “Who invests in developing relationships with new future core customers who need solutions developed but who will not generate commission for some time?” Again, no one. As it relates to new business, all distributors clearly demand large quantities of qualified leads...and they better be qualified.

A distributor rep will only consider a lead qualified if he is able to get an order over the phone when he makes the call to get the appointment. Any lead that does not turn into an immediate order is a waste of his or her very “valuable” time.

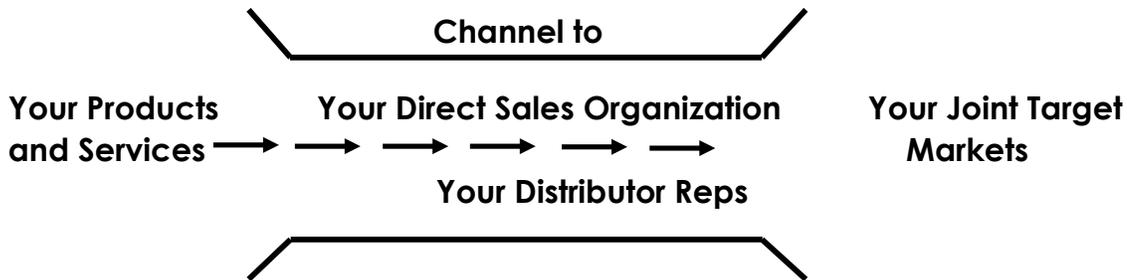
Somehow this “distributor-driven” distribution strategy does not impress me with having a track record of quickly penetrating new market segments and targeted customers. Using this strategy is only effective when the product is a cure for cancer or some product that has significant differentiation. This approach does work over a long period but never really secures all of the business possible within their assigned territory.



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## B. “Direct” Driven Distribution



Under the **“direct driven” distribution model**, there are many differences. The main one being that the producer “knows” his target marketplace, as well as their distributors, and plays a major role in suggesting the assignment of targeted customers to individual reps for relationship and business development.

**Having knowledge of your selected market niches and targeted customers within each geographic area is the difference in whether you or your independent reps-distributor is in “real” control.**

While sometimes a “culture adjustment” may be required to implement the direct-driven distribution strategy with an existing rep firm, the scenario when a company’s direct salesperson comes into an Independent Reps territory should go like this: The Company’s Rep: “When I arrive in our territory, I have made arrangement to visit target customer A, on Tuesday, and target customers D, E and F on Wednesday. If there is time to fit current customers into our schedule, we will.

What many manufacturers-producers find, when they are participating in joint sales calls with targeted customers you insisted on visiting, is that your products-services may not be the primary product being presented by your independent reps to the targeted customers.

What this strategy quickly establishes is where the independent-distributor or Rep has niched your product, both in selling time and within the competitive lines that he or she handles. Coming to a joint agreement on the assignment of targeted customers is the first step in the process of establishing accountability in the development of new customers who you consider as targets for the growth of your business.

Let’s now dig a little deeper into the strategies of “direct” driven distribution.

Independent Representatives - This channel to market is widely used. There is a lot of strategy that your company must exercise to make the independent rep “channel to market” successful.



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**Selecting the independent representative network that is closely aligned and has strong and historic relationships with the major target customers within your targeted markets and clear experience and knowledge of your product category are clearly critical success factors.**

The key thing to understand when using independent reps as a major part of your sales network, is that they are just that.... "Independent." They are independent businesses run by independent businessmen who have their own financial priorities (which is the way it should be) and most importantly have positioned your product within their "line card" based on where they can make the easiest sale and generate the most revenue and commission.

**The key to successful sales through independent reps and distribution is not that you have a large independent rep network within your desired geographic coverage but that your independent rep network is the "right" network and have positioned your product as a top product-service priority within your category of products and services offered. It is also very critical when selecting independent representation that you "verify" that they have good relationships with the vast majority of your target market customers.**

Even more important to consider when selecting and upgrading independent distribution is that the "category of product" you are offering is important to the other core products the Independent Rep is selling.

When I hear the words, "My reps are just not getting the job done for our company," I immediately look for three things.

What due diligence did you do in selecting your independent reps or distributors to assure:

- A. They have strong relationships with many of your targeted customers within a specific geographic territory (not just one geographic area but, if they cover multiple areas, in every geographic area that we exclusively assign to them).

There is a tendency for rep firms to have excellent strengths in one or two of the three or four cities they cover. You only give (and this is a topic for discussion later on) exclusive territories in geographic areas where the target customer relationships are strong and those strong relationships are verified by the amount of sales done.



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- B. Your product-service offering is positioned at the top or very close within their line card. More importantly, the firm's rep team sees a competitively differentiated advantage in selling your product. If it's not easy to sell, with equal or better commissions, reps will stay with what they are currently promoting and selling. This is important . . . if an independent rep has to invest time in what they would consider non-productive activity to learn how to niche; sell or service a new product group offering, they will not do it unless there is an overwhelming need. That overwhelming need may include that their current product has quality issues or is losing in a competitive technology battle, evidenced by the fact that they are losing business to a competitor; or that a competitive manufacturer/producer has discontinued their rep agreement. These are usually the only reasons a Senior Rep will have enough motivation and interest in learning a "new product" within a product group category.
- C. Equally important as the positioning and prioritization of your product group solutions on their line card, is the determination of how effective your product group solution fits with the "core" product groups or systems they are currently selling. The Rep will determine (unless your product is the core product-service or system they are selling) how easy it will be to add your product solution to their core products and generate additional revenue and commission through solution synergy. If it is easy, you are in. If not . . . you're engaging in an uphill battle.

If your product group solution is in anyway perceived by the rep firm sales people as not being a complementary add on sale or part of their core "systems" sale, it will be difficult to get the focus and attention of any rep other than a new rep within the firm. A new rep has little active business and has not mentally locked in on what products are the easiest and most profitable to sell and is just trying to sell anything.

If you do not detect that the experienced and successful rep firm sales people have successfully niched and positioned your product offering in the majority of their accounts, that is a big red flag forever achieving growth in that territory.

We will talk about our "Distributor Rep Champion" program later, but it is important that your experienced reps within a firm "champion" your product-service solution over time as they have more and more success in selling them. **Commissions Breed Focus.**



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### 3. **Direct-Driven Distribution – The Best Approach to an Independent Channel to Market**

The absolute best approach, to successfully manage independent reps and distributors is an approach I have coined: **Direct- Driven Distribution.**

Under this concept you, as the manufacturer of products or producer of services, go through the three steps of due diligence outlined before you make a rep firm selection to be sure you have lined up the right independent rep firm and that you are aligned in our customer and solution focus toward new sales development.

In addition, rather than to let your independent representation drive the focus on their own, the "direct-driven" concept creates a partnership in focus and prioritization within their geographic region. This concept is not easy to execute and does require that the manufacturer and producer of products and services have developed a good working relationship with the ownership and management of the independent rep firm or distributor.

Under this **direct-driven distribution concept** of market penetration and growth, the manufacturer or producer of goods and services, begins a process using appropriate research tools to identify and pre-profile target market customers you have selected for penetration in each geographic distributor territory.

Your company team, to the best of your ability, and with the help of your rep firms market intelligence, attempt to select and prioritize the highest potential customers you have now identified through research in each territory. You will always compare your target prospect priorities with your independent reps or distributors to assure you are on the same page and have the same plans for new account development.



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## Executing Direct Driven Distribution

Under Direct Driven Distribution, what you are actually doing is linking-up your target customer priorities for the sale of your products and services within each assigned territory with those of your independent reps or distributors. This is a process that requires very good relationships with the ownership of your independent network in order to achieve unity on the target accounts to be penetrated with your products.

- Where your customer development and penetration plans are aligned with your rep or distributor, you will have the same priorities (which is perfect). You would then just support your independent reps and distributors with presentation and demonstration support and then work on “mind share” to be certain there is enough time being spent in front of the identified targeted customer, representing your company’s solution. You try to the best of your ability to follow progress when your Independent Reps are calling on your company’s “Key” targeted prospects.
- If your self-determined target customer priorities do not align with that of your independent representation, it is normally for one primary reason. Assuming your product fits the proposed customer application, the usual reason that your product is not presented as the solution is because your rep/distributor has niched a competitive product or optional solution in its place.
- Obviously, this will occur periodically because the independent rep/distributor thinks they must maintain a certain level of business to keep the competitive line. The problem comes into play when several of the reps within the rep firm or distributor do not look at your product-service solution, for whatever reason, as the preferred solution to present to a client to meet particular needs and customer pain points where your company has the best solution.

The reason could be as easy and the rep not liking change, having a comfort zone with a competitor’s product, a better support structure, sales tools or a commission plan.

The first effort is always to attempt to win the independent reps over by offering competitively better sales and demonstration tools, a good number of qualified leads, a strong commission plan, training, after sale support and performance testimonials.



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Remember, at the end of the day, the independent sales rep wants only one thing. An easy sell with simple installation, a quality product with product performance as sold, and on-going support. A commissioned independent sales rep wants to sell it and be done with it and move on to the next sale. That is really not a bad plan for either them or you. To take full advantage of that “sell and move on” mentality, it is incumbent upon you to provide a high performance, effective, easily understood and intuitive product or service that can be easily installed or implemented and has a very low need for support other than that supplied by the manufacturer or the manufacturer/producers website.

The key to significant success is total alignment of target customer penetration priorities.

### **What happens in the direct-driven sales model when there is not alignment between the manufacturer-producer and the independent rep-distributor?**

If for whatever reason your product solutions are not being properly represented to your pre-identified target customer, your team, with the understanding of your independent rep/distributor ownership and management has two choices. Neither of them will be initially liked by independent distribution.

- **Select an additional distributor** in a particular territory that will represent your solutions. Generally, what happens is that a second or third choice rep or distributor, while willing to take your solutions wherever you like, will not always have the position or reputation in that geographic marketplace to be effective.
- **Go into targeted customers directly**, but if successful run the business through your assigned independent distribution.

In other words, inform your assigned distributor that for your company to be successful within this specific territory, and considering that their rep or distribution firm has chosen to niche a competitive solution within that product space with certain customers, that you will be approaching these prioritized target market customers for the purpose of exposing these customers to the differentiated benefits, with everybody's understanding that any sales will be run through the assigned rep or distribution firm.

Your company's approach with both the targeted customer and your rep/distributor is to present the factual information regarding the competitive advantages of your current solution to your joint customer and not to be a competitor with your distributor.

Ideally, the independent rep distributor will want to be a part of that call. Depending on the rep's sincerity as it relates to truly wanting to get the customer to consider your solution, is the determining factor as to whether we make a joint call.



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While your independent rep or distributor, owner and leadership will rarely ever endorse their manufacturers or producers of goods and services contacting a potential customer without their accompaniment, through a strong relationship you have to make them understand that they must allow our joint customers (the distributor does not own the customer; they just maintain a relationship) to have an opportunity to choose your solution in order to meet our company's sales objectives. Again, the result if successful, will always be to run the business through them.

In some cases, independent distribution takes on a product line to control the sales activity and the potential competition they will generate if you go with another distributor.

I generally feel that exclusive distribution with a few caveats on performance is a better channel option (there are exceptions) than having multiple distribution, as long as our target customer priorities and theirs are aligned.

The closing statement on **Direct-Driven Distribution** is that if your focus as a manufacturer and producer of goods and services is totally on how to best make your independent sales associates successful, you will ultimately earn the right to be the solution of choice with a core group of sales rep associates who become your "Product Champions."

Your job then is to support, nurture, recognize, reward and respect those "champions" so they almost function as a "direct" sales organization.



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## Summary

**In selecting your independent rep or distributor network, it is not the quantity of representatives you are looking for but instead the following.**

1. Choose independent firms that have proven relationships with your pre-selected targeted customer in every territory where they have exclusivity.
2. Be certain that your product is positioned both on the line card and in the minds of the reps as the best and easiest solution to offer your “joint” targeted customers within your product-service solution category. There should be a willingness to expose your product-service solution to all of your targeted customers.
3. Be certain that your product-service solution is a “core” piece of the product or service system being sold. To get full market exposure, your product must be looked upon as a “natural” add-on product-service that raises their firm's revenue and the sales reps commission without a great deal of extra effort.
4. Surround the independent rep with excellent sales presentation and demonstration tools (your product-service must be easy to sell to gain mind share). Provide customer support either in person, on the phone or on an easily navigable and intuitive website. Rep training on both the sales tools and the support mechanism at the front end is critical.
5. Identify your product-service “champion reps” and build a program of support, recognition and rewards around them. If you can develop and nurture one or two independent reps in each market that have figured out that they can successfully generate a compensation base with your products or services, they are golden. It is really like having a “direct” sales force.



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#### 4. **Another Channel to Market – The Website**

In addition to the traditional direct sales channel and independent rep firms, distributors or dealer channels, a new channel to market, and always a major support channel in all cases, is your website. There are more and more website driven businesses. I would suggest that you follow our Portal to Digital Marketing Support and learn the different paths and strategies that can be followed to build your website business. The organic and pay per click growth strategies supported with analytics are the tools in the new generation of marketing and sales development. Also, refer to the segment on “The Importance of Having a Website Strategy” in the 300 Business Solution Library segments.



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