

Set Up A New Channel

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Note – This is one from a sequence of exercises from the Distribution Channels subject outlined in the Strategic Marketing Process eBook. Download the free e-book www.growthpanel.com/marketing-tools/index.html and subscribe to this subject at www.growthpanel.com/versions/get-started.html to download from Growth Panel’s Intelligent Marketing Platform.

Some of the graphics in this PDF might not display properly.

If you’re setting up a distribution channel with one or more partners, treat it as a sales process. You want to

- ▶ Approach the potential channel partner and “sell” the value of the partnership
- ▶ Establish goals, service requirements and reporting requirements
- ▶ Deliver inventory (if necessary) and sales/support materials
- ▶ Train the partner

Summary

EXERCISE SUMMARY	
When to Address	If you’ve decided to create a new distribution channel, have determined what type of channel to establish and are preparing to create it
Who Should Participate	Business leaders: company founders, owners, presidents and vice presidents Marketing and sales leaders Channel managers Product managers
Where to Use the Results	You’ll use your channel setup plan from the point of searching for partners through setting them up to deliver to your end-users.
Why it’s Important	Many B2B distribution partnerships fail because one or both parties don’t put enough planning into the nuts and bolts of how the distribution will work after the

	partnership deal is signed.
What Builds Upon it	The type of channel your pursuing (VAR, direct, wholesaler, etc)
Timeframe to Completion	There are a lot of variables to consider when setting up a new channel. This exercise could take anywhere from a few hours to a few weeks, depending on your situation.
Potential Business Impact	Medium. It takes a lot of work to set up and manage a successful channel.
Deliverable	You'll review your business goals and match them to potential channels. Then, you'll evaluate them and determine if you should pursue a new channel.
Next Steps	After setting up your channel, establish your channel pricing strategy.

Target Completion Date	
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PARTICIPANTS

TASKS	PERSON RESPONSIBLE	DUE DATE

Notes



Set Up A New Channel

What to Complete

1. DESIGN CHANNEL
2. CREATE CHANNEL PARTNER SALES PLAN
3. CREATE CHANNEL PARTNER MANAGEMENT PLAN

Where it Fits in Distribution Channels

Determine if a New Distribution Channel is Right for You
 Establish Distribution Goals
 Select Channel Type
 Project Channel Revenue



Design Channel
 Create Channel Partner Sales Plan
 Create Channel Partner Management Plan



Create Channel Pricing Strategy
 Determine Channel Markups
 Set Channel Pricing
 Determine Channel Support
 Design Channel Marketing Campaigns
 Create Channel Management Plan
 Measure Channel ROI
 Resolve Channel Conflicts

1. DESIGN CHANNEL

After completing Exercise 40, you should have an idea of what type(s) of channels are appropriate for your business.

CHANNEL TO CREATE	PURPOSE: TO SELL WHICH PRODUCT(S) TO WHICH CUSTOMER SEGMENT?	TARGET IMPLEMENTATION DATE

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Use the rest of this exercise to define the specifics for a single channel – goals, plans, potential partners, the sales process and timelines, and other important notes for implementation. If you’re creating a new direct sales channel (i.e. a website, a new sales team, etc.), other exercises can help you with these subjects. [Sales Process, Sales Management, Sales Literature & Tools and Websites can help]

As you’re designing your channel, it’s important to think about the conflicts that those channels could create with any existing channels. Exercise 44 can help to identify those risks and manage against them.

Since you’re developing a new channel to deliver products/service to the end-user, start your design by thinking about your end-user’s needs. First, segment your end-users by their common needs, grouping those users who are similar. [Competitive Positioning can help]

CUSTOMER SEGMENT	BRIEFLY DESCRIBE YOUR END-USERS	HOW CAN A CHANNEL HELP YOU REACH THEM?

Now for each customer segment, think about the steps involved to reach your end user. For example, if you sell to a VAR who sells to an end customer, it’s a two-step process.

Examples:

CHANNEL EXAMPLE	STEP 1: YOU SELL TO:	STEP 2: THEY SELL TO:	STEP 3: THEY SELL TO:
<input type="checkbox"/> Distributor model #1	Distributor with VAR relationships	VARs	End-users
<input type="checkbox"/> Distributor model #2	Distributor with retail relationships	Retailers	End-users
<input type="checkbox"/> VAR	VARs	End-users	
<input type="checkbox"/> Retail	Retailers	End-users	
<input type="checkbox"/> Consultant	Consultants	End-users	
<input type="checkbox"/> “Outsourced sales”	Manufacturer’s agents	End-users	
<input type="checkbox"/> Direct – sales group	End-users via your sales team		
<input type="checkbox"/> Direct – internet	End-users via your website		

CHANNEL EXAMPLE	STEP 1: YOU SELL TO:	STEP 2: THEY SELL TO:	STEP 3: THEY SELL TO:
<input type="checkbox"/> Direct – catalog	End-users via a catalog		

Outline your potential channel structure here:

Channel name		
Product		
Customer segment you're trying to reach		
Purpose of the channel		
Step 1	You sell to	
Step 2	Who sells to	
Step 3	Who sells to	

Things to consider as you outline your structure:

TIP	NOTES
The fewer channel partners you have, the less training and management you'll need to do; think about ways to reach the largest market in the fewest possible steps.	
The closer you are to the end user, the better , unless your product is truly a commodity – then sheer volume is your goal.	
You'll probably want to provide marketing support to your channel partners ; the farther you are from the end user, the more difficult it becomes.	

Now think about logistics.

Inventory: In a perfect scenario, who would carry the inventory?

How should orders be processed and fulfilled?

Who is responsible for generating leads?

Who is responsible for qualifying leads?

Who will create sales literature and tools?

Who will service the product?

Who is responsible for collecting bad debts?

2. CREATE CHANNEL PARTNER SALES PLAN

Now you'll want to start researching the types of companies to contact for your chosen channel type.

TYPE OF CHANNEL	PLACE TO RESEARCH FOR PARTNERS	NOTES
Wholesaler/ Distributor		
VAR (value-added reseller)		
Consultant		
Sales agent/ manufacturer's rep firm		
Dealer		
Retail		
Direct–internet		
Direct–catalog		
Direct–specialized internal sales team		

Before you start contacting these companies, what are the key criteria you're looking for? For example, if you're selling software and you're going to sell to VARs, you will need to find VARs with the kind of expertise and customer base that can quickly go out and get your product to end-users who need it.

Treat this step as if you're designing a marketing campaign – if you do a good job targeting a successful channel partner, it will be easier to get them on board and to help them reach success.

Type of company	
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What kind of customers does this company need to have?	
What kind of skills and experience will the company need to have to sell this product?	
What kind of geographical territory does the company need to serve?	
Do you have any quantitative criteria such as the size of the company, number of sales reps, number of customers they have, number of years in business?	
What is your value proposition and brand strategy, and how can you make sure this company upholds those tenets? [Competitive Positioning and Brand Strategy can help]	

45-C can help you track the companies that you find in your initial research. You can also store your key criteria in the sheet for easy reference.

If you're approaching a handful of distributors, you'll use a different approach than if you're contacting hundreds or thousands of potential VARs, consultants, resellers, etc. In the latter case, you'll probably create a full-scale marketing campaign to generate interest and start a dialog with various companies. [Marketing Campaigns can help]

What steps will you follow in your sales and implementation process? They can vary by industry, but here is a basic outline:

SUGGESTED SALES AND IMPLEMENTATION STEP	PERSON RESPONSIBLE	TARGET DATE	NOTES
Develop support materials and/or campaigns as needed			
Approach the potential channel partner or launch a campaign			
"Sell" the value of the partnership			
Negotiate partnership terms and execute a partnership agreement			

SUGGESTED SALES AND IMPLEMENTATION STEP	PERSON RESPONSIBLE	TARGET DATE	NOTES
Establish mutual goals for the partnership			
Identify how the partner will handle service requests			
Define the reports you'll need to measure progress			
Determine what kind of marketing support you'll provide			
Determine how marketing data will flow (for example, if you run campaigns to generate leads for a VAR, how will you transmit that data and ensure that it's followed up?)			
Develop & deliver any sales/support materials they might need			
Deliver inventory (if necessary)			
Train the partner			
Begin selling through the partner			
Manage and improve performance			

DEVELOP YOUR PITCH

As in any sales pitch or marketing campaign, focus on the needs of the company you're pitching.

Type of company/potential partner	
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Describe the value you can provide to this type of company.

What's your message to the potential partner?

What are the key benefits of working with you?

What are the benefits to the partner's end customers?

What kind of marketing support will you provide? (This question is an important one. Exercise 43 delivers suggestions on how to create marketing programs and support your channel partners.)

3. CREATE CHANNEL PARTNER MANAGEMENT PLAN

It's important to understand the commitment that a channel structure demands, especially if you're creating a channel that will have a large number of partners. Carefully design your channel management plan, and allocate resources to manage it long-term.

Who will manage your channel?

What are the main risks that could prevent the channel from being successful?

How will you manage against those risks?

Now, address each area requiring management. Outline your requirements, the person responsible and the projected time commitment for each. The details in the Management Area column are suggestions, so modify them as necessary.

MANAGEMENT AREA	REQUIREMENTS	PERSON RESPONSIBLE	TIME COMMITMENT
Channel Support			
Inventory			
Credit Management			
Order Placements and Processing			
Sales Support			
Marketing Support			
Marketing Planning			
Marketing Tools and Collateral			

MANAGEMENT AREA	REQUIREMENTS	PERSON RESPONSIBLE	TIME COMMITMENT
Tradeshows and Event Management			
Training			
Distributor Onboarding			
Conflict Resolution			
Distribution Contracting			
Other			

For more help on this subject, use the following exercises:

42	Will help you identify potential risks in your pricing model
43	Provides suggestions for training and marketing support that you can provide to your channel
44	Includes a list of major risks that you may face with suggestions for avoiding them.

Set Up A New Channel

Report

1. OUR CHANNEL DESIGN
2. OUR CHANNEL PARTNER SALES PLAN
3. OUR CHANNEL PARTNER MANAGEMENT PLAN

This report summarizes our results from completing Exercise 41 – Distribution Channels: Set Up a New Channel.

1. OUR CHANNEL DESIGN

CHANNEL TO CREATE	PURPOSE: TO SELL WHICH PRODUCT(S) TO WHICH CUSTOMER SEGMENT?	TARGET IMPLEMENTATION DATE

CUSTOMER SEGMENT	DESCRIPTION OF OUR END-USERS	HOW CAN A CHANNEL HELP US REACH THEM

Our potential channel structure:

Channel name	
Product	

Customer segment we're trying to reach		
Purpose of the channel		
Step 1	We sell to	
Step 2	Who sells to	
Step 3	Who sells to	

Our channel logistics:

LOGISITIC	PARTY HANDLING
Inventory	
Order Processing and Fulfillment	
Lead Generation	
Lead Qualification	
Sales Literature & Tools	
Servicing Product	
Collecting Bad Debts	
Other	
Other	

2. OUR CHANNEL PARTNER SALES PLAN

We'll approach the following companies as potential partners in our new channel:

TYPE OF CHANNEL	TARGET COMPANIES

TYPE OF CHANNEL	TARGET COMPANIES

The steps in our sales plan are as follows:

SALES AND IMPLEMENTATION STEPS	PERSON RESPONSIBLE	TARGET DATE
Develop support materials and/or campaigns as needed		
Approach potential channel partner or launch a campaign		
“Sell” the value of the partnership		
Negotiate partnership terms and execute a partnership agreement		
Establish mutual goals for the partnership		
Identify how the partner will handle service requests		
Define the reports we’ll need to measure progress		
Determine what kind of marketing support we’ll provide		
Determine how marketing data will flow (for example, if we run campaigns to generate leads for a VAR, how will we transmit that data and ensure that it’s followed up?)		
Develop & deliver any sales/support materials they might need		
Deliver inventory (if necessary)		
Train the partner		

SALES AND IMPLEMENTATION STEPS	PERSON RESPONSIBLE	TARGET DATE
Begin selling through the partner		
Manage and improve performance		

OUR SALES PITCH

Type of company/potential partner	
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The value we can provide to this type of company is:

Our message to the potential partner is:

The key benefits of working with us are:

The benefits to our partner's end customer are:

The type of marketing support we will provide is:

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3. OUR CHANNEL PARTNER MANAGEMENT PLAN

Our Channel Manager	
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Main Channel Risks	
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Plan to Mitigate Risks	
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MANAGEMENT AREA	REQUIREMENTS	PERSON RESPONSIBLE	TIME COMMITMENT
Channel Support			
Inventory			
Credit Management			
Order Placements and Processing			
Sales Support			
Marketing Support			

MANAGEMENT AREA	REQUIREMENTS	PERSON RESPONSIBLE	TIME COMMITMENT
Marketing Planning			
Marketing Tools and Collateral			
Tradeshows and Event Management			
Training			
Distributor Onboarding			
Conflict Resolution			
Distribution Contracting			
Other			