

BY ROBERT L. SEGAL

Thinking Outside the Proverbial Box

SOME OF THE BEST IDEAS IN BUSINESS ARISE DURING DIFFICULT ECONOMIC CONDITIONS — GOOGLE, THE IPOD, CAMPBELL'S CONDENSED SOUP AND MCDONALD'S ASSEMBLY LINE "SPEEDEE SERVICE SYSTEM." FOR EXAMPLE, REMARKING ON THIS PHENOMENON, JEFF BEZOS OF AMAZON OBSERVED THAT, "CONSTRAINTS DRIVE INNOVATION."

With this concept of innovation in mind, we've worked with several clients to brainstorm novel cost-saving and revenue-producing channel ideas. In this article, I provide a random list (innovation, after all, is a fairly random process) of creative channel concepts. While I think some of these ideas might help your company, my goal is spurring more creative thinking, not mere copying.

1 CHANGE YOUR CONTRACT TERMS.

Probably buried within the fine print of your distribution contracts are specific terms that cost you hundreds of thousands or even millions of dollars, without much corresponding payoff. Payment terms that exceed the industry average? Too liberal with your returned goods policy? Freight FOB your dock? Freight not linked to gasoline costs? Rebates based on "dollar one" purchases vs. incremental sales? Volume discounts that simply shift purchases from period to period, but don't affect market share?



Robert Segal

of them — geography, product line, customer type, customer size, channel, application. To enable the sales people to execute the sales strategy, a company must select the dimension or combination of dimensions that best facilitate the required sales activities.

Each option has its strengths and weaknesses. Sales organizations aligned by product line/product group, for example, ensure that each product group controls its sales people and has a direct "line of sight" to the customer. This structure, however, can inhibit account coordination, engender a product-centric rather than customer-centric approach and increase sales costs. Customers that buy products from several of the company's product lines/product groups often witness "multi-car pile-ups" as the different salespeople enter and leave their parking lot.

Sales organizations structured geographically typically enhance market coverage, simplify coordination and improve efficiency. However, if the salespeople represent multiple product lines, then each product group cedes control of them to the geographic sales leaders. In this structure, product line leaders are forced to jockey for position to capture the hearts and minds of the sales team.

To bridge the gap between product-line focused and geographic-based sales structures, many companies use an account "quarterback" approach, at least for their large customers. In this model, a single, senior salesperson assumes ultimate responsibility for the account, calling upon specialists, as needed.

Given the many different ways that a company can organize its sales team, the ultimate arbiter is the customer. Companies need to segment their target customers based on each segment's buying processes, information needs, channel preferences, etc. Companies reorganizing their sales force must keep an eye on effectiveness as well as efficiency. Without the proper market perspectives and a guiding sales strategy, it is difficult to make the right changes.

SUMMARY

We invite you to schedule a half-day, complimentary meeting with us in our offices to discuss your sales force issues. To do so, please contact Jim Fogarty at 312/558-4803 or jfogarty@franklynm.com.

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2 SURF THE WEB 2.0

B2B companies are way behind their consumer goods counterparts in using emerging, relatively low-cost, next-generation Internet technologies to reach partners and customers. Blogs, RSS feeds, social media (e.g. LinkedIn, Facebook, SAVO), wiki's, mash-ups, etc. can bring you closer to partners and customers at a lower cost than your annual trade show budget.

3 SHORTEN THE CHAIN.

Some routes-to-market are notoriously long and inefficient. Vendor to buying group to distributor to contractor to customer, with some sort of consultant or designer mixed in for good measure. Can you eliminate one of these steps? Maybe just for a subset of products? Even if your answer is "no", can you reduce the number of hands that touch any given function? Heck, flip the cards and sell direct, maybe via telesales or the web. You can still use the channel, but more as an agent or service provider.

4 FRANCHISE THE CHANNEL.

I don't mean legally franchise your partners, but require exclusivity and/or formidable technical certifications to create a channel that strongly reflects your brand message and business philosophy. Wander through a BMW or John Deere franchisee for ideas. Obviously, this strategy will only work for vendors with powerful brands and/or a specialty channel. If this doesn't fit your company, consider idea number 5 below.

5 CREATE A STORE WITHIN A STORE.

Maybe you've walked into a department store and seen the Chanel perfume counter or into a Best Buy store and seen a Hewlett-Packard kiosk. If you can't "franchise" your partner, maybe you can carve out a specialty arrangement within the partner's overall business. Require at least one person focused solely to your line. Maybe pay a third of their salary. Consider the kiosk concept or dedicated shelf space/signage if you sell at retail.

6 LICENSE OR EXTEND THE BRAND. Although not uncommon (especially in B2C) licensing or extending a brand represents a novel revenue

possibility for most companies. Brand extensions offer vendors an additional advantage — more clout in the channel due to a broader product mix. Clearly messing around with your brand name entails risks, so exercise due diligence.

7 MOVE THE DOG IN WITH THE CAT.

Channel conflict usually increases as the economy sours. Your direct salespeople might target smaller accounts traditionally served by partners. Your broad-line distributors might cut prices further to steal customers from your specialty resellers. Rather than play referee, become a marriage broker — help these channels forge partner-to-partner networks, contracts, etc. to close business jointly that they might lose separately.

If you would like to discuss any of these issues, then please contact Bob Segal at 312/558-4808 or bobsegal@franklynm.com.

1 The McDonalds brothers introduced the "Speedee Service System," the world's first check-out-and-go fast-food restaurant, establishing the principles of the modern fast-food restaurant.

2 RSS feeds are a type of streaming news service. Wiki's are collaboratively managed and edited web pages. Mash-Ups are ad hoc combinations of data, such as a database of stores from one company plotted on a population map supplied by another company.

SUMMARY

Whether you want to pursue these ideas or generate your own, don't be scared off by potential objections from the channel or inside your company. Desperate times are a useful tool for building consensus. Have fun!