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Simplifying Sales and Channel Strategy: Breaking Down a Complex Process

Do you lack experience in either defining new sales and channel strategy, or assessing the effectiveness of existing strategies? Have you been perplexed by the need to adjust strategy to respond to changes in market conditions or key vertical market(s) demand? Have new competitors or products stifled your revenue growth?

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Simplifying Sales and Channel Strategy Breaking Down a Complex Process

Everyone has an opinion on sales strategy-board members, the CFO, design engineers and product marketing to name a few. All too often their simplistic view of fulfilling customer demand is “anyone can sell if they work harder, smarter, etc.” The following article attempts to simplify the intricacies of evolving a sales or channel strategy, in layman’s terms, by defining the necessary tactical considerations and elements for achieving and beating revenue and market share goals.

The science of product distribution is too often misunderstood or taken for granted throughout the various cycles of a company’s evolution. The sources for these negative impacts range from lack of experience to fear of the unknown to ego - and can single handedly destroy the greatest product or market strategy. *Have you ever mistakenly allowed your critical sales or channel strategy decisions to be effected or driven by:*

- The *board member or investor* who “saw it done better” in one of their other portfolio companies?
- The *engineering executive* who naively promotes the “build it and they will come” philosophy?
- The *product marketing* organization that defines markets or positioning strategies on intuition rather than empirical data and the voice of the customer?

These examples are strong negative influencers, *not sales strategies*. If they are representative of the thinking in your company, you run the risk of allowing sales strategy to subjectively evolve with the wrong elements and process, i.e. allowing the “tail to wag the dog”. My article titled “Sales Strategy-the Most Critical Element of Corporate Strategy” in our January newsletter our focused on the need to evolve a top-down sales and channel strategy as an integral part of overall company strategy. This article is intended to *peel the onion back a layer* to address the specific elements and resulting process from a *bottom-up perspective*, enabling you to achieve or exceed your financial objectives as you execute your strategy. *Critical to this premise are four building blocks that will be explored in detail:*

- I. Market identification and stratification
- II. Channel identification
- III. Complimentary Channel integration
- IV. Sales process

Rules of the Road

Before we delve into the specific methodology for developing bottom-up sales and channel strategic implementation it is necessary to lay a foundation that serves as a clear philosophical road map for success.

It is critical that *your entire organization* (all functional groups) understand and subscribe to the following in order for sales management to maximize productivity:

1. *Voice of the customer*-The single most important principle for sales-strategy success must evolve from the voice of the customer
2. *Reach*-The overriding objective of an effective sales/channel strategy is to maximize customer reach in the most cost effective manner.
3. *Perspective*-All functional organizations must understand and respect the criticality of contributing to and supporting the sales organization's responsibility to own, define, and be fully accountable for this process. To ignore this principle is a formula for failure.
4. *Approach*-All elements of the strategy must be developed bottom-up, based on empirical data and tie directly to overall company sales strategy.
5. *Objective*-Make product availability and customer satisfaction a clear competitive differentiator, with channel strategy and reach a compelling reason for the customer to prefer your solution.

The Four Building Blocks for Success

I. Market Identification and Stratification

It is both illogical and life threatening to not begin the sales/channel strategy process by objectively and empirically defining all target market segments. Further, while in many organizations (target) market definition and sizing falls within product marketing *it is vital that sales*, the functional organization closest to the customer *be an integral part of market validation* in the areas discussed in section II, below. Of most importance is viability and competitive positioning in at least the following granular categories:

- ❑ Domestic vs. rest of world-by country
- ❑ Country-broken down to lowest common denominator, i.e. states, commonwealths, regions, provinces, etc.
- ❑ Key vertical markets
- ❑ Socioeconomic differentiation-within the above categories
- ❑ Key strategic/named accounts
- ❑ Strategic partners

II. Channel Identification

In order to cost effectively maximize market reach and penetration, it is critical that the *"voice of the customer"* be the primary criteria for

developing channel strategy. Underlying this premise are *four traditional factors affecting customer choice*:

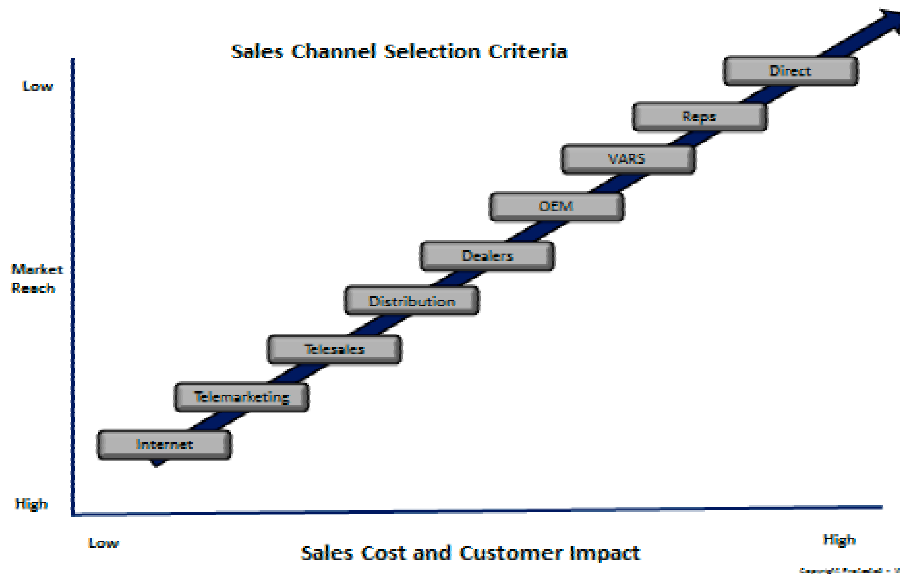
1. **Why**-they buy from their channels of choice.
 - ✓ Credit
 - ✓ Frequency of “touches”
 - ✓ Price (flexibility)
 - ✓ Product availability
 - ✓ Relationship
 - ✓ Return policy
 - ✓ Vendor availability
 - ✓ Warranty
2. **How**-they prefer to buy.
 - ✓ Convenience
 - ✓ Need for pre/post sale support or guidance, i.e. consultative resources
 - ✓ Formality of process including procurement, contracts, RFP/ /RFQ
3. **Who**-does the buying:
 - ✓ Consumer
 - ✓ Design engineer
 - ✓ End user
 - ✓ Coaches/financial stakeholders in decision chain
 - ✓ Influencers
 - ✓ Procurement
 - ✓ Value add 3rd party
4. **Competition**-How do they satisfy all of the above and how is their channel (partner) effectiveness perceived by the customer?

III. Complimentary Channel Integration

Arguably the most complex and critical element of executing sales strategy is determining the most cost effective means of balancing and financially managing multiple complimentary channels for maximum reach. After successfully completing steps I and II above you are now positioned to determine the appropriate balance and relationships among your identified “logical” channels. When making choices reflected in the chart on the next page, the following considerations must be addressed:

1. The ability of each channel to address defined customer expectations resulting from our “why, how, who, competition” voice of the customer analysis.
2. The cost of utilizing each channel, including pricing (discount) ramifications; commission, discount, fixed and variable sales costs; pre-post support; credit/return/warranty expectation costs, and expected marketing support. In other words, *what does each channel, and resulting targeted partner expect from you?*
3. The necessary channel support organization
4. Potential conflicts among channels

Notice that there is an *inverse relationship* between the effectiveness of market reach, and sales cost and customer impact. In other words, while the internet provides the greatest market reach and lowest sales cost it also offers the lowest opportunity for customer influence or support.



While easier said than done, your goal at this stage is to thoughtfully attempt to achieve the “perfect” mix and balance of partner types, and partners by type.

IV. Sales Process

All the thoughtful work that goes into the “perfect” sales and channel strategy can result in short lived success *if the appropriate sales process isn’t developed, tightly aligned and aggressively managed. An appropriate sales process can ensure that potential real-time adjustments caused by changes in market conditions are identified and implemented.*

While an entire article can easily be devoted to developing an effective sales process, a starting point in guaranteeing success is adherence to the following necessary process elements / ground rules:

- Process must be based on *effective alignment* of job descriptions and expected results with each defined channel in your overall strategy.
- Sales compensation and/or channel partner reward must *align directly* to strategic plan financial objectives.
- Job expectations must be *metric based*, easily understood and measurable.
- An ongoing “*review/adjust*” process is necessary to identify critical trending changes real time.
- Territory management and financial measurement tools *must be integrated* in order to track and forecast the effectiveness of sales activities by all channels.

Critical Process Elements for Success

1. **Management tools**-A user friendly Sales Force Automation (SFA) or Customer Relationship Management (CRM) system that effectively allows all appropriate sales and channel members to capture predefined,

relevant activity, real time. The criticality of this system is that it in turn provides the foundation for all management reports necessary to track, manage and/or adjust sales strategy or tactics real time.

2. **Sales methodology**-A *replicable sales process* (expected behaviors) must be defined for each channel and sales team as the customer influencers defined in section II, Above. Channel identification requires a specific approach to satisfy their unique decision criteria. Defined expected behaviors must be segregated into specific “steps” that can be tracked (via SFA) and serve as predictors of next steps, timing and probability of success.

Actual process can be segmented into an arbitrary number of steps and categories *based upon your unique sales methodology*. Of highest importance is that the appropriate behaviors for each step are clearly defined, follow a logical sequence and are rationally assigned probabilities (%'s) that clearly represent the customer's likelihood of purchase.

Examples of the major sales and customer behaviors that should be captured and quantified include but are not limited to:

- Lead-a new unqualified prospect
- Prospect-a conditioned lead
- Qualify-when customer meets certain buying criteria
- Develop-customer relationship and interest
- Propose-a specific solution
- Negotiate or close-final negotiation stages
- Win-formal customer commit is received

3. **Management reports**-There are minimally 3 categories of reporting that should all be generated by the SFA system, and *be linked to one another* using the sales stage probabilities defined in #2 above:

- A. *Funnel report*-that captures sales SFA inputs and reflects the revenue value of the various sales stages, resulting in a realistic representation of market demand and *viability of sales forecasts* for a minimum 90 day window.
- B. *Sales forecast*-Also generated by SFA and categorized by probability (sales stage %) in order to drive necessary revenue forecasts with a high probability of accuracy. Forecasts should be *directly linked to funnel values*.
- C. *Sales metrics*-that reflect all appropriate measures of sales (success) behavior and defined in your sales methodology. Obvious examples of relevant metrics include actual performance to targeted-orders, customer meetings, submitted proposals, contacts made, attempted phone contacts, etc.

- 4. Review process**-Finally, a best-in-class approach includes a disciplined schedule of review meetings for all the above, in order to *track real time behaviors and performance*, accurately predict orders and revenue trajectory, and immediately make necessary adjustments to both strategy and tactics.

These meetings should be minimally *attended by all revenue and orders generation stakeholders* in the sales organization, including management and appropriate quota carrying sales professionals. In addition, circumstances may also dictate the attendance of field marketing and/or product management-product marketing stakeholders depending upon the nature of trending issues to be reviewed.

While the title of this article is “Simplifying Sales and Channel Strategy” you may now feel more overwhelmed than ever in your desire to understand this process. However, *the simple take away* is that maximizing revenue through effective sales strategy entails far more than “selling harder and/or smarter”, hiring domain experts, having captivating literature or even having the best products. Instead we have walked through *a cookbook of basic sales strategy elements, development steps and process elements* that can lead you down a logical path to success. The true critical factor to all of the above ultimately depends upon *execution*, and the impetus for success lies in your acceptance that *as a science you can truly pre-ordain a successful sales and channel strategy*.

Good luck and good selling!

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Author's Biography

Bill has thirty-two years experience in VP/executive global sales and marketing roles in high technology where responsibilities included developing and enabling product definition, and product launch, sales and distribution strategies with a primary focus on aggressive revenue and market share growth. He has participated in eight acquisitions/mergers, an LBO, and as a principal in two successful early stage IPOs. Channel strategies have included direct, single and multi tiered distribution, manufacturers reps, dealers, VARS (Value-added Reseller), integrators and strategic partnerships in both end user and OEM sectors.



Developing and managing an appropriate review/adjust process is a critical subject for another time. However, if you want to learn more about the process for effective, proactive creation and management of your strategic plan and/or the steps underlying implementation of the “spoke and hub” philosophy *the WCE Group*

welcomes the opportunity to discuss and assess your needs. With years of experience in these critical subject areas we are equipped to assist you in an advisory, consultative or interim management capacity to facilitate either:

- The first time development of a comprehensive sales and channel strategic plan
- The assessment of existing plans, development process and alignment with your five peripheral strategic plan elements

And, in either case develop a proactive review/adjust process to maximize goal attainment.

The following options all include a flexible, variable cost model intended to provide the client *the opportunity to maximize revenue, company value and market reach and do so in a manageable, cost effective manner.*

Interim Manager: A highly leveraged variable cost solution to successful definition and execution of all elements of sales and channel strategy alignment with company goals. This relationship begins with a pre-defined assessment and is tied to a time based fixed fee contract that positions WCE as a part time integral member of the executive staff, maximizes the value of recommended actions, and assists in the positioning and recruitment of a full time sales leader.

Consulting Contract: A time based, fixed fee contractual relationship precluded by a projected cost assessment. The contract is based upon the collaborative agreement between WCE and client regarding necessary steps to define all elements of proposed strategy, and execution plan and timeframe.

Advisory Services: A cost effective engagement that allows the client the opportunity to leverage the expertise of WCE Consulting either through appointment to a Director’s or Advisory Board seat, or on a retained basis tied to specific time to be allocated by week or month.



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March's eNewsletter summaries are provided below. If you would like to receive the three trial issues, please go to: www.synergy-usa.com/eNews.html.

How a \$3 million/yr Company was Acquired for nearly \$20 million: in 6 Months **Mark Paul**

Are you looking for ways to increase the value of your company? As one CEO found out: Attracting significantly more "A" customers, while decreasing expenses is the surest way.

How to Improve Your Company's Cash Flow

Patrick Wheeler

Do you need extra cash? Are you searching for new sources of capital to help you survive & thrive? This article is for nonfinancial CEOs and discusses the different "levers" you can pull to improve your cash flow.

Using HR to Boost Company Performance

Iris Sasaki

If you are interested in dramatically increasing your employees' and managers' performance, there is a little-known secret that will leverage your strengths - and those around you - to accomplish far more.

Simplifying the Sales and Channel Strategy

Bill Etheredge

Is your sales and channel strategy defined? Have you assessed the effectiveness of existing strategies? Are changes in market conditions causing chaos in your strategy? This article defines what to do to boost effectiveness.

How to Really Get Things Done

Alexander Stein

Are you always short on time? Does your To-Do list only get longer? Are you at the end of your rope with trying to get ahead? In this article, learn how to get you and your business ticking.

How to maximize the value of IT in your business - IT Outsourcing

Manoj Garg

You know that you spend a lot of money on IT and that you need to maximize the value of your investments in IT. Do you know if you have made the right decisions on make vs. buy on IT functions and services?

Are You Jumping on the Lean Bandwagon?

Rick Pay

Are you trying to reduce operations cost - and considering Lean Manufacturing? Companies are climbing on the Lean bandwagon in droves, but how do you know if Lean is the right approach for your organization?

Got Heart?

Dan Duggan

Is morale an issue at your company? Do employees act listless? Is absenteeism beginning to be a problem? Learn how to recognize and transform "lost heart" into "loving your work".

Ten Reasons to go International

Richard Biggs

If you are pondering whether to go global, recognize the fact that you are already "global", in that you very likely have global competitors. You are in a competitive global marketplace.

Engineering Resources: Captive or Consultant?

Mike Miles

Too many projects and too little staff? Can't afford to hire anyone full-time? This article outlines how CEOs can clarify what is important in choosing to hire technical staff or to retain an outside consultant.

Can you do it in 6:40?

Dave Yewman

Chances are your presentations are too long. Why? Because everyone's presentations are too long. So how do you fix that? Here's one option, a radical option. Are you feeling brave?

How to Find & Attract Capital to Grow Your Company

Brent Freeman

If you have ever had to find capital to grow your company, this article will show you how prepare critical documents required to find capital from non-traditional sources.

This is the third edition of a three-month trial of the Build Your Business eNewsletter. We are interested in your thoughts via a survey. To receive past months' articles and to take the survey, please 'subscribe' at www.synergy-usa.com/eNews.html. Thank you.