

OPTIMIZING CHANNEL ALIGNMENT

A program to develop collaborative advantage

8-Week Program (Aug 14 – Oct 2, 2023)

Aug 14	Aug 21	Aug 28	Sep 05	Sep 11	Sep 18	Sep 25	Oct 2
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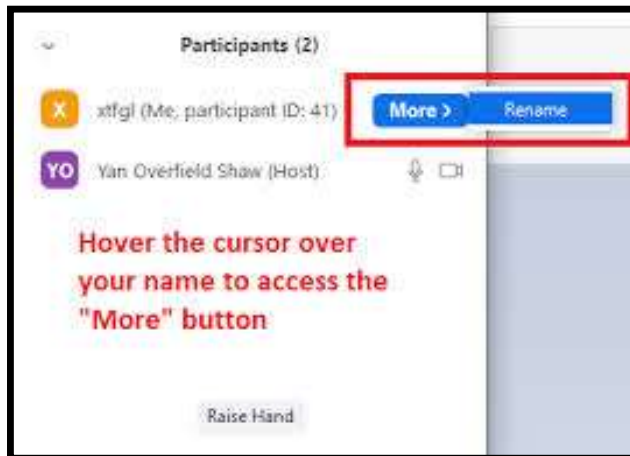


Leading the
Channel Forward®

ACTvantage

Zoom Platform Instructions

- Please Add Team # to your name, by clicking 'Rename' option
- **Example**
 - J Doe [Team 1]



First Name	Last Name	Team #	Company
Josh	Pinkard	Team 1	Martin Supply Inc.
Peter	Vagnoni	Team 1	Line Drive
Jessica	Mendez	Team 1	Norton Saint-Gobain
Cory	Kizielewicz	Team 1	SBD
Hannah	Shaw	Team 1	SBD
Hector	Flores	Team 2	US Tool Group
Jake	Bowen	Team 2	Line Drive
Hunter	DeFrees	Team 2	Norton Saint-Gobain
Jason	Motta	Team 2	SBD
Jacob	Puleo	Team 2	Kennametal
Caroline	Harris	Team 3	Vallen
Matt	Coovert	Team 3	Norton Saint-Gobain
Darryl	Woods	Team 3	SBD
Sergio	Escalona	Team 3	Kennametal
Bill	McElhaney	Team 3	Cutler Industrial Sales
Fernando	Segovai	Team 4	Durrie Sales Company
Anja	Taylor	Team 4	ARCH Cutting Tools
Marc	Jamrose	Team 4	SBD
Sam	Stancato	Team 4	Kennametal
Will	Barrett	Team 4	3M
Tristan	Moncier	Team 5	SBD
Taelor	Simmons	Team 5	SBD
Eric	Kenney	Team 5	Kennametal
Cynthia	Gabriele	Team 5	Netplus



Optimizing Channel Alignment Certification in 8 Weeks

Program Overview

ISA Channel 2.0 Framework

Channel Alignment Framework – Research

Program Overview & Course Approach

Channel Goals

Supplier Perspective

Assess your current channel goal-setting process

Translate firm-level financial goals to channel goals

Identify critical success factors for achieving channel goals

Channel Growth

Distributor Perspective

Learn to diagnose distributor growth challenges

Comprehend the key elements of the generating growth framework

Learn about nine growth strategies used by distributors

Channel Focus

Learn to identify the right channel partners.

Assess existing channel partner performance.

Leverage purchase order data for channel relationship.

Channel Compensation

Understand the trade-offs in channel compensation focus.

Learn about channel compensation comprehensively using 11 forms of capital

Measure the effectiveness of channel compensation elements.

Channel Alignment

Assess your current channel alignment process.

Connect channel stakeholders' interest to create channel alignment.

Apply the channel alignment framework as a channel relationship tool.

Understand how to quantitatively measure channel alignment.

Channel Evolution

Understand the implementation factors for channel management processes.

Learn four phases of implementing channel performance analytics.

Real-World Example.

Roadmap: A Plan of Action

Learn to adapt to channel forces.

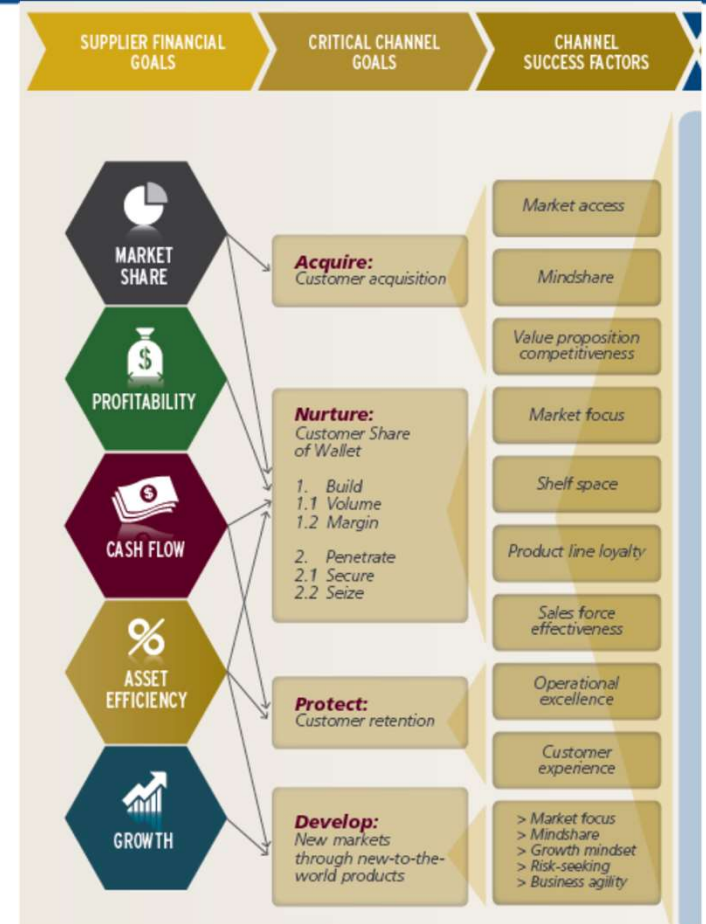
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

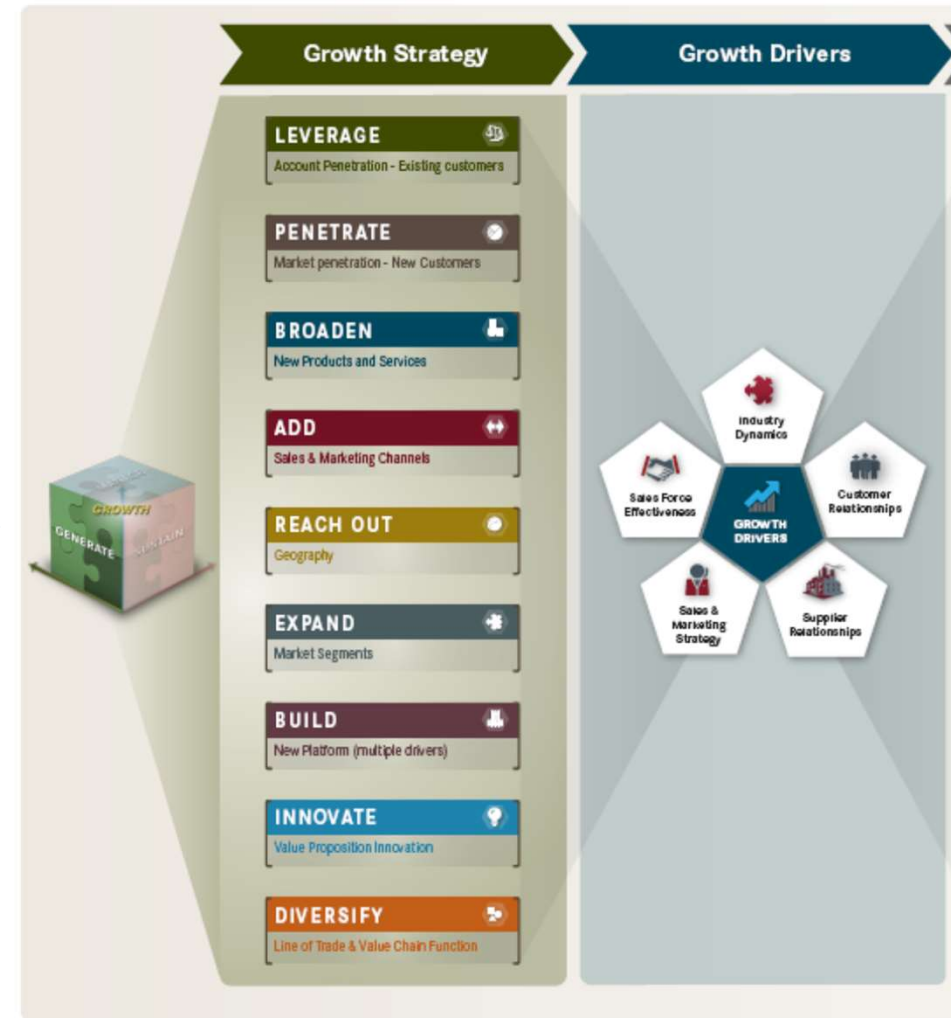
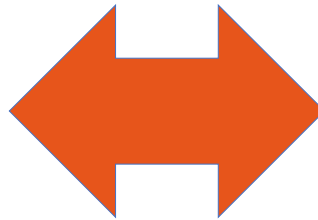
8 Weeks, 75 Minutes Each Week.



Connecting Financial and Channel Goals to Channel Success Factors



CHANNEL GROWTH: ALIGNING SUPPLIER AND DISTRIBUTOR PERSPECTIVES





Channel Partner Performance Assessment:

Good to Great

Anecdotal

- Subjective
- Selective memory
- Recent incident



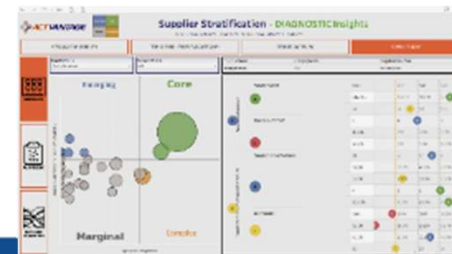
Partner Scorecard

- Pros:
 - Quantitative & Descriptive [WHAT]
- Cons: **Lacks**
 1. comparative assessment
 2. prescriptive guidance (goals)
 3. follow-through



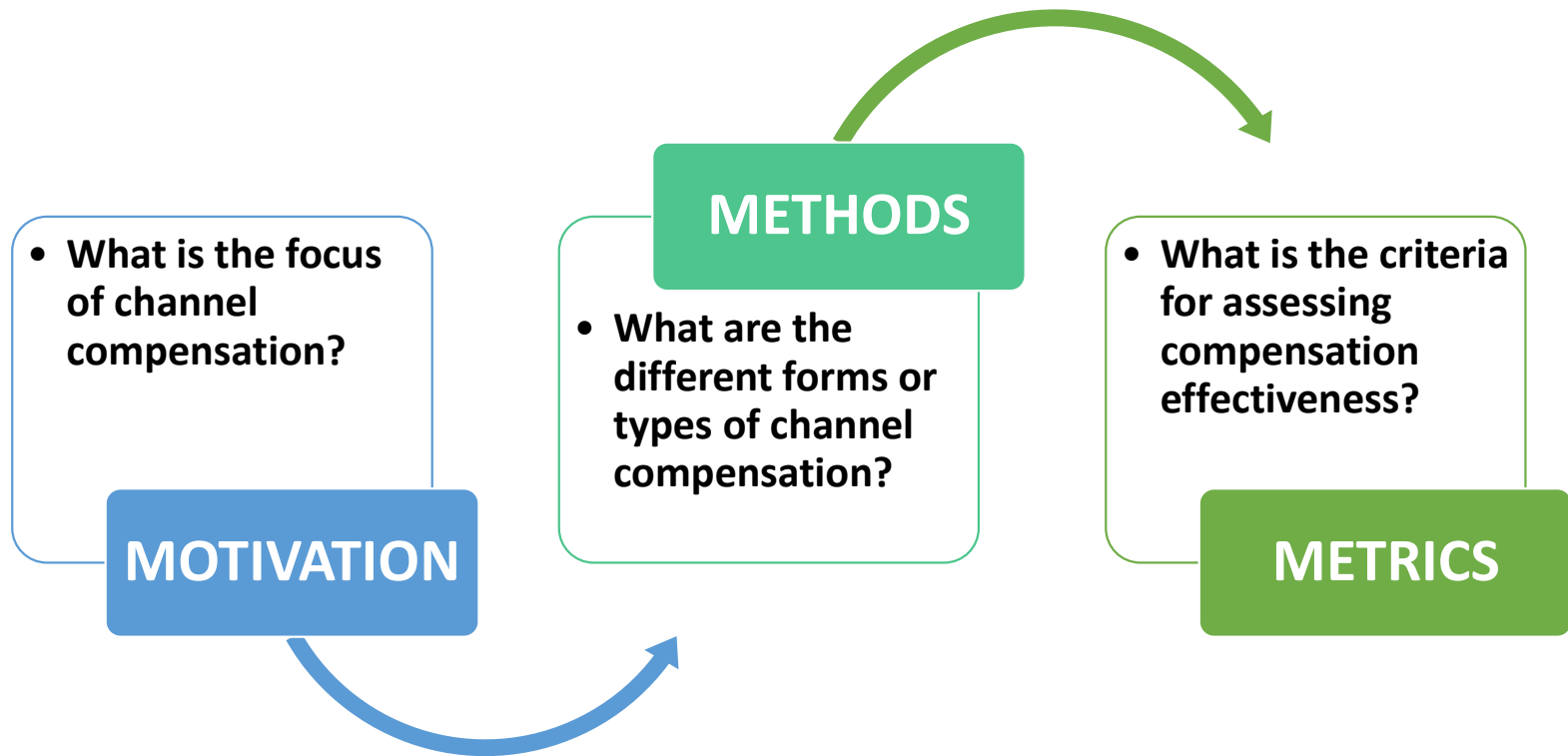
Supplier or Distributor Stratification

- Comprehensive
 - 4 Dimensions
- Diagnostic [WHY]
- Provides benchmark
- Comparative ranking
- Tracks performance over time



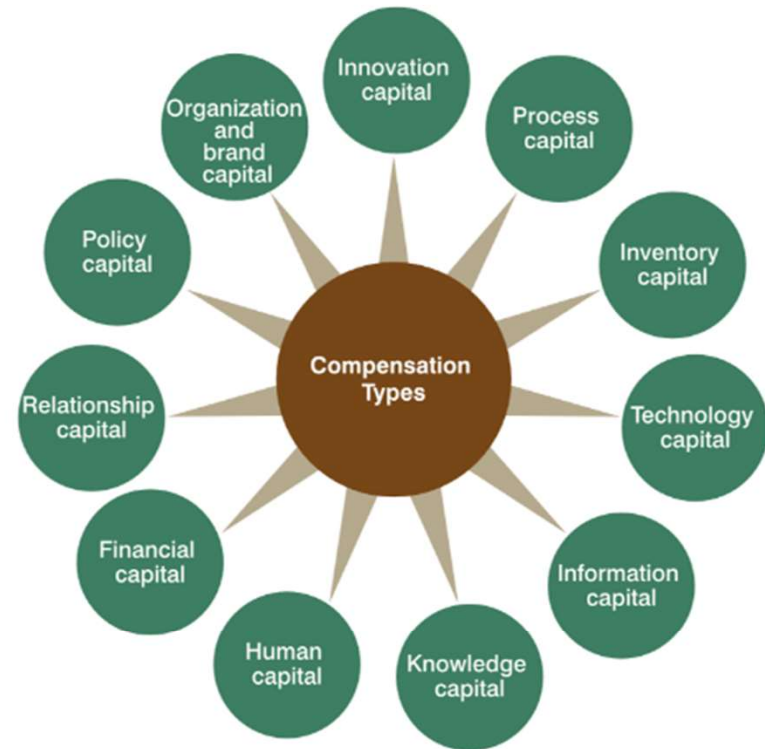
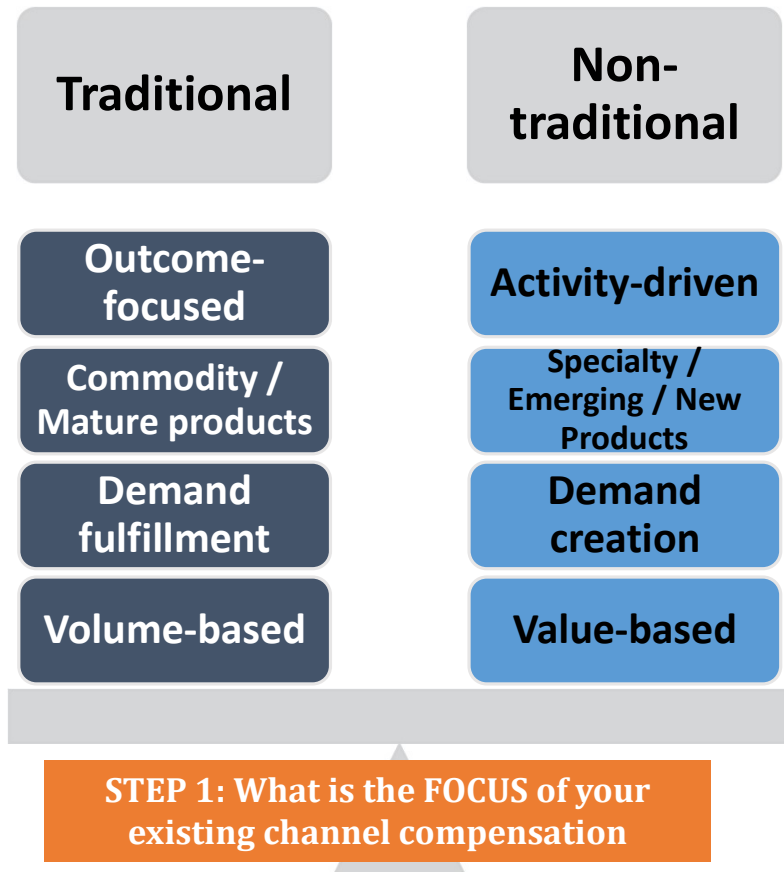


Channel Compensation: 3 Steps





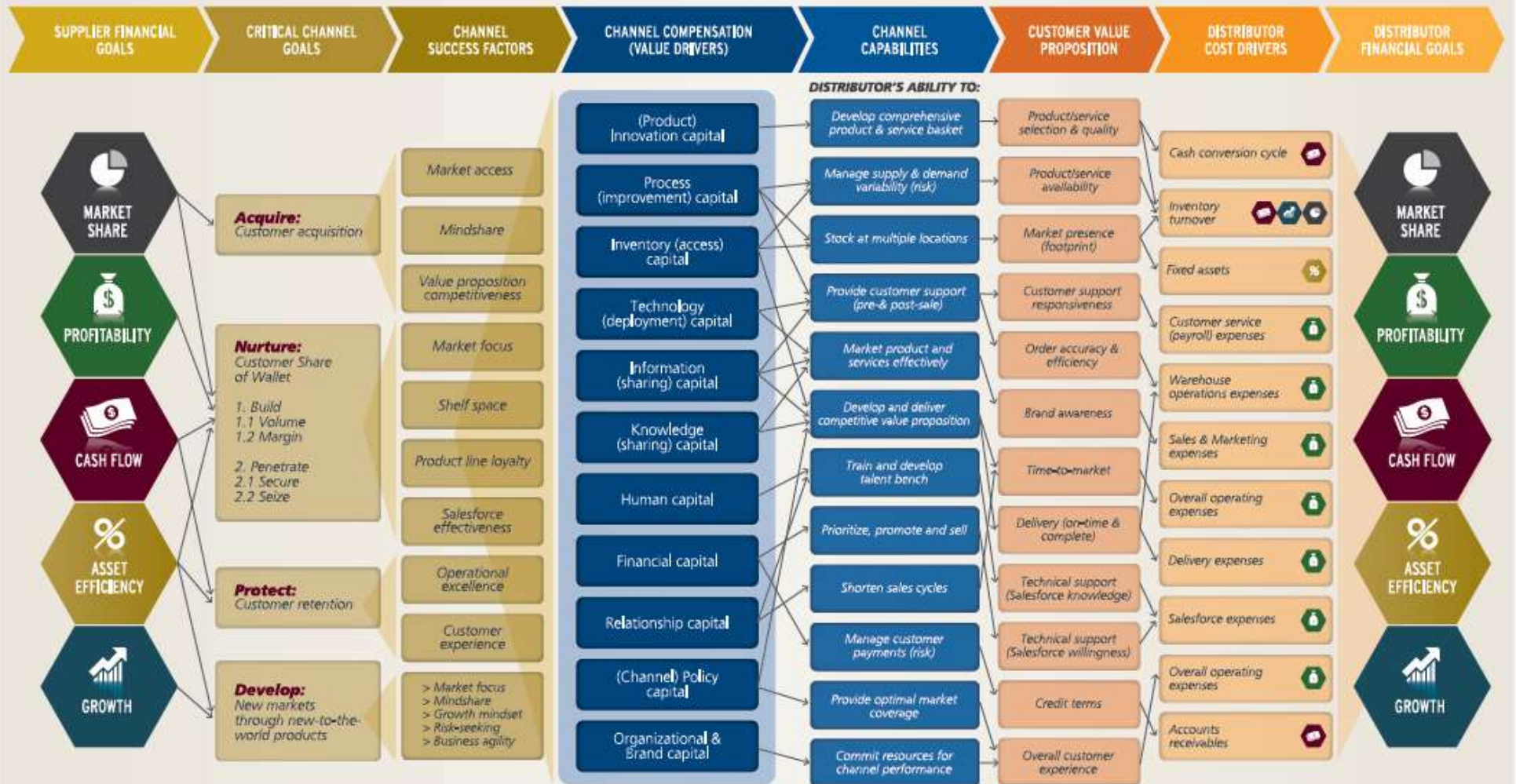
Key Takeaways



STEP 2: Are you BALANCING channel comp across 11 capitals or overusing a few? Are you customizing channel comp based on channel partner performance?

CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer



Discussion: Group activity – 10 minutes

Having learned Channel Alignment Framework and its applications,

1) List at least three channel conflicts faced by your team members? How do you currently manage the same?

2) What improvements will you recommend to your firm's existing practice of channel conflict resolution using Channel Alignment Framework?

Each group is required to summarize the responses when we come back.



TEAM 1

- Having learned channel alignment framework and it's applications:
 1. List at least 3 channel conflicts faced by your team members? How do you currently manage the same?
 - a. **Internal Policy Changes:** Distributors and End Users don't like internal policy changes and don't want to navigate past that for future conversation. This is a good chance to bring in executive capital for an internal win
 - b. **Reward conflicts:** for Manufacturing or distribution that offers multiple rewards, there can be a conflict of which rewards people want or overlapping financing commitments. This is a good chance to bring in relationship capital to help do one offs for the business and the best fit for effectiveness
 - c. **Current equity of compensation** is too low because of dilution of the category. This creates conflict of dissatisfaction of the manufacturing group from the distribution level and this can be resolved by reduction of suppliers to insure maximization of equity for the partnership or exclusivity for a time frame to evaluate performance
 - d. **Misalignment of rewards and compensation** – sometimes rewards are based on what the distributor or the manufacturer wants to do and not what is best for the region or the customer. Utilizing the relationship capital can help identify which of the items are the best fit whether it could be financial or knowledge or technology etc. and doing one off areas instead of big national programs.



TEAM 2

- 1) MFR – An issue we see is: partners that want to use our brand for small quantities of orders; “one-time” orders; quick short-term orders – without the promise of future business. We do not want to give our brand to anyone to flood market and decrease demand.
- 2) MFR – A conflict we see is: smaller partners want pricing to be aligned with larger and mature partners. It’s important to evaluate the opportunity with the new partners to see if the growth potential is apparent. Pricing advantages should be given only if the volume and potential is shown and targets/forecasts are discussed.
- 3) MFR/IMR – A method to drive business is: emphasizing the rebate program with distributors to drive growth and sales. Customizing the rebate program to cater to the distributor’s needs.



TEAM 3

- **Loyalty on relationship**

Some challenges come from battling preexisting versus building anew. Also, many times distributors are making decisions from preferred suppliers within the Buying Groups. When a manufacturer is on the outside looking in they are faced with offering even deeper incentives trying to take business from preferred supplies.

- **Communication and Information Sharing (Partnerships)**

The key word always discussed is partnership. Clear expectations need to be defined and regular communication needs to be had throughout. When a distributor is committed to partnering, they will provide feedback on product performance, effectiveness of promotions, and the reach/performance effectiveness of such. Manufacturers must provide similar data and accuracy through supplying up to date lead times, quality concerns, and offering products like EDI, tracking information, and easy to find product labeling to assure accuracy and effectiveness.

- **Size of Distributor – Big Box/Ecom/Independents**

Through ongoing M&A, the independent is faced with many challenges facing larger outfits like Big Box Stores and the necessary evil of E-Commerce. All three examples face challenges in margins, pricing, access to certain products and lead times. The complexity of larger outfits puts a strain on the smaller distributor and the manufacturers face similar challenges to keep all sides and themselves happy and profitable. Some Manufacturers will have focused campaigns targeted to each division to launch new products and grant special pricing through things like UAP/MAP holidays and exclusive products to protect and offer respective divisions of business.



TEAM 4



TEAM 5



Guest Speaker: Bill Ward

Shell Oil Products US

Manager, Distribution Strategy & Implementation

Manager, Distributor Business Performance

Retired





Learning Objectives – Week 7

Channel Alignment

- Assess your current channel alignment process
- Connect all three entities (manufacturer, distributor, and customer) value creation and capture efforts to create a common ground for channel alignment
- Apply the channel alignment framework as a conflict resolution and value proposition tool
- Understand how to quantitatively measure channel alignment.

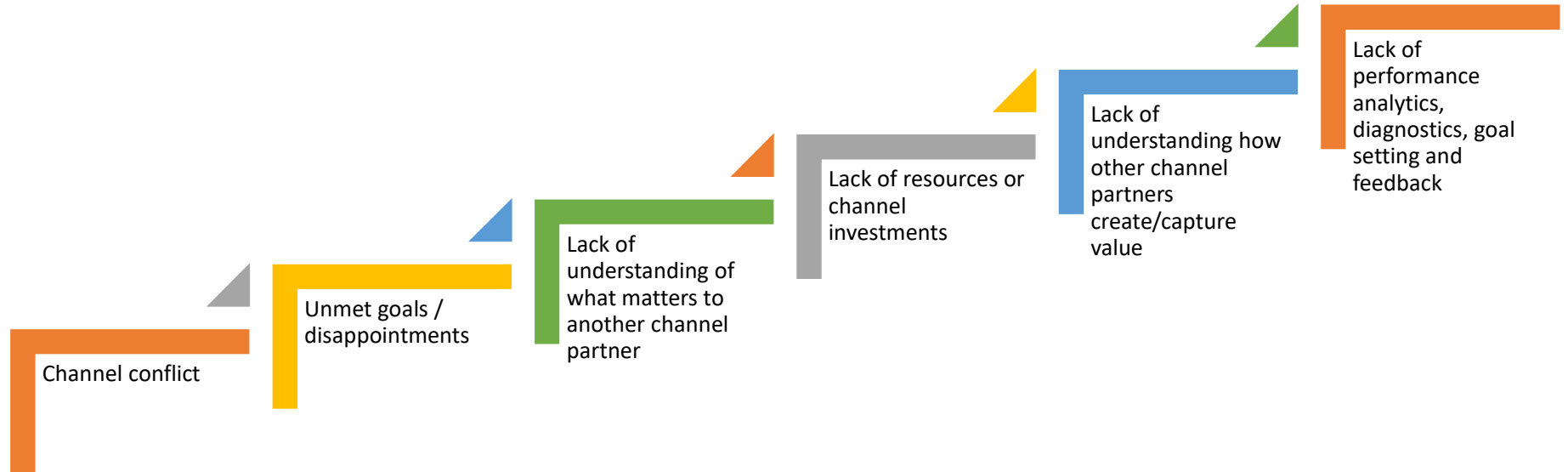


Channel Alignment





Channel conflict: Root Cause Analysis



Defining Channel Alignment: 2 Dimensions



Goal congruence: the degree to which major strategic objectives of both firms are either shared or complement one another



Complementarity of resources and capabilities: the extent to which one firm in a working relationship possesses essential capabilities or assets that the other firm can leverage or use for its own benefit





Channel Value Alignment

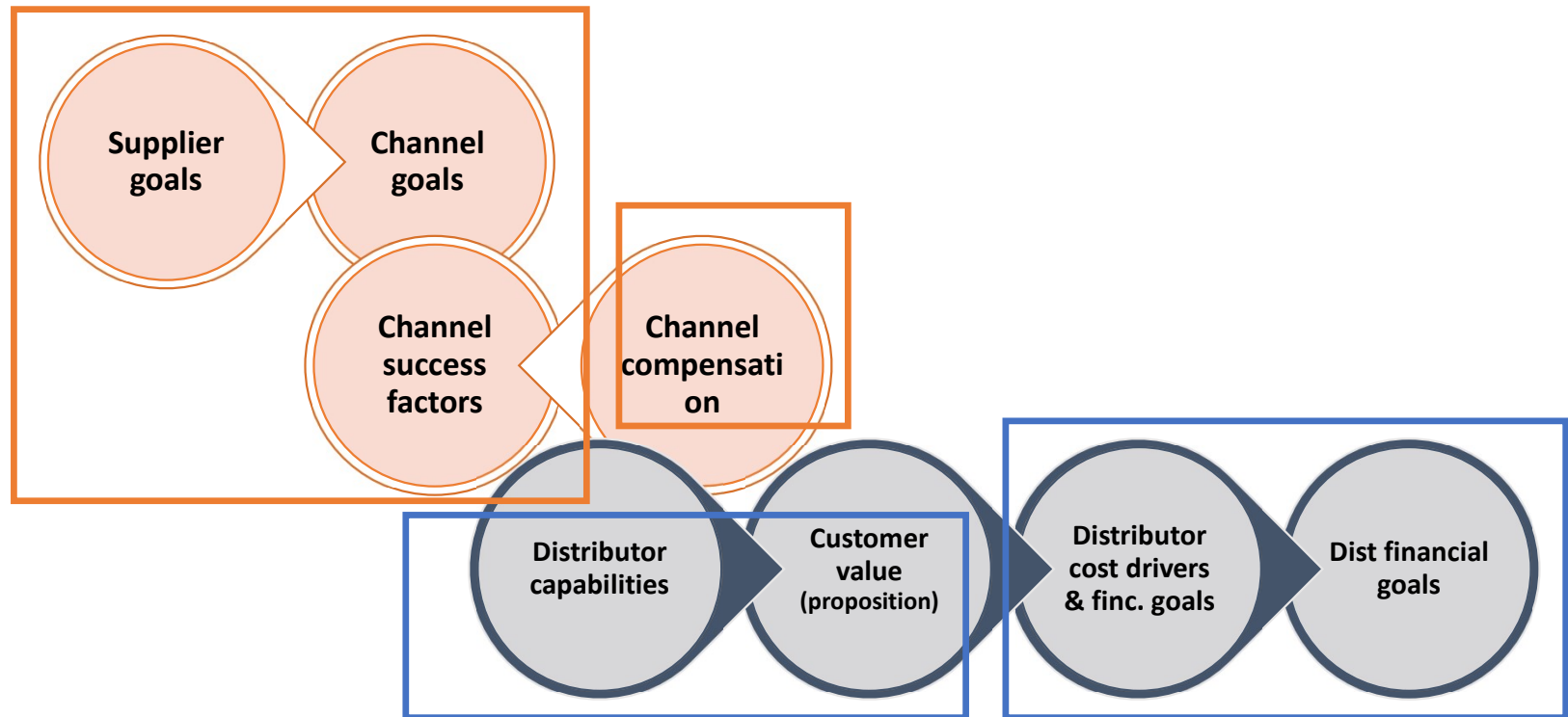
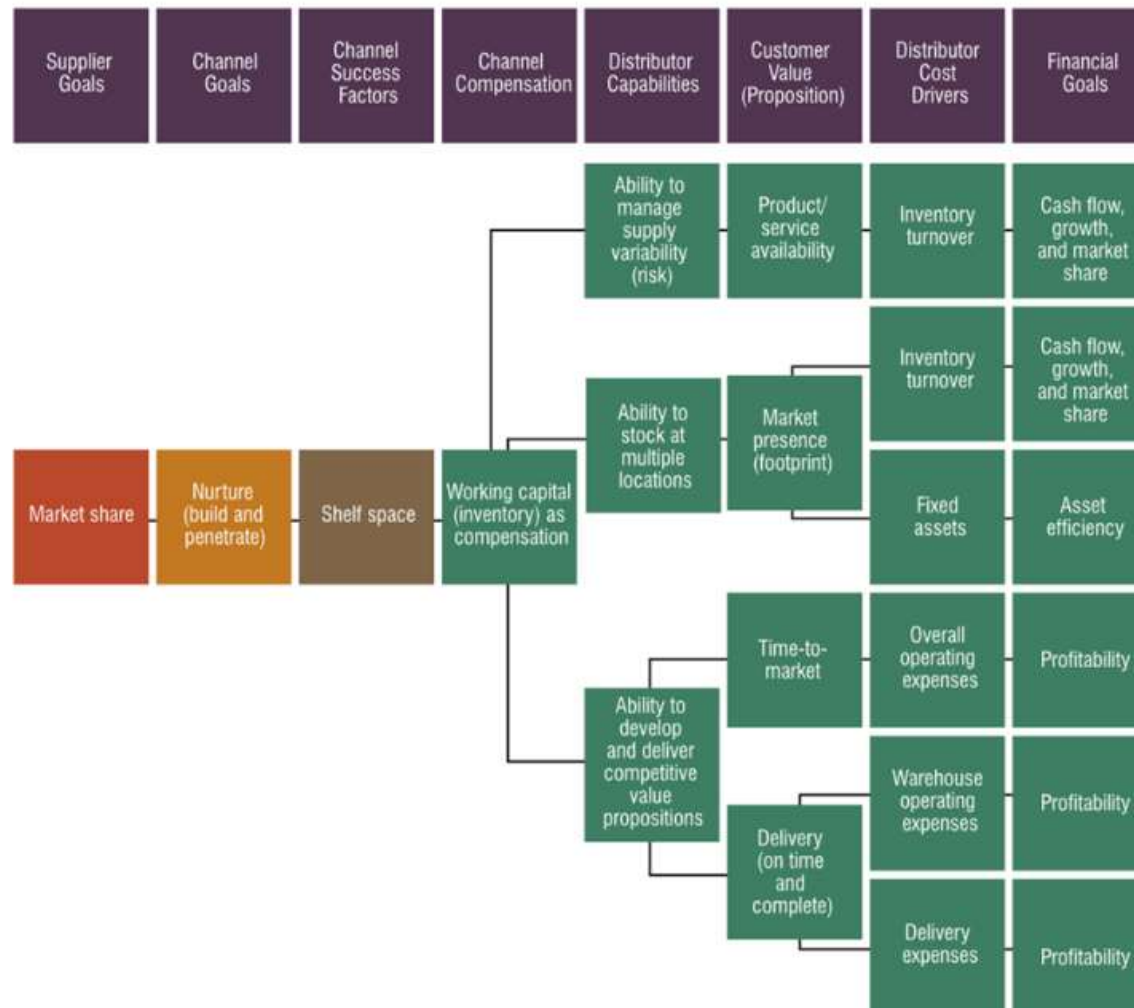
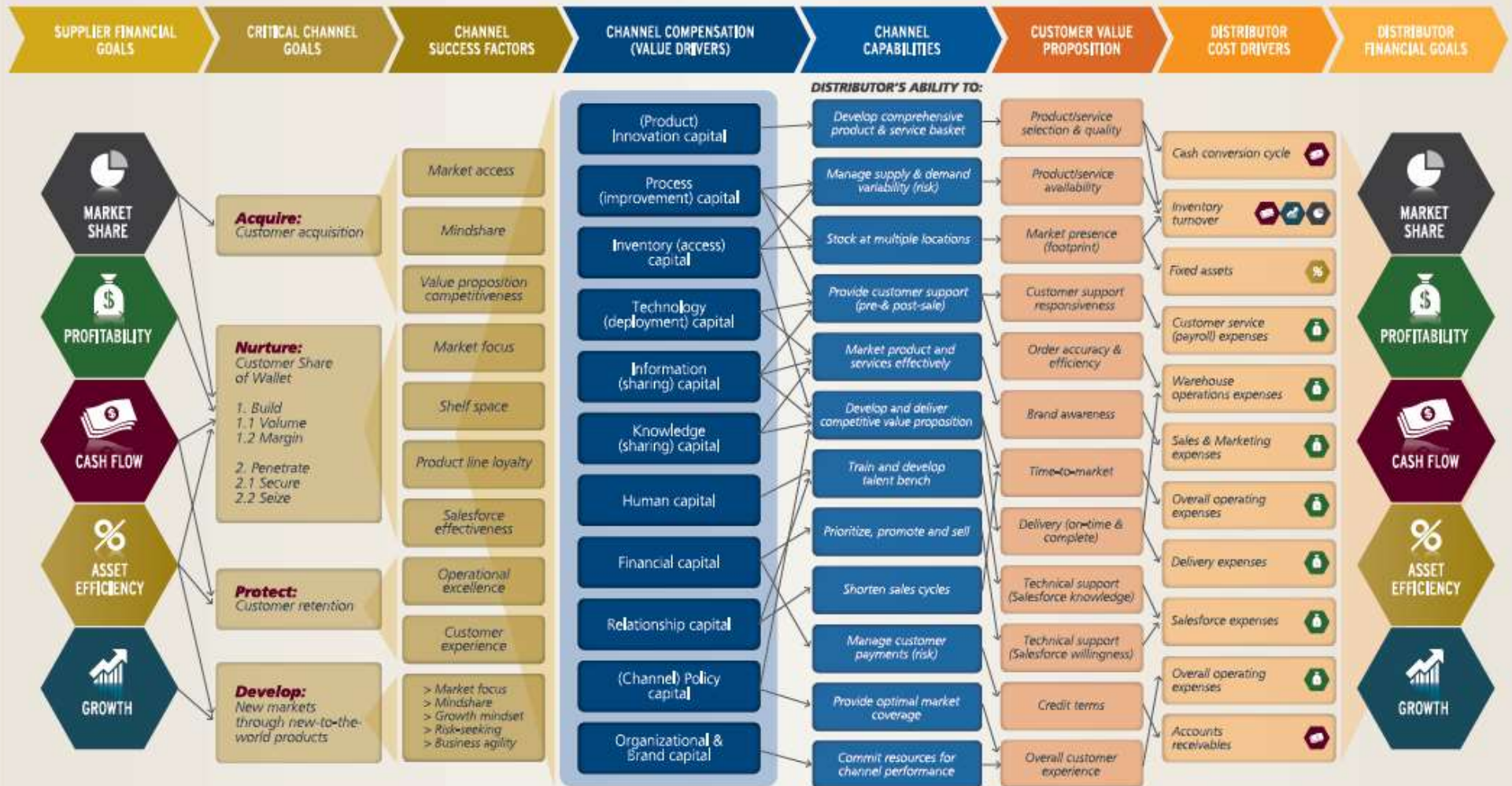


Exhibit 6-3. Channel Alignment Framework: Working Capital as Compensation.



CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer





Channel Alignment Framework: Applications

Develop a common ground/platform for mfr and distributors to



Recognize, understand and address the goals of both entities in a working relationship



Identify channel collaboration opportunities



Develop channel strategically using 11 compensation/investment capitals



Understand the benefits of various channel investments thru one-to-one/cause-n-effect approach (hence set realistic expectations)



Resolve channel conflicts resulting from misunderstanding how others create/capture value

Discussion: Group activity – 10 minutes

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Contact Information



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