

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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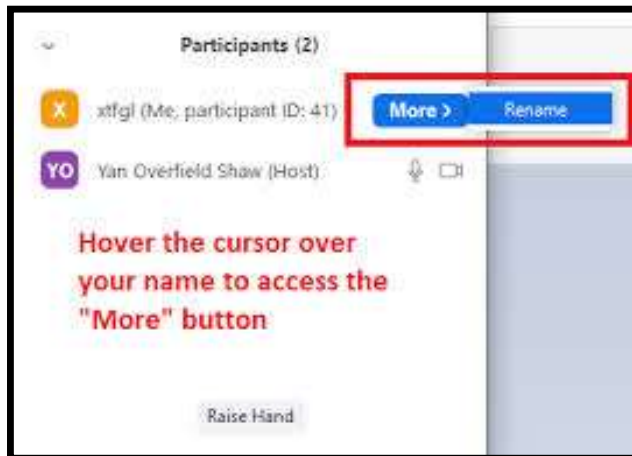


Leading the
Channel Forward®

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.

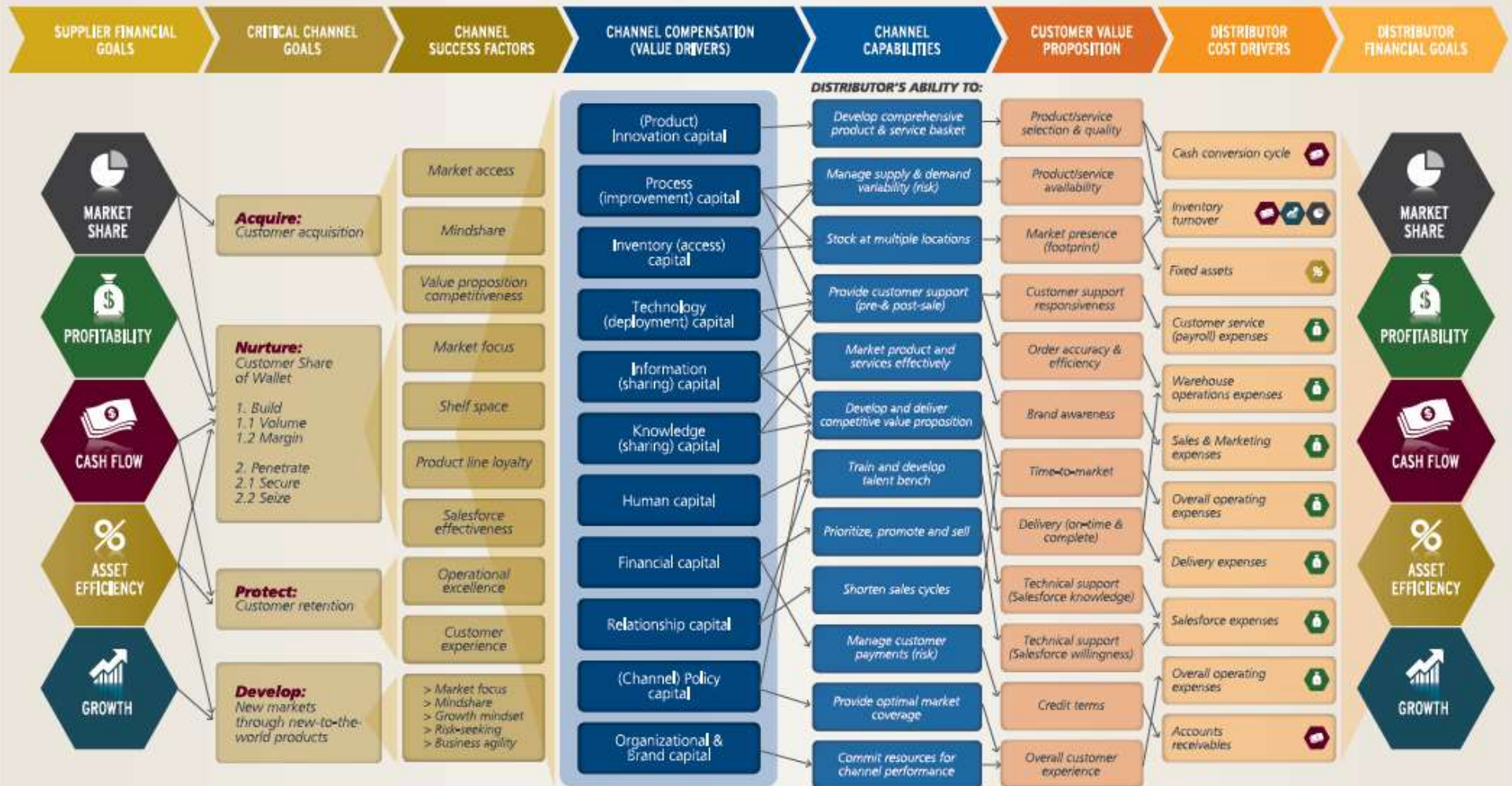
Comprehend the five principles of channel advantage.

The Roadmap: How to apply this at your company

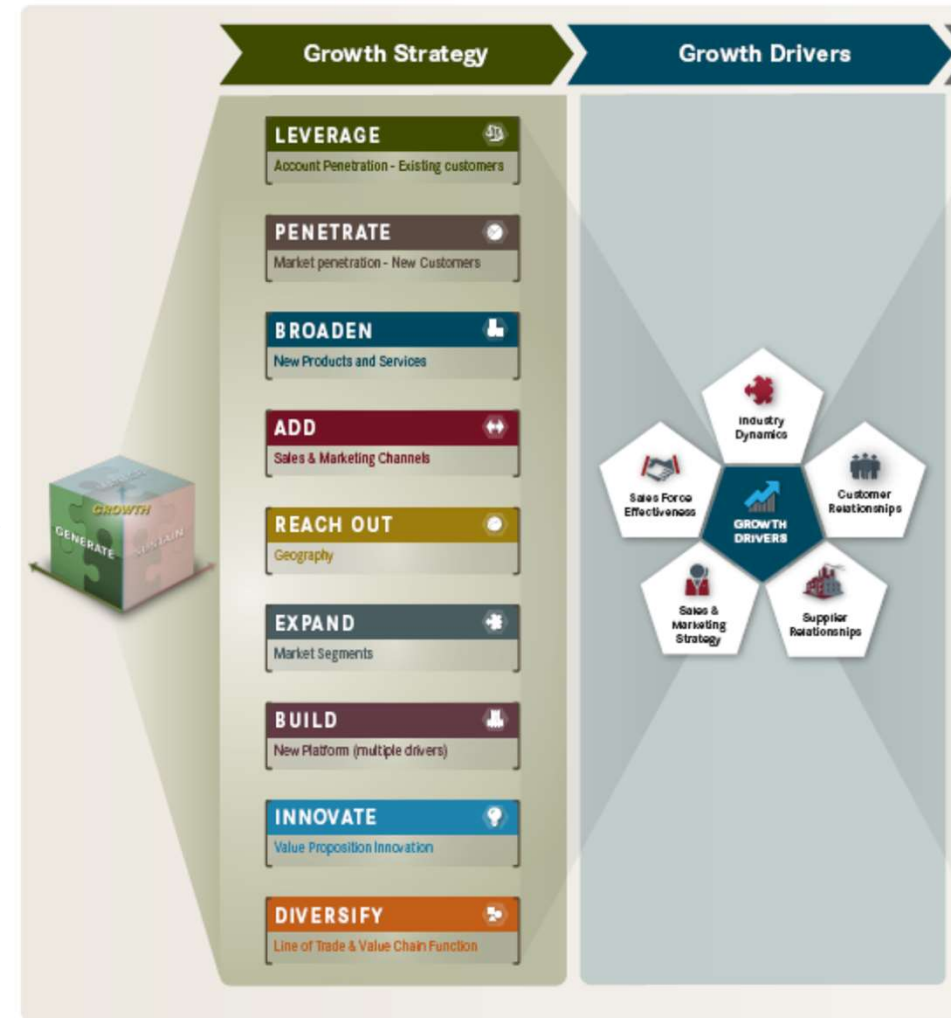
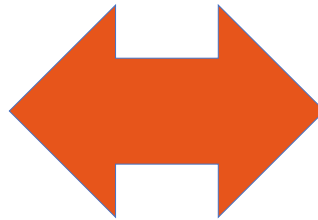
8 Weeks, 75 Minutes Each Week.

CHANNEL ALIGNMENT FRAMEWORK

Supplier • Distributor • Customer



CHANNEL GROWTH: ALIGNING SUPPLIER AND DISTRIBUTOR PERSPECTIVES





Responses from the Groups

- 1) Having learned both perspectives, what will you change in your conversation about growth strategies/practices?
- 2) What are the different growth strategies you would recommend for your channel partners?

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



TEAM 1

Having learned both perspectives, what will change in your conversation about growth strategies/practices?

- a. **External:** Conversation will be more data driven as we identify Core customers and then talk about Drivers and Best Practices that are mutually incentivizing.

Example: Supplier can incentivize distributors to move a customer from 'Opportunistic' to 'Core' by working toward establishing a formal relationship (VMI, Cost savings agreement etc.) During this conversation we will also know to discuss Channel success factors such as whether the distributor salesforce is equipped/well practiced in establishing a formal relationship with an end user.

- b. **Internal:** Discussing with direct management how the actions we are taking correlate to the company goals.

Example: During a quarterly review one on one meeting – Company Goal – Profit improvement/ Market Growth. I am working on adding more product lines at XYZ customer because all of our products are in 1 product type which makes them more vulnerable. This emphasizes the Sustain dimension of growth and will improve market share.

What are the different growth strategies you would recommend for your channel partners?

- a. We recommend broadening the number of lines/brands offered via supplier incentivized, distributor marketing based on the initial goal discussion.

Example: Distributor sells a high volume of Lennox brand saw products – Stanley Black and Decker may incentivize a distributor (using Coop funds for marketing material) to market their Dewalt products to those who purchase Lennox in order to turn them into multi-line purchasing end users. Making them more sustainable and strengthening the relationship and moving them toward a core customer for Stanley B&D and increasing revenue and improving leverage for the distributor.



TEAM 2

- 1. Having learned both perspectives, what will you change in your conversation about growth strategies/practices?**
 - a. Growth strategy towards the individual customer segment you're targeting (Core, opportunistic, marginal, service drain.)
 - b. Focus on higher volume customer base not in core.
 - c. Understand what is working with your core customers and mirror it towards other segments

- 1. What are the different growth strategies you would recommend for your channel partners?**
 - a. Leverage - understand existing customer and building off what you do well
 - b. Broaden - new product and expand into new markets



TEAM 3

- **Leverage** and **penetrate** are both safe growth strategies for our channel partners. Those limit the investment of people and resources.
- If you want to invest more money add, reach out, broaden and innovate will help expand your growth with more coverage and products to offer to end users.



TEAM 4

1) Having learned both perspectives, what will you change in your conversation about growth strategies/practices?

When setting financial goals communicate to the channel how they can use this to incorporate into their strategy. Instead of focusing strictly on pipelines, focus on how you can support the channel growth strategies with your products, services, and personnel. The channel is more likely to hit your goals if you incorporate it into their strategy.

2) What are the different growth strategies you would recommend for your channel partners?

- **Leverage** – People buy from people they know and like. Leverage your existing end users to get the most business you can.
- **Innovate** – New products from the supplier can allow you to innovate. Keep up with e-commerce and digital offering as well as how you can support the end user supply chain.
- **Expand** – Find complimentary to the current products the channel represents to allow them to expand into new markets and areas of the end user.
- **Broaden** – Always look for ways to broaden your offering to continue to be relevant to the end user. However, make sure it is relevant to the core of your business.

Question 1: Having learned both perspectives, what will you change in your conversation about growth strategies/practices?

- Expanding market segments
- Build new platform (multiple drivers) - Continuing to adapt and add new platforms that will create the opportunity to satisfy customer needs/problems.
- **Internal:** Identify current capabilities and processes, and where we can make a difference for customer needs.

Question 2: What are the different growth strategies you would recommend for your channel partners?

- We would recommend “Add: Sales & Marketing Channels” for our channel partners. We understand how important sales/marketing channels are to building brand loyalty. By adding this, it will create loyal/repeat customers who are easier to sell to and will become your brand advocates.
 - The stronger your sales/marketing channel is, the easier it will be to drive consumer behavior.



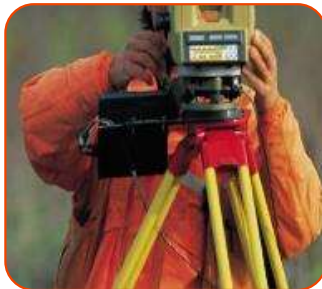
Learning Objectives – WEEK 4

Channel Focus

- Learn to identify the right channel partners.
- Assess existing channel partner performance.
- Leverage purchase order data for channel relationships.



Channel Focus



Identify
channel
partners to
achieve
channel
growth



To whom do
we create
value in the
channel?



Who is
important
to us in the
channel?



Equally
important
is, **to who
are we
important?**

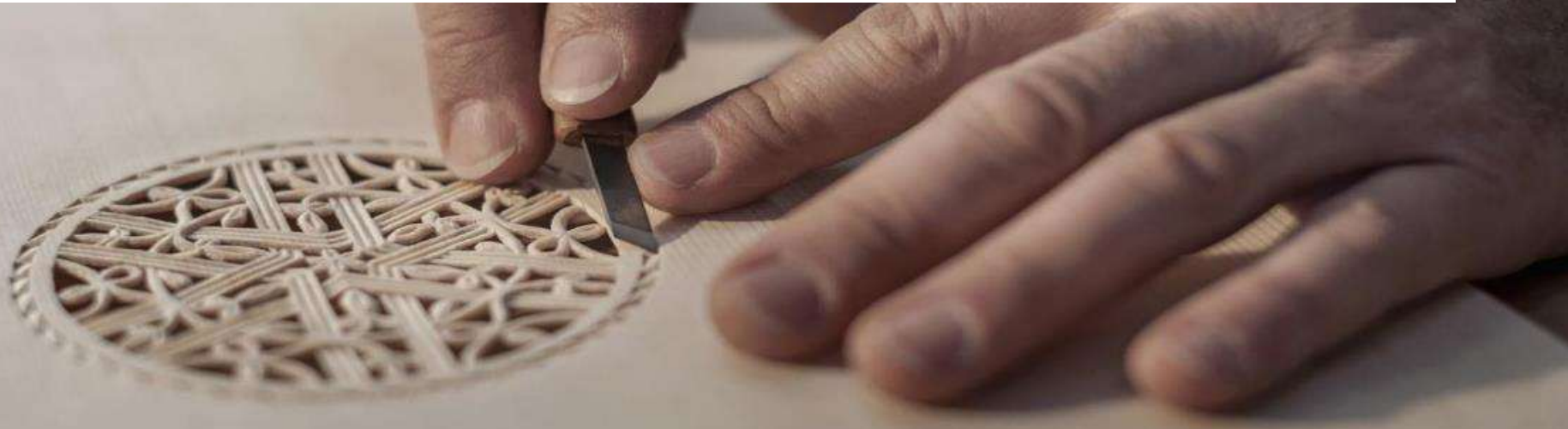


Channel Focus

- The channel focus is the process of identifying the right channel partners to achieve channel goals.
- It consists of two processes:
 - New channel partner selection and
 - Existing partner performance assessment

Discussion: Individual Activity – 5 Minutes (Type in the chat window)

How do you assess/evaluate channel partner (supplier or distributor) performance currently?





Channel Partner Performance Assessment:

Good to Great

Anecdotal

- Subjective
- Selective memory
- Recent incident



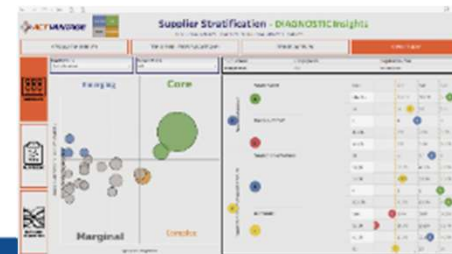
Partner Scorecard

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



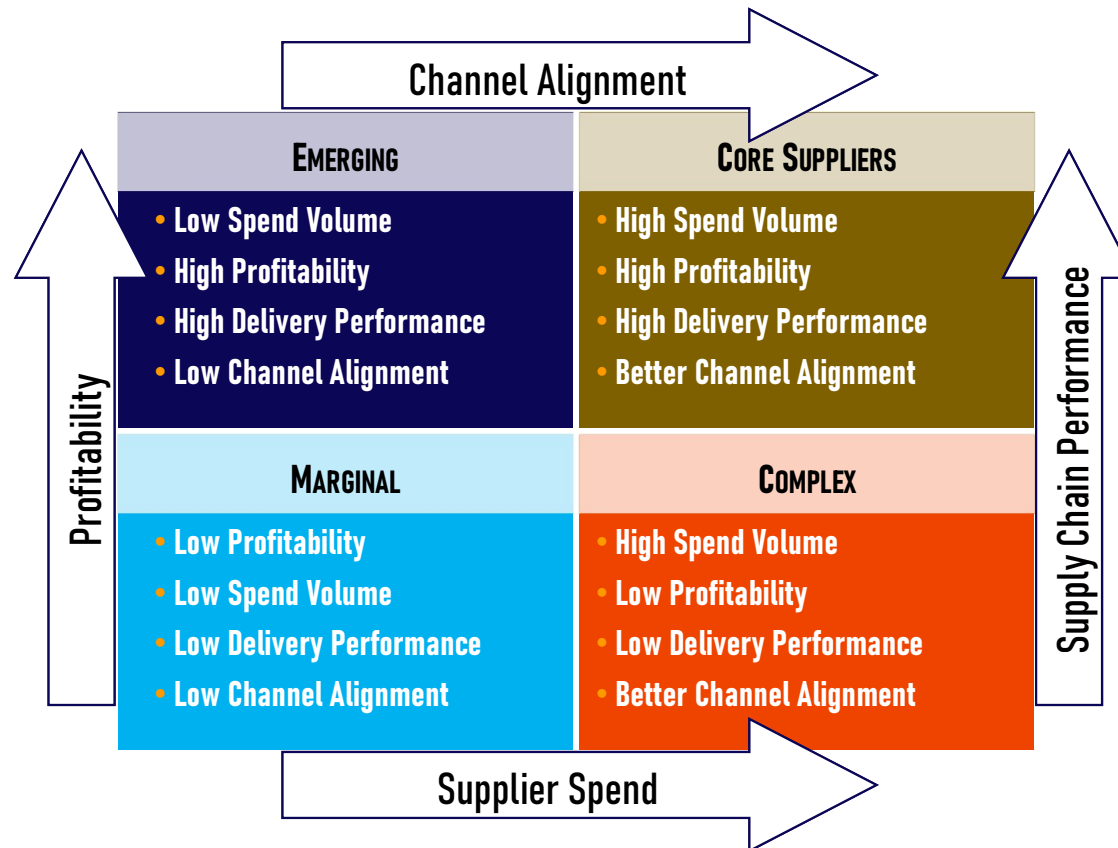
Supplier or Distributor Stratification

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





Distributor Perspective: Assessing Suppliers' **TOTAL** Performance



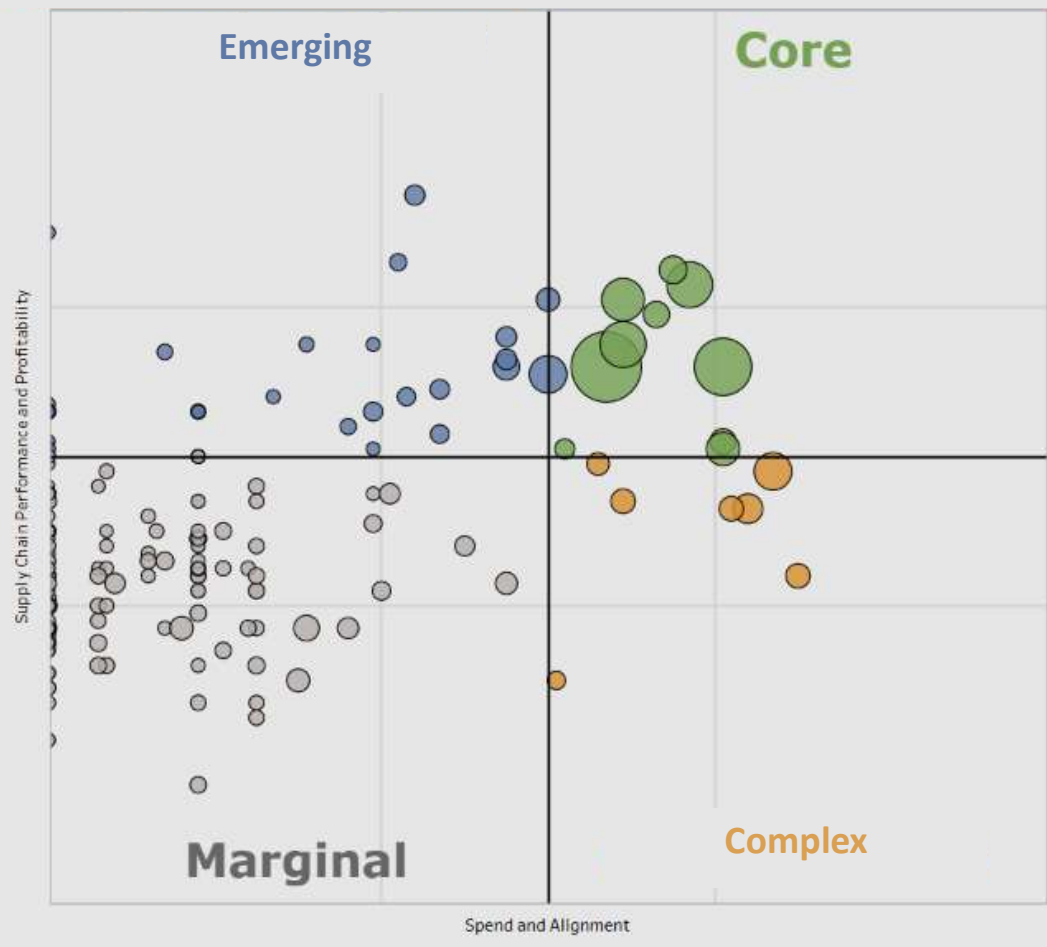
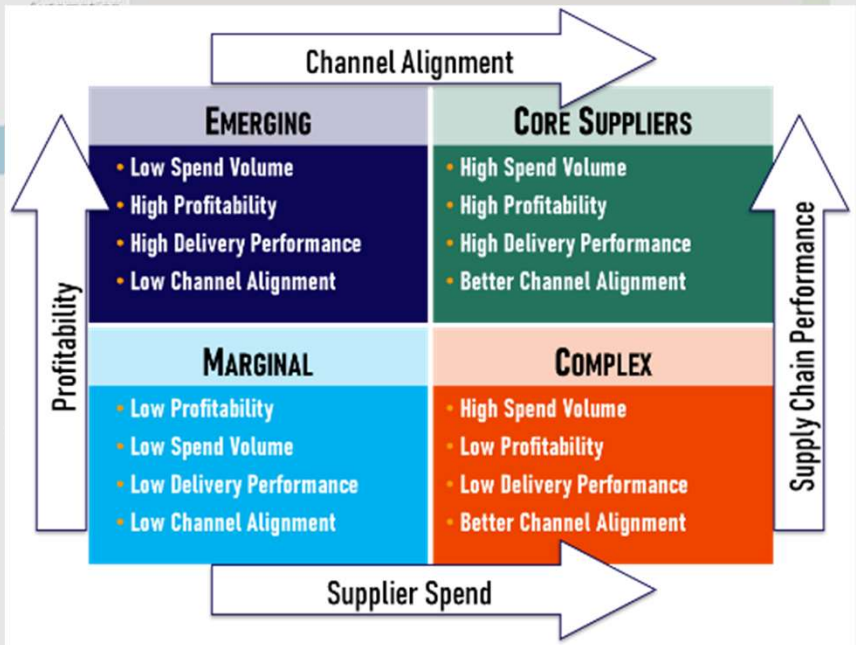


Supplier Stratification - Partner Performance Analytics

Current Year: APR 2021 - MAR 2022; Previous Year: APR 2020 - MAR 2021

CategoryN..	Spend	# Suppliers
Electronics	\$3,597,266	203

CategoryName





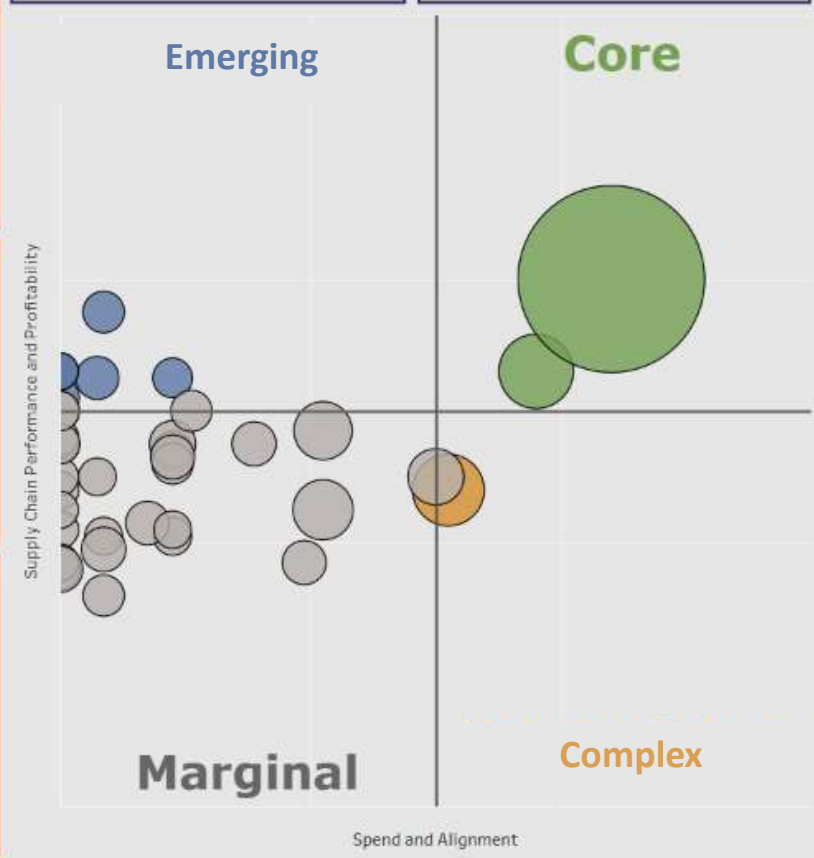
Supplier Stratification - DIAGNOSTIC Insights

Current Year: APR 2021 - MAR 2022; Previous Year: APR 2020 - MAR 2021



SupplierName
(Multiple values)

CategoryName
IAQ



SupplierName
SPENCER HVAC

CategoryName
IAQ

Supplier Final Zone
Volume Driver

SupplierSpend	\$37K	\$2K	\$4K	\$9K	A
	\$198.1K	\$33.0K	\$66.9K	\$111.0K	A
	57	34	68	136	
ChannelAlignment	6	4	8		
	-18.6%	.0%	3.0%	5.0%	
	-36.3%	.0%	5.0%	10.0%	
SupplyChainPerformance	12	35	17	9	
	78.0%	59.6%	47.7%	23.9%	
	33.0%	25.0%	50.0%	75.0%	
	4	1	2		
	100.0%	75.0%	85.0%	95.0%	
Profitability	\$29K	\$34K	\$68K	\$135K	
	13.5%	19.6%	26.2%	32.7%	
	66.5%	25.6%	51.3%	76.9%	
	10	20	30		



Role-based **Prescriptive** Playbooks



Identify product categories with too many suppliers

EXAMINE



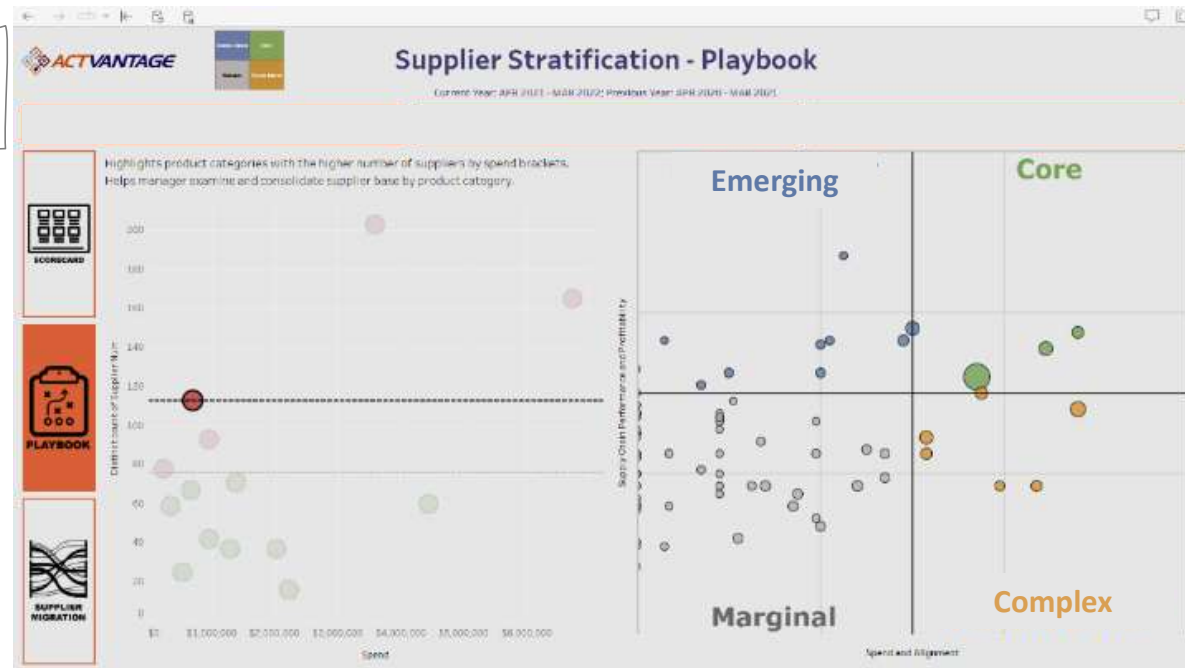
Identify **MARGINAL** suppliers and consider consolidation, within a product category.

ELIMINATE



Identify **EMERGING** and consider expansion, within a product category.

EXPAND

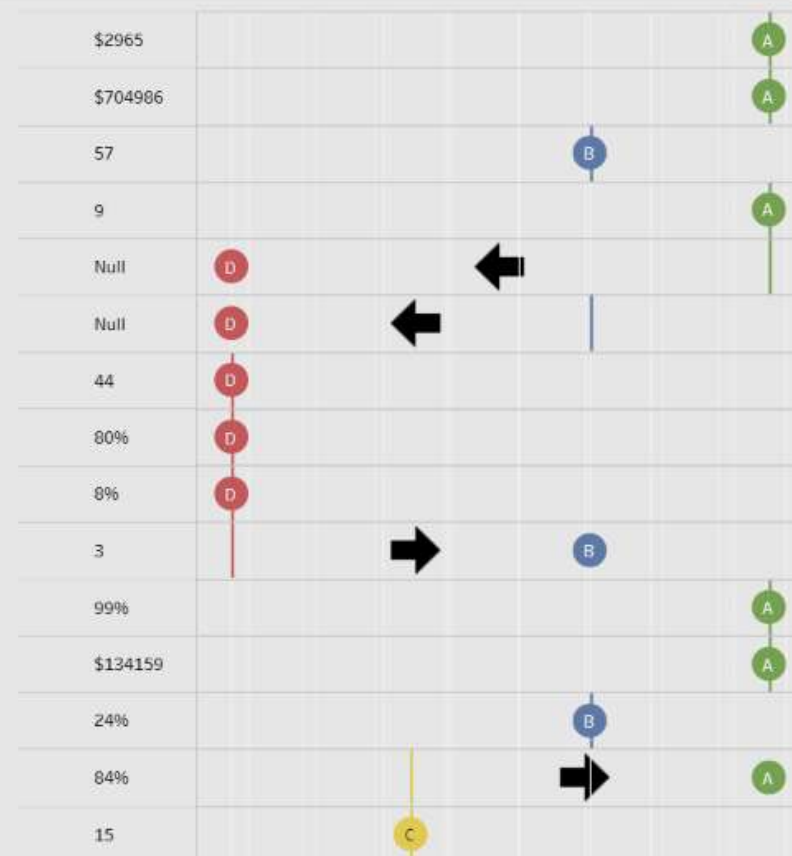
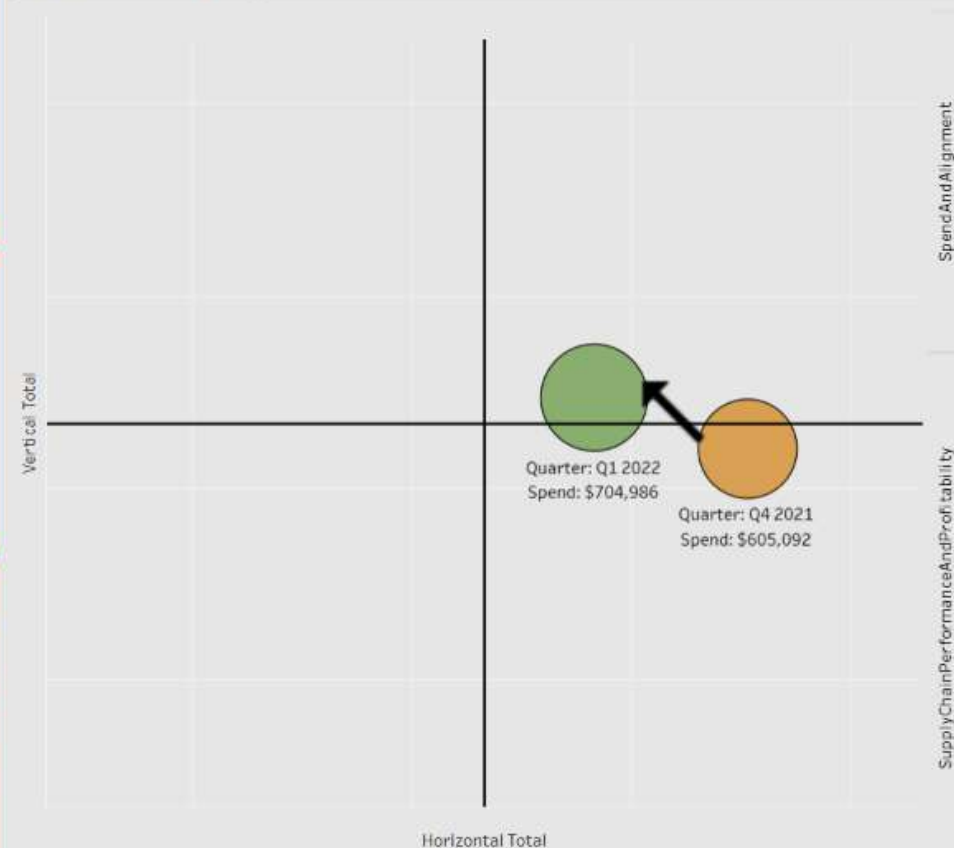


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ACETONE PRODUCER SUPPLY - Equipment

ACETONE PRODUCER SUPPLY - Equipment





Channel Partner Performance: **Key Take-Aways**

Channel Performance

Qualitative to
Quantitative

Subjective to
Objective

Anecdotal to
Analytics

Not just a partner scorecard

Diagnostic Insights

Prescriptive Actions

Predictive Guidance

Benefits

Strategic

- Channel Accountability
- Partner Mindshare

Financial

- Lower COGS (thru consolidated spending)
- Less cost-to-supply (channel costs)
- Higher market share, and profitability



Manufacturer Perspective: Assessing Distributor's **TOTAL** Performance

Distributor stratification is the process of assessing distributors based on growth, profitability, alignment, and supply chain performance

The process enables manufacturers to assess distributors objectively based on transactional data

This model is adapted from customer stratification, a best practice for assessing the distributor's customer relationships.

EXAMPLE — ELECTRICAL MANUFACTURER

Revenue

\$225MM

Gross Margin

>30%

Brands

15

of SKUs

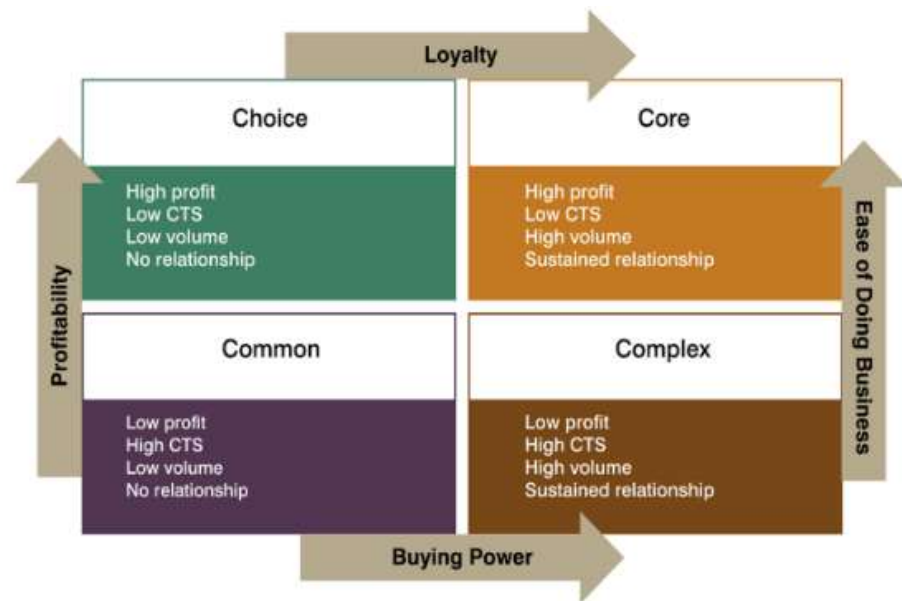
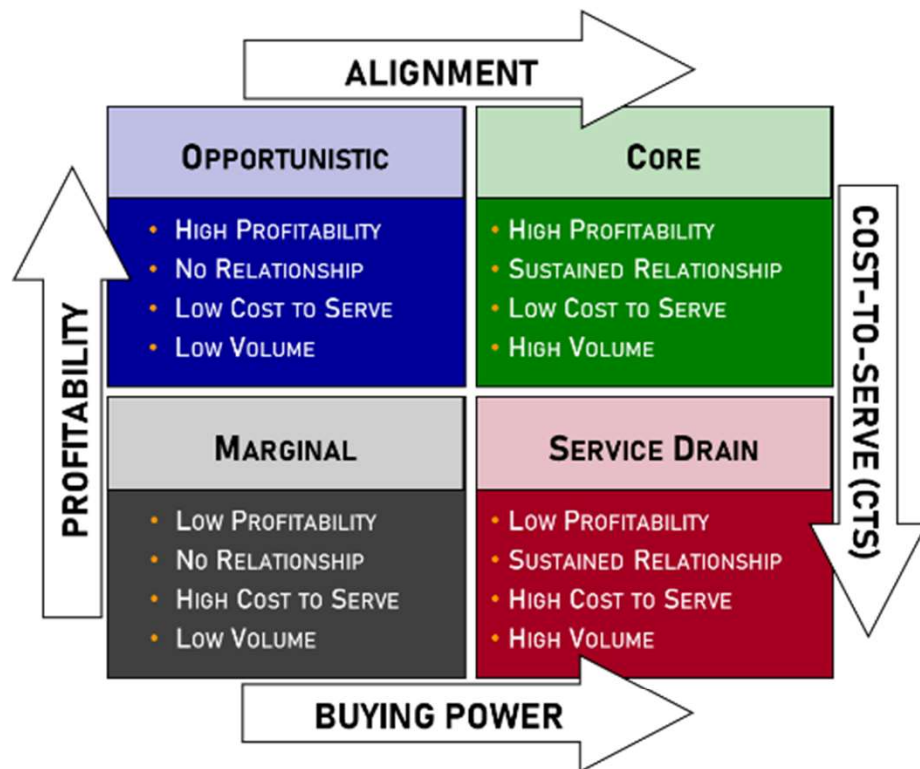
8,250+

Categories

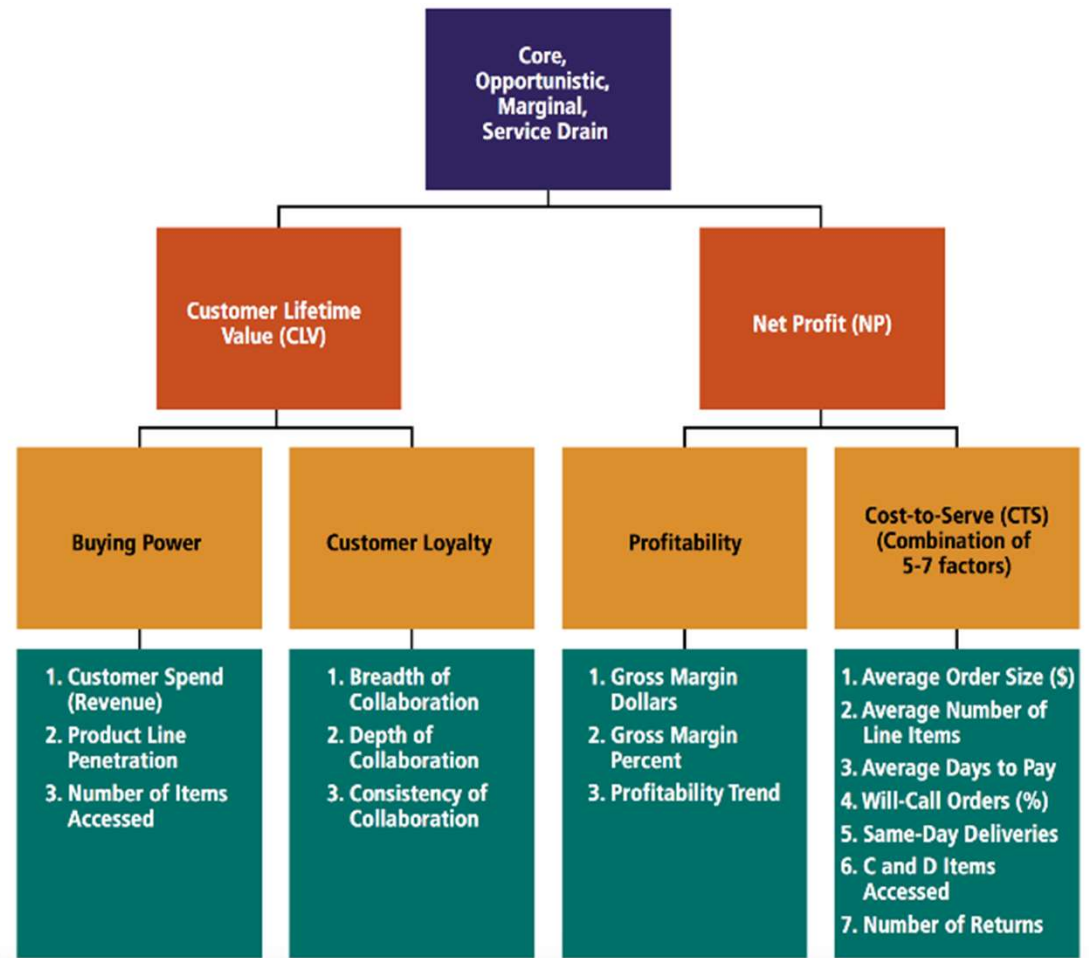
29

**# of customers
(distributors)**

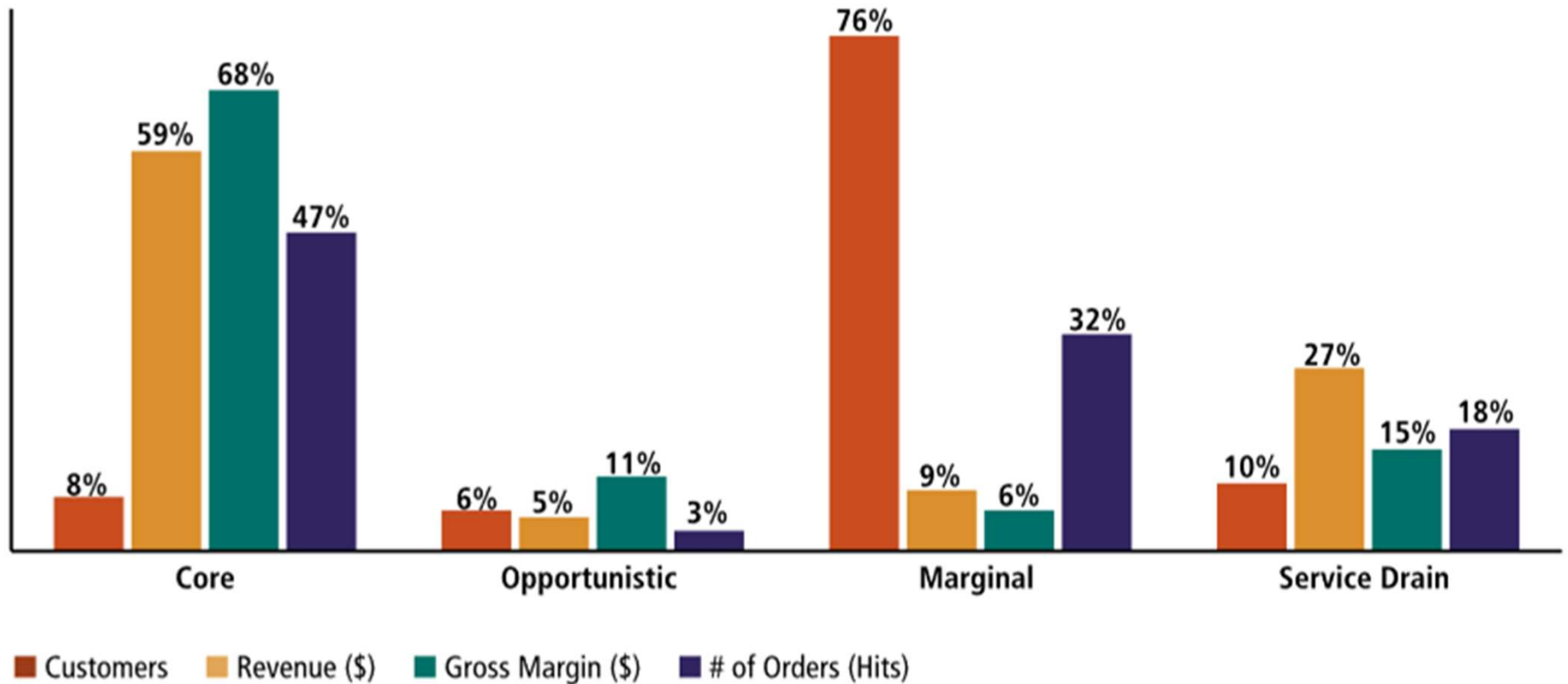
925



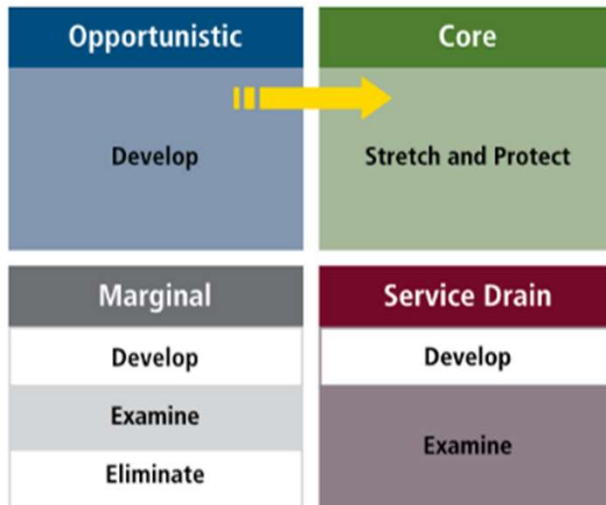
Channel Partner – Stratification Criteria



Actionable Insights: Distributor Stratification by Brand



Insights to Actions: Distributor Stratification



Branch	Region	Salesperson ID	GMS	Core	Opportunistic	Marginal	Service Drain
1	Houston	11891	\$975,508	69%	3%	14%	14%
1	Houston	12946	\$945,061	50%	12%	36%	2%
1	Houston	13061	\$940,106	75%	0%	25%	0%
1	Houston	12703	\$854,773	86%	0%	5%	9%
1	Houston	13280	\$836,379	63%	7%	15%	15%
1	Houston	15645	\$793,670	60%	5%	20%	15%
1	Houston	11644	\$602,453	20%	5%	15%	60%
1	Houston	11162	\$597,003	11%	3%	12%	74%
1	Houston	11421	\$555,098	15%	4%	1%	80%
1	Houston	13959	\$467,890	35%	3%	7%	55%

The SPEED strategy means to “Stretch, Protect, Examine, Eliminate, and/or Develop” business with customers based on their status.



Discussion: Group activity – 10 minutes

- 1) Having learned data-driven partner performance assessment approach, what improvements will you recommend to your firm's existing practice of partner performance assessment?
- 2) Who is accountable in your organization to perform and take ownership of performance assessment analytics?

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

Contact Information



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