

Our Point of View

If sales channels were a stock portfolio, what would you do?

www.westmanagement.net

by R. Cost

OK, I know your stock portfolio took a hit over the last couple years.

But, had you invested your **entire** portfolio in real estate stocks, where would you be today? My guess is you would be underwater.

Had you had followed the age old diversification investment strategy however, you would not have lost so much and you might be at break even by now.

So what does this have to with your sales channel strategy? **Diversification is critical.**

Minimizing Channel Conflict

Channel diversification can be accomplished by either increasing sales points within existing channels, or expanding your channel types.

While the concept of channel diversification is straight forward, implementation is the real issue. Minimizing channel conflict and getting your channels working in concert is the end game.

Consider the following...

- **Adding channels or sales people indiscriminately does not work.** A plan must be in place to manage competition between channels (and sales people) to ensure they have potential for success.

- **When it comes to your customers not all sales channels are created equal.** Ask yourself which channels best address your business goals and how customer segments align with your channel mix? Product complexity, customer preferences, and channel access to targeted segments help make this determination.
- **Territory assignment** is a classic approach to channel deployment. Developing a mechanism to quantify potential and setting penetration targets is essential in allocating sales resources.
- **Keep an open mind** when watching for new channel opportunities. As an example, review what mobile devices have done for e-tailers!
- **The characteristics of an industry usually drive whether to utilize B-2-C, or third party distribution channels.** While both options offer advantages and disadvantages, develop a plan to leverage both direct and indirect channels.
- **Manage your risk.** While it is important to appreciate your top sales people and dealers, do not count on them exclusively. To do so could put your sales in jeopardy should your relationships change. Develop the “next level down” of sellers in addition to supporting your top sales people and dealers. **Sales are increased by developing an army of “good” sales people vs. focusing all energy on an elite contingent of “great” sales people.**

- **Know when to cut your losses.** While it is important to have development programs, sometimes too much is invested trying to correct underperformance. Have a plan to cut weak partners and sales people, replacing them with more effective options.

As a final thought, your sales force or dealer network will not want the additional competition brought with adding and/or changing distribution. To minimize or ignore this fact will impact your ability implement a diversified channel mix and successful sales strategy. Like most things in sales, a developing effective communication plan and clearly setting expectations with your existing channels will be critical to your success.

About West Management Consulting

To build successful sales channels you need the right infrastructure and motivational programs. At West Management Consulting, we are Sales Force Architects. We specialize in helping companies define sales strategies, develop distribution channels, solve specific sales challenges, and manage sales projects. Richard Cost is the author of this article and is the Managing Partner at West Management Consulting. Richard can be reached at rcost@westmanagement.net or toll free 1.877.591.5885