

THE PAUL SYSMANS CHANNEL WHISPERER

**HOW TO
RECRUIT,
MANAGE AND
DEVELOP YOUR
DISTRIBUTORS**



**LANNOO
CAMPUS**

D/2019/45/592 – ISBN 978 94 014 6601 1 – NUR 800, 801

Cover design: Gert Degrande | De Witlofcompagnie

Interior design: Wendy De Haes

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LannooCampus Publishers
Vaartkom 41
3000 Leuven
Belgium
www.lannoocampus.com

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PREFACE

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I have always wondered why authors need to thank so many people in their preface. Now that I've written my very first book, I absolutely get it. Writing a book makes you realize how many people have an influence on the knowledge that you want to share with others. From a business perspective you owe so much to the better managers that you worked for. You learn from them. Ironically, you should also give credit to the worst ones you worked for because you learn from them as well. And a lot of credit goes to your relatives. My wife and children have supported me through my entire career. They have managed perfectly well by themselves the many days that I was travelling and the many times that I came home late from meetings and business dinners.

But this book also alerted me to the fact that there are other authors – some of them even true gurus – that have shown me the way, that have provided structure to my thought process and have inspired me throughout my career. I hope I can leave you with a similar feeling of joy and excitement after closing this book.

I want to mention a few authors and celebrities in particular, some of which I had the pleasure of meeting in person.

Cesar Millan (presenter of *The Dog Whisperer*) was the inspiration to the title of my book. If you are familiar with his reality show, then you may have realized by now that when people want to change the behaviour of their dogs, the key to a positive result does not lay with the dog but with the dog owners themselves. When companies like yours want to get more out of your distributors, you should not try to change your distributors but you should start with changing your own behaviour, your actions and the way you manage your distributors.

Jan Flamend and Peter Tans (consultants in value based selling). Jan and Peter, both Belgian authors of successful books and consulting activities on the topics of value based selling and many other topics, taught me the basics of value based selling. They made me realize that companies spend, at best, time on developing value propositions for their end-users and how you can best do this. But after speaking to them I know that only few to none of the companies like yours, ever even think about their value proposition to their distributors. Why should distributors work for you? What is in it for them? Or still, how do you deserve your spot, your share of mind and share of their wallet in all the activities that your distributors can choose from?

Jos Burgers (author of *Geef nooit korting! – Never Give a Discount!*). Jos is a Dutch author and speaker. I had the pleasure of joining one of his seminars on how to never “give” discounts. It helped me understand how to maximize prices and margins to distributors. Jos helped me see how I could spend my sales time more wisely when trying to maximize my profit margins. Price negotiations are a game that you can easily win, if you understand the rules.

Simon Sinek (author of *It Starts with Why*). It only took a 15 minutes Tedx talk on YouTube to sensitize me for the mistakes we all make when presenting our products to our distributors and to end-customers. People do not buy from you for what you do. The reason they buy from you is because of the “why” you do it. Still, we like to mainly talk about *what* we do and *how* we do it. But it must start with *why*. Why are you doing what you do? What are you solving for your distributors and their end-users? Only then you should explain to them how you do it and what exactly you do to achieve all of this. Just reverse the order and you will manage to sell your products and services for their true value.

John Cleese (SPIN). Most of you know John Cleese from his acting work in *Monty Python* and *Fawlty Towers* and so many other funny performances. But John Cleese also created some interesting and entertaining sales training videos. One of them, unfortunately hard to find online, has been very inspiring to me. It was on how to stop talking and start listening. In a funny but realistic way the video made me understand how we, sales people, like to spend most of our time talking ourselves and we rarely listen and let our customer or distributor talk. The video made clear how you and I miss many

opportunities when trying to understand what adds value to our distributors and end-customers by talking too much and not letting the others speak. The SPIN listening skills will also help you in changing the way you interact with your B2B customers.

Chip and Dan Heath (authors of *Made to Stick: Why Some Ideas Survive and Others Die*). Today's successful communication is based more than ever on storytelling. The best way to sell is by having others sell it for you, since they are more trustworthy than you, the vendor. But good stories must meet a set of criteria to survive and stick. I have been inspired by the book *Made to Stick*. In my chapter on building a value proposition to your distributors, I will briefly explain how the acronym "SUCCEsS" in this book is a big help when putting together convincing stories in your marketing communication and when editing your value proposition.

A word of thanks also goes to **Kluwer Opleidingen** and to the **Institute For Business Development (IFBD)**. Both are renowned Belgian training institutes that have given me their confidence since 2012 while performing management training sessions for them on the topic of distributor management a few times per year. The trainees have inspired me to take the time to write this book. They made me realize that hardly any literature on distributor management was available until now.

And last but not least, a special thanks to publishing company **LannooCampus**. As a rookie author I had the pleasure of being surrounded by people that have guided me through the publishing process in a professional and enjoyable way. Thank you for your confidence and your trust.

After my consulting or training sessions with companies, many people came up to me and told me they knew the basics of what I had shared with them, but they all admitted that until then they were missing the structured approach and execution plan, the template to really make it all happen in their own company. This is the little dream that I have with my book. I hope that you do not only get the necessary building blocks to build or optimize your own channel house, but more importantly, that you go out tomorrow and finally start doing it.

March 2018



INTRODUCTION

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Those of you who are in training or consultancy know that today's training approach is no longer based on one-directional teaching, but on sharing, learning from others, exchanging thoughts and experiences between trainees. With more than thirty years of experience in international B2B sales and marketing management in different industries, both with multinational as well as smaller size companies, I believe to have developed a vision on distributor management that was worth sharing. How can you get more out of your distributors, rather than being frustrated about their lack of performance, continuous request for better prices and more support?

Through my management training sessions and by listening to my trainees I have learned that most companies are facing the same challenges with their distributors. So whichever industry you are in, the basics of how to optimize your distribution channel strategy will apply. My own experience is mainly built on the international sales and marketing of capital equipment and services in a B2B environment. If you are more into retail and B2C business, I still appreciate that you purchased this book and I hope it will inspire you.

FORGET ABOUT CHANNEL DEFINITIONS

You would expect me to start this book by extensively explaining the differences between distributors, dealers, wholesalers, agents, retailers and more. But no, I will not steal your valuable time for something that is widely available on the Internet. In this book I will refer to the general word “**distributors**” for any channel partner that is buying product or services from you with the purpose of selling and supporting it to end-users. They all

share the interest and purpose of generating profit with your products and services. I am sure that you will forgive me this shortcut.

Although I am aware of the sometimes significant differences between all of the channel types, my focus in this book will be on the business relationship with your existing and potential channel partners. The only rail changer at which we will make a short stop, is the question whether you should sell directly to your end-users or choose a deviation to the indirect channels track. Other than that I will continue to refer to all of the B2B channel partners as your “distributors” from here on.

THE BUILDING BLOCKS TO DISTRIBUTOR SUCCESS

Getting the most out of your distributors is based on three major building blocks, all of which I will cover in chronological order in this book.



RECRUIT
MANAGE
DEVELOP

You may already be working with distributors today, but no doubt you believe that too many are not performing to your full satisfaction. You bought my book for a reason. Whichever of the three building blocks your focus may be on today, it is always worth checking how you can optimize the other ones as well. All three building blocks are crucial parts of the foundation to successful distributor management. If you have a weakness in one of them, your channel house may collapse.

THE COMPLAINTS WE ALL SHARE

With some level of arrogance, I dare to state that you have the same complaints as many of your peers. My training courses always start with the question “What are your most important complaints about your distributors?”. Before reading the next paragraph, maybe write them down for yourself and then check below.

Here's what usually makes it to the flip chart:

- » They do not execute our strategy.
- » They are not performing well enough.
- » They are not spending enough time on our products.
- » They always try to negotiate prices.
- » They need too much support from us.
- » They always want exclusivity.
- » They create channel conflicts.
- » And more...

WHAT THIS BOOK IS ABOUT

Cesar Millan, the dog whisperer, helps people in making their naughty dogs obey and have them execute what the pack leaders, the owners, want. Or to be more exact: he trains the pack leaders on how to act differently to make the change happen.

Well, my approach in getting the most out of your distributors is no different. This book will take you in chronological order through all the important steps that it takes to develop a relationship with your channels that makes them work a lot harder for you. It deals in the first place with what YOU can do differently, by understanding better what THEY want and expect from you. It also deals with how you can turn your distributors from a customer that you try to serve today into an extension of your company that supports you and enjoys working with you as their preferred vendor.

WHO CAN BENEFIT FROM THIS BOOK?

When writing this book, I have always had multiple target readers in mind. My focus has mainly been on anybody working in an international but also national B2B environment. I wanted it to be valuable not only to experienced, but also to novice channel managers. I wanted it to be useful for companies already working with distributors as well as companies starting their development process outside of their home market. General managers, sales

managers, marketing managers, account managers, all of you will hopefully benefit from this book.

The more the book advanced and the more I started sharing parts of it with some of my business contacts, the more I started to realize that many distributors themselves would definitely be interested in offering the book to their suppliers as a gift. Well, I certainly won't try to talk them out of that, and I suspect neither will my publisher.

BOARD AT YOUR NEAREST STATION

I have tried to rank all relevant topics in a way that wherever you and your company are in the process of recruiting new or managing existing distributors, you can step in wherever you want. Depending on the progress you have already made, you can focus on any individual chapter in the book. However, I suggest that you board at the starting station all the same. I am convinced that you will still discover weak spots in your channel strategy that deserve and need further optimization.

WHAT YOU CAN EXPECT

Let me set the expectations right. I cannot bring you paradise, but I hope that after reading this book you will at least see it from here. The reason that there is no guarantee for success is because you still need the right staff to implement it all and you need distributors that show the willingness to grow with you as well. Unfortunately, that is not always the case, with some of your distributors being perfectly happy with where they are today. But also for the hardheads among your distributors, I hope this book holds a recipe for change.

Let me shed some light on the chronological approach of this book, on the train stations that we will make a stop at and why we do plan to make stops there.

THE DISTRIBUTOR MANAGEMENT BUILDING BLOCKS

Too many companies decide to conquer national or international markets without their corporate strategy well in place. Let us be clear, distributors are not an easy solution to a lack of strategic vision or lack of understanding of your target markets. Without the necessary investment in collecting market intelligence, performing market segmentation and understanding what brings value to these target segments, your plan is doomed to fail. Strategic planning is not only the mentioning of numbers that you dream about, it is all about the execution of your plan. Strategy is a journey and it can sometimes be one with a lot of unexpected obstacles that require revisions of the plan.

A good business plan will make it a lot easier for you to develop your supporting marketing strategy afterwards. One important topic within your marketing plan is your channel strategy. It is one of the famous 4 Ps (Place) in Jerome McCarthy's initial and simple to use 4 Ps marketing mix (Product – Price – Place – Promotion).

RECRUIT

Too many companies walk into the opportunism trap when bringing new distributors on board. In general, not enough time is spent on a clear definition of the desired distributor profile and therefore too many of the new distributorships are showing disappointing sales results. But this can be avoided.

After you have found your new partner, should you sign a distributor agreement or not? If you decide to do so, at least make it the right one from the very start. Too many companies would like to see their contracts changed because too much was given away too fast in their distributor agreements.

Equally important as recruiting the right distributors is the recruitment of the right sales staff. Sales managers dealing with a large network of distributors, national or international, are Premier League players in my opinion. They are managing a very large team of sales people in a usually large geographical region. The distributor's sales people are not reporting directly to you or

your sales manager and they are also not on your payroll. Making them work for you to your expectation therefore requires advanced sales skills, which unfortunately many do not have. I have been there myself and will share with you what I believe that it takes for the job.

MANAGE

We are often too focused on our end-customers and forget about the maybe even most important asset, our distributors. Many, if not most customers buy in the first place because of their trust in your distributor, not because of your products or services. Be aware of this.

The basics of value selling will help you understand why customers, but also your distributors, buy or don't buy from you. Understanding value based selling will help you understand the importance of developing your team's listening skills. They can and should be educated on how to sell differently to your end-users and to your distributors. And maybe even more important, I will reveal some tips and tricks on how to make your distributors and yourself make more profit margin this way. And increased margin is what drives your distributors. This is what will make them work harder for you.

Price negotiations are one of my favourite topics. Accountants often spend hours calculating cost prices down to the eurocent. And then us, the so-called best sales people on the planet, give that one percent extra discount way too easily and without realizing how much it affects our bottom line. What a pity. I will share with you how you can change the mind of your sales team and no longer give away unnecessary discounts to your distributors and your end-users. Like many of your peers, you may be wondering what a fair margin to your distributor should look like and why.

You will also learn that your true competitors are not the standard brand names that come to your mind when I ask you. You have other hidden competitors that determine your success rate when selling through distributors. Not market share but in the first place share of wallet and share of mind should become your focus from here on.

DEVELOP

Finding and having strong distributors in place is one thing, developing them to the next level is an even bigger challenge. Most important when working with distributors, is the creation of a different mindset. Distributors are not just your customers. They should also be an extension of your organization. They work for you and you pay them for that work with a reasonable distributor margin. Like you do with your own staff, you should give them targets. You must coach, train and reward them. If they do not perform well, be more assertive and do not lose valuable time while just hoping that maybe next year they will do better. Of course you will hear that the market is so tough this year, competition is more aggressive than ever. Fighting this, again requires high level sales skills.

Next to an extension of your organization they are indeed also valuable customers that deserve your highest level of respect. Measure their satisfaction more often and improve your business processes with them where possible. With the value selling skills that this book will help you develop, you will be able to discover yourself what truly adds value to your distributors. You will hopefully get inspired to try and find out how you can make their tasks easier and more successful. You will learn to better understand their gains and pains as a distributor and respond to it with a better distributor value proposition.

And last but not least, I will take you through the necessary separation process from distributors. Terminating distributor relationships is sometimes inevitable, but the process is often postponed way too long. The decision to do so should be taken more often and more quickly but requires careful thinking and full upper management support. I will elaborate in this book on how to minimize the potential negative impact on your sales results when taking the courageous decision to divorce from any distributor.

Our journey starts here.

1

DEVELOPING A CHANNEL STRATEGY



During my entire career I have experienced how difficult it is for managers to get a good quality strategic plan in place. Some claim they don't have time for it or even worse, that they don't see the added value. "The business is happening today", is their most common excuse. The development and execution of a strategic plan is a journey. You know that hurdles will pop up on the road to success. You will need to take deviations here and there. All of that is true, but not defining where you want to go and not communicating clearly to your team what your vision is and how you plan to get where you want to be, is asking for trouble and may paralyze your entire organization.

I won't spend much time on how to make the best strategic business plans. There are hundreds of books and "how to" articles available on the Web on this topic. What I do want to cover, are those sections of the strategic business plan that I think really matter to your planned distributor management improvement program.

*Failing to plan is
planning to fail.*

– Alan Lakein

For convenience, let us choose the following simplified template as a chronological guideline and work together from there. The general objective of the strategic business plan is to define where you want to be in a number of years from now and how you believe you will be able to achieve that ambition.

- » Vision
- » Mission
- » Company and business
- » Market
- » Marketing plan
- » Competition
- » SWOT analysis
- » Organization
- » Operational plan
- » Financial plan

Most templates include more topics, but I deliberately keep it basic and limited to the most relevant chapters. It is better to focus at least on these few than not doing any strategic planning at all.

Vision

If you want to inspire distributors to work harder for you, do not limit yourself to just mentioning how much revenue the CEO wants to achieve in three to five years from now. To them that number is just somebody else's dream and it will not excite them. Why would they care? However, if you share with your distributors a promising and credible vision on what you think is going on out there in the market, if you share which opportunities you see on the horizon and which potential profit it may generate for all of you, then you will get their attention.

That inspiration and excitement should not only be shared with your distributors but also with your own staff. You can't expect magic if you don't inspire the company staff which deals with your distributors every day. Or as author, motivational speaker and marketing consultant Simon Sinek put it in a tweet:

Customers will never love a company
until the employees love it first.

— Simon Sinek

Your staff and distributors will never love your company and work hard for it because of the ambitious revenue target of the CEO. They will love it for the vision that your company shares, for the trust that you show in seeing something that hopefully other vendors don't see. They will love you and embrace you for having ideas that can potentially generate a bright future for all of you. That is why vision matters.

It takes only four minutes of your time to understand what I mean. Go to <http://bit.ly/1F1SQgO> and watch John F. Kennedy's speech to Congress on May 25, 1961 in which he asks for the funding of NASA's space program. According to Kennedy, America had to play a leading role in securing peace around the world. It could do so by requiring a dominant position in space. Therefore the nation's mission was to put a man on the moon and bring him back safely to earth before the end of the decade.

If you were a NASA staff member in 1961, how could you not get excited over working for the space program in those next years until the end of the decade? That's how you develop motivation. That's how you find partnering distributors and a driven team that are willing to work hard for you.

Mission

A lot of discussion exists on what a good mission statement should look like. I like to refer to it as “the marching orders for the troops”. And as I will explain further, your distributors are not only your customers. They are part of your troops and should be handled and instructed as such. They should not act like volunteers that can decide to join some of your operations one time and step out from or be less active at their convenience and discretion in the ones they like less. But this means that you as a company have to be very clear on where you want them to go next and what role you expect everyone to play in achieving your objectives. Just saying that you will meet them at the top of the mountain, is generally not going to lead to the success that you are hoping for.

In your vision statement you predict what will happen, what you hope to find at a certain place and time in the market in the future. The mission statement on the other hand should help all stakeholders to understand how you want to get to that promising market spot. It is the road that you jointly chose to take, the track you want everyone to agree upon and to follow in the climb. If your distributors are not on that same mission, you should not be surprised that some do not show up at the agreed meeting point at the agreed time. They may have encountered obstacles and chosen other more interesting routes or may have dropped out without telling you. I generally refer to it as still taking orders from their customers, but not selling anymore.

Once again, do not lose valuable time in exploring the exact difference between vision and mission. Focus on developing a message, an inspiration to your team and to your distributors, that makes it clear what you believe

in, what you expect to happen to your market, why that is and how we can all benefit from this. Just inspire.

Company and business

This section of your business plan should cover the nature of your business. Seek confirmation with your distributors on what drives your and their business. Which are the external factors that may influence the mission that you have defined? A current example is the impact of low oil prices on the Middle East business potential for many companies. Who are the customers that you are selling to, the end-users? Who are the decision makers in the buying process? How do your customers generally acquire your products or services? Which kind of training and support do your customers expect? Which trends do you see in the customer expectations and e.g. in the logistic processes? For me this is another important box that needs to be ticked early in your strategic planning process. Failing to do so may cost valuable time in developing and executing the rest of the plan with your internal and external stakeholders not coming to an agreement on the marketing planning and other key topics due to disagreement on the basics of your industry and your business.

Market

Why are you in this business? Why does this market need your products or services? Which market segments are you or should you be addressing? Where do you see most of the opportunities? The Boston Consulting Group Matrix, Product Market Mixes, MaBa Matrices (Market Attractiveness/Business Attractiveness) and other tools can help you define the most interesting segments for you to focus on. Decide whether you want to play in the high end of the market or rather the value segment with lower prices and with more focus on volume. Look into geographies, demographic segments,

application segments. Use any tool that works best for you and your team, but at least go out and do it. Your company's financial means are probably not unlimited. If you are a midsize company, a decision on what you will not do, is equally important as deciding which markets you *do* want to penetrate.

Your distributors will prove to be a very important asset in your growth strategy. You have choices to make on where your time and money will probably generate the highest return on investment. Your decisions on the market segments will and should also drive your choice of distributor types. Fail to pick the right segments and partners, and results will be below expectation. Do not blame the distributors in the first place if you did not take the right or even no decision at all on which segments you actually wanted to focus on. The idea that you best randomly shoot all over the place in order to hit something, usually is not the smartest strategy.

*The essence of
strategy is choosing
what not to do.*

– Michael Porter

We will also discuss the importance of evaluating your current distributors and bring them to the next level or worst case separate from them if there is no alignment with your segmentation and required distributor profiles. We will extensively talk about distributor profiles but segmentation is one of your key decision parameters on the best profiles, on their physical location, on the number of feet on the street that you will need, and more.

Setting financial targets with your existing or new distributors requires understanding of market size and of competition. Equally important is the knowledge on end-user and distributor market prices in the segments that you are exploring. No price negotiation with distributors will ever work to your benefit if you enter the ring with little to no reliable information on and no understanding of the net market prices. Who are your competitors, what is their value proposition? What is your value added? All of this needs to be carefully evaluated if you want to have a fair chance of maximizing your prices and profit margin. We will cover this extensively later.