

## Will Your Distributors Support Your New Product?

Successfully introducing a new product is difficult enough when you sell directly to your market. Through distribution, the task can be much harder – or much easier depending on your relationship with your distributors.

For over 60 years, The Small Company\* had dominated the utility market with a continual flow of new products. The latest was a patented product so energy efficient it had captured a 40% market share in its second year, selling at a premium price. The company's sales engineers had close relationships with the engineers at each of its customers, often providing application engineering thus blurring the line between themselves and their customers. This generated a continual flow of new product ideas that furthered Small's leadership.

The Small CEO thought this latest new product would be an ideal entrant into the general manufacturing market owing to its remarkable efficiency. They invested heavily in a thorough exploration of the industrial market, followed with extensive development and testing of a downsized product based on the patented technology. But where they sold directly to the utilities, they would have to go through distribution to reach the industrial manufacturing market.

The product flopped. Competition, distributor support, pricing – management couldn't agree on the reason.

That's how we became involved.

The product met a definite market need. However, while it was particularly efficient, while competitive literature focused on efficiency, and focus groups stressed this factor, after about a month, the distributors came to realize that efficiency didn't drive the purchase. And they didn't feel it was their job to find out what did. Small failed to understand key relationships: manufacturer to distributor, distributor to the user and manufacturer to user.

A distributor's business is built on strong relationships with their local customer base, often providing a wide variety of product, with little allegiance to any one. While they seek new products to offer their customers, they generally don't have the depth of technical skill, the time, or the resources to pioneer the introduction of a new product, particularly a new technology to their customers. And they are not willing to risk their customer relationships on your new product.

The distribution network fell apart. Small's program failed for two key reasons:

- No understanding of the full value proposition
- No understanding with their distribution of their mutual roles and responsibilities.

The first point is critical for success in the market – you have to know what you're selling. And when you're partnering with distribution for the introduction of your new

\*The company has requested anonymity.

product, a detailed agreement on each party's responsibility to the needs of the end user can energize distribution.

### **Reintroduction and the "Marketing Contract"**

First, we needed to determine the core essence of the purchase. With six sigma, cell manufacturing and JIT, the essence, not surprisingly was reliability. Our client had to prove that they offered significantly greater reliability than anything on the market.

Small's engineers reexamined the design, making several changes to enhance the reliability of the product. They eliminated other expensive features critical to the utility market but of no value to the manufacturing market. The net manufacturing cost of the product actually decreased.

Management hosted a meeting of all distributor principals. Over a two day period, we moderated a series of discussions to create a joint vision of the market. Based on this vision, both the client and distribution prepared a written "Marketing Contract" detailing the activities and responsibilities of both the manufacturer and the distributor.

Together they examined all facets of their relationship, the customer relationship and how they, working together could deliver the total reliability to successfully capture the market. Their discussions covered the usual issues of parts availability, service, training, warranty, and back-up units. But it went further to consider other eventualities, conflicts and crises, putting a framework in place for fair resolution with no impact on the customer.

This agreement required considerable effort on everyone's part. But thinking through those situations where conflicts become crises, resulted in the establishment of a firm relationship. Both sides felt they could quickly resolve their conflicts without impacting the overarching goal of delivering a consistently reliable product.

Our client had the agreement printed up with both their signature and the distributors. Several of the distributors turned an edited version into a strong selling tool.

The introduction commenced, Small and distribution working together. They now dominate this segment and with the original distributors still part of the team. The agreement has undergone several minor revisions but never in the heat of a crisis where the customer's performance is jeopardized.