Are Your Marketing Dollars Supporting Your Channel Strategy?

Manufacturers drive awareness, distributors drive sales

As manufacturers and distributors prepare for their joint 2002 planning, both need to first develop their individual 2002 plans.

Every manufacturer has growth plans for 2002. The question is how? Most say new products and increasing market share – but can everyone increase their share?

The winner – those companies that capture share of mind of their channel and are the best marketers – not the best advertisers.

Manufacturers use advertising to end-users as their primary communications and marketing tool. While much advertising focuses on the product (promoting features and benefits), customers support distributors who do not stock the advertised items. Why? Because **customers know who they want to buy from** and **do not have a compelling reason to request a particular manufacturer**.

Manufacturer marketing to distributors is minimal – referred to as their sales organization, some "tools', ad hoc training and promotions and rebates.

Many try to "create, enhance or reinforce" their brand(s), hence "you (the distributor) should stock our products and increase your commitment to us – we will drive customers to you."

Manufacturers believe that customers request their products. The reality, based upon customer interviews and surveys, is that customers want on time delivery of the "right" material, product availability and competitive pricing. "Specified/requested" manufacturers are infrequently mentioned – customers expect product quality and believe similar products work similarly!

The question then becomes, *who has product "power" in the channel – manufacturers, distributors, or customers?*

Or another way of asking the question is "*Are manufacturer-marketing strategies focused on helping distributors "make the sale"?*

Advertising vs. Marketing

Advertising is important. It creates awareness of a product and showcases an application for the product. The challenge is that most advertising does not have a "call to action". Questions like

- Why buy?
- What is different about this item/ this company?
- Where is it available?
- What else do I need to know and where can I get the information that I need?

are rarely answered in an ad.

All of this is important to the reader.

As a test – ask yourself this question – in reading the typical trade publication (EC, EC&M, TED, and EW), which products that you haven't heard of do you need to stock, or want more information, based upon the ad?

Also, depending upon the magazine's audience, the issues are different – different publications warrant different copy – even if the ad needs to be a little smaller to accommodate the budget!

While some manufacturers promote their company and products well, most lag. In the opinion of one distributor, "manufacturers are usually good if they are more consumer-oriented." And in reality, aren't our customers consumers?

Branding vs. Marketing.

Branding is "a trademark or distinctive name identifying a product or a company." **Marketing** is the "commercial functions involved in transferring goods from producer to consumer."

While the marketing description is broad, in essence, it focuses on all of the touch points throughout the channel that are required to sell a product.

In short, *marketing is about integrating strategies* and *branding is about name awareness, or mind share*.

Many manufacturers measure their marketing effectiveness through the *Electrical Contractor* studies relating to brand awareness and name recognition. But is knowing, or recalling, a name, enough? Does it generate a purchase?

No. The proof is that manufacturers lament the fact that customers will not pay a premium for the product.

What needs to change?

Manufacturers need to more fully develop integrated approaches. Additionally, distributors need to ask, "Why does someone buy from me?" and then develop strategies to promote their USP (unique selling proposition).

Once a distributor understands why people buy from them, next is developing / enhancing joint strategies with key suppliers. The concept of account-specific marketing is successful in many industries, and will significantly impact distributor sales with selected manufacturers, and providing ancillary benefits for the distributor with non-participating manufacturers. The key is doing something.

Distributor efforts. Branding is foreign for most distributors. Most have not taken the time to determine why current customers buy from them and why prospective customers should buy from them. Yes relationship, quality of people, knowledgeable staff, and access to quality lines are important - but if everyone says this, doesn't this just level the playing field?

Most distributors consider branding as usage of their logo. According to one distributor, "*branding means that when you see a company logo, or hear the name, you associate it with the company's product or service*." Branding needs to go beyond t-shirts, hats, mugs and golf balls. These are elements of a branding strategy, more are needed as branding as a standalone activity, and will not impact sales or profitability – marketing will.

For branding to be successful, there must be:

- Vision
- Top-down commitment
- Long-term financial investment to start, and keep, the effort alive, and
- A willingness to understand the value you bring to your customers.

Once a distributor begins the process there are a number efforts that are essential to "keeping the brand alive", one of which is developing a set of metrics to measure yourself. Two concepts from the automotive industry to consider are a Customer Satisfaction Index (for post-sale measurement) and a Sales Satisfaction Index (for the sales/quoting process).

National chains have name recognition, but is that because of their size and naming consistency or due to their efforts to build a brand? And what does their brand mean to customers? to manufacturers?

Overall, distributors do a poor job branding themselves – most times due to lack of a commitment to market their company.

Manufacturers are not much better.

To the channel, manufacturers participate in marketing groups to achieve "preferential status" from the principal of the distributorship (a form of branding), conduct product advertising in TED and other trade publications, periodically offer promotions and utilize their sales organization.

To end-users, manufacturer efforts primarily focus on one-way communication – product advertising. Yes they participate in tradeshows, have sales organizations that call on end-users and some conduct end-user promotions, but with all of this "marketing", why do customers consider a manufacturer's brand as fourth on their purchasing criteria (after issues of price, availability, function)

Why manufacturer branding efforts are not as successful as desired.

1. Distributor support. As surveys show, distributors significantly influence end-user purchases. If manufacturers do not reinforce their value-added throughout their channel, hence capturing share of mind, shelf space or preparing the distributor salesperson for up selling opportunities, the distributor will sell the customer what they stock, make more money on or know the best. Distributors have the power in the channel as they determine what is sold in a local marketplace.

2. Most manufacturers do not have a communication channel to customers. For a communication channel to exist there must be two-way communication. Manufacturers that are good marketers have strategies to communicate directly, and more than just a sales relationship– mostly focus. If manufacturers want to influence the customer, they must "talk" to them.

From a manufacturer's viewpoint, there are two ways to enter a market; a "low price" strategy or a "name recognition" strategy. Many small companies and foreign companies, especially if they sell "commodity" items, take the low price route, putting pricing pressure on others. Others take the name recognition approach. This is the "high road" and can be profitable, but to have growth, manufacturers must become more holistic in their marketing strategy.

To develop integrated approaches, manufacturers must:

- Involve the channel in their strategies
- Provide support to distributors (more than co-op dollars)
- Develop better tools to facilitate communication within the channel and

- Identify vehicles that support customer-to-manufacturer communication.

Until manufacturers identify ways to create a "relationship" with end-user customers, and culminate that relationship with a purchase (which won't happen for a long time, if) distributors will continue to retain power of end-user. So what should a manufacturer do?

1. Focus on your relationship with a few marketing-oriented distributors in each marketplace.

2. Develop integrated strategies that involve key distribution. This may not involve all of your distributors, perhaps a regional approach or strictly for "preferred" distributors.

3. Consider their rebate programs as a component of their branding strategy. Evaluate the ROI, and channel those dollars to growth opportunities – key customers, distributors providing value-added services, develop new evaluative criteria (market share, % of accounts that purchase, new product support – be creative).

4. Convert your rebate programs into integrated business building strategies designed to take share. Through such an approach, support can be channeled; mutual expectations are set and a trade marketing ROI can be established.

5. View advertising and awareness as a component of a branding strategy. Why should someone buy your products? Why should they buy from your company? The answers to these questions need to be marketed to your distributors.

6. Educate your salespeople to support distributor marketing efforts.

Branding Questions to Ask

Here are some questions to ask yourself in reviewing your "brand".

1. What are the tangible characteristics of my product and/or services?
2. How do customers benefit by doing business with my brand?
3. What emotional benefits result from using my products / services? How does this make the customer feel about me?
4. What does "value" mean to my customer?

These questions focus on understanding the customer's needs, not perceiving what "you" feel the customer should need.

In speaking to one manufacturer, "*Branding is one an outgrowth of a strong marketing* or strategic planning direction. A marketing plan will be full of action steps that will also develop the brand of the company."

Who are some manufacturers that are good "branders" (defined as the customer requests their product)? According to an informal survey of distributors: Leviton, Lutron, Wiremold, Erico/Caddy, Crouse-Hinds, Panduit and Hubbell Wiring Devices to name a few.

Does this mean that others are bad? Not necessarily, it just means that they did not capture mind share with these distributors. But in the words of one manufacturer, "…as a whole the industry would get a 5 on a scale of 1-10. Everyone does name identification but beyond that there are only a few who understand and practice brand marketing."

Bottom Line

For manufacturers who believe that they offer a competitive difference to distributors and end-users, reevaluate your marketing strategy. Ask

- Does it integrate distribution?
- Do I effectively communicate to my customers?
- Who do I feel are my customers?
- Do I have vehicles in place to develop two-way communications with every audience base?
- Am I getting an ROI from my rebate programs?

For distributors consider:

1. how you can measurably differentiate your company from your competition
2. investing in understanding your customers' desires
3. developing strategic marketing plans
4. Identifying those manufacturers who support you in multiple ways.
5. Measuring the overall value of a manufacturer to your business (perhaps a manufacturer support index?)

Remember, branding is not just logos on line cards and t-shirts. Branding is about defining yourself, determining the customer experience and promoting your values.

Through effective channel marketing strategies, distributors and manufacturers can together grow their businesses, and in an economy where everyone is looking for the upturn; statistics, and history, show that those companies that maintain, or increase, their marketing efforts typically come out of a downturn sooner and experience significantly higher market growth.

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