

How to Create a Killer Channel Strategy

by Glen McCandless, Focus Marketing Inc.

At the March 2002 Education Industry Investment Forum in Phoenix, Peter Grunwald (market research expert) polled 100 executives attending the opening session. He wanted their opinions on a number of hot topics. One of those questions was about channel strategy for online products.

How would you answer the following question?

What is the best way to market an online instructional product?

- A. Feet on the street
- B. Print media
- C. Television
- D. Web-based viral marketing
- E. Other

If you answered “A,” you had plenty of company. It was the choice of over one-third of the respondents, and the top pick by a big margin. Yet “A” is hardly a way to market a product!

I wasn't all that surprised at the results of the survey. “Feet on the street” has been (and still is) the defacto channel strategy for companies offering products and services to schools. I talk to many executives who are launching new companies and call me to ask, “Do you know any resellers who would be interested in carrying my product?”

A much bigger and more challenging question should be asked. That question is, “What is the best ‘go-to-market architecture’ to take my new product or service to the schools?” And, in order to begin putting together the pieces of that puzzle, to create the “killer channel strategy,” you need to know when the associated cost and efficiency of field and other channels is appropriate.

While many companies serving the educational markets use both direct and indirect channels, it seems that few companies realize that improper selection or utilization imposes high cost and usually leads to poor return on channel investments. The strategy I see most often is not strategic at all. It is very tactical: finding dealers or hiring sales people. This approach is of particular concern when you consider the dizzying array of products and services offered to schools today. High-tech products run the gamut from simple and low cost to very complex and costly. And while the number of products being offered has skyrocketed, buyers are more savvy, more demanding, and more in control of their purchasing behavior. The proliferation of catalogs, online stores, and other low-cost, high volume channels has given buyers more control than ever about what they buy, where they buy it, and what they pay for it.

Now, channels that were once a good fit are delivering lower profitability. And while the capabilities of your channel partners for selling and supporting your products are critical, it is also important to ensure that the channels work for you (make money) and meet the needs and goals of your customers. You cannot assume that your customer's buying preference today is the same as it was yesterday, yet that is how many education companies approach their channel strategy. A more thorough evaluation will reveal the impact your channels have on cost, efficiency, and suitability for selling new or existing products.

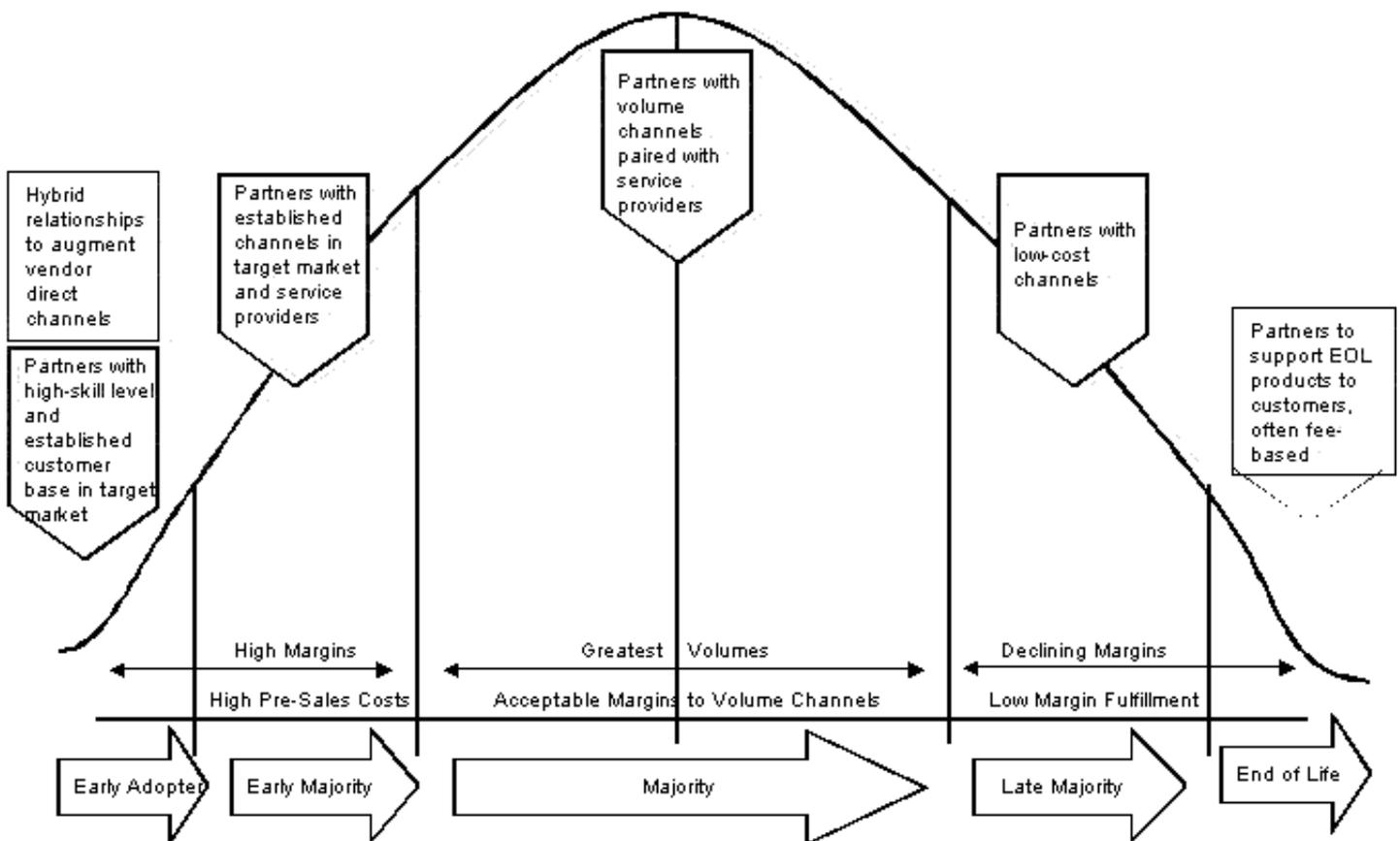
In addition to evolving buyer attitudes and behavior, the best channels for selling and marketing your products and services vary over the life of the product. Many companies try to push all their products through the same channels regardless of their life cycle stage. It is more efficient to align the two.

In the earliest life cycle phase, buyers need more support than they do for mature products. Sometimes, for new product categories, much of the support is educating the audience about product capabilities. Later, hybrid models often provide the right level of efficiency, but are typically put together with little regard to potential channel conflicts or buyer preference Selling To Schools – The Edu-Market E-Magazine.

Instead of the “more is better” approach, I recommend an analysis of the role of each channel in delivering the range of sales, marketing, and support tasks necessary to attract and keep business. View the channel and product life cycle chart below:

Where are your products in the cycle? Do your channels map to the characteristics of the stage? If you have a channel that carries more than one product you offer, make sure that the channel is suitable and has the right infrastructure and cost to match the phases where your different offerings may be.

Product Life Cycle Channel Map



For example, a new courseware authoring system may move best through direct sales channels or school-specialty VARs during early-adopter and early-majority life cycle phases, but sell more profitably via volume distribution channels in peak or declining phases.

Does all this seem very complicated? If you think so, you're right. Good channel design is hard work, and there are only a few people with the experience and know-how to do it right. The evidence is all over the place as companies with great products go out of business due to escalating cost of sales, often due to channel mismatch. As we enter the slow season for the school markets, when you find out whether your hard work over the past nine months paid off or didn't, I encourage you to take a deep breath and apply some of information I've given you here to tune-up your company and channel-- or possibly, blow up a channel! I promise you this is an investment of your time that will pay off many times over as you create the ultimate competitive weapon – a killer channel strategy!

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