FOUR BEST PRACTICES TO ENHANCE ENGAGEMENT OF DISTRIBUTION PARTNERS

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Distributors play a pivotal role in the growth of businesses, especially for consumer driven companies (FMCG and FMCD) who need effective coverage and servicing of retail outlets for sustained growth and market share gains. However, many companies approach this relationship from the perspective of being channel financiers and drive the engagement of distributors on the basis of ROI. Sales people also engage with them as external entities in the value chain and not as an extensions of the organization. This leads to periodic conflicts and churn.

While the foundation of the distributor relationship is built on the principle of infrastructure, investment and involvement (the "3 I's"), the involvement pillar is many a times left to the distributor. Also, the investment risk taken by distributors is factored in ROI and not given adequate attention in the day to day go-to-market strategies of organizations.

In my experience of having set up distribution for consumer companies as well as advising some of them on sales performance improvement, I find four best practices that, if incorporated in the management of distributors, could significantly improve the health of the entire distribution chain and in turn can help in the achievement of strategic business goals.

1. **Impact Assessment of New Distributors on Existing Distributors**: Organizations view distributors as bringing finance and the requisite infrastructure into the last mile chain. In order to achieve growth objectives, field teams find distributor addition as one of the routes to expand reach and build inventory and investment in the value chain. The impact on existing distributors of such additions is normally reviewed informally and left to field discretion. One noteworthy practice observed in an organization was to mandate an impact assessment study in the new distributor appointment process, i.e. checking the effect of the new distributor on the existing distributors' sales, ROI and engagement. There needs to be a justification for new addition in that market and a review by head office leadership to ensure the decision in each case is appropriate and fair. This leads to significant confidence of distributors in the fairness of the parent organization and therefore the likelihood of business continuity.

2. **Induction of New Distributors to Bring Alignment and Engagement**: In a sample survey conducted for an organization on how new distributors felt after six months to one year, we found that they lacked clarity on policies, had issues navigating system for support and invariably used sales peoples' time to resolve issues leading to disillusionment, which normally sets in quickly due to mismatch between the rosy picture shown prior to appointment and post appointment realities. Unfortunately, a structured induction of new distributors is a not a normal practice, but one of organization that I studied had seen this as a critical step early on and decided to invest in a structured induction process for all new distributors at the head office. It gave a strong identity, respect and comfort to the new distributors and enabled alignment on expectations and ways of working.

3. **Structured Performance Management**: A distributor is expected to perform all those functions that otherwise the company would have done if it was to service the market directly: Must Sell SKU's, range selling, reach and width, key outlet management, inventory and credit, etc. While all organizations review distributors' performance, the parameters are output driven KPI's largely related to sales and distribution and omit critical components of distributor role as envisaged under the 3 I concept. One company that I studied reported a very strong process of reviewing key distributors through a score card/health card process, in addition to regular MIS reports at least once a quarter. The company coached and aligned both the team and the distributors on the process to bring joint accountability for mutual success.

4. **Separation of Distributors:** Just as products have a life cycle, distributors also go through a life cycle where a certain percentage of exits happen for a variety of reasons every year. Organizations often do not really build a robust process to ensure exits are well managed and are not acrimonious. Organizations fail to understand that the local retail channel would usually buy the side of the story given by exiting distributors about a company's high handedness and mismanagement. It makes the task of appointing a right new distributor more difficult and also impacts the loyalty of the retail channel. One of the organizations that I was lucky to work with had a detailed and timely process to manage a cordial exit, including inventory transfer and assistance in his receivable collection. Both the attrition percentage and timely closures were high on MD's agenda in the monthly MIS of each division.

Just as organizations invest in Product Managers and Category Managers to drive product life cycle related decisions, it would pay to invest in a structure for the management of distribution to guide, support and extend the productive life cycle of each capable distributor and extract the maximum gain for mutual success.