

Keep Channel Relationships Strong

by Ronald L. Shaw

Today, wholesalers and retailers expect more from manufacturers than ever before. Findings from a study of some of the nation's top wholesalers and retailers point to three major factors that drive relationship strength between manufacturers and the trade: *Partnership Attitude*, *Category Management Expertise* and *Ease of Access*.

Factor #1: Partnership Attitude

The first major factor in trade relationship strength is the presence of a healthy 'partnership attitude'. Today, the concept of 'partnership' is being examined and re-evaluated from all angles. The ability to identify the *mutual costs* and the *mutual benefits* of the partnership is at the center of the discussion. Essentially, there are two components of a healthy partnership attitude:

Mutual Focus on the Consumer—The first component of a healthy partnership attitude is the willingness of both partners to keep the focus on the *consumer*. It's no secret that over the years, the balance of power has shifted between manufacturers and the trade. Nevertheless, all trading partners must acknowledge that the ultimate customer is the *consumer*.

Mutual Trust & Respect—The second component of a healthy partnership attitude is actually two sides of the same coin—*trust and respect*. 'Trust' is the thing that holds the relationship together, while 'respect' is the residual effect of sustained trust. For trust to grow, there must be *reward sharing*, and it must be *fair and equitable*.

Factor #2: Category Management Expertise

The second major driver of trade relationship strength is 'perceived expertise in category management'. Category management is a complex system of knowledge and skills that holds much lure for the trade. Wholesalers and retailers expect manufacturers to have this tool and be very good at using it. It's an opportunity for savvy manufacturers to 'show their stuff' and gain real competitive advantage. Skillfully used, category management expertise links *consumer expertise*, *efficient consumer response* and *promotional efforts* to maximize profitable category growth.

Consumer Expertise—The first component of category management expertise is 'consumer expertise'. This is at the heart of effective category management. It's a powerful knowledge base that's rooted in research and empowered by solid strategic thinking. The manufacturer has the big picture, but the retailer has the local view. The trade expects their suppliers to not only *have* consumer expertise, but to *share* it with them as well.

Efficient Consumer Response—The second component of perceived category management expertise is excellence in ‘Efficient Consumer Response’ (ECR). As in the world, it’s all about economics. ECR has been identified as a \$30 billion opportunity in the United States alone. Demands for excellence in ECR have grown immensely and there’s a new sense of urgency. The case is very compelling: a dollar saved goes directly to the bottom line.

Wise & Effective Promotional Programs—The third component of perceived category management expertise is ‘wise and effective promotional programs’. Wholesalers and retailers are learning to view promotional programs as category-building opportunities and not just as quick wins for their bottom lines. Wise and effective promotional programs help translate consumer expertise into incremental profits in the short term *and* the long term. Moreover, while promotional programs are still critical to the financial success of many in the trade, there are different views on what constitutes effective program design. Nearly all agree that the programs need to be *fair and equitable* and most expect the design of promotional programs to be a *cooperative process geared toward mutual benefit*. Perhaps more than any other activity, promotional programming reflects the extent of a manufacturer’s alignment to the trade’s business strategy. The trade expects manufacturers to know their business strategy and to help them implement it through wise and effective promotional programming.

Factor #3: Ease of Access

The third major factor that drives trade relationship strength is ‘ease of access’. It involves access to *decision-makers, resources and information*. It is seen as the clearest evidence of the partnership attitude described above.

Access to Decision-Makers—The trade expects to have access to the manufacturers’ decision-making authorities. Unfortunately, the *lack* of access to key decision-makers is currently frustrating them. Having this access is seen as evidence of a healthy relationship—*not* having it is seen as evidence of weakness in the relationship. The discrete buy-sell *event* has given way to a *relationship* that requires each partner to be empowered to act quickly on behalf of the other. Consequently, the trade wants to see *continuity and accountability* in the ranks of Sales, Marketing and other key groups in order to build relationships and achieve mutual benefits.

Access to Resources—Today’s economic realities put even the best of relationships to a real test. Retailers and wholesalers caught in a profit squeeze are leaning more on the resources of their best suppliers. They want manufacturers dedicated to their business who will care about them and help them develop and implement plans for category growth and cost reduction. They expect the savviest manufacturers to provide these resources knowing that it will pay off for *both* sides in the long run. Failure to provide these resources is viewed by some as lack of commitment in the relationship.

Access to Information— Wholesalers and retailers expect to be informed and advised, *not pandered to*. They expect meetings and other forms of communications to be clear, concise, information-packed and results-oriented. It’s a more business-like environment than before. The stakes are higher. Accurate information and easy access to it fosters a healthy business *dialog*. Ultimately, trading partners that learn to trust each other with key information stand a far better chance of making wise business decisions that benefit all parties involved.

A Prescription for Strong Trade Relationships

Here are some tips for building and keeping strong trade relationships:

1. Assess trade partner attitudes on a regular basis. Determine which trading partners are most valuable to your future success and interview them at various levels within their organization, and across functional areas. Find out how they *really* feel about your company's policies and practices.
2. Revisit the key drivers of trade relationship strength on a regular basis. The drivers listed here are a good place to start, but the relative importance of these factors will change over time as new benchmarks are established and new factors are identified. Keep up to date by revisiting the process at regular intervals—at least every two years. Bridge the time gap and illuminate findings with interim focused discussions.
3. Use a variety of modalities from one time to the next. As an example, if you usually interview merchandising managers *individually*, next time you may want to talk with them in the context of small, cross-functional round-table discussions. This could provide a different look and additional insights.
4. Interview key customer contacts face-to-face if possible. This can improve the validity of the information gathered, because it sometimes promotes more complete self-disclosure. Plus, you can get additional insights from non-verbal communication.
5. Communicate the results of the assessment to trade partners. Tell them: a) what the key findings were, b) what you'll do to act on the key findings, and c) what these actions should mean to them.
6. Make real, continuous process improvements based on the results. Use your trading partners as a *sounding board* for alternative improvement scenarios. Find out what they think will and will not work—and *why*. Engage them in the process. Then *really* surprise them—actually *use* the research results to drive continuous improvement.
7. Approach the effort as a 'research' initiative rather than a 'sales' initiative. Use an *independent* resource rather than your own employees to assess the strength of your trading relationships. 'Perception of bias' is inevitable in self-conducted research and the respondent may think the interviewer has a hidden agenda whether or not that's really true. Information must be *unfiltered* and the perception of bias must be overcome for the results to be fully accepted on both sides of the relationship.

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