

Managing Expectations to Enhance Distribution Program Success

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If the phrases sales productivity, total quality management, and teams are common in a company's vocabulary, philosophy, and operating style the process described here could be very helpful. If a company goes to market through distributors, or independent representatives, this process will be even more helpful. The objective of this article is to share a process, which has been used effectively but not broadly in actual business practice, and to expand its application in business and industrial marketing.

Expectations

The Theory

If you have clear, quantifiable, measurable expectations between a manufacturer and its distributor or rep network, and both parties act on those expectations; the relationships, revenues, and profitability of both the manufacturer and the distributor will improve.

The concept underlying this process is that distributors and independent representatives are really an integral part of a company. They are more than a channel, they are a part of "the family". For consistency's sake, the whole "family" needs to be a part of a company's sales productivity and quality process. There is really no time nor any room in today's business environment for anything but complete understanding and consistency of purpose up and down a company's channels of distribution. A company must accept the concept that these channel members are really "family", with the resultant need to exhibit the openness and candor that the word family implies. The process described here could be adapted to a dealer network or other major channel. The objective, simply put, is to get everyone marching in the same direction to the same drummer.

The Joint-Expectation Building Process

The First Step: Leadership

An individual or a group needs to have the deep-seated

opinion and desire that it wants to heighten the effectiveness and productivity of its distribution network. The leadership needs to see that this will be an internalized long-term process and continuing operating style and not a "program". Programs come and go. Once you start this you really cannot stop it without damaging your credibility and relationships.

The Second Step

The leadership needs to form a team of eight to ten key people. Included on that team should be those functions that have a direct stake in, and contact with, their distributors; such as sales, marketing, customer service, finance, credit, technical support, service, product engineering, business development, etc. If the company is a TQM adherent this could be a good "task team" exercise. Participation from different levels of the organization is also recommended. As a preface, this team needs to understand the whole *expectation* process that this article describes before tackling implementation of the process.

The team's initial problem, or task, is to identify the key characteristics, or *expectations*, that the company has from its distributors. A vigorous brainstorming session is recommended and will probably produce 30, 50, maybe 100 or more ideas! Some will be broad strategic ideas, others will be minor tactical details. It doesn't matter.. the point is to get the ideas up on the chalkboard or chart pad. Some participants may not have had a positive experience with previous brainstorming efforts or may see it as redundant because "we already know what we want them to do". I would strongly urge you not to be unduly influenced and not minimize the importance and effort of this first step! The ground rules for effective brainstorming are:

- Generate a large number of ideas.
- Unbridle the imagination, let anything fly!
- Do *not* criticize during the process.
- Let everyone participate.
- Record all the ideas.
- Let the ideas incubate, after you have drained everyone's mind!

Then have each team member vote for their top five choices (5 points for choice 1, 4 points for choice 2,

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3 points for choice 3, etc.; and 1 point for each time the idea gets a vote) to prioritize the top 5, 8, 10 expectations, or however many the team decides. (You may have heard this referred to as the Delphi ranking system.) *A good facilitator can be extremely helpful for this whole process.* The next step is to define each expectation with a crisp, succinct, two- or three-sentence paragraph. As an example; let's say that one of the expectations was "Technical Competency". Define what that means in the context of your business. Another expectation could be "Inventory"; a third could be "Advertising and Promotion". Whatever the expectations are, they and their definitions are expected to be unique to the company and its products.

After the team has come up with their top expectations, they need to "weigh" their final listing. As an example, the first item may have received five times as many "points" as the eighth or last item. (The last, or last couple of expectations, will always be worth "1".) Assuming they end up with eight key expectations, their "weighing" may look something like this: 5,4,4,3,3,2,1. The next thing the team is going to do is have the select few personnel who have intimate knowledge of each distributor "grade" each distributor against each of the "weighed" expectations and come up with a total score. Those personnel could be the same team, plus the sales person, sales engineer, or account manager. It could be a different set of people for each distributor. It is always a "team" that executes the grading, not an individual sales rep or customer service rep. When this step is finished, the results are temporarily filed in the desk drawer or the computer. See a simplified version in Figure 1.

(Scores from 5 to 1... 5 "high", 1 "low")				
This represents how the manufacturer perceives the rep, or distributor				
Expectation	Weight	Score	Total	Comment/Suggestions
1. Management practices	5	4	20	_____
2. Sales/marketing plan	4	3	12	_____
3. Inventory management	4	5	20	_____
4. Financial performance	4	3	12	_____
5. Customer service	3	4	12	_____
6. Training program	3	2	6	_____
7. Promotion materials	1	3	3	_____
			Total 85	

Figure 1.
Sample Distributor "Expectation" Analysis

In this "sample" expectation evaluation the manufacturer has quantified its perception of a particular distributor's

performance. It obviously feels good about the way this distributor is managing its inventory, but has a problem with its training efforts. The numerical scores must be tied to a "standard", or definition, of what qualifies as acceptable or outstanding expectations. These definitions should be general guidelines. Our intent here is not to get consumed in over-analysis or over-quantification of the process although some manufacturers may choose to do that. The key point is that both parties have regular feedback, and that the feedback is measurable.

These data and results must not be communicated to the distributors until the company has had the opportunity *to communicate the entire expectation process to the entire distribution network!* The company must communicate to the distributors how this expectation process is a part of its total quality management, distributor management, or other related improvement effort. *This communications effort must be put in the context of the "continuous improvement" that the company is seeking, and since the distributors are part of "the family," they are an integral part of the company's improvement and quality process.* It will be easier to communicate this expectation process at one of the company's regular regional, national, or international distributor meetings. Having personally executed this process, I would not recommend doing it any other way. This format gives the company the opportunity to answer questions and to build consensus, commitment, and understanding.

By this point you may have already sensed that the company is going to ask the distributors, at this meeting, to go through the same brainstorming process and identify their top expectations of the manufacturer. I am assuming that the principals and top management from the distributors are present. You need a good facilitator here also, and the company can make the process more participative by breaking up the distributors into 7, 8, or 10 person groups if you are going to do this during a large meeting. Our experience has shown that the manufacturer will be pleasantly surprised at the enthusiasm this process will create. It will be as if the distributors were to say, "Well, it's about time someone asked us what we thought was really important!" There may be a little uncertainty at first, **but** as they get into the swing of the brainstorming and the concept, watch momentum build! The facilitator should then distill the distributors various lists down to 5, 8, 10, or however

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many the *distributors decide* represent *their* absolute priorities. (Do not discard all the expectations that did not make their final “cut”, they can also be very useful.) The distributors then need to *define* those priorities for you. *You will have to listen very closely because their base of reference, environments, strategies, and cultures will be different.* Don’t worry about being too precise with their definition because frankly you will never get a large group to agree, but you *can* record most of their comments into those definitions. Once you have the distilled, weighted list, give *them* the opportunity to grade you individually! Collect and tabulate the data and present them back to them later in your meeting agenda. When you present them back, do it without judgment and editorial. This is not the time to get defensive or begin to make explanations; this is a time to show sincere interest and concern, listen, and record their comments and reactions.

quality is perceived very positively, but their advertising seems to be a major problem. In a real world situation there are numerous factors that come into play in such an analysis. Tracking such assessments from channel members over time can be a very valuable exercise.

After the distributors have had the opportunity to vent their expectations and opinions, it is time to share with them, *on an individual basis*, how they stacked up to the company’s expectations. The mechanics of scheduling and executing these individual meetings will vary with the overall agenda and format of your conference. In our experience we scheduled and executed the meeting during casual or recreation time, early morning or early evening, during the course of a three-day international distributors meeting. The company should **never** compromise its integrity by implying, or informing to, one distributor what another distributor’s assessment is! Practically, we do not believe it is a good idea either to compare one distributor’s performance with another distributor’s because their structure, markets, strategies, states of development and a host of other characteristics make them too difficult to compare. We believe it is misplaced effort. The same select few people in the company who came up with the individual distributor ratings in the first place need to be a part of these one-on-one sessions. They are 30 to 60- minute affairs. **Warning!** Be prepared. Everyone needs to be able to candidly describe candidly the rationale, facts, and perceptions that went into their scoring, and be prepared to offer *concrete suggestions for distributor improvement*. The person who is the account manager could be the spokesperson, or you could agree on the sales manager or someone else to take the lead. You are going to be surprised by the receptivity and eagerness the distributor will exhibit, particularly regarding your suggestions for improvement. Each want to know how he/she are perceived and how to strengthen his/her business, just as the company management wants to know how it was perceived and how it could be a stronger supplier.

(Scores from 5 to 1 ..5 “high”, 1 “low”)
This represents a cumulative assessment of how the distributors perceives the supplier compared with the supplier’s competition.

Expectation	Weight	Score	Total	Competitor A	Competitor B	Competitor C			
1. Price policies	6	4.15	24.90	2.92	17.52	3.25	19.50	3.07	18.42
2. On-time delivery	4	3.22	12.88	4.40	17.60	3.05	12.20	3.20	12.80
3. Product quality	4	4.86	19.44	4.95	19.80	2.97	11.88	4.72	18.88
4. Prod development	3	4.55	13.65	4.92	14.76	2.77	8.31	4.27	12.81
5. Advertising	2	2.90	5.80	3.97	7.94	2.85	5.70	2.95	5.90
6. Local sales support	2	3.87	7.74	4.95	9.90	3.15	6.30	3.10	6.20
7. Credits/returns	1	4.10	4.10	4.47	4.47	3.00	3.00	3.55	3.55
Total	88.51	91.99	66.89	78.56					

Table I.
Sample Manufacturer “Expectation” Analysis

For additional excitement and added value with the process go to the next step now and ask them to grade your major competitors against the same criteria they established for you! (I am assuming that they have knowledge of your competitors or also buy some of your competitors’ products.) You may or may not have some surprises with these results, but you will now know exactly where your strong and weak points are! (see Table I). In our “sample” expectation evaluation it appears this company came in second best to Competitor A. It is also clear how it ranked in each area compared with its major competitors. In a general sense, they now know where their-’prob1ems” and “opportunities” lie, and where they may need to dig for further understanding. In the example their product

The Third Step

The manufacturer needs to analyze the input it was given by its distributors when the meeting is over, and everyone is back home. This will shed some light on the values of your distributors. Management may discover that what *it thought* was important to them is not a serious need after all. The distributors’ perceptions of the company’s strengths and weaknesses versus

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competition will be readily apparent. Without being defensive, the company must try to understand why it scored as it did. It should go back to them via phone, fax, or in person to ask questions and ask for clarification. Often there are some subtleties in the data that only time and further questioning will reveal.

The Fourth Step: (The Manufacturer's Half of It)

The challenge now is to go back to the drawing board and the conference room to develop, or correct or implement the expectations that the distributors presented to them! The entire effort is worthless unless the manufacturer acts on their input. Begin to execute the improvements; and on a regular basis keep them informed of the progress the company is making, milestones achieved, and support forthcoming. Frankly, there will be some expectations that you simply cannot execute. After all, every business does have some constraints. If that is the case, be frank and fair, and offer alternatives. *Constant communication reinforces the idea that the changes the manufacturer is attempting are systemic and long-term and not one-shot promotional efforts.* Also, the manufacturer should let the entire company know how they were rated by its distribution or rep network. Everyone needs to understand what management is trying to accomplish. Because of the fact that the manufacturer will need everyone to contribute to the changes it will be making, the more its employees understand this process, the more likely they will contribute. Posting or publishing the results internally will serve as a Constant reminder.

The Fourth Step: (The Distributor's Half of It)

The distributors' in turn should also be acting on the expectations that the company has set for them. The manufacturer's distribution management, or sales and marketing management, or account managers should keep those expectations in front of them. Management needs to aid this effort vigorously. The manufacturer's sales organization must coach and counsel to the best of its ability. It should also continually ask them for coaching in return!

The Fifth Step

At the next planned distributor conference or meeting

(six or 12 months later; not much later, I hope). The company should go through the evaluation process again to ascertain what improvement the distributors perceive in them, and what improvement the manufacturer perceives in the distributors. Let them compare you with the competitors again. Do you look better, or has the competition moved faster and further? It may be a useful exercise to verify the original expectations at this time. Circumstances, markets, and conditions are fluid. The result may be that their priorities have changed. It is possible that your priorities have changed also, and you need to communicate a revised list of expectations to them. Distributors could have changed or distributor personnel could have changed. Your organization, strategies, and objectives could have changed! There are a number of reasons to suggest that a verification process is appropriate. In spite of all that, you will find that there are several common enduring expectation threads.

Constant and Consistent execution of this expectation process will keep your limited resources focused on what is really important. A company will not be wasting sales and marketing dollars, product development and engineering time, and service capabilities on misplaced priorities. It is highly likely that the practitioner of this process may find that several of the distributors take the initiative to execute a similar program with their dealers, retailers, or end-users. If that is the case, it should be supported and encouraged! Imagine the efficiency, productivity, and tight relationships that could develop if this structured flow of expectations was constantly operating between the manufacturer and the end user customer? At its simplest, this process is really "Marketing 101"; understanding customer needs. All we are really doing here is formalizing the process by identifying, measuring, and meeting each other's needs in a systematic way.

The cost of executing this process is minimal! It is simply the time to plan it, package it, execute it, and communicate it! However, the necessary time and work should not be minimized. The gain in incremental business, strengthened relationships, productivity, and quality are huge... and a practitioner will be able to measure it over time!

The only obstacles to success with this process are the same ones that apply to other concepts and management initiatives:

understanding, execution, and continuing management commitment. The press of day-to-day operational

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questions and old habits can get in the way. A committed supplier can manage those realities just as they have managed implementing other changes in their business, with frequent and supportive communications! If a supplier has *expectations* that this effort will succeed, it will! We encourage manufacturers with alternate channels of distribution to weave this process into their operating style!

Managerial Implications and Recommendations

Management must be willing to open itself for examination, measurement, and critique to a greater extent than ever, and in essence have its key customers help “manage its business.” At the same time management is also taking on the responsibility to help manage its key channel members. A company that practices this process must understand that it is effective only if it is practiced both ways with equal vigor. Leadership and reinforcement of the process must come from the very top. If it doesn’t, it will come back at management from the same level at the distributorship. Don’t expect the distributor’s leadership to participate if the management’s leadership is not out front.

There must also be constancy of commitment and effort once the process starts, because if the channel members see flagging support, it could do irreparable harm to the values, principles, and strength in the relationship. Of course, it is bad for any program or process to “start, sputter, and stop,” No one likes to be jerked around. In the case of this expectation process you are getting a “little personal” with the candid brainstorming, feedback, and “grading”. *The closer you get to your customer the harder and more uncomfortable it gets to back away.* People basically like to know where they stand and how they are perceived. However, diplomacy, tact, and interpersonal skills need to be sharp on management’s side during all phases of the processes’ introduction and implementation. Well-articulated introduction and facilitation of the process, especially at the beginning, are critical.

Continuing management and ownership of the process needs to come jointly from the highest sales and marketing executive in the company and the person who is the key player in the company’s quality program.

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