Channel Management: A Business Perspective

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Marketing Channels: Interdependent Organizations

- Access to the Market
  - Consumer Segments
  - Geographic coverage
- Used to Gain / Sustain Competitive Advantage
- Information & Technical Expertise
- Product Availability & Customization
- Financing & Negotiation
- Traditionally – Independent Ownership & Decisionmaking
Product Inter-Dependency = Channel Complexity
Channels are Dynamic … . Consumers Have Access to Tremendous Amounts of Information in a Multi-Channel World

<table>
<thead>
<tr>
<th>Stage of PLC</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Focus</strong></td>
<td>Market Creation</td>
<td>Market Expansion</td>
<td>Market Share</td>
<td>Migration of Customer</td>
</tr>
<tr>
<td><strong>Value Added</strong></td>
<td>Very High</td>
<td>High/Medium</td>
<td>Low</td>
<td>Very Low</td>
</tr>
<tr>
<td><strong>Channel Mix</strong></td>
<td>Few: Exclusive</td>
<td>Several; Selective</td>
<td>Many; Intensive</td>
<td>Few: Exclusive</td>
</tr>
<tr>
<td><strong>Number</strong></td>
<td>High</td>
<td>High to Medium</td>
<td>Low</td>
<td>Very Low / High</td>
</tr>
</tbody>
</table>

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Channel Members May Focus More on Exerting Power vs. Developing Trust

Make

Degree of Channel Control

Buy

100%

Corporate

Contractual

Administered

Traditional

0%
What Works Today, Won’t Work Tomorrow

- Challenge in dealing with ‘free riders’ in the Channel
Channel Systems for Most (B-to-B) Hi-Tech Products are Very Complex

- Access to ‘Used’ or ‘Refurbished Product’ by Unauthorized Firms Creates Channel Conflict
Partnering is an Integral Part of a Company’s Growth Strategy

Growth paths

- Organic Growth
- Partnerships
- Mergers & Acquisition

Business effects

- Business Flexibility
- Complementary strengths as a (full service) benefit to the customer
- Global presence
- Cost efficiencies & synergies
- Competitive advantages
- Distribution of innovative technologies/solutions

The Categories

- Innovation partnerships
- Technology partnerships
- Sales partnerships
- Service partnerships

Very few companies rely exclusively on “Organic Growth” in today’s marketplace
But …..

Partners Come & Partners Go

Solution Partners
- Direct VARS
- Tier 2 VARS
- Vertical resellers
  - Federal
  - Healthcare

Distributors
- Value-Add Distributors, Technical
- Volume Distributors, Broadline

Technology and ISV
- ISVs
- OEMs
- Technology partners
- Developers
- System Integrators

ASN
- Customer Service
- Professional Services
- Solution alliances
Mergers & Acquisitions: Drivers or Destroyers of Channel Relationships?
Key Takeaways

• Channels:
  – Complex & Dynamic
  – Need to be Designed from a Customer’s Perspective
  – Growth Through Partnerships, Alliances, Mergers & Acquisitions
  – Conflict Will Always Exist; Key is How it is Managed