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Global Channel Strategies: What's Right for You?
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One of the most widespread missteps that companies make when developing overseas channels is using an exact replica of their U.S. channel strategy. It happens all the time, why?

- "It's comfortable."
- "It works here, it must work everywhere."
- "Management won't buy off on a different strategy."
- "It's the way we sell."

These are some of the typical responses I hear when companies talk about exporting their products or services.

The key factor in developing foreign markets is to understand the market and customers. What works well for a U.S. company will often not transfer to success abroad. There are many factors that contribute to the need for a unique channel strategy in each part of the world.

Not all your customers are Americans
Often companies expect their international customers to think and buy like Americans. Americans typically are aggressive when we sell, we make decisions quickly and we trust the Internet. We like to get the deal done. In many ways, that has served us well; we are highly productive and bottom-line oriented. However, most other cultures have different priorities. In some countries, the personal relationship rules all. In others, a thorough technical understanding is critical.

When planning channel strategy, your company must consider the buying habits of your customer. Look at each country or region and tailor your channel strategy to fit. If your customers need technical support readily available, make sure the channel has the infrastructure in place to provide such service.

Defining your channel
Determining the channel model from country to country can be an enormous undertaking. There are certain guides and sure-fire channel strategies that work in many places. Here are a few of them.

When selling products to markets abroad, the cost-to-benefit ratio becomes an important part of the marketing strategy. So make sure to evaluate choices carefully before doing business abroad. Generally, the first step is to choose the market to conquer, then determine the best fitting distribution channel. The selection of the chain of distribution depends on the size of the company, the nature of products, previous experience in exporting and the conditions in the target market.

To really dive into international channels, I had a conversation with Mr. Carter Alexander, president of EMS Group (http://www.emsgroup.com/). EMS Group is a strategic channel and business development firm that specializes in helping U.S. technology companies develop revenue-bearing partnerships and market share in Europe. The EMS Group client list includes several Oregon high technology companies.

I asked him to share his keys to building a successful international channel. Alexander responded, “Are you really committed to international business? Do you have top management commitment?”

Many times companies venture into exporting without a clear financial, managerial and resource pledge required to succeed. It is a common, but costly mistake. Top management buy-in is absolutely vital to the success of any international market investment. Like any new project, you must have full management support to create an environment for achievement.

Alexander continued, “Have they chosen the appropriate channels for their product, because customers, especially in Europe, are demanding buyers.”

Adhering to and exceeding the expectations of your customer will win you business. In the EU, locally based customer service is more important than in the U.S. Recognizing and planning those factors into your channel appropriately will increase your chance for success.

Alexander’s last key is a tried and true business fact that has become a large factor in global markets.

“Being too late to market, the best channels can already be locked up. You must beat your competitor or risk losing out, even if you have a superior product to offer”.

Developing a channel strategy

The most important distinction one must make before developing a channel strategy is to determine which type of product is being distributed. Determining which type of product you have and what the revenue on a per-customer basis will be can show if a channel will push the product or if it is up to the manufacturer to do the pushing.

If the product generates low revenue per customer per year, it is said to be of *fulfillment value*. In which case, ideal channel partners will sell the product to a large number of customers while keeping the associated sales costs low. Fulfillment value products should be easily accessible as well as purchasable. Because channels realize the low revenues per customer associated with the product means it is not in their interest to push – instead, they'll leave it up to the manufacturer. In a situation involving a fulfillment-value product, it is important that the manufacturer focus sales and marketing efforts heavily on the customers.

On the other hand, a product resulting in high revenue per customer per year is of *implementation value.* Channel partners depend heavily on the attached revenue resulting from integrating the product into a larger system. It is important for the manufacturer to motivate and support the partner channels so they will then push the product further by means of recommendations and/or implementation. Focused marketing and sales activity on partner channels is key.

How does the web affect the channel?

The Internet has changed the way companies do business – we are all aware of it. The web has had a dramatic affect on distribution channels as well. It allows anyone with a computer and modem to conduct research and often find pricing information on any product in the world. Gone are the days of the excessive mark-up in foreign countries. The web forces the channel to be true and tight. Remembering that customers can always track information about you or your competitors straight off the net, it behooves you to have your pricing and channel support strategy in step with your web presence.

On the positive side, the web has allowed for channel enhancement. Many companies list and link their global channel partners. Furthermore, companies have created intranets to support their channel partners. These net-based features enhance the speed of the channel support. Thanks to the web, many partner support efforts are easily accessible such as money exchange and electronic access of new marketing plans.

InFocus (www.infocus.com) provides a good example of a company that incorporates its channel strategy on the homepage. Upon loading the site, you can select by region, then by language. The next screen allows you to search for either systems integrators or partners/resellers. In essence, InFocus's website plugs you into its channel in a concise and effective manner.

Channel conflict

Channel conflict occurs when multiple channels are in direct competition with each other, resulting in potential damage to existing channels as new ones are introduced. The objection of one channel to the action taken by another may result in friction between them and/or the manufacturer/exporter.

It is important that exporters realize the complexities involved in utilizing multiple channels so that they understand and facilitate cooperative relationships between them. As previously mentioned, the Internet has further complicated distribution channels as well.

Alexander of EMS Group confirms, “Exposure is inevitable on the web and thus, one cannot play channel games anymore.”

Legal issues now exist within the European Union prohibiting exclusivity. It is important to bear in mind that for the most part, channel exclusivity is a thing of the past. Aggressive marketing, strategic alliances and the Internet have all contributed to the new channel landscape.

Let the customer come first
Focus on cooperation – the product and the customer should take precedence over competition between channels. Channels succeed with a commitment to sales and marketing support, incentivized and motivated channel partners and, most importantly, choosing the right partner.

Many resources that will help you build a successful channel are listed below. I have also included the standard definitions of some common types of channel partners.

Helpful web resources:

- www.export.gov / brad.anderson@mail.doc.gov - Can find and identify global channel partners
- www.baptie.com - Premiere International Channels Conference
- www.crn.com - Includes info on VARs and technology integrators
- www.varbusiness.com - Includes info on technology integrators
- www.powersourcing.com - On-line sourcing website to find suppliers, resellers, distributors, etc.
- www.yankeeresearch.com - The Yankee Group IT research
- www.forrester.com - Technology trends research

Helpful terms:

- **Distributor:** a foreign merchant purchases products from the U.S. company, reselling to dealers or retailers and generally also provides after sales support. The distributors’ products range usually cover complementary, non-competing goods. Details are arranged in a contract between the U.S. company and the distributor.

- **Sales agent:** a representative with authority to make commitments on behalf of the U.S. company. Here as well, the contract will define the authorities of the sales agent.
- **Reseller:** Purchases goods from the manufacturer then sells them under his/her name while taking care of packaging and marketing as well. Little effort is required when using this distribution channel, but a loss of control will likely occur, as the exporter has no influence in the marketing activities of the reseller.
- **Value added reseller (VAR):** Further integrates the exporter’s product into a new system, enhancing its application in the market, thus creating an additional

value. The added value may range from custom-designed goods and services, special assembly and post-sale support.

- **Systems integrator:** Assists exporters with planning, optimizing, sourcing, and delivering their goods in targeted markets

Brad A. Anderson has been an International Trade Specialist with the US & Foreign Commercial Service (part of the US Department of Commerce) for more than eight years. In this capacity he works with Oregon and Southwest Washington high-technology companies to develop export markets. Specifically, he helps them design market-entry strategies; find and evaluate distributors, VARs, or agents; evaluate product or service delivery methods; and "internationalize" their companies. Before taking his current position, Brad served in temporary assignments as a commercial attaché in London, Brussels, Luxembourg, and The Hague. He is the team leader for the US & FCS Information & Communication Technology team charged with planning and implementing methods to assist small- to medium-sized US high-technology companies. He can be reached at brad.anderson@mail.doc.gov or through www.usatrade.gov

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