

Managing Remote Distribution Channels

Building and managing new distribution channels in a remote market is often one of the most difficult challenges a business can face. Doing the research to find compatible distributors is difficult enough, but motivating them to focus on the sale of your products in preference to the hundreds and sometimes thousands of other products in their catalogues, is the biggest challenge of all. You have a number of options open to you.

Import/Export Agent Model - At the most simple level, retain a business agent on a unit volume commission basis to build and manage distribution channels, then support that agent with product as and when required. One problem in this strategy is that if the product is difficult to sell the business agent is likely to focus elsewhere – there are plenty of companies requesting this kind of service.

Exclusive Distribution Model - Cash limited international companies will often try to find a distributor who is willing to meet onerous contractual terms in return for exclusivity. They then leave it all up to the distributor to take the product to market with little support. Not surprisingly distributors often fail to meet their exclusivity contract conditions. The international company supplying the product is then left with a couple of options, find additional distribution and/or litigate viciously for lost revenues.

Non Exclusive Distribution Model - Another strategy is to find a number of distributors who are interested in your product and who are willing to distribute on a non exclusive basis. Leave it up to them to compete for customers and your attention. Again it is too easy for a distributor to place a product on its books and ride on the back of the marketing effort of others or allow the product to sit unsold on its shelves.

Branch Office Model - You could form a sales office in your new market, staff it with administrators, marketing, channel managers and business development personnel. Support your distribution with advertising campaigns, PR campaigns, exhibitions and road shows. Manage distribution channels aggressively with a mixture of incentives and penalties. While theoretically this is the way to enter a new market, it is costly and absorbs a lot of up front cash, a commodity most businesses entering a new market are short of.

Each of these distribution building strategies has its weaknesses and strengths. What we have set out to achieve is a different approach that builds on the good characteristics of these other models and attempts to negate their bad points. We call this the **Business Proxy** model.

The Business Proxy model does not set out to replace the role of the distributor, nor take away the responsibilities of the client. The role of the Business Proxy is to act on behalf of the client according to the level of delegated authority that the client is comfortable to give. The Business Proxy acts as if an employee of the client business in dealing with distributors and 3rd parties.



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The development of any business relationship requires respective roles and responsibilities to be understood by both parties. The main difference between the Business Proxy and an employee is that the Business Proxy has delegated authority and responsibilities formally defined within a contractual agreement.

So what benefits does a Business Proxy have over an employee? The main differences are to do with financial risk, activity focus and local knowledge. Let us look at these differences one at a time.

To begin a new branch office in another country requires business premises, legal constitution of the business under local taxation and employment laws, the hiring of staff, provision of communication and IT facilities and systems, the fitting out of premises etc. Whether you are employing one person or several, many of the overheads of doing business in the country apply. As a consequence, to set up what is essentially a new business in advance of sales incorporates significant financial risk and delay. It creates an overhead on your business which now has to be added to the cost base of the products you're attempting to sell with consequential impact on margins and/or prices.

Setting up a new business is also highly diversionary. It creates a great deal of activity over the first 3 month period which often has little to do with the business objective of selling your product. Instead it has everything to do with keeping the accountants, solicitors, bankers, insurance agents, estate agents, telecommunication service providers, printers and other service businesses in employment. The consequences are that the staff you installed to sell your products do anything but focus on the activity for which they are being paid. Once they can focus you need to keep them occupied, whether their activities are productive or not.

If you have transferred staff between countries, then the problem is even worse as your employees will have to spend significant time familiarising themselves with local business conditions. Not only does this make setting up a business more difficult but also it makes doing business more difficult as networks of business contacts have to be established from the ground up.

By retaining a Business Proxy to execute a market development and/or business development programme you achieve key objectives: early focus on the business problem of marketing and sales, reduced overhead costs to absorb in initiating sales; and faster access to customers using existing contact networks.

The other critical advantage is that a Business Proxy is fully aligned with your business objectives. The Business Proxy only gets paid if he follows your agreed plan and he applies delegated authorities in an agreed way. There should be no diversions on to side line issues and certainly no payments expected if this happens. The Business Proxy model enables you to control your business.

So what benefits does a Business Proxy have over an Import/Export Agent? The truth of the matter is that the Import/Export Agent is only motivated by money. They only focus



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on the items of business available that are easy to convert into cash. If your products are difficult to sell, don't be surprised if your Import/Export Agent is busy on other things.

By contrast the Business Proxy is a retained service provider. You determine the business plan to be carried out. The Business Proxy tells you what it will cost and you come to an arrangement as to the pricing of retained levels of service you require and the pricing for ad hoc service additions. Because the Business Proxy is looking to maintain long term business relationships with your business, it always serves his interest to do that little bit more than what has been contractually agreed in order to delight you and retain your loyalty.

Your biggest problem in operating at arms length from your distribution channels is information on what is really happening. If the only information you know about your distribution channel is contained on their order forms, then sooner or later there will be a parting of ways. In general distributors show only one loyalty, to economics. If the economic proposition put forward by one of your competitors appeals to your distributor, you will be the loser, irrespective of the contracts you have in place.

The Business Proxy has a vested interest in your long term success. As a consequence a Business Proxy will manage your distribution channels in full alignment with your business requirements. Regular communications is absolutely vital to staying on top of the distribution channel's performance. A key role for your Business Proxy is to maintain close contact with your distributors and feed back information to you regularly so that you can identify issues with your products or relationships. Your Business Proxy is fully aligned with your need for information because he needs to maintain your loyalty. As a consequence the Business Proxy will also drive the distribution channel in full alignment with your plan in order to ensure that the information returned to you through the order pipeline does not contradict the more informal communications that pass between you on a daily basis.

The International Business Proxy fulfils a key role when your business operates in a significantly different time zone. They become the primary conduit of information between you and your distribution channels. The International Business Proxy must provide a variety of communications tools and a flexible communications philosophy to ensure that communications are not just adequate but effective to make up for time and distance differences and to support 24 hour collaborative working.

Communications will typically include the usual Email, phone and fax facilities. Clients are increasingly demanding secure interactive messaging and secure download facilities for the exchange of important documents. In addition many now require an ability to issue alerts 24 hours a day to ensure they maintain the integrity and competitiveness of increasingly dynamic businesses.

The International Business Proxy is a business partner who out sources your critical international business development functions. The International Business Proxy is increasingly becoming the key to your business success.