

Chapter 9

MOTIVATING THE CHANNEL MEMBERS

Chapter Objectives

Channel management is necessary, and a fundamental part of channel management is that of motivating the channel members. The three facets of motivation management in the channel are: (1) learning about the needs and problems of the channel members, (2) developing programs to support their needs, and (3) providing leadership. Good channel support programs require careful planning and fall into three areas: (1) cooperative agreements, (2) partnership and strategic alliances, and (3) distribution programming. Leadership must still be exercised on a continuing basis if motivation programs are to operate effectively and viably.

Learning objectives

- 1) Understand the definitions of channel management and motivation management in marketing channels.
- 2) Recognize the distinction between channel management decisions and channel design decisions.
- 3) Be familiar with the basic framework for motivating channel members.
- 4) Know the major means for learning about channel member needs and problems.
- 5) Understand the basic approaches for providing support for channel members.
- 6) Be aware of the underlying differences in the relationships implied in the three approaches for supporting channel members.
- 7) Be cognizant of the need to provide leadership in channels through the effective use of power.
- 8) Realize that there are significant limitations on the degree of channel control available to the channel manager in an interorganizational setting.

Chapter Topics

- 1) Finding Out the Needs and Problems of Channel Members
- 2) Offering Support to Channel Members
- 3) Providing Leadership to Motivate Channel Members

Chapter Outline

The channel manager needs to stress the *realization of the potential* to serve his target markets effectively and efficiently.

Key Term and Definition

- Channel management: “The administration of existing channels to secure the cooperation of channel members in achieving the firm’s distribution objectives.”

First, channel management deals with *existing* channels. Channel design decisions are therefore viewed as separate from channel management decisions.

Secondly, the phase *secure the cooperation of channel members* implies that channel members do not automatically cooperate merely because they are members of the channel. Administrative actions are necessary to secure their cooperation.

Third, the term *distribution objectives* is equally relevant for channel management. Carefully delineated distribution objectives are needed to guide the management of the channel.

One of the most fundamental and important aspects of channel management is motivating the channel members.

Key Term and Definition

- Motivation: Refers to the actions taken by the manufacturer to foster channel member cooperation in implementing the manufacturer’s distribution objectives.

There are three basic facets involved in motivation management:

1. Finding out the needs and problems of channel members
2. Offering support to the channel members that is consistent with their needs and problems
3. Providing leadership through the effective use of power

Finding Out the Needs and Problems of Channel Members

Before the channel manager can successfully motivate channel members, an attempt must be made to learn what the members want for the channel relationship.

Manufacturers are often unaware of or insensitive to the needs and problems of their channel members.

1) Approaches for Learning about Channel Member Needs and Problems

All marketing channels have a flow of information running through them as part of the formal and informal communications systems that exist in the channel.

Ideally, such systems would provide the manufacturer with all of the information needed on channel member needs and problems. However, most marketing channel communication systems have *not* been formally planned and carefully constructed to provide a comprehensive flow of timely information.

Consequently, the channel manager should not rely solely on the regular flow of information coming from the existing channel communication system for accurate and timely information on channel member needs and problems.

There is a need to go beyond the regular system and make use of one or all of the following four additional approaches.

A) Research Studies of Channel Members

Most manufacturers never conduct research of channel member needs and problems. Estimates indicate that less than *one* percent of manufacturers' research budgets are spent on channel member research.

B) Research Studies by Outside Parties

Research designed and executed by a third party is sometimes necessary if complete and unbiased data on channel member needs and problems are to be obtained.

The use of outside parties to conduct research on channel member needs and problems provides higher assurance of objectivity.

C) Marketing Channel Audits

The basic thrust of this approach should be to gather data on how channel members perceive the manufacturer's marketing program and its component parts, where the relationships are strong and weak, and what is expected of the manufacturer to make the channel relationship viable and optimal.

For example, a manufacturer may want to gather data from channel members on what their needs and problems are in areas such as:

- Pricing policies, margins, and allowances
- Extent and nature of the product line
- New products and their marketing development through promotion
- Servicing policies and procedures such as invoicing, order dating, shipping, warehousing and others
- Sales force performance in servicing the accounts

Further, the marketing channel audit should identify and define in detail the issues relevant to the manufacturer–wholesaler and/or manufacturer–retailer relationship.

Whatever areas and issues are chosen, they should be cross-tabulated or correlated as to kind of channel members, geographical location of channel members, sales volume levels achieved, and any other variables that might be relevant.

Finally, for the marketing channel audit to work effectively, it must be done on a periodic and regular basis so as to capture trends and patterns. Emerging issues are more likely to be spotted if the audit is performed on a regular basis.

D) Distributor Advisory Councils

Three significant benefits emerge from the use of a distributor advisory council. First, it provides *recognition for the channel members*. Second, it provides a vehicle for *identifying and discussing mutual needs and problems* that are not transmitted through regular channel information flows. And third, it results in an overall *improvement of channel communications*, which in turn helps the manufacturer to learn more about the needs and problems of channel members, and vice versa.

Offering Support to Channel Members

Support for channel members refers to the manufacturer's efforts in helping channel members to meet their needs and solve their problems. Such support for channel members is all too often offered on a disorganized and ad hoc basis.

The attainment of a highly motivated cooperating "team" of channel members in an interorganizational setting requires carefully planned programs.

Such programs can generally be grouped into one of the following three categories: (1) cooperative, (2) partnership or strategic alliance, and (3) distribution programming.

1) Cooperative Arrangements

Cooperative arrangements between the manufacturer and channel members at the wholesale and retail levels have traditionally been used as the most common means of motivating channel members in conventional, loosely aligned channels.

The underlying rationale of all such cooperative programs, from the manufacturer's point of view, is to provide incentives for getting extra effort from channel members in the promotion of the products.

2) Partnerships and Strategic Alliances

Partnerships or strategic alliances stress a continuing and mutually supportive relationship between the manufacturer and its channel members in an effort to provide a more highly motivated team, network, or alliance of channel partners.

Webster points to three basic phases in the development of a "partnership" arrangement between channel members.

- An explicit statement of policies should be made by the manufacturer in such areas as product availability, technical support, pricing and any other relevant areas.
- An assessment should be done of all existing distributors as to their capabilities for fulfilling their roles.
- The manufacturer should continually appraise the appropriateness of the policies that guide his or her relationship with channel members.

Webster's basic guidelines can be used for establishing partnerships or strategic alliances in marketing channels.

3) Distribution Programming

Key Term and Definition

- Distribution programming: "A comprehensive set of policies for the promotion of a product through the channel."

The essence of this approach is the development of a planned, professionally managed channel.

The first step in developing a comprehensive distribution program is an analysis by the manufacturer of marketing objectives and the kinds and levels of support needed from channel members to achieve these objectives.

Further, the manufacturer must ascertain the needs and problem areas of channel members.

Nevertheless, virtually all of the policy options available can be categorized into three major groups:

- a. Those offering price concessions to channel members
- b. Those offering financial assistance
- c. Those offering some kind of protection for channel members

Providing Leadership to Motivate Channel Members

Control must still be exercised through effective leadership on a continuing basis to attain a well-motivated team of channel members.

Seldom is it possible for the channel manager to achieve total control, no matter how much power underlies his or her leadership attempts. For the most part, a theoretical state, where the channel manager were able to predict all events related to the channel with perfect accuracy, and achieve the desired outcomes at all times, does not exist or is not achievable in the reality of an interorganizational system such as the marketing channel.

Little explained succinctly the problems of achieving very high levels of control and leadership in this interorganizational setting when he said:

“Because firms are loosely arranged, the advantages of central direction are in large measure missing. The absence of single ownership, or close contractual agreements, means that the benefits of a formal power (superior, subordinate) base are not realized. The reward and penalty system is not as precise and is less easily affected. Similarly, overall planning for the entire system is uncoordinated and the perspective necessary to maximize total system effort is diffused. Less recognition of common goals by various member firms in the channel, as compared to a formally structured organization, is also probable.”