

Getting Outside Sales

Part one of two on selling through outside channels

By Craig Montgomery

Many successful companies at some point rely on independent sales channels.

For mature businesses wanting to penetrate foreign territories or start ups looking at overall sales strategies, the use of sales channels should be seriously considered.

This is a cathartic moment for many businesses...you need to get in touch with “the dark side” - outsourcing sales! Setting up a sales team can be challenging and costly and whether you are supplementing your team or looking at a temporary alternative, an independent sales channel deserves careful investigation.

Fundamental Issues

Most large *and* small companies stumble when trying to establish realistic expectations when dealing with sales channels. Aggressive, yet attainable, quotas will make it much easier to achieve success.

Many business owners think of channels with little enthusiasm, however treating distributors as an “extension of your sales team” will prove to be a very successful strategy in gaining their loyalty. Then watch them penetrate your market!

By creating a blend of direct and indirect sales within the organization, your business will fire on all cylinders. If you are targeting a specific customer base, you need to focus your own people on closing those “house account” opportunities, leaving the rest-of-the-world accounts to the channels.

Deciding which channels are right for your business can be a complicated choice. There are several types of independent sales channels. Prepare the right questions to make this a win-win, or you may find yourself giving away too much to these professional sales organizations.

Which model(s) is right for you depends on what you are looking for. Here are some of the pros and cons of different sales channel models and what you should be aware of when you approach the people who run them.

Distributors

- Demand larger gross profit margins relative to the value of your product
- Typically stock product and have larger, regional or national sales forces along with some degree of technical support
- Boost your product sales immediately through inventory orders alone, however, you share the spotlight with many other product lines
- Staff turnover is often a problem in maintaining consistency
- Have staff experts to negotiate resale contracts and demand a lot
- Provide immediate access to existing accounts. You benefit by becoming a complimentary sale to their product line

What you need to do:

- Provide training, support, motivation and promotions
- You must have a high demand product
- Set reasonable expectations for their sales staff – for example don’t expect their entire staff to fall in love with your product

- Find a few champions in the organization to nurture and build success – others will quickly follow the commission dollars

VARs (Value-add Resellers)

- Sometimes stock product and usually add value through bundling complimentary products
- Often have smaller regional/ national sales forces to penetrate markets than distributors
- Somewhat less staff turnover, higher quality of staff than distributors
- The very term of “value-added” implies they take your product and package it together with other items to make it unique
- The strength of their negotiations will depend on how well you convince them your product will meet their needs

What you need to do:

- You provide training, motivation and promotions
- To interest their top sales people you must have a high demand product

OEMs (Original Equipment Manufacturers)

- Will take your product and “private label” it with their brand, often adding some value along the way
- Usually want more independence and require technical support of the highest level
- Tend to have their own sales and marketing staff and simply place orders for more product as needed
- This is sale that requires a specialized approach and patience
- Tend to be more long-lasting, secure relationships if you can find the opportunities

What you need to do:

- Building strong relationships usually takes time
- Return on investment is over a much longer cycle typically
- Less maintenance once the initial work is done

Reps

- Rarely stock product or handle billings and collections
- Provide a more professional sales approach
- Often act as an extension to your sales team in territories or countries you can't support
- Have fewer lines, more dedication, usually more experienced
- Tend to look for lines generating existing sales, good profit
- Provide exclusive territory rights
- A great way for companies to build new territories and establish a presence on a global scale with minimal investment.

What you need to do:

- Treat these firms more like professional guns for hire
- Finding good reps is more difficult as they are smaller organizations

Telemarketing firms

- Mostly responsible for generating leads, qualifying prospects with little involvement past that function
- Can be an effective way to generate immediate sales leads
- Tend to have lower benefit and credibility
- You can quickly penetrate a market, generate leads and prospects

What you need to do:

- Don't use them to tackle a single telemarketing effort - you likely are throwing money away
- Like most marketing, this requires sustained, long-term strategy.

Channels can get new accounts you aren't aware of and those clients may become lifetime customers. Some channels will be more effective with your product/service than others. Channels can work in harmony with your own sales team as long as you set out clear rules. Your own sales people can manage the channel and be compensated (at a lower rate typically) for territory sales, off-loading you from being directly involved. Whether you choose a rep, VAR or distributor, the important thing is to set proper expectations and realize that not every sales strategy works the first time. Enjoy the successes when they happen, sign solid legal contracts and learn from your mistakes.

In part two I'll look at how you can determine which are the best channels to meet your needs.

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