

Achieving Satisfactory Distribution in N. America

By Doug Bennett

Since the early 1980's, our consultancy has been helping companies from the Nordic region to enter the N. American market or to improve their performance here. Scandinavia and Finland, with their comparatively small home markets have, for the most part, proved to be receptive markets for the services our firm provides. Companies in these regions must export to achieve growth, and are well-aware of the perils of viewing the N. American market as simply a source of incremental sales. Accordingly, our marketing research services are in high demand. Yet surprisingly, we are asked only infrequently to help locate and recruit a suitable distributor(s), but we are often asked to independently evaluate the performance of existing distributors who are not performing to expectations. All too often, what we find is that the same company that has undertaken a thorough market research and analysis before launching in N. America, has failed to use the same rigorous standards in selecting a distributor(s). It is almost as though once the market analysis has been completed and the go-no-go decision made; the cautious and careful approach that has preceded the decision is abandoned in a rush to market.

Among the mistakes we have seen made far too often are:

- Relying on the recommendation of an ex-patriot countryman, who often has no particular qualifications other than living in N. America and happening to speak Danish, Swedish, Finnish or Norwegian
- Selection of a national distributor when a number of regional distributors would be a better choice (or vice-versa)
- Failure to check a distributor's references, including their financial record; and to meet with the management of the distribution company before signing with them
- Providing inadequate training for the distributor's sales personnel

Yet even these obvious mistakes are only disastrous if there is a mismatch between what each distributor sales rep earns or can earn with the new product line. **If an individual sales rep cannot earn at least 10% more by carrying your products, he is unlikely to give them the attention you expect regardless of what his managers may tell him to do.** So there is no point in selecting a distributor with 200 sales reps if your year 1 sales forecast is, say, USD 2 million. Conversely, selecting a distributor or distributors with too few reps will inevitably lead to insufficient coverage and underperformance versus forecast.

Most of the time, we find that when one of our clients is dissatisfied with their N. American distributor's performance, the underlying cause is the distributor recruitment process. In short, the distributor's capabilities and characteristics did not match the requirements in the first place.

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