

The Hidden Cost of a Poor Manufacturer/Distributor Relationship

By Channel Focus, Industrial Performance Group, Inc.

Helping Manufacturers and Distributors Improve Sales Performance & Profitability

A salesperson's day tells us much more than we might realize. Salespeople are committed, hardworking and willing to do whatever it takes to keep their customers happy. But how they spend their day reveals a lot about problems in the sales/distribution channel.

New research by the Industrial Performance Group shows, for the first time, hidden costs of ongoing problems with manufacturer/distributor working relationships. These findings come from a survey of more than 1,200 salespeople in a variety of industries.

When problems in the sales/distribution channel start to affect the customer, salespeople put on their firefighting helmets and get to work. On average, salespeople spend 22 percent of their time dealing with problems and mistakes, expediting orders, and looking for or sifting through information.

In fact, these heroic efforts add up to nearly three months out of every year when salespeople are focused on damage control, rather than bringing in additional sales. This places heavy demands on a salesperson's time and could be hurting your company's ability to make its sales numbers.

For too long, companies have underestimated the cost of these problems. We believe managers who look closely at these numbers will realize the time has come to take action.

What keeps salespeople from selling?

For 14 years, the Industrial Performance Group has researched sales/distribution channels. We're dedicated to enabling manufacturers and distributors to increase sales, improve profitability and build customer loyalty by better managing the relationships, processes and practices in the channel.

Two milestones in our earlier research were the "Report Card on Manufacturer-Distributor Relationships" and the follow-up "[Report Card Update](#)." This research showed that 82 percent of manufacturers and 92 percent of distributors believed problems in their working relationships hurt sales and profits. And only 17 percent of distributors said they had clearly defined goals and plans with manufacturers.

Additional research showed that the top two drivers of unnecessary costs in the sales/distribution channel were (1) fixing mistakes and (2) expediting orders.

Manufacturers and distributors knew they had problems with their working relationships. They knew that fixing these problems could improve sales and profits. But most companies underestimated the costs of these problems. Some argued that this was just "the way things were" and that fixing these problems was a pipe dream. Most manufacturers and distributors did not take action and continued with business as usual.

Since then, manufacturers and distributors have seen sales and marketing costs go up, while sales volume has flattened. For many companies, thin margins have become even thinner.

A new look at sales performance

It wasn't until we explored sales force utilization that we saw how poor working relationships have a far greater cost than previously imagined.

Sales force utilization compares a salesperson's current performance to his or her full potential. This may seem simple, but it is not how most companies view their salespeople.

Companies usually judge sales performance based on productivity. They compare the dollars a salesperson brings in to the cost of supporting the salesperson. While this is a valuable measurement, productivity alone does not look at a salesperson's true potential.

Sales force utilization provides additional insight by showing the sales to be gained when salespeople have more time to prospect and sell. (For a complete introduction to these concepts, please review our free document "The 5 Common Barriers to Peak Sales Performance and What You Can Do to Overcome Them," linked below.)

Getting the time back

Salespeople work hard, and they're committed to building sales for their companies. But manufacturers and distributors have created a situation where salespeople spend roughly one of every four hours dealing with problems and mistakes, expediting orders, and looking for or sifting through information.

Management often mistakes these heroic efforts for a form of customer service. They see no problem with letting the salesperson deal with problems and mistakes after they occur, rather than working to prevent the problems from happening in the first place.

Manufacturers and distributors have a lot to gain by helping salespeople refocus that time on prospecting and selling. To use a sports analogy, salespeople bring in better numbers when they're on "offense" rather than "defense."

Taking the first steps

It's easier than you might think to start fixing these problems. You don't need to spend large amounts of money or time to get started. Every hour you can give back to your salespeople has an impact.

For practical steps you can take today, click here to read our free document, "[The 5 Common Barriers to Peak Sales Performance](#)."

Forward this information to your associates — manufacturers, distributors, independent reps and even customers. Think about how you can work together to overcome these barriers. (And ask your salespeople what is placing demands on their time. You'll learn a lot about ongoing issues in your sales/distribution channel.)

Imagine the potential if your hardworking sales force had more time to prospect and sell. Manufacturers, independent reps and distributors can improve sales — with low risk and with no additional sales and marketing costs.

When you're ready to put this information to work, click here to learn about our [Peak Sales Performance Work Session](#). This constructive work session will help your sales force become more focused on bringing in the numbers you need.

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