



## Distribution Strategy

The BESTX® Method for Sustainably Managing  
Networks and Channels

### **Why should we invest time into improving our distribution channels?**

Well-managed distribution channels not only improve the short-term financial performance of a business by reducing costs and increasing sales, but also play a crucial role in shaping a dynamic and well-functioning ecosystem. They lead to an enhanced competitive position, effective execution of the go-to-market plan, efficient allocation and use of resources, and more enlightened and engaged teams. For instance, by selecting a few reliable partners, we can launch new products more effectively, promote them to retailers without investing in a sales force, and command superior pricing via more efficient structural offers. At the same time, a wise partnership with other wholesalers allows us to extend our reach and improve our margins by reducing overall spending. A common mistake is to underestimate the importance of tier-3 partners, as in A, B and C. We need to have a clear strategy for each segment. For instance, A-distributors bring volumes, stability and predictability to our business and deserve a special treatment for this. B-distributors can often play a key role in counterbalancing the threat of an oligopoly of the largest channel partners and can create the conditions for a Nash equilibrium. Finally, C-distributors can contribute very significantly to our bottom line by absorbing lower incentives per each dollar of product sold and hence improve the overall business profitability.

### **Why did you write a book on distribution strategy?**

The idea for this book came from a simple observation. It is well known that effective sales channels inevitably translate into superior performance but there is not much literature providing a concrete answer to managers' needs. In recent years, commercial excellence initiatives gained currency in areas such as sales force effectiveness, pricing, go-to-market and performance management but little has been done to improve the performance of distribution channels. A second consideration is purely financial: the incentives budgets of global corporations have been growing due to increased consolidations and mounting competitive pressure. In many instances, gross-to-net spending is, nowadays, a multiple of the company sales force cost and is much higher than its earnings. My direct experience convinced me that much still had to be done in such a crucial area; most of the time, CFOs and general managers knew the total discounts budget but very seldom were able to tell how, for what and with whom this money was spent. I rarely saw a clear plan on how to optimize what often represent a business biggest expenditure. These considerations started to plant in my mind the idea of structuring the learnings of multiple projects in a written format.

### **How do you create a successful distribution channel strategy?**

An optimal commercial strategy should motivate and give legs to the go-to-market plan, serving more of the customers' needs faster and better. To this end, the commercial policy should be effective in shaping the distributors' behavior, crafting efficient terms and conditions (each dollar should work towards a defined objective), calibrating targets not only to improve the top line and product mix but also to steer the channel development. At the same time, it should minimize the gross-to-net operational expenses and the financial risks by wisely merging the credit policy with the commercial priorities. There is a fundamental pricing component in all this: rebates and discounts should be well-balanced, and price waterfalls should include (when possible) value-based pricing and grant congruous margins to distributors and retailers. After all, if distributors and retailers are not happy, they will just sell our competitors' products. Each decision also has to be tailored to the product's strategic segmentation and profitability, leading to an ideal pull-push balance. We should link the value perceived by the end-user with the need to have a distributor negotiating shelf space with the retailer and the salesperson promoting the virtues of our great offer to their customer. All this has a price – can we give it a tag?

### **How can your book help decision-makers and teams?**

Each page is written with pragmatic goals in mind: growth, profitability and sustainability. Theory and methodology are just a means to an end; therefore, the focus is on execution and, ultimately, impact. Each chapter illustrates the trade-offs and explains how to create, evaluate and choose among the options. The methodology focuses on the design of an effective commercial policy (list pricing, discounts, rebates, terms and conditions, targets, etc.) and the optimization of gross-to-net expenditure (resource allocation, segmentation, exception management, leakages, etc.). For instance, you will learn how to set the optimal incentives budget, identify the right channel partners, define the discounts and rebates and the required investment to 'push' a product sale. Specific sections are dedicated to value pricing, business intelligence and corporate strategy. Being mindful of the fact that a distribution strategy can only be effective if coherently integrated into the commercial excellence journey, ample reference is also made to SFE, CRM systems, brand planning, portfolio strategy and performance management.

In a nutshell, you will learn how to:

- structure an effective commercial offer and allocate resources efficiently across the commercial terms while minimizing expenditure (i.e. spending efficiency)
- shape an effective and future-proof distribution channel that is able to flawlessly execute our go-to-market plan (i.e. sustainability) in a timely manner
- define and take into account value-based pricing strategies while defining the distribution plan (i.e. pricing strategy)
- achieve a competitive advantage and increase sales by leveraging distribution partners to better serve customer needs (i.e. go-to-market execution)

### **How did you find the process of writing a book?**

I started by bringing together all the learnings from my various hands-on experiences in different sectors and condensing them into a simple and practical methodology. I then complemented this with bibliographic and academic research and expert interviews (including with leading consultancies' pricing specialists, business intelligence advisors, general managers and heads of marketing). Two interviews even became specific sections written by the experts themselves. I then selected over 70 frameworks, along with tables and real-life examples, to accelerate implementation and enable the reader to enter into execution mode from day one. To steepen the learning curve, I decided to add a specific chapter on the most common pricing pitfalls and myths, and an annex chapter with a case study issued by the pharmaceutical industry. A few highly regarded scholars and C-Suite executives (to whom I owe the deepest gratitude) validated the write-up and the concepts I exposed; some even provided an endorsement. By this stage, the hardest part was done; however, the journey ahead was still very long. Along the way, I discovered how time-consuming the polishing and proofreading process is. In fact, the bulk of the work came



after the first draft was completed! It has been a really intense task but also extremely gratifying. It has given me the opportunity to get to know and work with inspiring people along the way.

The book is available in different format on Springer [here](#).



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