

Consolidation of Distribution

Problem: Company's sales were deteriorating because of consolidation of distribution channel to a few large companies.

Job: Identify reasons for deterioration and methods to improve sales to trade

Situation: The distribution channels for this industry had consolidated from 500 companies controlling 1,200 points of distribution to 100 companies controlling it with 4 companies controlling 40% of the market. At the same time, product was becoming a smaller part of the distributor's offering.

Analysis: Company's product enjoyed highest quality rating in its category. Distributors were spending less time communicating differences to trade. Distributors were also demanding more discounts and trade incentives for less service.

Short Term Solution: Provide incentives to trade to generate pull through distribution channel

Long Term Solution: Develop an appropriate push-pull strategy that included:

1. Providing incentives to distribution to support product through their sales organizations and stores via merchandising and product programs
2. Strengthening company's sales force to be able to work more closely with the trade
3. Implementing trade incentive programs that included competitive rebates, business training, product training and other trade support programs
4. Reorganizing the sales force and marketing programs along channels of distribution providing more focus on significant sales channels

Payback: Results showed improvements in several areas:

1. Improved sales that averaged 50% higher than industry growth

2. Better relationships with trade customers
3. Improved quality as a result of better training and availability of support resources
4. More focused marketing and sales programs