Overview

• Review: Business Model Canvas

• Channel Members
  – Channels defined
  – Types of intermediaries
  – When to use intermediaries

• The Buying Process
  – Steps involved in the buying process
  – How channel members can be involved in each stage

• Summary
REVIEW
This presentation will focus on the Channels building block of the Business Model Canvas.
Review: Channels

- How do you reach your target Customer Segments in order to deliver your Value Proposition?
- Channels let you communicate your Value Proposition to your Customer Segments
- Channels are where/how your customer obtains your product or service

Source: Business Model Generation, p. 26-27
CHANNEL MEMBERS
Channel & Channel Strategy

**Channel**: A network of parties to move products from producer to consumers or business customers, either directly or through intermediaries ("middle men") such as retailers, dealers, or wholesalers.

**Channel Strategy** is a high-level plan for when and how to use different channels to deliver your product.
Channel Members

• If you see a channel as a chain of people or organizations reaching from producer to consumer, channel members are the “links” in the chain
Intermediaries

• Most producers use some type of intermediaries or middlemen to get products to the final customers.

• The role of intermediaries is to improve efficiency and effectiveness.

• Types of intermediaries:
  – Wholesalers
  – Retailers
  – Independent Agents – manufacturer’s agent or representative
  – Facilitators or Brokers
Direct & Indirect Channels

1. **Direct**: producer distributes the product, through sales reps or online

2. **Indirect**: one or more intermediaries between the producer and the consumer
Internal & External Channels

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<th>Internal (Own)</th>
<th>External (Partner)</th>
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<td>Indirect</td>
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<td>Sales Force</td>
<td>Wholesaler, Distributor</td>
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<td>Web Sales</td>
<td>Own Stores</td>
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<td>Partner Stores</td>
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- Internal channels are owned and controlled by the producer
- External, or partner, channels are owned and controlled by partners
- Internal channels are not necessarily direct, though external channels are always indirect
## Distribution Channels

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<th>Business to consumer channels</th>
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<th>Wholesaler</th>
<th>Retailer</th>
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• Channels can take on various forms
Wholesalers

• Also called Distributors
• Acquire large quantities of products from manufacturers
• Sort, store, and resell products to retailers or businesses
Retailers

- Channel members involved in selling products to consumers
- Most consumers are familiar with retailers
- Retailers often sell a variety of goods
- Retailers may be internal or external to a producer
Independent Agents

• Wholesaling middle individuals
• Facilitate the exchange of products but don’t take title of (own) anything that they sell or carry inventory stocks.
• Paid on commission
  – Variable expense to the producer
  – Paid only if the sale is made
Facilitators

• Individuals who assist in the distribution of products by bringing sellers and buyers together
• Don’t take title or negotiate sales
Using Internal Vs. External Channels

- What is the most effective method to achieve your objectives for the marketplace?
  - Are you trying to quickly reach widespread distribution? *Try external*
  - Is your long-term focus on building partnerships with certain customers? *Try internal direct sales*

- Which method is the most economical?
- Which gives you the necessary control to achieve your objectives?
Factors to consider in working with distributors/wholesalers:

- Go-to-Market strategies
- Local account coverage
- Number of sales offices
- Sales force structure, training, incentives
- Pricing control
- Logistics
- IT capabilities
- Financing
When to Use a Distributor

Distributors are useful in these selling situations:

– Individual sales are small/limited
– Buying process is not specialized
– Fast delivery is important
– Local service is important
THE BUYING PROCESS
Stages of the Buying Process

• The purchase process can be broken down into 5 stages:
  1. Awareness
  2. Evaluation
  3. Purchase
  4. Delivery
  5. After Sales

• Internal and external channels can be involved in any or all stages of the process

• You should think about who will be involved in each phase and in what way
Stages of the Buying Process

1. **Awareness**: Learning about the product/service category and your particular offering

2. **Evaluation**: Assessing its features & benefits, comparing to other solutions

3. **Purchase**: Committing to buy the product/service, arranging payment

4. **Delivery**: Receiving the product/service

5. **After Sales**: Anything that happens later, such as setup, service and sharing feedback
1. Awareness

• How will the consumer learn about your product?
• Does a similar solution already exist, and are your target customers aware of it?
• Some ways in which a channel may be involved in creating consumer awareness:
  – Advertising
  – Product demonstrations at markets, fairs, etc.
  – Selling door-to-door
2. Evaluation

• Evaluation: Assessing its features & benefits, comparing to other solutions

• Will customers be able to try the product before buying?

• In what ways do consumers evaluate your existing competitor’s product?
3. Purchase

- **Purchase:** Committing to buy the product/service, arranging payment

- How will the customers pay for the item?
  - Lump sum or installments?
  - Cash or credit?
    - What systems need to be in place to accept, say, payments by mobile phone?
  - Will you offer financing? What are the terms (interest rate, amount of time)? Where else could they get financing?
  - How will your intermediaries pay you?
4. Delivery

• Delivery: Receiving the product/service

• How will you get the product to your customer?
  – Will they receive it from the store or sales rep immediately, or place an order?
  – Does it require transportation? Who will pay the cost and make arrangements? Will you use a third party service or offer your own?

• If a service, will the representative go to the customer or vice versa?
5. After Sales

• After Sales: Anything that happens later, such as setup, service and sharing feedback
• Can the product be set up by the customer? If not, who will assist?
• Does the customer need training to use it? Who will provide it?
• What kind of maintenance will be required, and how often? Who can repair it?
• How will you gather feedback from users?
Other Questions To Consider

• Can you take advantage of existing networks?
• Are there channels that distribute complementary products or services, and that you could partner with?
• If competing products or services are available, how are they distributed? What can you learn from their model?
Other Questions to Consider

• In what ways are people used to getting information and making purchases? How much will their behavior need to change for your model to work?
  – What kinds of media are available (radio, TV)?
  – What is the literacy rate? Do you need to distribute written information?
  – Are people using informal channels, such as bartering or going to the local outdoor market? How might you get involved in these?
  – How can you motivate people to change their behavior? Money savings, convenience, social pressure?
Summary

• Channels are how you get your product to your customer

• You may want to work with partners in various ways to help get your product to your customer

• There are 5 stages of the buying process (Awareness, Evaluation, Purchase, Delivery, Post-Purchase) where different channel members may be involved; you can think about them separately to determine your overall channel strategy
References

• *Business Model Generation*, written by Alexander Osterwalder, Yves Pigneur et. al and Designed by Alan Smith. Published by John Wiley & Sons, Hoboken, NJ, 2010

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  http://articles.mplans.com/choosing-your-channels/

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