



Excerpted from
FastTrac® GrowthVenture™



TAKE CHARGE OF YOUR BUSINESS®

A program of the Kauffman Foundation

Sales and Distribution Channels

To grow your business, you will want to examine your sales and distribution strategies and determine if any changes need to be made. When John and Mark Friess—founders of wired.MD—decided to grow their business, they stopped their marketing efforts to doctors' practices and targeted health resource centers. Instead of going to trade shows, they hired two people to make cold calls and used direct mail and direct e-mail. They changed from selling software to distributing streaming video over the Internet.

Another approach was used by Gabriel Goncalves, founder of PeopleAnswers, Inc. To help generate the sales momentum he wanted, Goncalves decided against building a large internal sales team. Instead, his team trained independent dealers to sell PeopleAnswers® software on an exclusive basis.

Though substantially different, both strategies were effective in achieving the goals the entrepreneurs set for their business. The following topics on sales and distribution channels will focus on common issues for both products and services.

Sales

Bottom line success in your business hinges on sales execution. Your salespeople are your primary source of revenue. They are also your link to your customers. With this dual role, your sales force will need to be developed and supported. Make sure you keep them updated on company and industry information. Help them see customer satisfaction as a key goal. Your salespeople are the ones who are building the brand and contributing to its visibility.

Recognize that hiring good salespeople is not easy. Try to find experienced, successful salespeople; and whether they are novice or experienced, train them in the business's products or services and procedures.

Sales methods vary almost as widely as the products and services being sold. Internal sales methods include a solo approach, a direct sales force, and the Internet. External sales methods include licensing and sales and manufacturer's representatives. Whatever your sales method, the process will be nearly the same. By thinking of sales as a process with finite steps you will be able to work on mastering each step.

Distribution

The word *distribution* may conjure up images of trucks loaded with boxes, but distribution is as much a sales and marketing issue as it is a delivery issue. We can define distribution as the method companies use to deliver products or services to their target market and channel as the means by which products or services are distributed, but these definitions hide an important truth. Your distribution channels are not only a means to ship your goods or deliver your services; they may also provide you with additional opportunities to sell your products.

Let's face it, products and services don't typically sell themselves. At a very basic level, sales happen when you:

1. Make an effort to get a customer's attention.
2. Help that customer see the value of the product or service.
3. Make the customer feel comfortable that the seller can be trusted.
4. Make it easy for the customer to pay.
5. Ensure that the customer has a way to receive the goods or services.

All five of these activities are essential, and all involve skill and effort.

You and your employees can do all these things yourself, but to grow beyond your current capacity you're going to need help. Distribution channels can provide you with that help.

New Distribution Opportunities

The type of distribution channel you use depends on your industry, type of products or services, and business model. In the past, distribution channels were largely standardized by industries which left entrepreneurs with a limited number of methods for getting their products or services to their intended audience. For example, clothing manufacturers traditionally sold their goods through department stores. Now manufacturers can sell their clothing through various types of retail entities and over the Internet.

Examples of turbulence that can affect distribution are everywhere. Newspapers are cutting staff because advertisers are moving to the Internet. Software-development houses are shutting down because programmers in Bangalore, India can do the work for a fourth of the cost. Life insurance companies are being forced to change their pricing and sales tactics as low-cost term-life policies are sold as commodities on the Internet.

New business models can be risky, but for many companies they are paying dividends. Amazon.com competes with local and on-the-ground chain books stores. Sit4Less.com® sells chairs direct to consumers. Small mom-and-pop manufacturers like SunGoldSoap.com sell their products over the Internet. Even the U.S. Postal Service sells stamps online through Stamps.com®.

The point is that there are new and evolving opportunities for you and your company. If you're serious about growth, you'll be serious about investigating your distribution alternatives. Remember: challenges to your business don't just come from your traditional competitors. The most dangerous threats often come from new start-ups who take advantage of cataclysmic changes in business infrastructure—like those happening today in distribution channels.

The chart below illustrates the most common distribution channels used by businesses over the past decade.

Retail	Packaged Goods	Business to Business	Service
<input type="checkbox"/> Mass merchandise <input type="checkbox"/> Discount <input type="checkbox"/> Off-price <input type="checkbox"/> Department stores <input type="checkbox"/> Specialty shops <input type="checkbox"/> Chain stores <input type="checkbox"/> Direct mail <input type="checkbox"/> Internet	<input type="checkbox"/> Chain grocery stores <input type="checkbox"/> Independent grocery stores <input type="checkbox"/> Mass merchandisers <input type="checkbox"/> Specialty stores <input type="checkbox"/> Convenience stores <input type="checkbox"/> Independent reps <input type="checkbox"/> Internet	<input type="checkbox"/> Direct sales <input type="checkbox"/> Wholesalers <input type="checkbox"/> Distributors <input type="checkbox"/> Internet	<input type="checkbox"/> Company-owned offices <input type="checkbox"/> Franchises <input type="checkbox"/> Dealerships <input type="checkbox"/> Television programs and infomercials <input type="checkbox"/> Internet