

# DISTRIBUTOR ENGAGEMENT IN COVID-19 TIMES IN INDIA

## Digital Transformation of Distribution was already underway

Even pre-COVID, traditional distribution was slowly coming to terms with technology and new business models. Companies were realizing the importance of rainmakers and were re-orienting business incentives towards key influencers and partners. Distribution structures were flattening for better access to customers. Large organized players like Udaan entered and offered an alternative to traditional channel management.

Armed with cloud-based and feature-heavy distributor management systems, distributors are now tasked with supplying valuable data on secondary and tertiary sales. This in turn is enabling a range of customer analytics to support decision making around sales practices. Salesforce effectiveness tools are able to put these constructs in the hands of frontline sales teams enabling them to drive honest and data-driven conversations with distribution partners.

## But the game and pace will need to intensify and change now

The COVID-19 pandemic is creating unanticipated challenges in a constantly shifting business landscape. Two sets of capabilities are critical now, for both companies and their channel partners. One, the ability to make sense of trends. And two, the ability to respond swiftly.

### Locational Differences

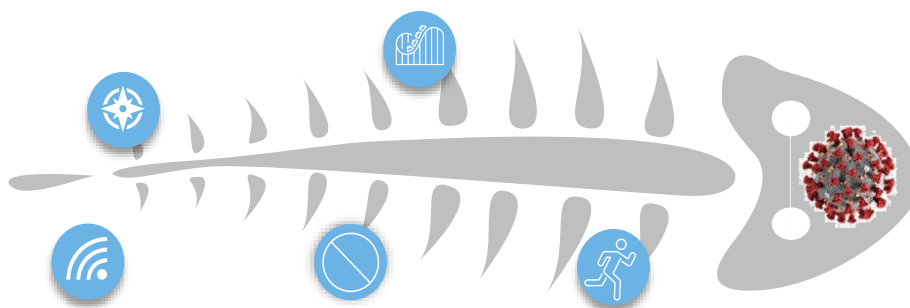
Treatment of locations may vary based on their current zoning (red, orange or green) and since this is dynamic, companies will need to have flexible models and nimbly move through these models

### Wider Volatility in Demand & Supply

Depending on resumption of manufacturing and transport, return of consumer confidence, and availability of materials there will be significant volatility requiring companies to have a short-term focus and a strong cashflow orientation

### Mindset Change

Distributors will need to respond quickly to calls-for-action by companies; this will require either re-engineering processes, adopting new technologies / tools, reskilling people or a combination of these; this may be a challenge for many businesses and their conventional distribution networks



### Tighter Digital Embrace

Engagement models that limit physical interaction will need to be adopted; digital will be the order of the day

### Physical Restrictions

Social distancing and availability of manpower will restrict the range of physical actions that can be taken by the field sales teams

### Need for Agility

Short term opportunities or threats may arise depending on how the pandemic progresses and the government's strategy evolves; companies will need to keep an eye out and respond accordingly

## Separating “value-multipliers” from “rent-seekers” is crucial

Distribution-led companies can look towards a systematic three-stage process to extract maximum value from channel partnerships.

A Structured Distributor Review will help analyse actual value-add of each distributor. Next, based on their positioning, past behaviour and future potential, segregate the “rent-seekers” from the “value-multipliers”. Rent-seekers typically use their legacy and position to extract rent from the system without adding any value to it. Value-multipliers on the contrary, create a virtuous cycle feeding off the system and giving back enough value for both to achieve their true potential. As the final step, prepare a tailored intervention programme that helps the value-multipliers adapt to the new normal and grow.

### 1 STRUCTURED DISTRUBUTOR REVIEW

The Distribution Evaluation is driven by **Performance and Relationship Strength**. Distributor Performance covers aspects like operating ethos, infrastructure and financial position. The importance of these factors may vary based on the industry vertical, business model, distribution model, role of distributor, company policy, etc.

Relationship Strength is a measure of the intimacy that companies have been able to create with their distribution partners through channel management efforts. Measuring this is essential for taking a view on the effort that a partner is likely to put into achieving expected results.

Combining both these axes can make the exercise more objective and also allows comparison across the peer set. Since much of the fact base and dataset for this analysis is built from the company’s internal MIS, these are high-velocity exercises which can yield results quite quickly.

#### Distributor Performance

##### Operating Ethos:

Years in business, new business addition, reputation and market share, nature and quantum of reach & customer satisfaction

##### Financials:

Investment capacity, OD position, RoCE, turnover for principal, overall turnover, inventory position & cash to cash cycle

##### Infrastructure:

Purpose-built warehouse, sales team, dedicated transport, IT & other tech

#### Relationship Strength

- Adherence to policy
- Transparency in information sharing
- Distributor’s share of business (category as share of total turnover) and share of wallet (principal’s business as share of total category)
- Frequency of sales visits
- Delivery timelines
- Average credit period
- Degree and nature of marketing support



#### Structured Distributor Review

Design a structured 360-degree distributor evaluation process since success depends on a variety of factors



#### Partner Segregation For Action

Separate “value-multipliers” from the “rent-seekers” among the distributors and use the current crisis as an opportunity to usher in fundamental changes



#### Tailored Intervention

Develop a programme of supporting initiatives for distributors to adapt to current challenges and settle into the new normal

## 2 PARTNER SEGMENTATION FOR ACTION

Based on how they measure up on performance and relationship strength, all distributors can be segmented into a set of four personas, to set the tone for specific interventions each category needs.



## 3 TAILORED INTERVENTION

Planned interventions will need to be tailored to target the right high-value micro-markets and at the same time to intelligently prioritize them to craft the right response to a COVID-led slowdown.

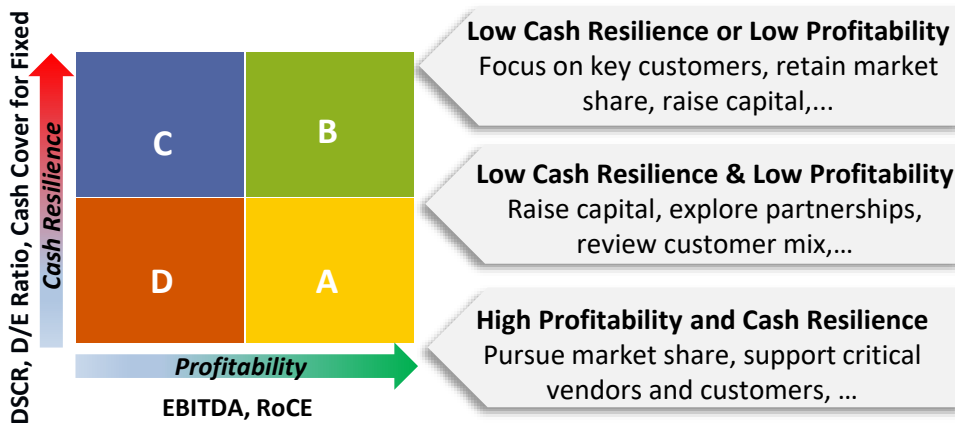
A lot of resident market intelligence from within the company can be tapped to create a clear view on micro-markets. With the added complication due to COVID-19, real time zoning and lockdown data will need to be superimposed over the micro-market mapping to ensure that short term exigencies are factored into the intervention plans.

### Determining micro-market sizes to identify high value locations to pursue

- **District level market sizes** need to be estimated using various **macro and microeconomic parameters**
- **Inputs from internal stakeholders** like the sales and marketing teams can also be suitably captured to deliver this insight
- This will ensure that only those markets that have significant economic value to you are being pursued thus **preventing wastage of resources** and **maximizing the returns from the capital deployed**
- Prioritisation can be based on a **combination of parameters like size, growth and strategic relevance** (competitor stronghold, home market, significant opportunities for cross-selling and up-selling, etc.)

### Leveraging Avalon’s COVID-19 model to prioritise these micro-markets for action

- There is a large amount of **data** on the **district level** response to the virus which can be **analysed and intelligently used** to **craft** our response to the fight against COVID-19
- We have developed an **in-house analytical model** that helps identify districts that are at the intersection of **strategic interest to the economy and low impact of COVID-19 infections**
- These districts if allowed to get back to business as usual can help **spur economic activity** and **ease the impact of the slowdown**
- However, for this, the **narrative to internal and external stakeholders** has to be shaped such that a **calibrated release from lockdown** is ensured
- Further, **early warning signs** have to be captured and heeded so that corrective actions can be taken to **prevent a relapse**



### Anticipating competition’s moves is critical to build a right to win

Being able to pre-empt competitor moves can allow companies extra breathing room to get things right. We have developed a systematic assessment tool that provides an early warning system to companies on the nature and magnitude of the competitor’s likely response. Our model relies on key financial metrics like *cash resilience* and *profitability* and ties it to specific outlook for the sector to arrive at a prognosis on competitor reaction.

*Our analysis of a set of 1500+ companies across sectors shows that only 250 have strong fundamentals. Based on the quadrant your competitors fall in, their approaches can be pre-empted*

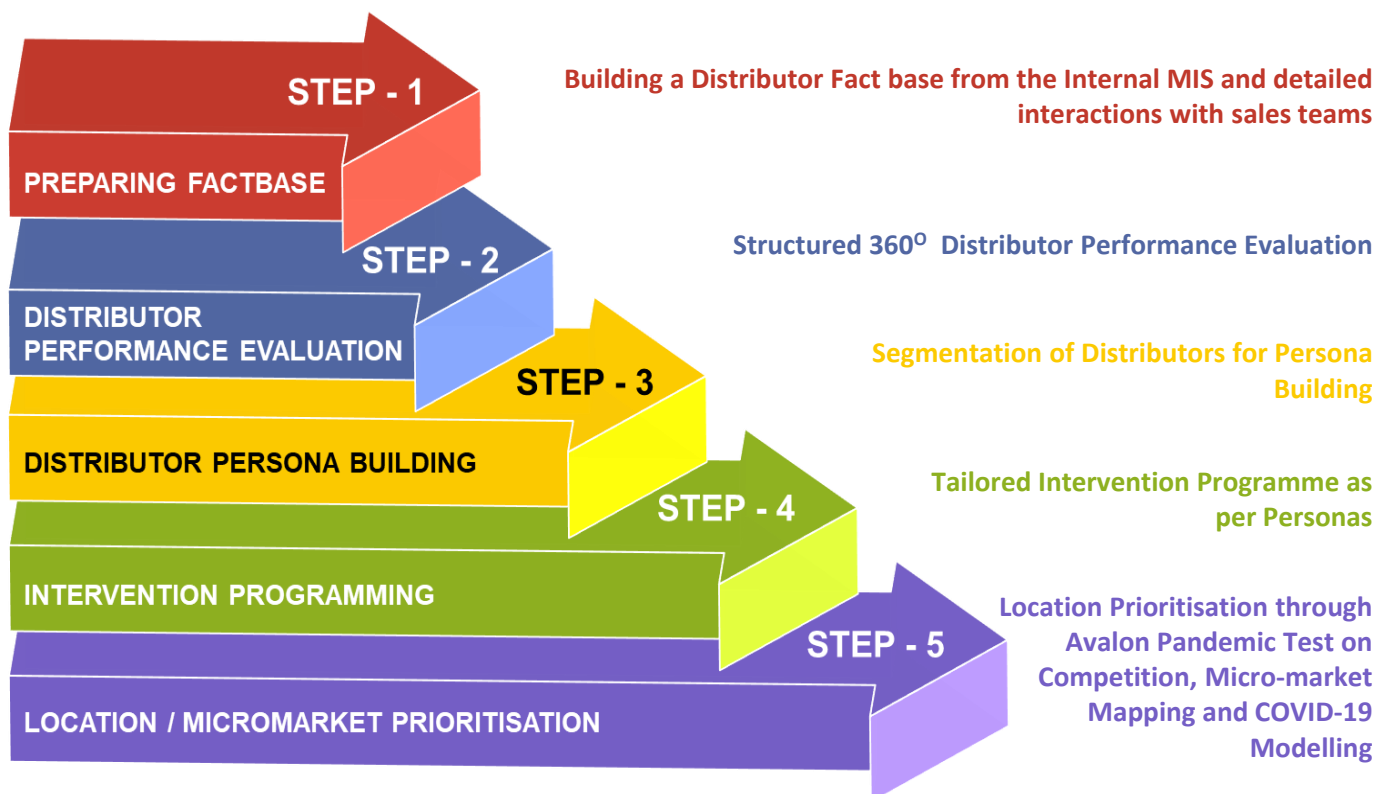
*Based on their Cash Resilience and Profitability competitors may take on various approaches in the medium term. Pre-empting their approach can help you plan your moves accordingly*

## Avalon’s customised 5-STEP approach to improving dealer effectiveness can pave the way for distribution-led companies to emerge stronger from the COVID-19 pandemic

While there are no foolproof mechanisms to cope with the challenges of COVID-19, by using the tools at our disposal and working on fundamental principles, we can attempt to minimise the extent of uncertainty in our decision making and business interventions.

To start with, we need to build a relevant fact-base for secondary and tertiary data mining. Next, we need to conduct a 360° distributor performance evaluation and then segment the distributors into personas that can guide action. Following this, we need to develop tailored intervention programmes based on these personas. Finally, the implementation of these programmes needs to be anchored in their local context of micro-opportunities and COVID-19 dynamics

This 5-step process to distribution effectiveness enhancement can help you successfully navigate the current challenges and emerge a winner.



# Our Values – The Avalon EDGE

## E

### ENTREPRENEURSHIP

Enterprising ownership to transform ideas into pragmatic and profitable solutions

## D

### DEDICATION TO EXCELLENCE

Commitment to premier quality and highest standards in everything we do

## G

### GREAT VALUE CREATION

Focus on delivering maximum client impact through innovation and collaboration

## E

### ETHICAL APPROACH

Respect, fairness and transparency in all our interactions

#### Contact Details



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