

Designing the Go-to-Market Strategy

A. Design Decisions

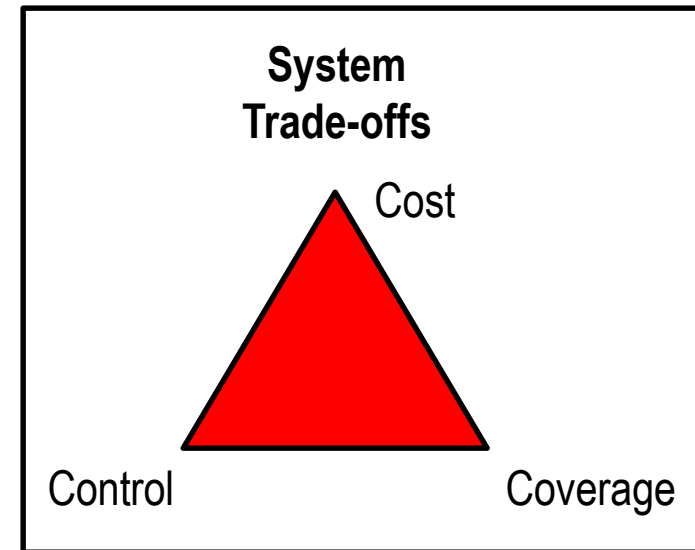
- Where and how should activities be done?
- Design premises

B. Drivers of Channel Systems

- Value migration
- Technological change
- Strategies of intermediaries

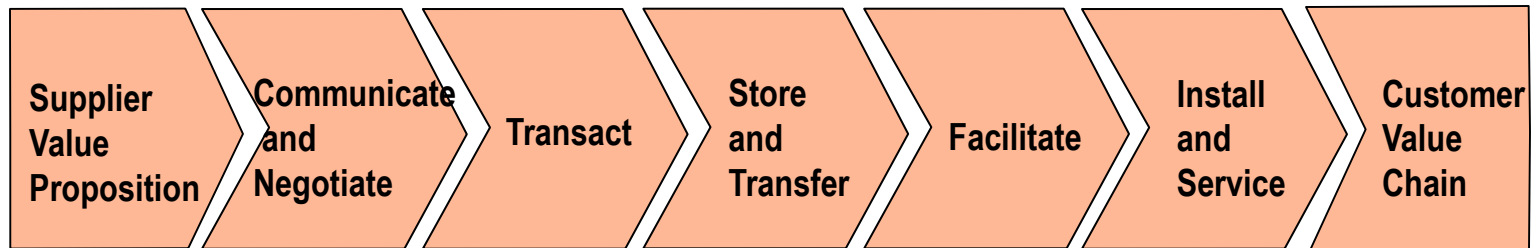
C. Designing the Strategy

- An outside-in process



A. Design Decisions

Where and how should the channel system activities be done?



1. How long a channel system do we need?
 - Direct
 - Indirect
2. How many different channels should be used?
3. What density of coverage is needed?
4. How will conflicts be resolved?

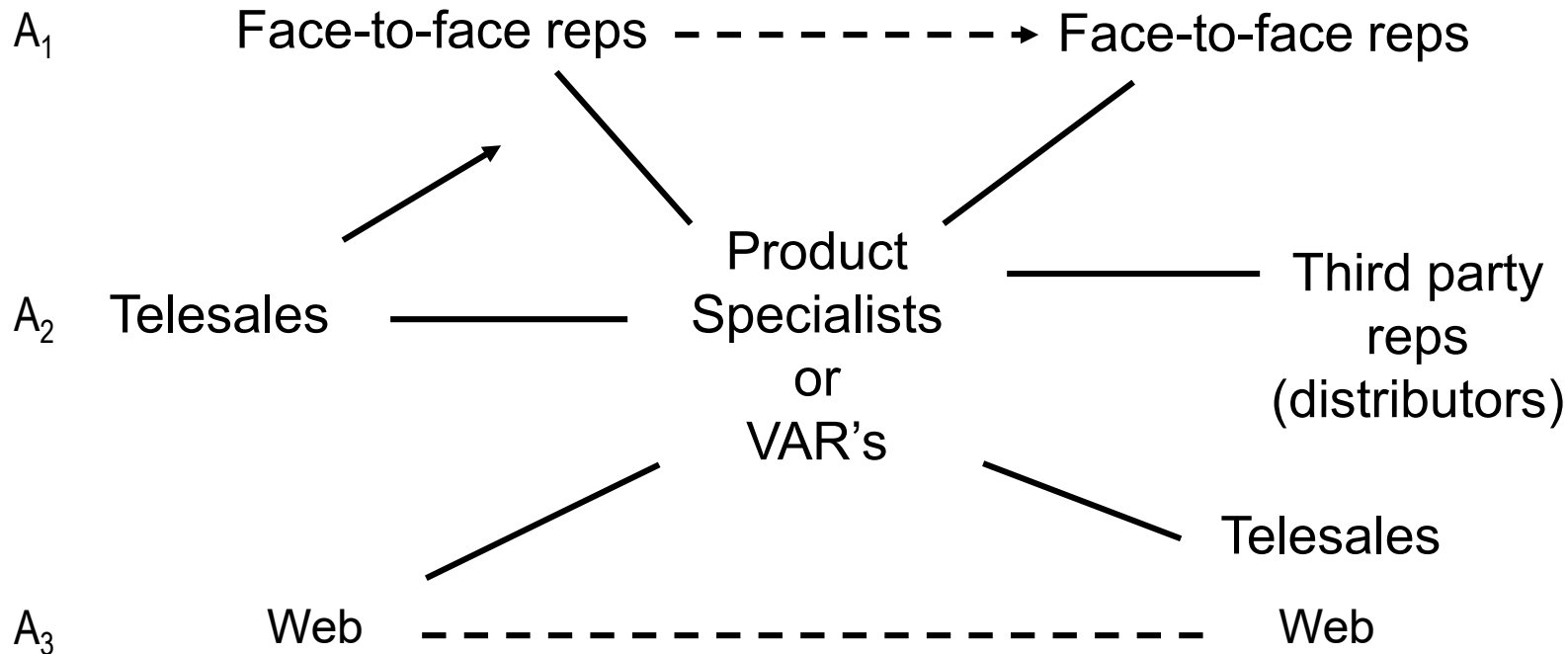
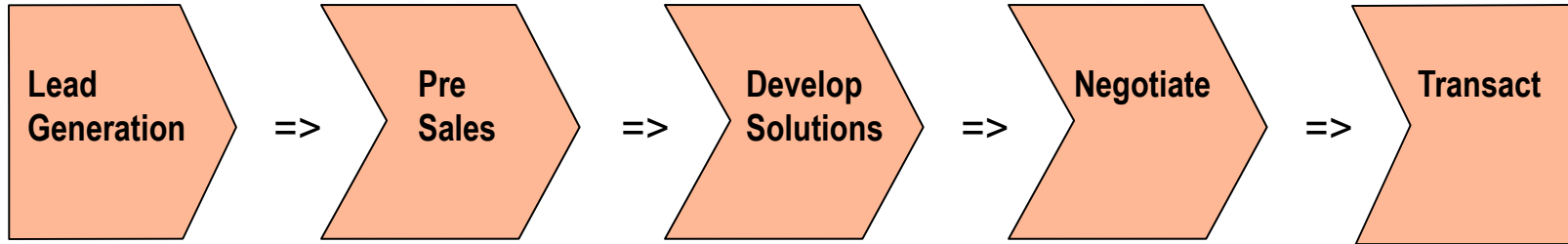
Factors Shaping Go-To-Market Strategies

1. Customers	Many	◀○—○—○—○▶	Few/Identifiable
2. Unit Price	Low	◀○—○—○—○▶	HIGH
3. Customer Life-time Value	Low (Transactional)	◀○—○—○—○▶	HIGH (Long Relationships)
4. Complexity of Solution	Low	◀○—○—○—○▶	HIGHLY PERSONALIZED
5. Type of customer	B2C	◀○—○—○—○▶	B2B
6. Touch level	Low	◀○—○—○—○▶	HIGH
7. Selling job	Simple	◀○—○—○—○▶	COMPLEX (Level-to-level)

Design Premises

1. **Channel activities cannot be avoided or eliminated**
 - They can be combined, decomposed or rearranged
2. **Intermediaries are firstly purchasing agents for their customers**
 - Only secondly are they agents for their suppliers
= inherently conflicting objectives

Enabling Composite Channel Systems



Sources of Conflict with Intermediaries

Supplier

- > You must carry a full line of all the products we make. No cherry picking.
- > We need you to concentrate on our products.
- > We need your active involvement in selling new products and developing new markets.
- > We need to know about y(our) customers in greater detail.
- > You need to improve your effort.
- > Your channel margins are too high.

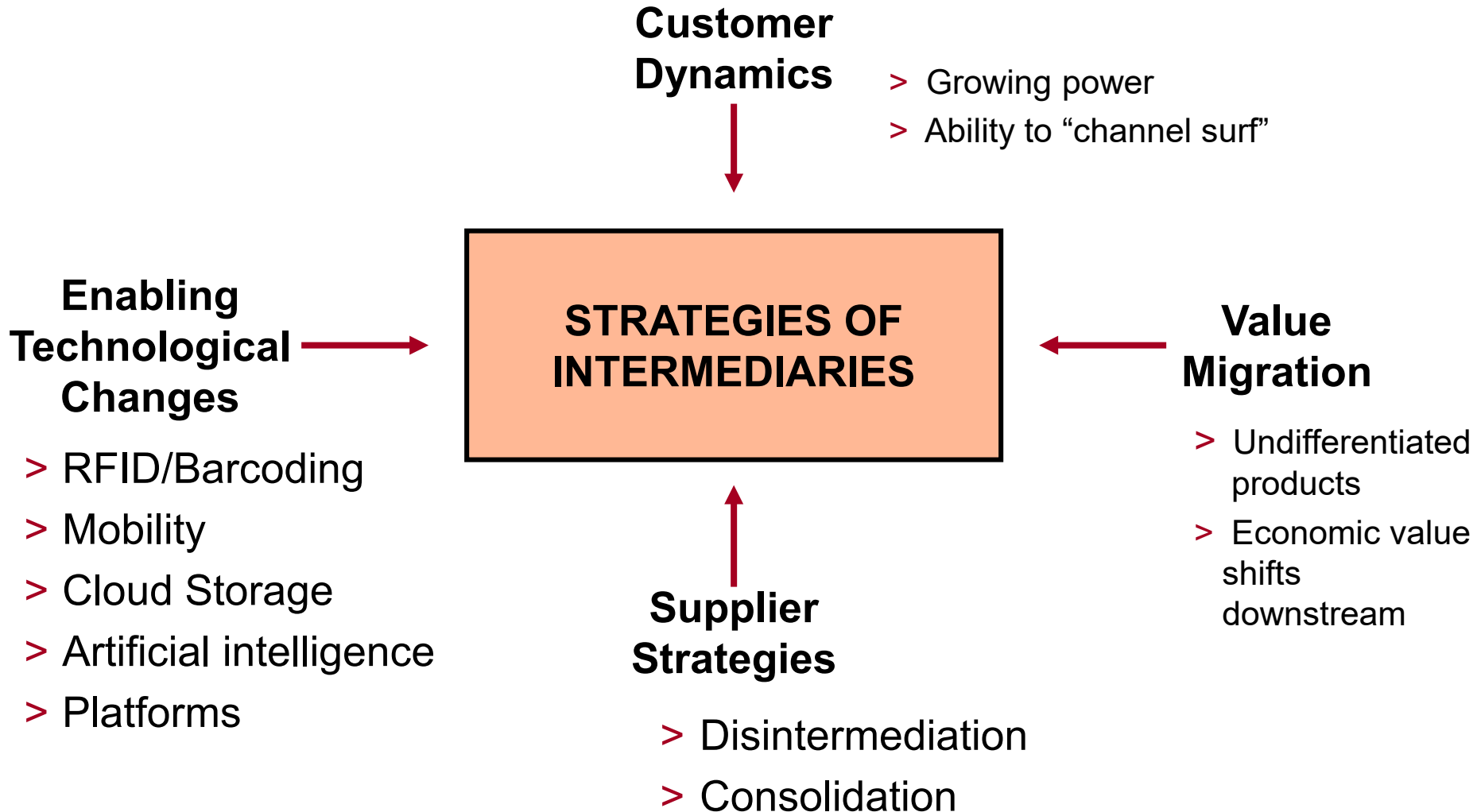
Channel Intermediary

- > We can try, but we can't sell "dogs." We should concentrate on our strong points.
- > We need exclusive territories.
- > It is very costly to do so. How will you compensate us for the effort?
- > We don't keep such records. ("...Not a chance—They'll start selling directly.")
- > You need to improve your sales promotion.
- > Your prices are too high.

Design Premises

1. **Channel functions cannot be avoided or eliminated**
 - They can be combined, decomposed or rearranged
2. **Intermediaries are firstly purchasing agents for their customers**
 - Only secondly are they agents for their suppliers
= inherently conflicting objectives
3. **Channel systems are evolving at an accelerating pace due to:**
 - Value migration: channel power and economic value tend to migrate downstream
 - Consumer empowerment
 - AI assistants and platforms

B. Drivers of Channel Systems



Evolving Roles of Intermediaries

> Emergence of new channels: Automobiles

	Single-brand		
<i>From</i>	Franchised Dealers	<i>To</i>	<ul style="list-style-type: none">> Third parties(Sam's Club)> Superstores (Car Max)> On-line

> Changing roles of wholesalers

	Extension of		Marketing support function
<i>From</i>	Suppliers or Customers	<i>To</i>	willing to perform any task or function

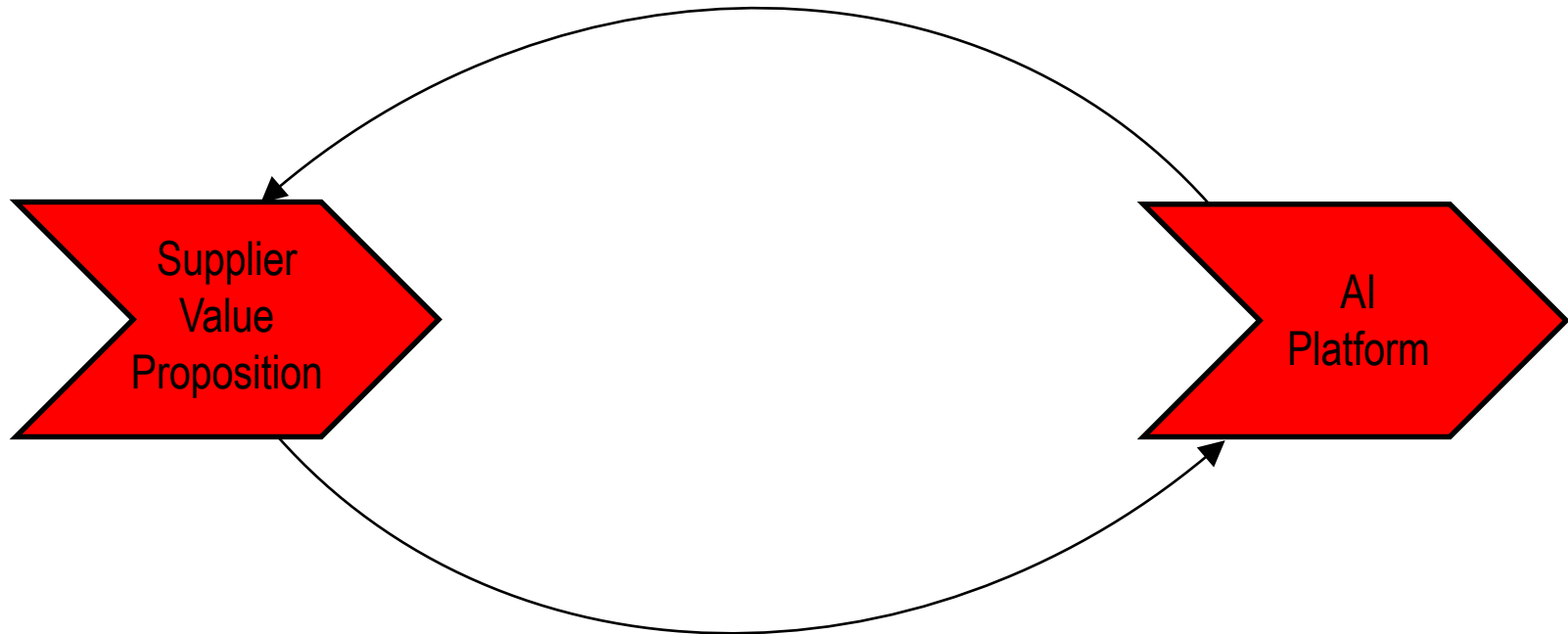
> Consolidation

	Many Fragmented		Few large national/global
<i>From</i>	Regional Operators	<i>To</i>	firms with high levels of efficiency

How Platforms Create Customer Value (1)

***Benefits
to suppliers***

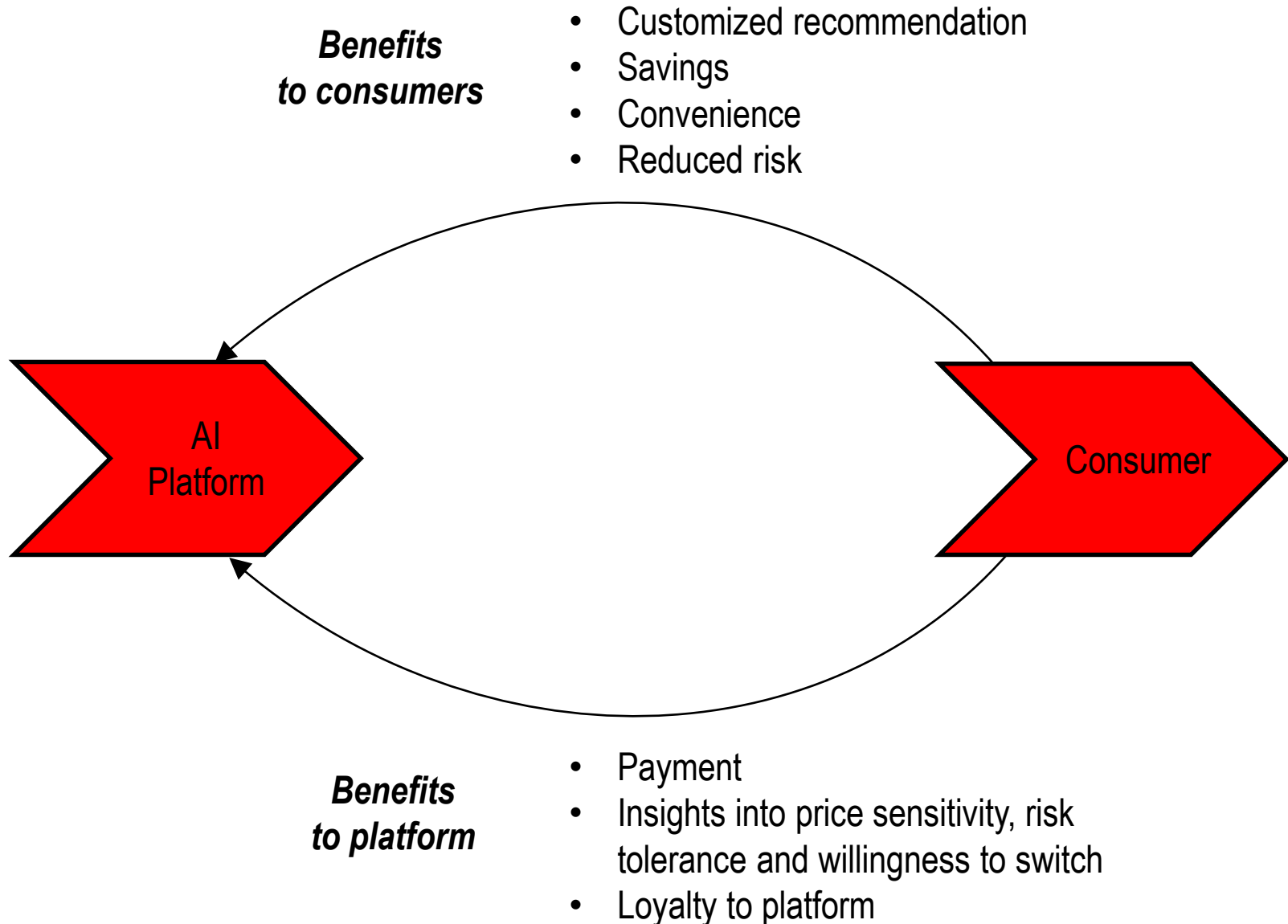
- Virtual shelf space
- Micro targeting data
- Payment and fulfilment



***Benefits
to platform***

- Access/listing/placement fees
- Product information
- Knowledge about category

How Platforms Create Customer Value (2)



Understanding Platform Intermediaries

1. *Whom is the platform working for?*

- How will conflicts of interest be resolved? Best match to customer requirements versus preferred placement?

2. *What criteria are used by the algorithm?*

- How can the algorithm be influenced?
- How good is the data?
- What are opportunities for innovation?

3. *How will consumer privacy be protected?*

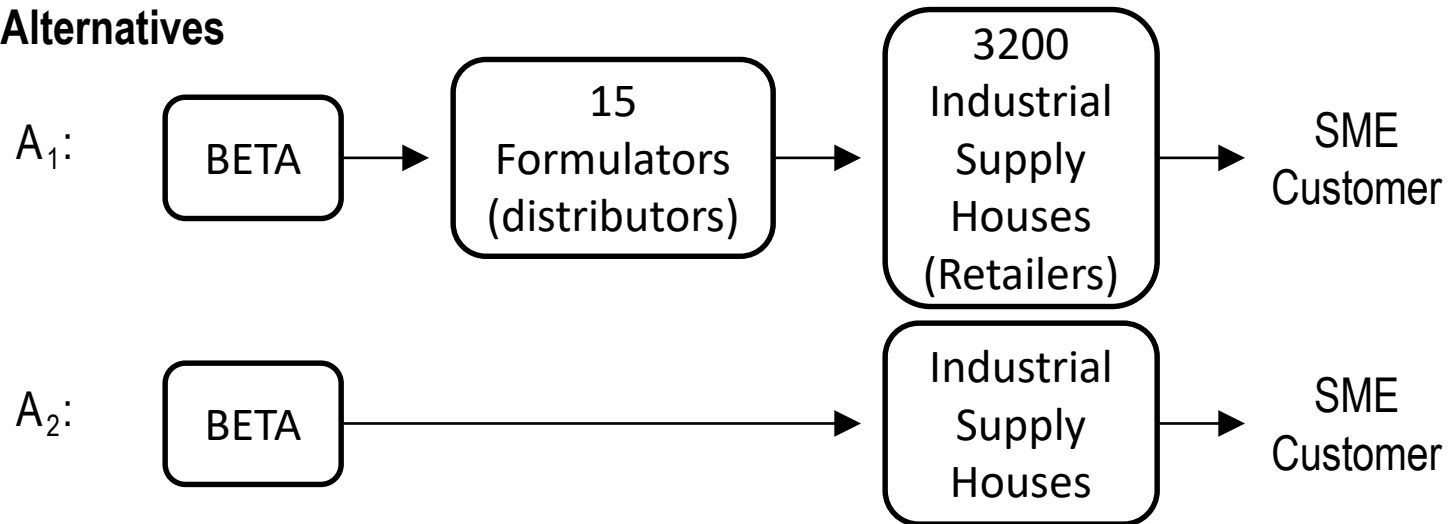
- Challenges to the implicit contract

C. Designing a Go-to-Market Strategy

Challenge

- New product formulated for small machine shops (SME) that is 10x more effective than competitor's product
- Potential = 4,000,000 units to 150,000 SME customers
- Already selling to large customers through formulators

Alternatives



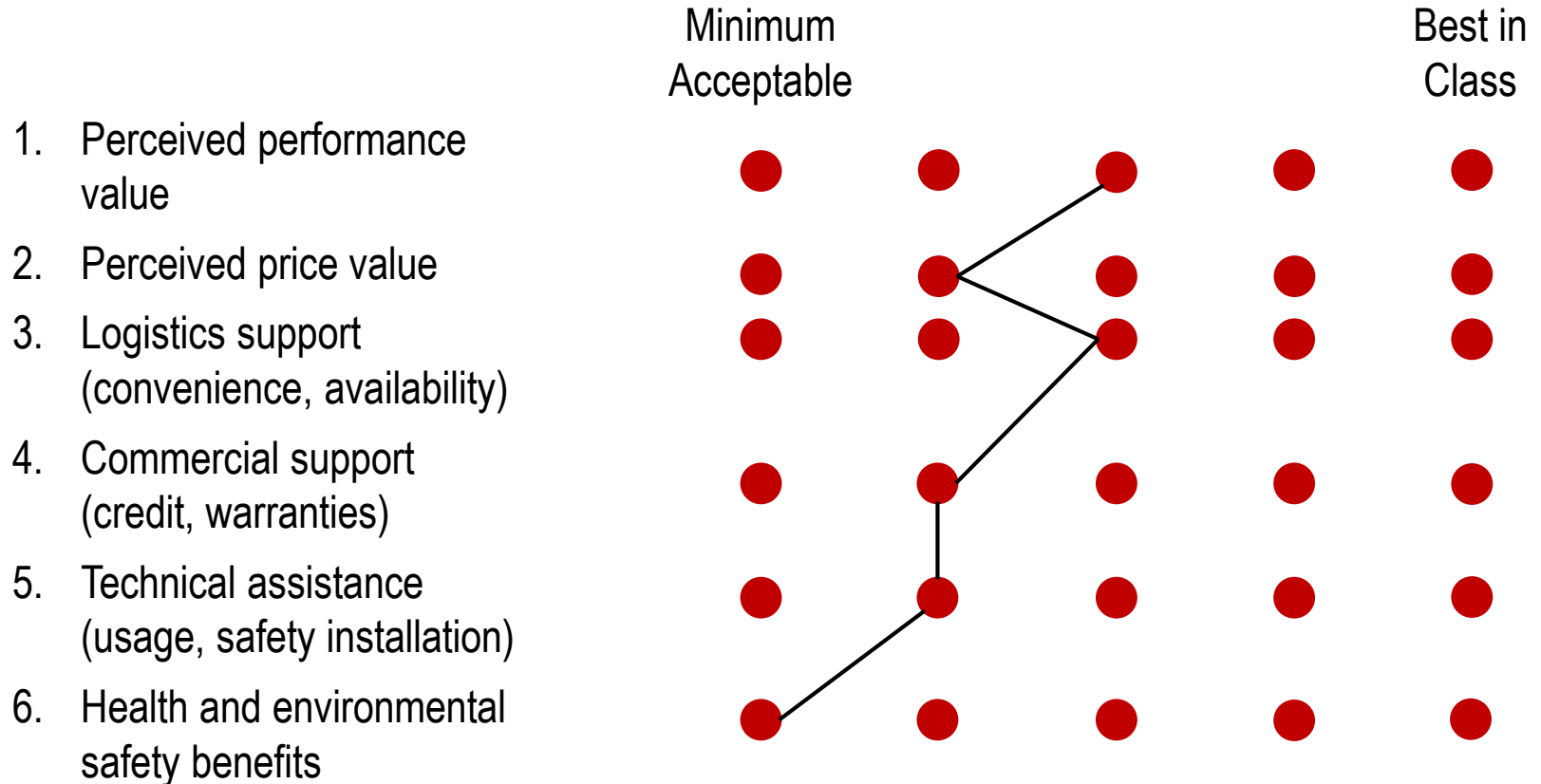
Designing a Go-to-Market Strategy from the Outside-In

STEP ONE: *Understand end- customer needs*

1. Perceived performance value
2. Perceived price value
3. Logistics support
(convenience, availability)
4. Commercial support
(credit, warranties)
5. Technical assistance
(usage, safety, installation)
6. Health and environmental safety benefits

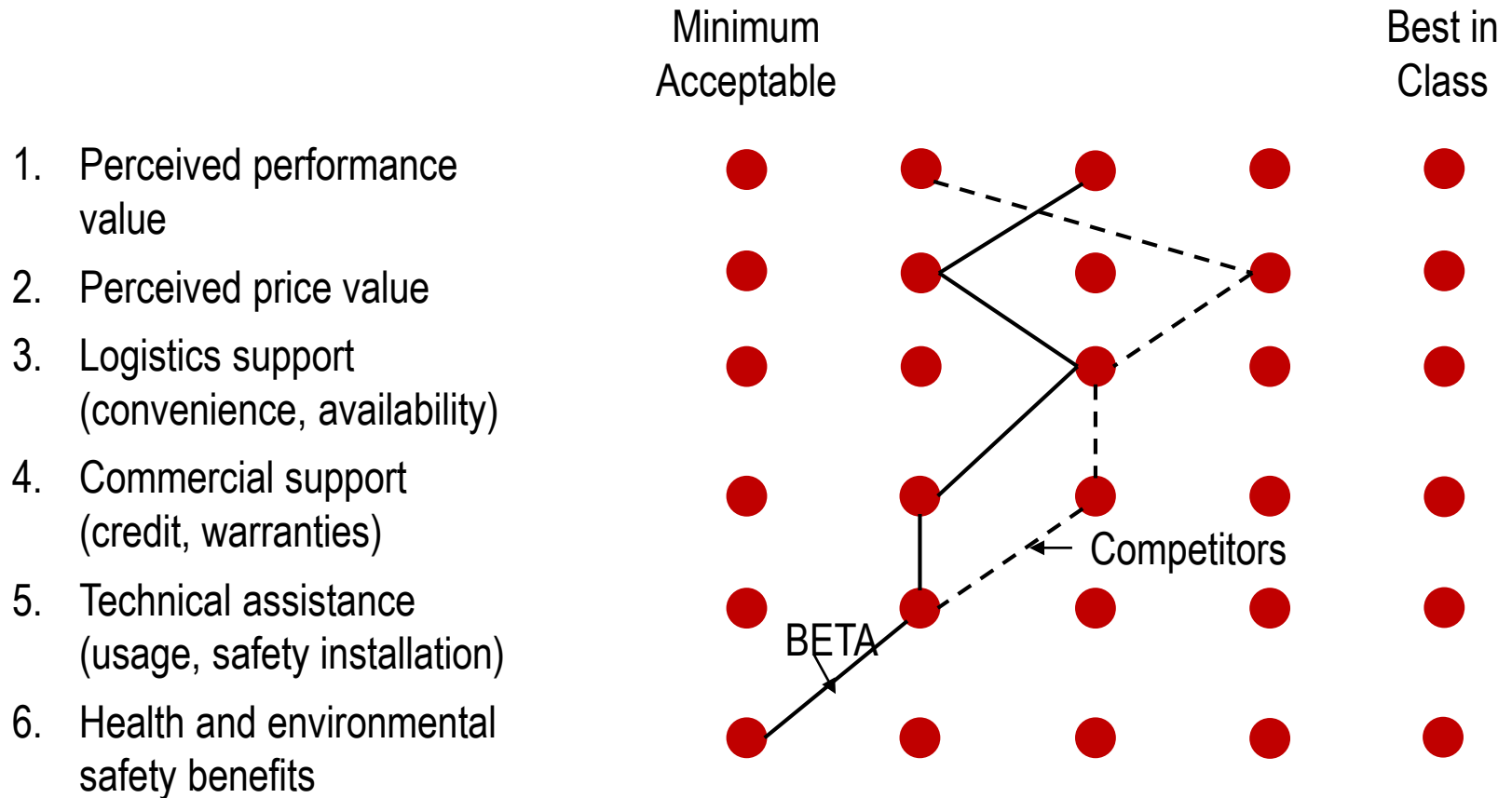
Designing a Go-to-Market Strategy from the Outside-In

STEP TWO: *Assess ability of current channel to meet needs of SME customers.*



Designing a Go-to-Market Strategy from the Outside-In

STEP THREE: *Benchmark against key competitors*

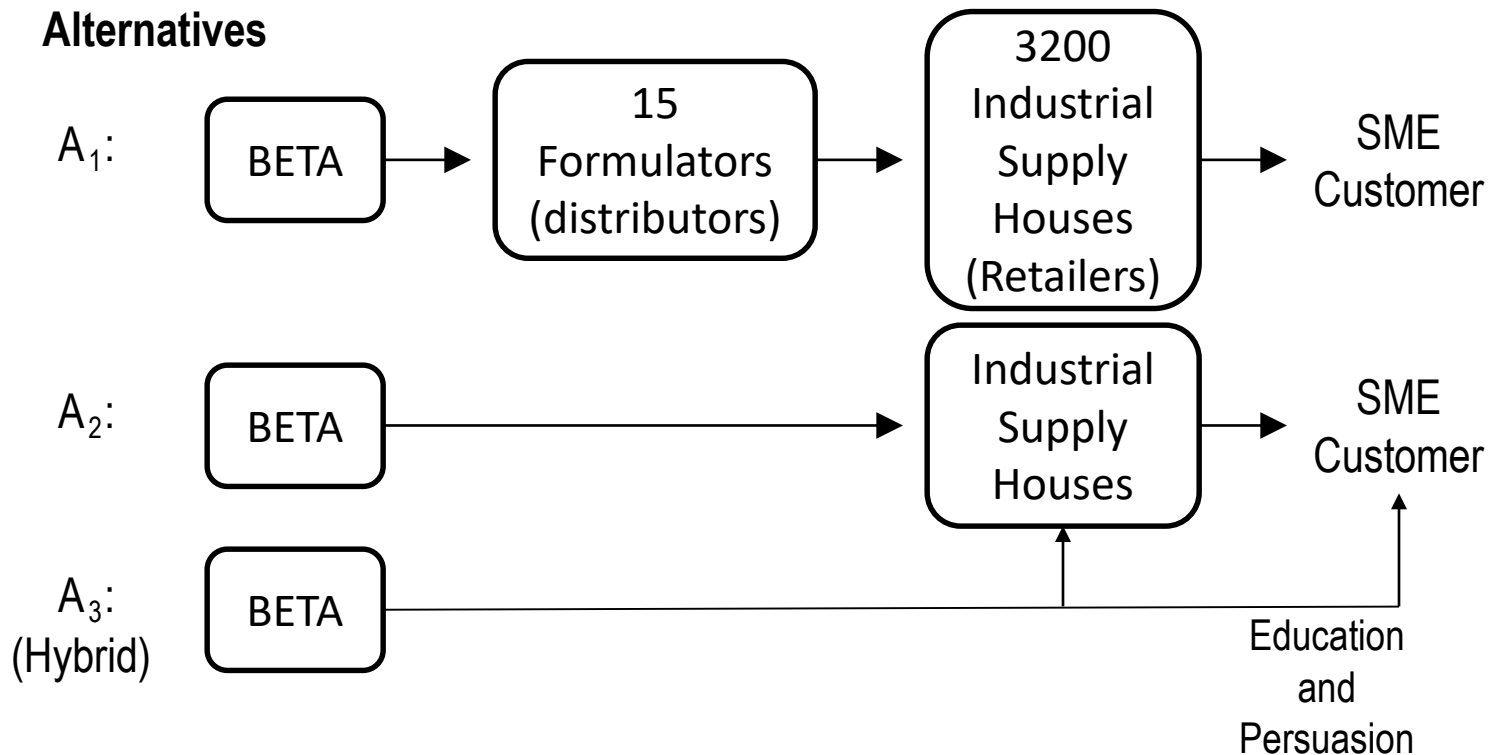


Designing a Go-to-Market Strategy: BETA Corporation

Challenge

- New product formulated for small machine shops (SME) that is 10x more effective than competitors
- Potential = 4,000,000 units to 150,000 SME customer
- Already selling to large customers

Alternatives



Designing a Go-to-Market Strategy from the Outside-In

STEP FOUR: *Assess costs and benefits of each alternative strategy*

Revenue Consequences

- > Coverage
- > Market penetration
- > Effectiveness

Fixed Costs and Investment Commitments

- > Working capital
- > Facilities investments
- > Opportunity costs
- > Start-up costs

Transaction Costs (contracting, compliance, monitoring, collecting information)

- > Need for special purpose assets
- > Ability to monitor selling performance
- > Need for team selling
- > Potential for free-riding

Summary

1. ***Channels are no longer a static component of the marketing strategy***
 - Intermediaries are exercising greater power
2. ***An outside-in approach is needed to anticipate moves of intermediaries***
3. ***Conflicts are built into channel systems***
 - Adversarial collaboration
4. **Antidotes to channel power imbalances are vigilance and innovation**