

Inc.

6 Keys to Channel Expansion

This may be a better time to move into new channels than you think..

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A difficult economic environment can present a great time to expand your business. “There is less slack in the system and less loose money lying around,” says Rita Gunther McGrath, an associate professor at Columbia Business School and author of *Discovery Driven Growth*. “But the positive is that customers’ normal behavior has been shaken up, which creates a lot of opportunities if you act smartly.”

Consider these six keys to smart and successful expansion:

1. Look through your customers’ eyes. In picking potential channels, ask the same questions your customers would, such as who benefits from what you offer or where would your customers not expect to see your products, but still welcome them? David Fields, managing director of Ascendant Consulting, LLC in Ridgefield, CT, says this goes hand-in-hand with thinking of channel partners as customers you need to serve rather than as a “necessary evil.” Think in terms of helping your partners open channels too, as when Purell realized that hand sanitizers would be a good impulse buy for Bed Bath & Beyond long before the product was commonly offered at that type of retail chain store.
2. Analyze your capabilities. “Most companies are spectacularly unimaginative and define themselves in a limited way,” McGrath says. A piano maker, for example, sees its business only as making pianos—overlooking that its ability to drill fine holes may allow it to make components for other industries.
3. Focus on processes. Process development and streamlining can help you replicate efforts across a range of channels. As you expand, you need to map out the complete set of experiences that are necessary for customers to do business with you. “If there is a broken link in any of those steps, there won’t be a sale,” McGrath says. “You might have an online store that sells beautiful furniture, but you’ll be in trouble if you don’t consider such things as how you are going to handle returns.”
4. Determine your criteria for success. Along with the obvious financial payoffs, Fields says to consider other elements of success, such as to what extent the expansion opportunity mitigates your risk with current markets, customers, channels, or offerings. How well does the new business effort position you for future endeavors?
5. Don’t assume that all channels are alike. Too often, companies assume that their success or strategy in one channel will immediately transfer to another channel. With each new channel, you need to identify a relevant position for your brand or store concept that is differentiated, sizeable, and profitable. Branding at this level, McGrath says, “requires a deep understanding of the customers you are serving.”
6. Remember the “magic number.” A mistake Fields often sees companies make is “putting too many eggs in too few baskets.” He says the “magic number” is six-to-eight expansion initiatives at any time. That provides room for the occasional misstep while still providing a company with sufficient opportunity for success.