

# Developing Channel Strategy

## Situation

A major pet food manufacturer was a market share leader in food stores, which had historically sold over 90% of pet care products. The manufacturer relied on traditional syndicated data providers to monitor their category share performance. The data providers reported on results from the food, mass and drug channels only, and their reporting indicated the manufacturer was continuing to gain share. However, by focusing on limited channels the reporting failed to detect two major shifts in category dynamics. First, a significant portion of pet food sales had shifted to new, non-traditional “category killer” channels such as Pet Superstores. In addition, these channels were focused on selling premium forms of pet food from newly emerging manufacturers.

With no visibility to these trends, the manufacturer was not prepared to meet the threat, since they lacked the information to develop their go-to-market strategy, did not have the sales force to call on the new channels and lacked an appropriate product to serve the premium market.

## Solution

DHC developed a comprehensive five-year strategy to establish distribution and grow sales in all appropriate retail channels. Since there is no formalized reporting of sales results outside of traditional channels, extensive primary and secondary research was required to develop the strategy. Research revealed that in actuality, pet food was being sold in thirteen distinct channels. Of the thirteen channels, our client was only participating in three.

The strategy included five-year sales projections for the total category and product segments for each channel. Share targets were established for each channel by year, and a roadmap for achieving the targets was developed. Key elements of the roadmap included categorizing each channel by the type of growth expected over the plan’s lifespan. Channels were classified as aggressive, tactical or developmental, and corresponding investment and asset allocation plans were developed.

It was projected that sales in traditional channels would continue to decline, and sales would continue to migrate to non-traditional channels. If the manufacturer planned to grow sales and share, it was clear that maintaining focus on only their current customers and selling existing products would not be sufficient.

## Results

As a result of the channel strategy, our client was able to quantify their sales opportunity by channel. Based on this knowledge, they restructured their sales organization and redeployed existing resources against the opportunities in emerging channels. In addition, new products were developed to enter the growing premium pet food segment.

While sales in traditional channels have now declined to less than half of the category total, our client has been able to continue to drive significant annual sales increases, and has become a major player in the non-traditional pet food channels.