

Welcome to IF Consulting's weekly e-mail newsletter

May 17, 2002

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

This newsletter is also available as a PDF on our Website (<http://www.i-f.com/E-comLinks02.htm>) if you want to download a version for your hard copy file.

Dealers are the key to Caterpillar's success

Heavy construction equipment manufacturer Caterpillar has proven incorrect those who predicted that the company would be forced to surrender market share to Japanese manufacturers. In fact, the company's overall share of the world market for construction and mining equipment is the highest in its history. According to former Chairman and CEO, Donald V. Fites, the main reason for the company's turnaround has been the manufacturer's system of distribution and product support, and the close customer relationships their dealers foster.

Several other factors, such as the value of the Caterpillar brand name, the quality of their products and the reorganization of management structure, have all played a part in the company's rise to the top. However, Fites states that Caterpillar's single greatest advantage over their competition is the system of independent dealers across the globe who sell and service the machines and diesel engines. These dealers have helped the company to build and maintain close relationships with their customers, as well as to gain insight into product and service improvement that will better fill their customers' needs.

Fites, Donald V. (1996) Make Your Dealers Your Partners. Harvard Business Review March-April.

IF Comment

Caterpillar's dealer network is so well respected that the prestigious *Harvard Business Review* published an article about it. In this article, Caterpillar's former Chairman and CEO says that the main reason for his company's success is its distribution and product support systems. He sees the major benefit of having strong and well capitalized dealers is their ability to provide outstanding after sales service and advice.

Caterpillar recognizes that while it has global clout, it is its dealers that can, as long established members of their communities, get closer to their customers than a global corporation. Although Caterpillar has dealer contracts, its focus is on the quality of dealer relationships rather than on contractual relationships.

Caterpillar works hard to establish mutual trust, share good as well as bad results, continue long lasting ongoing relationships and consistent policies and, most of all, maintain frequent and effective communications with its dealer network.

Caterpillar's continuing dominance in the face of fierce Japanese competition is largely due to its world class dealer network.



Marketing Channel
Strategy Consultants
Maximizing shareholder value
through creating the best routes
to market

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Snippets

Each week, tens of thousands of credit card numbers are being offered for sale in online marketplaces. These membership-only cyberbazaars operate as a black stock market, where the key players are largely residents of the former Soviet Union.

<http://www.nytimes.com/2002/05/13/technology/13CARD.html?todayshadlines> (free registration required)

While many adults remain skeptical that the much-touted convergence between television and the Internet will ever occur, Websites for children have already proven the point. Four of the five most popular sites for kids, as measured by Nielsen NetRatings, are connected to television programs.

<http://www.forbes.com/technology/ecommerce/2002/04/17/0417kidsmedia.html>

The deregulation of the telecom market in many European countries hasn't produced the rush of mobile virtual network operators that was initially predicted. The business principles behind these asset-light telecom upstarts has been described as 'theoretically perfect', however the market dynamics have proven to be not so simple.

http://www.businessweek.com/technology/content/may2002/tc2002058_1258.htm

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