

## Welcome to IF Consulting's weekly e-mail newsletter

June 14, 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.

### The rise of the indirect marketing channel

Indirect marketing channels, which include distributors, dealers, franchisees and agents, are growing in popularity. Currently, over 40 percent of sales for U.S. companies are indirect. Research firm Gartner Inc. estimates that indirect marketing channels will grow to 60 or 70 percent by 2010.

A major challenge arising from the growth of indirect marketing channels concerns how the knowledge hidden in transaction data and interactions with channel partners can be accessed, integrated and shared in order to improve business intelligence. The software that has been born from this challenge, Partner Relationship Management software, aims to integrate corporate data warehouses such as ERP (enterprise resource management) and CRM (customer relationship management) with the channel.

<http://seattle.bizjournals.com/seattle/stories/2002/05/27/smallb4.html>

### IF Comment

Indirect channel partners, such as distributors and resellers, provide cost effective market coverage. Direct channels, whether company owned and operated stores or a company's own sales force, will always be more expensive and provide lower market coverage per dollar invested. However, indirect channels usually result in a lower level of control over, for example, how products or services are marketed and merchandised, branding and positioning and aftersales servicing and assistance.

The choice between direct and indirect marketing channels is therefore one of balancing the three variables of cost, control and market coverage. The recent pervasiveness of indirect sales channels should not be surprising given that in recessionary times, companies aim to increase sales without incurring additional costs or acquiring new assets. However, the projected increase in indirect sales channels may be contradicted by the substantial increase in recent years in the use of call centers and web based sales channels to reach customers cost-effectively.

When deciding the balance between direct and indirect channels, companies should look at what makes sense for their customers, rather than looking at trends - which can be misleading. Companies need to consider their competitive environments and the best trade-offs among cost-control-market coverage.



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

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## Snippets

As large numbers of video and game users adopt broadband, game makers will be able to deliver increased content more cheaply. In this interview, the president of a leading computer game publisher warns that broadband will not only enlarge the value chain but also reorder it. [http://www.mckinseyquarterly.com/article\\_page.asp?ar=1196&L2=17&L3=65](http://www.mckinseyquarterly.com/article_page.asp?ar=1196&L2=17&L3=65) (free registration required)

Under a directive it adopted at the end of last month, the European Parliament gave law enforcement agencies sweeping powers to monitor Internet use and telephone and e-mail communication and to require Internet service providers and phone companies to indefinitely retain logs of what their customers say and do. <http://www.ihf.com/articles/60748.html>

Yahoo, the largest Internet portal in the world, is currently playing host to the multi-lingual official FIFA World Cup site. Spokespersons for the Internet company believe their decision to make football fans pay to watch clips of the World Cup is a winner. [http://news.bbc.co.uk/1/hi/english/business/newsid\\_2038000/2038934.stm](http://news.bbc.co.uk/1/hi/english/business/newsid_2038000/2038934.stm)

## Share the Knowledge

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IF Consulting publishes "Our View", a quarterly review of topical marketing channel issues. Samples are available on our website. To receive "Our View", please return this email with your address details.

To unsubscribe, please reply with "unsubscribe" AND a copy of the email address to be removed.

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