

Welcome to IF Consulting's weekly e-mail newsletter

July 5, 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.

Retailers ask Sony to face the music

Music company Sony has encountered its fair share of channel conflict. Not long ago the company infuriated its retailers by requiring them to sell Sony music label CDs that included hyperlinks to the partially Sony-owned Columbiahouse.com, as well as Sony's own Music store website.

This action resulted in an antitrust lawsuit against Sony by the National Association of Recording Merchandisers. The National Association claimed that the hyperlinks allowed Sony to collect consumers' email and music preferences and allowed consumers to bypass retailers without any compensation.

Sony's new web site, SonyStyle.com, offers many of the consumer electronic products that the company traditionally sells through their extensive list of retailers. Apparently, the president of Sony e-solutions services, Robert Ashcroft, does not foresee any channel conflict arising from this strategy.

<http://www.marketingprofs.com/Perspect/sonyconflict.asp>

IF Comment

Channel conflict is actually good, if managed properly. The test is: does profit increase or decrease as a result of channel conflict?

For example, two real estate agents working for the same company in adjacent territories start doing mail drops in each other's territories. Is this constructive or destructive channel conflict? In this case, it is constructive: agencies are located to be convenient, which should favor the local agent. If many customers start using agencies further away, there must be something wrong with the incumbent's offer. The real estate company still captures those people who are disaffected instead of losing them to competition.

However, the two Sony examples cited in the above article could be seen as destructive: one channel could be seen as gaining advantage at the expense of another. Channel partners are independent business operators, who work with channel principals because they offer advantages (product, training, advertising, etc) that will help partners grow their businesses. A new channel introduced without planning could take away sales and lose the trust - and the business focus of the partner. As a result, the channel principal loses out.

To be successful, channel conflict needs to be managed. For example, Sony product available on the web could be fulfilled by the channel partner of the customer's choice - the



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partner potentially even gains sales as well as additional visibility. Or, remuneration plans could credit partners regardless of whether the product is purchased in store or on the net. Either way, all channels need to be managed as part of a portfolio, not as totally independent tactical initiatives.

Snippets

The Blackberry, a brilliantly simple wireless e-mail device that has become an essential tool for many busy executives, is about to be revised. The exciting announcement from the device's creator, Research in Motion, is that there will eventually be a Blackberry you can use for both e-mail and voice communications, regardless of the type of wireless phone service you choose..

<http://www.forbes.com/2002/06/28/0628tentech.html>

Computer giant Dell is taking the 'customer-direct' selling experience to America's shopping malls. After a successful trial last Christmas, Round Rock, Texas-based Dell opened a kiosk last week and plans to open 20 around the country in the next two months.

<http://www.channelweb.com/Sections/Resources/News/article.asp?ArticleID=36140>

Communist-ruled Vietnam is investigating tighter methods of control over Internet cafes, which are seen as an increasing challenge to the state's media monopoly. In the belief that they could be morally harmful, the Prime Minister, Phan Van Khai has ordered a countrywide investigation into Internet cafes.

<http://www.zdnet.com.au/newstech/ebusiness/story/0,2000024981,20266277,00.htm>

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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.

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