

Welcome to IF Consulting's weekly e-mail newsletter

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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.

Lessons learnt from Teddy Bear evolution

In 1984 entrepreneur John Sortino set out to reverse the developing trend of the all American Teddy Bear being manufactured everywhere else bar its homeland. He founded the Vermont Teddy Bear Co, now a US\$40m enterprise shipping close to half a million bears every year.

The company's development from a struggling toy manufacturer to a multi million dollar success story has been no picnic, however. The company's founder was about to give up after five years of hard work had only produced \$300,000 in sales. In the late eighties, Sortino came up with the idea of the Bear-Gram - an overnight delivery of a personalised, handmade Teddy Bear in a special box, complete with air holes so the bear can breathe. The Bear-Gram now forms the mainstay of the business.

Current President, Chief Financial Officer and Chief Executive Officer Elisabeth B Robert admits that the turning point came when she realised that they were in the gift delivery business rather than the toy retailing business. This realisation occurred after the company experienced miserable failure with three retail stores, including one in the high-rent shopping district on Madison Avenue in New York. Seventy per cent of bears sold at the Madison Avenue store were not going home with the customer but were earmarked for eventual delivery to a third party recipient. The Vermont Teddy Bear Co. now positions itself as a gift alternative to flowers and has carved a niche within the lucrative \$15bn flower delivery business.

http://www.ebusinessforum.com/index.asp?layout=rich_story&doc_id=5754

IF Comment

Defining their customers' moment of purchase decisions can help firms decide on the most appropriate marketing channels.

The Vermont Teddy Bear Company's route to market evolved from kiosk sales to mail / phone order to high street retailer to web retailer; such tales are obvious examples of marketing channel evolution. This marketing channel evolution has occurred as a result of the development of the product's value proposition.

The realisation that its value proposition was that of a gift delivery and problem-solving enterprise instead of a toy manufacturing / retailing operation enabled the firm to structure its sales channel and marketing efforts to its best advantage.

Buying patterns revealed that the majority of purchases were by men in urgent need, likely to



Marketing Channel
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through creating the best routes
to market

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buy spur-of-the-moment gift items. The purpose of the purchase was to allow a fellow to wriggle out of the doghouse rather than selecting a gift from a pre-planned shopping list.

Other examples of channel evolution include direct PC giant Gateway's recent retail channel establishment by way of its Gateway Country showroom/retail stores.

Snippets

A ringleader of an international gang of software pirates that deprived companies of millions of dollars through the illegal distribution of copyrighted software, games and movies on the Internet has been jailed in Pennsylvania for 46 months. The 29 year-old softly-spoken, churchgoing computer technician pleaded guilty to a felony count of conspiracy to commit copyright infringement in February.

<http://www.nytimes.com/200/07/11/technology/circuits/11WARE.html> (free registration required)

In an attempt to find new outlets for wireless networks, manufacturers have developed wearable Wi-Fi . Start-up Vocera Communications is creating a pager system that uses Wi-Fi wireless networking equipment for voice capabilities and 4-inch-long rectangular "badges" worn on clothing.

<http://www.zdnet.com.au/newstech/communications/story/0,2000024993,20266216,00.htm>

The long term viability of online casinos has become increasingly questionable, given the decision this week by Internet payment services provider PayPal Inc. which joined the growing list of providers who refuse to accept casinos' transactions.

<http://www.forbes.com/newswire/2002/07/08/rtr655239.html>