

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

September 13, 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.

### Amazonian success may not be far away

Amazon.com's results on both Wall Street and its bottom line indicate that the online retailer may be closer to success than ever. It's been seven years since the upstart company launched an Internet challenge to the retail establishment. Now, many of traditional retailers it might have challenged in the past, such as Target, Toys "R" Us and Virgin, have partnered with Amazon.

In December, 2001 Amazon reported a first-ever quarterly profit and its second-quarter loss this year was considerably smaller than Wall Street had expected. Second-quarter revenues surged 21 percent to \$806 million and a relentless cost-cutting effort across the company has dramatically improved efficiency.

The company's international operations are the fastest growing part of its business and the Canadian arm of the retailer was launched recently. Senior Vice President for worldwide retail and marketing Diego Piacentini says several other countries, including France, Germany, Japan and the United Kingdom, are destined to have an Amazon storefront that will include more than just books. "Our international expansion is not a matter of 'if,' it's a matter of 'when' and 'how,'" Piacentini said

<http://www.business2.com/articles/mag/0,1640,42734,FF.html>

### IF Comment

The key to Amazon's success - or success to come - lies in defining what business it is in. Amazon started by selling and distributing books - but is it a bookseller? No - the success of Amazon's marketing channel has changed the very nature of the business. It is now an intelligent website, supported by superior fulfillment through its warehouse and shipping infrastructure.

Amazon has been continually expanding its offerings through corporate partnerships and alliances with other sites, such as Drugstore.com and Carsdirect.com. Retail giants Target and Marshall Fields have asked Amazon.com to set up their software development, fulfillment and service offerings, as well as handling some inventory.

The step into Canada has a simple rationale: Amazon.com has a significant number of Canadian buyers, despite the fact that products are in US Dollars and they have faced additional shipment and Canadian customs, duties and taxes issues. Once Amazon's Canadian volume reached a critical level, it could justify developing an Amazon.ca site and presence. This allows Amazon to improve its customer service - through tailoring its offer to



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Canadian tastes, pricing in Canadian dollars and offering services in French. In addition fulfillment is simplified via Canada Post, avoiding inter-country issues.

Amazon uses its channel strategy to expand its product range to existing customers and to enter new markets. It is an excellent example of how a finely tuned and constantly revised channel strategy can lead to ongoing success.

## Snippets

Gone are the neon Golden Arches, the clusters of utilitarian chairs, tables and other plastic fixtures. In an attempt to counter increasing competition from fast baguettes, 932 French McDonald's outlets have been upgraded to a level that would make them almost unrecognizable to an American.

<http://startup.wsj.com/franchising/franchising/20020910-leung.html>

In an attempt to reverse their reputation for indifferent service, airlines are embracing technology to make life easier for passengers. By utilizing information technology, airlines can now speed people through airports, warn them hours in advance about flight cancellations, reduce the loss of luggage, and keep people at the gate better informed about delays and the possibility of receiving an upgrade or a standby seat.

<http://www.contextmag.com/magazine/setMagazineMain.asp>

Studios have been testing online movie technology for almost a year; now Warner Bros. is about to make certain movies available for public download. Success here could be a turning point for the industry.

[http://ecommerce.internet.com/news/news/article/0,,10375\\_1460791,00.html](http://ecommerce.internet.com/news/news/article/0,,10375_1460791,00.html)