

Welcome to IF Consulting's weekly e-mail newsletter

October 11, 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.

Dell enters printer market

Chief executive of the world's leading manufacturer of personal computers, Michael Dell, stated this week that printers and their associated ink cartridges will become cheaper once Dell Computer Corp. starts to sell them. Dell and Lexmark, a printer manufacturer in Kentucky, USA, recently announced that they would work together to develop Dell inkjet and laser printers and cartridges.

Many of the major producers of printers; Lexmark, Hewlett-Packard, Canon and Epson, traditionally employ a business model that involves selling printers at a low price and making their profits on sales of ink cartridges. In his announcement this week Michael Dell stated that his company's printer cartridges won't be compatible with HP's printers, possibly adding heat to existing tensions between the two companies.

Chief executive of the leading printer producer Hewlett-Packard Co., Carly Fiorina, on hearing Dell's plans first announced last month, said the computer maker wouldn't invest the required funds for research and development to enter the competitive industry. Fiorina said that Dell's plans would result in the company being "a channel of distribution for somebody that owns this product. That's an interesting strategy, but is not one that produces real profitability."

Michael Dell, while not directly responding to Fiorina's allegation, said: "We are a direct channel. We think that working directly with customers makes more sense."

<http://www.nytimes.com/aponline/technology/AP-Dell-Cheap-Printers.html> (free registration required)

IF Comment

Ms. Fiorina hits on an interesting point when, commenting on Dell's decision to enter the printer and ink cartridges market with Lexmark, she says that Dell could become a channel of distribution for somebody that owns this product. We will not get into the merit of Dell's decision and whether it makes strategic sense or not. The interesting point is that this can be seen as an example of creative definition of a channel distribution which can open up new market opportunities. Licensing, co-branding, corporate partnerships are other examples of how a company can create new channels of distribution, leveraging another organization's market reach, brand or distribution network.



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

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In some instances the fit between two companies is immediately obvious, like in the case of Dell and Lexmark. When this isn't the case and an organization knows that it needs a corporate channel partner, a rigorous process should be applied to review market/product sectors and establish where to look for potential partners and then to identify and assess potential corporate partners. The results of this process can sometime be quite surprising in highlighting unexpected opportunities for partnership and new channels of distribution.

Snippets

According to industry sources, other buyers for the Burger King fast-food chain will be sought if the Texas Pacific Group consortium fails to close its £2.26 billion buyout. Apparently, the group is experiencing difficulties raising the necessary finance.

http://www.ananova.com/business/story/sm_687614.html

Once a fantasy symbol of dot-com extravagance, the Web-enabled refrigerator is now available at a retail store near you. The 26-cubic-foot Multi-Media Refrigerator being sold by Korea's LG Electronics has built-in 15-inch LCD (liquid crystal display) screen for watching TV, surfing the Internet or looking at digital pictures.

<http://www.zdnet.com.au/newstech/enterprise/story/0,2000025001,20268993,00.htm>

Partner relationship management (PRM) software was once thought of as an optional extra to CRM technology. It seems that it is now becoming a mainstream fixture in application suites.

<http://www.ecommercetimes.com/perl/story/19423.html>

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