

Welcome to IF Consulting's weekly e-mail newsletter

October 25, 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.

New products sink or swim in the Wal-mart channel

What hope does an untested product in an oddball category sold by a startup business have when it comes to being stocked by a retail giant? Quite a lot, apparently, if the giant retailer happens to be Wal-mart.

Although Wal-Mart already stocks approximately 100,000 products, it is very receptive to new ones. It has become known as something of a proving ground for innovative merchandise from the entire spectrum of suppliers, small to large. However, that doesn't mean that the approval process is overly simplistic. According to Jack Kahl, founder and former CEO of home and office supplies manufacturer Henkel Consumer Adhesives, new vendors can expect plenty of activity before they see their products on the shelves of Wal-mart. Kahl advises that, "No matter who you are, a new vendor or someone who's worked with Wal-Mart for years, (getting approved) is a multi-step, multi-test process."

Wal-Mart has a reputation for accurate and informative sales tracking, which can give manufacturers a customized insight into how to put the final polish on a product or marketing plan. Although tough at times, a lesson learned from the ultimate proving ground at Wal-mart may prove indispensable.

<http://www.business2.com/articles/mag/0,1640,43502,FF.html>

IF Comment

Wal-Mart succeeds because of its customer focus and regional flexibility.

Wal-Mart is more than just a store - it is a channel to people. Wal-Mart offers such a range of goods, that many use it as a one-stop shop. In fact, Wal-Mart itself has cited customers going there up to six times a week to meet their needs.

If this is the case, customer focus is essential. Why should people continue to come back to the same store? Why won't today's Wal-Mart customers simply get bored with the experience, and move on to the next new store concept when it appears in their neighborhood? Because Wal-Mart is constantly freshening their offering by tailoring it to changing needs.

Importantly, Wal-Mart is clever enough not to solely rely on head office to make product decisions. Every country has regional differences, and it is important that local stores have the flexibility to adopt to changing local tastes on their own, while still following the overall company strategy. In this case, a local Wal-Mart was able to pick up the pet product because



Marketing Channel
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the owner had seen it stocked in local stores. Simply relying on head office direction would have resulted in a lost opportunity. Continuing to do so would see local stores become less relevant to local customer needs, resulting in a gradual loss of sales.

Snippets

This week, U.K. telecom carrier Orange announced the launch of a mobile phone that runs on a variant of the Microsoft-manufactured Windows operating system. This is the first move Microsoft has made into the relatively unknown market for "smartphones". Not only do these new gadgets allow users to chat, they can also send and receive e-mails and digital photos, store detailed contact lists, track appointments and even watch movies.

http://www.forbes.com/2002/10/22/1022fm_smartphone.html

Fast-food group McDonald's announced that, after reporting another fall in earnings, it will cut new openings and focus on existing restaurants. The fast-food giant said this week that it would now open just 600 new fast-food outlets next year, compared with the scheduled 1,300 openings in 2002.

<http://news.bbc.co.uk/1/hi/business/2350601.stm>

There appears to be a split developing within the technology industry between those companies that are recovering and those that still losing ground. However, the celebrations for the companies doing well may be short lived - the news is that the technology sector is still a long way from a general revival.

http://www.ebusinessforum.com/index.asp?layout=rich_story&doc_id=6113

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<http://www.i-f.com>