

Welcome to IF Consulting's weekly e-mail newsletter

March 14, 2003

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.

Changes to marketing channel program mean rebates for some

Computer networking leader Cisco announced major changes to its channel partner program this week. As part of its Value Incentive Program, Cisco will be adding a new series of back-end rebates.

The rebates will only be available to a select group of Value Added Resellers (VARs), those specifically selling Internet Provider telephony and security products. The resellers will have to qualify for the rebates, which will be up to 10 percent of the sales volume.

The qualifications differ, depending on which of the two product lines are sold, and are complex. Both reseller groups must participate in the customer satisfaction survey program and achieve an average customer satisfaction rating of at least 4.16 during the six-month rebate program.

Edison Peres, vice president of emerging technologies, worldwide channels at Cisco said "We want to grow top-line revenues for our partners. And the best way to do that is by increasing their margins and helping our partners bring more value into the equation."

<http://www.varbusiness.com/sections/news/dailyarchives.asp?ArticleID=40409>

IF Comment

Criteria for receiving a new series of back-end rebates have been finalized, and the expected customer satisfaction outcomes have been stated - now let the games begin.

The stated objective of Cisco's new back-end rebate program is 'to grow channel partner's top-line revenues'. How does Cisco expect competition to respond? In an environment of low growth one could expect competition to match the financial incentive offered by Cisco. What then? Would Cisco increase the rebate - and would this be matched by competition? Does the new back-end rebate program have the potential to lead to a channel partner rebate battle? Are there other ways of improving the top-line revenues? There certainly are.

Combining the selection criteria with increased back-end rebates could be a way for Cisco to extricate selected channel partners. If so, it's a good move, albeit a late one - although one could argue that it is never too late. However, does it need to be complemented with a back-end rebate?

Channel partner program design is a strategic decision which has long term implications. A well-designed channel partner program should enhance profitability. Growing top-line revenue by increasing rebates may not be the best way to achieve this objective



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

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Snippets

When it comes to providing public e-services in Europe, recent research has ranked Ireland second, with Sweden coming in first. Completed on behalf of the European Commission, the Cap Gemini Ernst & Young report looks at the progress that Europe is making in providing online services to both citizens and businesses.

<http://www.online.ie/business/latest/viewer.adp?article=1944410>

Fast-food giant McDonald's announced last month that its British restaurants will be the first in the world to sell fresh fruit. Commencing April, the offer includes making grapes and sliced apples available to health-conscious consumers.

"Tastes are always changing and these changes to McDonald's menu aim to provide our customers with even more choice," said Mike Scott, head of national marketing. Critics view it as an attempt to counter complaints that fast food has led to an increase in obesity.

http://www.usatoday.com/money/industries/food/2003-02-28-mcfruit_x.htm

Clothes sold at Benetton stores will soon contain microchip transmitters that allow the Italian retailer to track its garments from their point of manufacture to the moment they are sold in any of its 5,000 stores.

<http://www.iht.com/articles/89584.html>

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