

Welcome to IF Consulting's weekly e-mail newsletter

April 24, 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.

Distributors accused of sleeping on the job

David Burton's small Australian diagnostic equipment company, Compumedics, has been growing rapidly since it went public on the Australian Stock Exchange in 2000, deriving most of its revenue overseas. However, executive chairman Burton feels the overseas distributors on which the company is heavily dependent, have been 'sleeping on the job' during this development phase.

Early in 2002 Burton dumped his USA and European distributor - 80 per cent of Compumedics' business. "Our distributor slowed down in the third year of their three-year distribution agreement," Burton said. "It was the third time we had had that hiccup." The executive chairman believes that demand for Compumedics equipment far exceeded the distributor's ability to keep up.

"We had grown our US market by between 80 and 150 per cent in recent years," Burton said. "When you have growth like that, there is no distributor other than yourself who is going to turn their business on to your product at that speed."

Although employing full-time sales staff was costly, Compumedics has returned to the black after just six months – representing a break-even result after deducting \$500,000 in relocation costs for the US and Australian operations.

<http://www.theage.com.au/text/articles/2003/04/22/1050777253770.htm>

IF Comment

Based on our experience, distribution channels in some industries comprise as much as 40% of the retail price of goods and services. Strange then, that many companies spend more time hiring a secretary than they do finding a distributor. Other companies have totally adversarial relationships with their dealers, distributors, franchisees and agents.

Whichever the market, from scientific instruments to building products, distributors and dealers may well be selling competitive products. Often, the relationship with their supplier, more than price, determines what products intermediaries recommend to their customers.

There are many misconceptions about using independent intermediaries. The most pervasive is "we need to control every step of the sale. We can't trust intermediaries to do the job as well as we can".



IF Consulting

Marketing Channel

Strategy Consultants

Maximizing shareholder value
through creating the best routes
to market

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This comment may be true, as it appears to be for Compumedics which sells highly technical sleep monitoring technology, but it is often made by companies that have never used intermediaries and have high sales costs.

A commonly misunderstood aspect of distribution channels is the cost a supplier incurs in servicing its channels. IF has come across many cases where costs to serve a company's distribution network resulted in a loss on every sale made. Forward thinking organisations will improve profits and customer satisfaction through a rigorous and objective look at their marketing channel performance and the alternatives available.

Snippets

With the exception of just a few dot-coms, such as AOL Time Warner Inc., eBay Inc. and Amazon.com Inc., investment analysts have shunned online companies after the crash of the market in 2000. Unfortunately, three years later, the dot-com survivors that are showing signs of financial success and longevity have failed to recapture the attention of the analysts who can influence institutional investors and affect a company's stock price and operating strategy.

<http://www.iht.com/articles/94266.htm>

Thailand's retail sector is undergoing an unprecedented sea of change affecting customers and operators alike, causing fast-food restaurant giant Yum Restaurants International, to rethink its marketing channel strategy.

http://www.bangkokpost.com/210403_Business/21Apr2003_biz41.html

As the e-commerce market has started to mature, e-tailers are faced with the challenge of updating and maintaining expensive IT investments — sometimes sacrificing measurement or marketing applications in the process. A 2003 survey from the e-tailing group, inc. found that more than three-quarters of the respondents wisely implemented new technology in the last year, but have neglected critical back-end components.

http://ecommerce.internet.com/research/stats/article/0,,10371_2193221,00.html

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To unsubscribe, please reply with "unsubscribe" AND a copy of the email address to be removed.

IF Consulting is a leading international marketing channel strategy consulting firm with over 30 years experience in a vast number of industry sectors. See our website for further information.

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