

Welcome to IF Consulting's weekly e-mail newsletter

May 23, 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.

Channel partners cut out of the loop

An aggressive promotion by Hewlett-Packard (HP) created to directly compete with Dell in the small business market has left some HP channel partners perplexed.

Channel partners allege that HP has recently offered desktops and notebooks to a select group of small businesses for 20 percent less than what their partners pay for the products. For two days in April, Dell customers were offered the "e-coupons" by HP. HP claims that the promotion was available to their partners, however this is disputed by several HP solution provider advisory council members.

The promotion annoyed some of HP's channel partners who are concerned that the company's direct sales force didn't try to find out if any of the targeted customers were already customers of HP channel partners. Also, it is claimed that some customers who were not on the promotion list heard about the offer and requested the same discount.

Kevin Gilroy, vice president and general manager of commercial channels for the Americas at HP claimed the promotion was aimed at new customers, not HP's installed base, and was coordinated through all channels

IF Comment

Companies often assume that channel conflict is a bad thing, as no doubt, HP's channel partners do in this case. However some channel conflict can be good - on the basis that no channel conflict often results in insufficient coverage.

However, channel conflict needs to be managed. Tools which can be used in managing channel conflict, include organisation, economics, boundaries and communication. HP appears to have set boundaries but have not adhered to them when making special offers. HP has compounded its error by inadequately communicating with its channel partners.

An important aspect of communication is understanding and enforcing roles and responsibilities within the various distribution channels. HP's VP and GM of Commercial Channels said the offer was coordinated through all channels - coordinated maybe, but possibly not as well communicated to channel partners.

As ever, it's easy to be critical. Knowing the way HP operates however, problems such as this won't be allowed to last long.



IF Consulting

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

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Snippets

American fast-food chain store Dunkin' Donuts claims a \$7-million lawsuit by some of its Canadian franchise holders has holes in it. The franchisees filed the lawsuit this week in Quebec Superior Court against the franchisor and parent company to recover losses incurred allegedly as a result of management errors.

<http://www.canada.com/news/story.asp?id=1F49BEEB-286D-444C-A422-86DF8BC76BDF>

The Amico Library, an Internet archive with digital copies of more than 100,000 paintings, sculptures and photographs, is the result of a unique collaboration of 39 museums. The participating museums range from heavyweights like the Metropolitan Museum of Art to smaller institutions like the Newark Museum. Each museum supplies the library with images that are more vivid and far detailed than those normally found on the Web. Remarkably, although Amico is a nonprofit venture, it is almost self-sufficient, unlike similar dot-com endeavors.

<http://www.nytimes.com/2003/05/22/technology/circuits/22muse.html> (free registration required)

In 1989, Express Scripts, a Maryland, Mo.-based mail order pharmacy, processed 1 million prescriptions a year. Now, it delivers around 30 million. The story behind the mammoth increase involves pharmacies moving towards a paperless system, customers wanting to get their medicine in the mail and employers becoming more interested in curbing skyrocketing drug costs.

http://www.forbes.com/technology/2003/05/21/cx_mh_0521biggrowth.html

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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.

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