

Welcome to IF Consulting's weekly e-mail newsletter

July 11, 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.

Beer partnership dispute comes to a head

The largest brewery in Europe, Scottish & Newcastle, has recently expressed concern over its partnership with its national beer distribution contractor, Hays. Cost savings and productivity improvements expected from the partnership have failed to materialize and as a consequence, the relationship is under strain.

The two companies are currently in "intensive talks" regarding the poor performance of the partnership. For two years, Scottish & Newcastle has been reorganizing its beer distribution network within the UK but troubles have been brewing following a series of problems and mishaps with their distribution contractor. The problems have occurred since the two companies increased the scope of their relationship from simple transportation operations to a greater value contract including supply chain management.

The brewery is now reviewing the contract but has accepted that any immediate measures taken will not be enough to reduce the high running costs of the distribution arm in the near future.

<http://www.datamonitor.com/~971e642e7bf04b21bd0209f68d5a77eb-/automotive/news/product.asp?pid=17CB9892-BFF0-473F-8FC1-1541C67FF1A7>

(Because of the length of this URL, you may need to cut and paste it into your browser's address bar to view web page)

IF Comment

Beer distribution is an area of marketing channel strategy that is rarely discussed. Those not connected with the industry will be surprised to find out that many brewers use their competitors to distribute their products in countries where they don't have a strong brand presence.

In some countries, Guinness distributes for Heineken and in others, Heineken distributes for Guinness. Distribution agreements are usually for 5 years or more, are difficult to exit before the end of the term. These agreements usually work well, which makes Scottish & Newcastle's dispute with Hayes a major issue for both companies.

American brewers, including Anheuser-Busch, the makers of America's leading brand, Budweiser, use independent regional distributors to market and deliver their brands. We can only wonder if an American type model would have served Scottish & Newcastle better than its current model.



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

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Certainly, a problem with a regional distributor is more easily solved than a problem on a national level

Snippets

The hype surrounding the Internet disappeared long ago in the United States, Europe and Asia. However parts of Africa are enjoying the aspects of the Internet that have made it a powerful catalyst for change. By allowing companies and individuals to make international telephone calls far less expensively than through conventional channels, voice-over-Internet is expanding opportunities for business and consumers in some of the poorest places on earth.

<http://www.nytimes.com/2003/07/05/business/worldbusiness/05VOIC.html> (free registration required)

Software giant Microsoft is changing its previous strategy of not targeting big payroll and accounting software clients and has started selling its business applications to larger customers. This move puts the company on a direct collision course with Oracle, possibly leading to significant changes in the marketing channel strategies of both companies.

<http://www.iht.com/articles/102492.html>

According to the US Embassy in Bangkok, the US government is now offering financial incentives for small Thai businesses looking to partner with American franchisors through the Overseas Private Investment Corporation (Opic). A spokesperson for the US Commercial Service said the new programme was set up to support US franchise development overseas.

http://www.bangkokpost.com/200603_Business/20Jun2003_biz81.html

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