

## Welcome to IF Consulting's weekly e-mail newsletter

May 28, 2004

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.

### Will closing Gateway stop retailers from bolting?

Gateway's annual shareholder meeting on May 20 was a quiet affair. The crowd, occupying just twelve rows of chairs in a small conference room at the Hyatt Regency in Irvine, California, listened on as plans were outlined for restoring Gateway to its position as one of America's premier PC makers.

Investors at the meeting were subdued, despite two years of losses and a controversial merger with rival eMachines which led to the shutdown of all Gateway Country stores. No one asked the question that has gone begging since the companies merged on March 11, 'Why have no retailers signed on to carry Gateway-branded products in their stores? Retailers should have been relieved by new CEO, Wayne Inouye's April 1 announcement that he would close Gateway's stores in order to prevent direct competition with retailers in the same region.

According to Roger Kay, an analyst at technology research firm IDC, "the Gateway brand is toast" if Inouye can't get Gateway into the major consumer retailers by this holiday season. However, Inouye has already started the turnaround, with plans to market the two PC brands to different segments. He also hopes to revive Gateway's trademark configure-to-order model, which allows customers to pick and choose the features they want.

[http://www.businessweek.com/technology/content/may2004/tc20040521\\_5592\\_tc062.htm](http://www.businessweek.com/technology/content/may2004/tc20040521_5592_tc062.htm)

### IF Comment

Gateway grew into a major PC player with an Internet-based direct sales model. In the past few years, Gateway has lurched into additional channels with little success.

Massive investments were made to build an equity retail channel of "Gateway Country" stores. And the company paid out large sums again to purchase eMachines, a competitor specialised in selling through discount retailers, another channel in which Gateway had limited experience. Gateway is now ditching the former channel and continuing to pursue the latter, while returning its main focus to its original Internet-based configure-to-order direct sales model.

In the midst of all of these transitions, the company still aims to reduce its selling, general, and administration expenses from 34% of revenue to the 10% of archrival Dell's, which remains happily married to its direct channel model. The costs to serve multiple channels while maintaining multiple brands make it exceedingly unlikely that Gateway will reach the Dell level of selling expenses.



Marketing Channel

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Evaluating the costs to serve each channel and a strategic analysis of the implications of such channel development should have taken place prior to these lurches away from the original business model which made Gateway into a success in earlier days.

## Snippets

Having established itself in China, Audi is now looking to set-up a dealer network in India. Audi claims that the Indian luxury car market has tripled in the last five years. The car manufacturer will be represented in the market from July this year, following the conclusion of two dealership agreements at the key strategic locations of Delhi and Bombay.

<http://www.datamonitor.com/~11cf6e15060845d080e87ef4e8c51912~/industries/news/article/?pid=B81A9F72-EE84-4389-AD00-276EE522490B&type=NewsWire>

(Due to the length of this URL, you may need to cut and paste it into the address bar of your browser)

Automotive parts distributor and franchisor the Midas Group has struck a deal with leading taxi associations that could see its number of franchises double in the next two to three years from 300 outlets at present.

<http://www.busrep.co.za/index.php?fSectionId=&fArticleId=2087756>

One of Australia's largest mortgage brokers, Mortgage Choice, may, by request of the Australian Securities and Investments Commission, have to review the sale of up to 50,000 mortgages and face compensation claims for making misleading and deceptive claims to customers.

<http://www.theage.com.au/articles/2004/05/26/1085461833045.html>

## Share the Knowledge

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

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