

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

June 4, 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.

### When companies crash their own party

Just over a year ago, Tupperware Corp.'s independent dealers, having lived through a 15-year slide, were celebrating the news that US sales were up for the third year in a row. The success, attributed to new booths at shopping malls and an online presence, generated a new wave of interest in the famous Tupperware parties – the source of 90% of its US revenue.

In an effort to boost sales even more, Tupperware decided to supplement its parties with a greater retail presence. Tupperware products were placed in all US Target stores and salespeople were sent to demonstrate the merchandise in the aisles. Unfortunately, what looked like a good strategy to address the needs of shoppers who don't have time to attend a face-to-face pitch, ended up backfiring on the company. Shoppers found the products so accessible that it was no longer necessary to attend the parties. Fewer parties meant fewer opportunities to secure further parties or new salespeople. Frustration grew as party and recruiting numbers diminished. Some salespeople stopped volunteering to work at Target, while others quit Tupperware altogether.

According to Rick Goings, Tupperware chairman and chief executive officer, "It was big and bold. It was ugly. We will never do a major deal with a retailer." He estimates it will take two years to get U.S. sales and profit back to pre-Target levels. The issues Tupperware encountered highlight the problems associated with trying to use inappropriate marketing channels.

### IF Comment

As we have said in so many of our weekly emails, companies must be aware of the impact on their strategies when they change their channels to market.

As mentioned in the article from the Wall Street Journal, Tupperware recently closed a large number of retail stores which it had opened in an attempt to alter its distribution model. In a similar vein, many phone companies worldwide have owned, licensed and franchised retail stores to sell both telephony hardware and carry out transactions. As a general rule, none of these chains are successful, be they in developed countries such as the US or developing countries such as Thailand. Likewise, a number of computer manufacturers have attempted to open stores carrying their own products. To date the only success story has been that of Apple. Yet Apple's successful stores follow previous failures in other countries, and we, at IF, doubt that Apple Computer stores will be a sustainable marketing channel.

Changing routes to market is somewhat akin to brand extension where a company tries to apply its brand to somewhat unrelated products. According to Trout and Ries in their widely published book "Positioning", brand extension rarely works. Our view is that when a company



Marketing Channel

Strategy Consultants

Maximizing shareholder value  
through creating the best route  
to market

IF Asia Pacific Pty Ltd

An International IF Company  
ABN 38 970 704 536

390 St Kilda Road Melbourne

Victoria 3004 Australia

Telephone +61 3 9867 8822

Facsimile +61 3 9866 3969

email [channels@i-f.com](mailto:channels@i-f.com)

[www.i-f.com](http://www.i-f.com)

USA

Europe

Australia

Latin America

with established and well known marketing channels significantly changes its routes to market, more failure than success can be anticipated.

## Snippets

In a bid to kick-start consumer spending, France is encouraging retailers to reduce prices on popular brand-name products like Coca-Cola and Danone yoghurt. The move is an attempt to bring pricing practices in to line with those of close European neighbors, who pay up to 13 percent less for brand-name products.

<http://www.iht.com/articles/523258.html>

iSold It, the U.S. chain of franchised eBay drop-off stores, has added yet another string to its bow. The fast-growing chain announced this week that it will now service the entire country with the first ever mail-in eBay service. The program, called iSold It by Mail(TM), offers customers across the country another method of listing their items on eBay.

[http://home.businesswire.com/portal/site//index.jsp?ndmViewId=news\\_view&newsId=20040601005450&newsLang=en](http://home.businesswire.com/portal/site//index.jsp?ndmViewId=news_view&newsId=20040601005450&newsLang=en)

Global fast food giant McDonald's is set to embark on an aggressive expansion in India, in response to the country's increasing acceptance of the fast food culture. The world's fast food leader is also looking into new markets for exporting its spicy Indian recipes, according to Amit Jatia, Managing Director (western region) of McDonald's India.

<http://news.newkerala.com/business-news-india/?action=fullnews&id=19982>

## Share the Knowledge

If you have colleagues who would be interested in receiving our weekly email please forward this e-mail to them.

IF Consulting publishes "Our View", a quarterly review of topical marketing channel issues. Samples are available on our website. To receive "Our View", please return this email with your address details.

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>