

Welcome to IF Consulting's weekly e-mail newsletter

July 2, 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.

This week, we're taking a slightly different approach to our weekly newsletter. Instead of covering a wide range of topics related to marketing channels, we're focusing on the online channel. The source on which the IF Comment and Snippets are based is the Business Week Special Report on May 10: E-Biz Strikes Again!

http://www.businessweek.com/magazine/toc/04_19/B38820419ebiz.htm

Online channel creates middlemen

As director at think tank the Institute for the Future in Menlo Park, California, Paul Saffo's job is to look a full ten years into the future. Saffo was one of the first to recognize six years ago that the popular theory that the Internet would eliminate middlemen, or "disintermediate" industries, was incorrect. Conversely, Saffo stated that the lower cost of selling over the Net actually produces more middlemen, helping to explain the rise and rise of the online marketing conduits such as search engine Google and marketplace eBay.

Saffo believes that new Information Technologies have always created more new players in various industries than they've eliminated, and points to examples pre-Internet. He says, "Each time it gets cheaper to do something, you get more players. It's irreversibly more complex. You get more than a value chain. You get a value web."

http://www.businessweek.com/magazine/content/04_19/b3882621.htm

IF Comment

In addition to the well-known 'cut out the middleman' effects of the Net, this interview details in part the counterintuitive development of 'reintermediation' on the Net. The millions of companies with websites provide new sources of customer demand, product information, and outlets for products and services.

While the Net has not become the direct sales channel that many had predicted, it has significantly affected many steps in the sales process. From real estate to jewelry to cars, growing numbers of end customers are using the Internet to do product/price research, for example, before visiting the dealer/outlet. Suppliers who continue to treat the Internet as only a distribution channel are doing their businesses, and their other marketing channels, a disservice.



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

www.i-f.com

USA

Europe

Australia

Latin America



Snippets

Paper checks may soon be a thing of the past. Digital processing technologies and the rapid adoption of online bill payment are changing the US\$30 billion business of printing, transporting, and processing checks. Behind the transformation are banks, credit-card companies and merchants such as Wal-Mart keen to replace a system that involves as many as 28 middlemen.

http://www.businessweek.com/magazine/content/04_19/b3882606.htm

Tens of thousands of telecom customers are turning to start up companies for telephone service based on Internet technology. It is predicted that the service, known as Voice over Internet Protocol, or VOIP, will surge next year as broadband providers roll it out. To date telecom companies such as Bells in the US have been able to decide the conditions under which rivals could connect to their networks. Thus, Bells controls about 80% of the US local phone market. However, the new Net phone service can simply be plugged into any broadband connection, meaning that rivals can bypass the telecom giants.

http://www.businessweek.com/magazine/content/04_19/b3882609.htm

Hotel chains and online travel agencies are at loggerheads. Traditionally, franchise chains such as Marriott International and Hilton Hotels have been the hotel industry's dominant middlemen. Chains are paid 8% to 10% of hotel owners' revenues in exchange for marketing and booking services and for the right to call themselves a Marriott or Hilton. However, with bulk buying, Internet agents such as Expedia and Travelocity are now getting a bigger cut of hotel owners' revenues than the chains get for the same room. Last year, 35 million rooms worth \$5.8 billion, 8% of the market, were booked by online agencies.

http://www.businessweek.com/magazine/content/04_19/b3882612.htm

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>