

Welcome to IF Consulting's weekly e-mail newsletter

July 9, 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.

Marketing channel issue a grey area

Telecoms distributors in the UK have been told by East Central Distribution (ECD) to watch out for the flood of grey imports that are becoming an increasing threat to the UK market. The announcement follows a similar warning by Panasonic about the implications of purchasing products not approved for use in the UK.

Managing Director of ECD, Rob Kay, said, "There has been an increasing incidence of resellers calling us to price match at levels below those available to the distribution channel. This trend of buying unapproved equipment to win business from legitimate resellers will have a serious impact on the UK telecoms business if it carries on unabated."

Kay went on to say, "It is not just the channel that will lose out if this grey market continues, as customers are exposed to potential warranty and after sales problems. These resellers that are chasing the quick sale are the ones that will cut and run at the first sign of problems leaving the channel to try and pick up the pieces. This will devalue product branding in the marketplace and damage the hard won reputation of the UK telecoms industry."

<http://www.channelbusiness.com/articles/newsroom-open.asp?node=1%20&ArticleID=14659>

IF Comment

Grey imports pose a fascinating commercial and ethical problem. Grey markets operate through marketing channels other than those authorized by manufacturers. Grey market goods are not illegal and frequently appear when the price of an item is significantly higher in one country than another. Any consumer advocate must be in favor of grey imports because they reduce the cost to consumers. However, corporations and distributors that sell products imported on the grey market are severely disadvantaged because they can't compete on price.

The dilemma is that grey market products are usually identical with products imported through conventional channels. Mr Kay's comments that unapproved equipment is sold may be valid for telecommunications equipment, but it's certainly not valid for such products as cameras, palm pilots, electronic goods and computers. It's also wrong for Mr Kay to refer to grey imports as abuse. Theoretically, products coming from the same factory ought to have the same attributes and while the warranty is an issue, experience shows these products rarely break down. Furthermore, if they do, it continues to remain the manufacturer's responsibility to have them fixed.



Marketing Channel

Strategy Consultants

Maximizing shareholder value
through creating the best route
to market

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Snippets

7-Eleven South Africa is about to be revamped into a new retail format. The well-known convenience store will put its past catastrophes behind it when it operates as a dual brand under the 7-Eleven/Friendly banner. With the merger comes plans to double the number of stores within two years. Market research clearly showed that 7-Eleven franchisees saw tremendous value in being part of the Friendly chain.

<http://www.cbn.co.za/dailynews/July2004//article109.htm>

Inno-Pacific Holdings, the Singapore-based franchisor of Shakey's Pizza, announced last week that it was selling the franchise company to one of its franchisees following a class action. Jacmar, Inc., the owner of 19 Shakey's Pizza restaurants and a large shareholder in Chicago Pizza & Brewery, Inc., will pay \$4.5 million for the company and has negotiated with the plaintiff class of franchisees to end the litigation against Inno-Pacific.

http://www.pizzamarketplace.com/news_story.htm?i=19746

Network security vendor CyberGuard has delivered an ultimatum to its direct-sales force. The philosophy behind the company's new channel partner program requires that the sales force sells through resellers, or it simply won't get paid.

<http://www.crn.com/sections/breakingnews/breakingnews.jhtml?articleId=22104048>

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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>