

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

October 15, 2004

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

### Battle looms over plastic promises

The party's over for a handful of Tupperware distributors. The Canadian division of the plastic container giant is suing five former distributors for between \$200,000 and \$300,000 each. The dispute centers on the company's promissory note policy. To become a distributor, parties must sign the promissory note, which puts them in debt in exchange for an assigned territory and sales force. Tupperware maintains that the five Canadian distributors it is suing left the company before paying on the promissory note and thereby owe the full amount of the debt.

The distributors on the other hand, have filed a counterclaim contending that the profit margin promised by Tupperware could not be reached and that they also lost money when the company altered its marketing and sales strategies. The former distributors have joined forces with a self-proclaimed franchise expert in an attempt to convince the court that Tupperware is in fact a franchise. As franchises come under the jurisdiction of a separate set of laws to those they are currently facing in court, the definition of the distributors' relationship with the company is vital to the case.

<http://msnbc.msn.com/id/6208577/>

### IF Comment

We cannot comment on the specifics of the Tupperware case described in the article as we are not familiar with it. However, we will use some of the comments and facts reported to make an important point.

Distributors and channel partners in general represent the critical link between an organization and its customers. Their well-being and profitability should be a primary consideration for any company using indirect channels. Strategic choices in areas as diverse as pricing, marketing and the use of other channels can often have undesired or unpredicted consequences on the channel partners' performance and profitability.

Companies with strong brands and products can often afford to sacrifice their channel partners' well-being on the assumption that new channel partners are willing to take on their products or that the cost of upsetting them, or worse, of litigation, is lower than the benefit of whatever changes are being implemented. However, our experience indicates that successful companies tend to be good channel operators too.

Successful channel operators are organizations that have an in-depth understanding of their channel partners' profitability and their profitability drivers. This knowledge enables them to make strategic decisions with a good understanding of the implications on the channel partner's profitability, whether positive or negative, and thus prepare for the possible consequences. Additionally, being able to monitor channel partners' profitability enables companies to intervene as soon as particular trends are spotted. Obviously, monitoring



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channel partners' profitability requires the partners' cooperation. This can only be acquired where trust has been built between the company and its channel partners. Trust that the information on profitability will be used for the benefit of both parties.

## Snippets

AIG Excess Casualty, a division of the property and casualty insurance subsidiaries of American International Group, is set to launch new broker initiative. The new program has been designed to provide one-on-one support services to commercial umbrella and excess casualty producers across the US.

<http://www.datamonitor.com/~d92f82ee87044a5aab2f1024fd2da855~/industries/news/article/?pid=FB9D5B2F-AB12-4B47-A847-2D6B6D96070B&type=NewsWire>

A few months after launching its franchising program, hotel chain Hilton International has announced its first contract in Italy. Theo Kreutzer, Vice President Hilton Western Europe & Mediterranean commented: "We are extremely proud to announce that Hilton Portorosa will be the first Hilton franchise in Italy. This first agreement will help us achieving our objective: to rapidly increase our portfolio both in selected markets and in those where Hilton International is not yet present".

<http://www.hospitalitynet.org/news/154000320/4020865.html>

This week, eBay's PayPal online payment service has suffered from a series of technical glitches that have left some traders without payment. PayPal is the most popular online payment service and the preferred method of payment for almost all merchants who sell on eBay. The problems have left some PayPal users unable to access the service or their accounts.

<http://www.ecommercetimes.com/story/37256.html>

## Share the Knowledge

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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>