

Welcome to IF Consulting's weekly e-mail newsletter

March 5, 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.

Rent-by-mail service: A blockbusting channel?

There have been some unintended consequences resulting from the push for an industry-wide DVD pricing policy. The policy, which has resulted in movies on DVD being sold at compact disc prices, has had serious consequences for the video rental business.

According to the Video Software Dealers Association, the days of video rental outlets depending entirely on walk-in business and the late fees it generates may well be over. On the other hand, the rent-by-mail model is growing exponentially, with pioneer Netflix reporting almost 1.5 million subscribers. The Internet DVD service, which involves just one \$20 monthly fee and no late charges, has spawned several imitators, including Wal-Mart DVD Rentals, operated by Wal-Mart Stores, Inc.

Recent reports indicate that video rental giant Blockbuster will be next to jump on the bandwagon. With 48 million existing members, Blockbuster is in a strong position to adopt a Netflix-style mail-order business. Eventually, the company aims to integrate the mail order and in-store subscription services, giving customers more options. Given Blockbuster's huge retail presence, this move may result in a significant competitive advantage.

<http://www.guidetohometheater.com/news/022304blockbuster/>

IF Comment

Commercial activity usually follows the growth of a community; development of a township precedes commercial activity in that region, commerce on the internet is reliant on the growth of internet community. Thus, community precedes commerce, and the growth of commerce relies on convenience. In the video rental industry, convenience has traditionally been measured along the time and space dimension, but the rent-by-mail model adds another dimension to convenience; it's easier to deal with. No late fees means less hassle and no unexpected charges for the customer.

The principal key success factor for a channel is 'Make it easier for the customer to acquire and enjoy the product'. However the caveat on this principal is, 'Do not ask the customer for additional fees for the convenience offered'. Additional charges for convenience will restrict growth.

Blockbuster plans represent a good attempt at multiple channels to customer. However, questions remain. Would multi-channels, that is, many channels that are linked, deliver better results than multiple channels i.e. many non-linked channels? Could multi-channels provide Blockbuster the edge against rivals such as Wal-Mart?



Marketing Channel
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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@if.com
www.i-f.com

USA
Europe
Australia
Latin America

Snippets

This week, major recording labels EMI and Universal Music and pioneering digital music service Napster moved to expand the distribution of digital music within Europe, where to date, legal and commercial fragmentation has slowed the advance of the online music business.

<http://www.iht.com/articles/508672.html>

Virgin is currently negotiating a deal to sell its online car business to a rival, one of the largest Internet-based car retailers. The decision has come about as its online car operation has not lived up to expectations. Instead of the 24,000 cars per year that were forecast, Virgin Cars only managed to sell around 7000.

<http://www.datamonitor.com/~5ee9b233374c4d56903e30074f1ac366~/industries/news/article/?pid=ADEAC848-A87F-4A24-B28E-750AFF56F3A9&type=NewsWire> (Due to the length of this URL, you may need to cut and paste it into your browser)

A group of unhappy Hewlett-Packard channel partners dropped an attempt to establish an independent representative council after HP agreed to revamp its own enterprise council. Ken Archer, director of HP Americas national enterprise partners, last week presented the HP partners with a charter to make the HP enterprise council more representative of their needs.

http://www.crn.com/sections/News/Top_News.asp?ArticleID=48271

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