

Welcome to IF Consulting's e-Newsletter

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

Channel partner satisfaction marginal

A recent survey by *CRN* magazine found that despite aggressive product pricing wars, product margin remains one of the most important sources of compensation for many channel partners in the computer industry. The annual survey examined for the first time how vendors compensate channel partners, with surprising results. Less surprising was the finding that margins are also the area with which channel partners are least satisfied when considering all forms of compensation.

Forty-one percent of channel partners in the survey indicated they received margins, thereby making it still the single most common form of compensation. Of those, 97 percent said that margins were among the top three most important forms of compensation they receive. Yet margins came in last in the compensation satisfaction stakes for channel partners.

One of the biggest issues channel partners are facing is how they can hold on to more product margin in the midst of the fierce product price wars, particularly in PCs, printers and even software licensing. Thirty-two percent of channel partners surveyed said they keep less than 20 percent of product margin provided by manufacturers while only 18 percent said they keep 100 percent of the gross product margin.

<http://www.crn.com/sections/special/ssurvey/ssurvey03.jhtml?ArticleID=164901970>

IF Comment

Product margins and the overall financial relationship are just one of the three essential components of any channel value proposition. Best-in-class channel managers understand their channel partners' profitability and needs drivers and are capable of designing and delivering effective channel value propositions that target those drivers.

In addition to the margin, the other two essential elements are the ease of doing business and the support. Both elements can also be quantified and can have a substantial impact on a channel partner's profitability by helping partners reduce cost of doing business and/or increase revenues.

A successful and effective channel relationship and channel value proposition is based on a sound understanding of how channel partners operate and make money. On this basis it is possible to build a comprehensive and balanced channel offer that competitors cannot replicate easily. Focusing just on margin is easy and tempting. However, margin is money, which is a commodity, and any competitors who can offer more money to the channel partners can take them away. Complementing margins with other support elements can add value to the channel partner and create longer-term commitment and dedication.



Marketing Channel
Strategy Consultants
Maximizing shareholder value
through creating the best route
to market

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Snippets

IBM has just launched a supply-chain consulting practice. The computer giant's new service promises to help companies operate all links of the supply chain, from procurement to strategy.

<http://www.datamonitor.com/~387d05e26657402c8e0507b6f0fe6682~/industries/news/article/?pid=A110361A-F5E1-48A4-8C67-5DC590170539&type=NewsWire> (Because of the length of this URL you may need to cut and paste it into your browser's address bar)

The Internet is in the midst of yet another transformation. The explosion of peer-to-peer software systems has made it a trivial task to share anything digital instantly, from photo- and calendar-sharing services to online games, desktop movies, "citizen journalist" sites and free encyclopedias. The new services however are having an impact far beyond the file sharing issues being contemplated by the lawmakers.

<http://www.ecommercetimes.com/story/GhCAAKk6TRyNEr/Internet-Users-Driving-New-Services-on-Web.xhtml>

The founder of the Subway sandwich chain and its parent company must pay two franchise owners \$150,000 each because of lack of clarity over punitive damage awards in the state of Connecticut.

<http://news.moneycentral.msn.com/provider/providerarticle.asp?feed=AP&Date=20050705&D=4941583>

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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>