

Welcome to IF Consulting's e-Newsletter

September 23, 2005

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

The Marketing Channel Solution

Distributors of computer-based technology are currently experiencing a growth spurt. In fact, as distributors appear to be growing at a faster rate than their major vendors, it's clear that those vendors are deriving an increasingly greater portion of their revenue through their channel partners.

Executives put the shift down to the tech recession forcing distributors to adopt a leaner, more efficient approach to their businesses, while transitioning from a product-based selling to a more solution and services-oriented model. It took about two years for distributors to recover from the dot-com crash, but they have now created a new foundation for growth and profitability.

According to Mike Long, president of Arrow NACP, Englewood, Colo., a better grasp of its own cost structure and a focus on a solution model should result in sustained profitability. "We are equipping the resellers to go out and provide a total solution vs. just selling a piece of hardware," Long said. "That is putting them closer to their customer base, but also helping them solve their customers' problems."

<http://www.cm.com/sections/distribution/distribution.jhtml;jsessionid=2QZ5JXFC3IROQSND BECKHSCJUMKJVN?articleId=170701969>

IF Comment

There is an old cliché about the tail wagging the dog. In franchise operations, the tail wags the dog when a franchise has one or more franchisees large enough to dictate to it – a situation that can be avoided through careful network planning.

However, in the IT business, the tail wagging the dog syndrome is much more difficult to avoid because vendors, most of which are major corporations, are not particularly adept at dealing with small business enterprises.

Large corporations are slow to respond. Smaller customers often require quick responses that big corporations, with their multi-layered decision making processes, are simply not geared to make.

A change in the way IT equipment distributors work with their clients has also affected the balance between vendor and distributor. The day of the box mover is passed. Small business owners can't afford to, and often don't have the know-how to develop solutions. Distributors who are close to their customers do.

Look for vendors to develop a form of in house distribution to combat a potentially damaging shift in the balance of power that could have a significant negative effect on vendor profits.



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

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Snippets

According to two of Essar Oil Ltd's franchisees, the company has issued a directive to its Indian service station owners to either close their bunks until March 2006 or accept considerably reduced supplies. Apparently the reasoning behind this decision is based on the mounting mismatch between domestic and international prices of diesel and petrol in the retail market.

<http://sify.com/finance/equity/fullstory.php?id=13942388>

A newly formed General Nutrition Operators Association claims that health food and supplement giant GNC has been undermining its efforts to form a franchisee association. The group claims that vendors who agreed to contribute free products and offer discounts for new members were "warned off" by the company. GNC denies the claim. The dispute comes at a time when GNC is pushing to make its franchise stores more consistent with company-owned stores and to boost sales by cutting prices on a core group of 100 products.

<http://www.post-gazette.com/pg/pp/05259/572441.stm/>

The US Department of Justice's Antitrust Division filed a lawsuit earlier this month against the National Association of Realtors (NAR). The lawsuit claims that a new multiple listing policy restrains competition by allowing traditional brokers to block access to their clients' listing to the detriment of web-based brokers. The government claims that this policy often works against the broker's clients' interest in selling their homes by depriving non-traditional brokers access.

http://www.usdoj.gov/opa/pr/2005/September/05_at_461.htm

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<http://www.i-f.com>