

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.

Dell's delve into retail therapy

A growing relationship between Dell and retailer Costco might be a sign that the direct selling giant might be about to enter more retail channels. With the recent appearance of the latest Dell products at Costco warehouses, some analysts are asking if Dell is moving away from its direct online business model.

According to spokesman Mike Maher, Costco is a "longtime good partner" of Dell. Although he Maher declined to indicate Dell's actual sales for products at Costco, he did say the company was not planning similar retail partnerships outside of Costco. However, this is not the first time Dell has moved outside the direct model. At various times, Dell products have been available at shopping mall kiosks, buying clubs and through retail shops in Japan.

One industry analyst, Roger Kay, suggests that Dell is currently re-testing the retail market. "Right now Dell is struggling with consumers, and when a company has that problem, it tends to experiment with its business models," Kay said. "They make a small commitment to a new business method and then see how it goes and if things seem good, then the company can pump up the volume."

http://news.com.com/Is+retail+right+for+Dell/2100-1003_3-5975652.html

IF Comment

Dell, famous for its laser beam-like focus on its direct model, has in fact built up years of experience with indirect channel partners.

Its recent placement of allotments of Dimension and Inspiron model personal computers on the shelves (or rather, the pallets) of Costco is an interesting step away from its famous direct channel sales model. But it appears to be more of a test or overstock disposal mechanism than any serious initiative. Long-time industry followers may also recall, back in 1993, Dell for a time sold PCs in Sam's Club, a subsidiary of Wal-Mart.

Dell has dipped its toe in the indirect channel from time to time, but has never taken a serious plunge. An indirect channel would dilute some of Dell's key strengths: stocking product at the point of sale invalidates Dell's build-to-order skills and instead demands new competencies, such as sophisticated product demand planning and channel marketing. And because of the requirements of product stocking, channel partner training and coordinated marketing, Dell's abilities to wrong-foot its competitors by rapid-fire introduction of new products and minute-by-minute price adjustments would be much less supple.



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Snippets

A long-festering feud between Atlanta-based United Parcel Service (UPS) and its stores has culminated in three hundred disgruntled franchisees suing the franchisor and its subsidiary Mail Boxes etc. At the heart of the suit is the store owners' complaint that the franchisor, which sets the rates that more than 4,100 UPS Stores in the United States can charge customers for shipping, offers cheaper rates to its direct-pickup customers and imposes onerous requirements on the store owners.

http://www.bizjournals.com/atlanta/stories/2006/02/27/story2.html?from_rss=1

The world's third-largest pizza company, Papa John's, announced this week that it will begin opening more franchise stores in China. The business, which has been directly managed through a single partner in China for more than four years, will become the first company among the foreign restaurant and cafe chains such as Yum! Brands Inc and Starbucks to expand into China's fledgling franchising market.

http://www.shanghaidaily.com/art/2006/03/02/245058/Pizza_giant_plans_to_expand_via_franchising.htm

With annual revenue of around \$50 million, a recent Australian export award and a growing merchandise arm, the all-singing, all-dancing children's band, The Wiggles, is anything but a simple business success. The concept is so successful in fact that the band is now rolling out versions of itself in an unusual franchising operation that will see them dancing and singing in several countries simultaneously.

http://www.afrboss.com.au/magarticle.asp?doc_id=25452&listed_months=0

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