

Welcome to IF Consulting's e-Newsletter

June 13, 2006

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

A retailing concept with bite

The latest Apple offering – a new store in New York on the same strip as New York shopping strip as Prada, Tiffany & Co. and Saks Fifth Avenue – should make other retailers sit up and take notice. The chain of Apple stores, which began five years ago, showcase the manufacturer's distinctive brand and are openly acknowledged as a retail success story.

A day before the opening, Apple CEO Steve Jobs said, "the stores have been super successful and a real contributor to Apple's success. It's bringing a whole new generation of customers to Apple and the Mac, and that's really important to us."

The Apple stores' growth rate in revenue per store has far eclipsed industry norms. Apple's rate of growth from 2004 to 2005 grew 44 per cent, while other major retailers like Target, Wal-Mart, and Best Buy saw growth rates of 3 per cent to 6 per cent in 2005.

"What the stores have done is really build the Apple brand," said an analyst at an investment banking and asset management firm. "It's so consistent with what Apple is that it has really added value to the entire enterprise."

<http://www.theage.com.au/news/breaking/apple-sets-the-standard-for-retail-therapy/2006/05/19/1147545482983.html>

IF Comment

The success of Apple retail stores is quite remarkable, not only when compared to other retailers, but more particularly to other manufacturers who have ventured into retailing as a way of launching a new distribution channel and controlling it.

The common assumption is that manufacturers are driven by a different logic and culture than retailers and when they try to develop a retail proposition they tend to fail because they bring a factory business approach to the retail environment. There is truth in this statement - evidenced by the vast numbers of manufacturers who have failed at retailing. But there are equally a significant number of manufacturers who have successfully launched new controlled (company owned or franchised) retail channels.

The clothing and fashion industry has plenty of examples of manufacturers who have created networks of company-owned and franchised stores that operate in parallel to other distribution channels. It is difficult to extrapolate what the required key elements are for a manufacturer to become a successful retailer. However, at first sight, it would appear that manufacturers with a strong brand, a well-defined customer experience associated with the brand and a precise articulation of what that experience should be, not just from a product perspective but from an overall customer experience point of view, tend to be more successful at retailing. It obviously helps if the manufacturer brings in a team of people with retailing experience.



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Snippets

Online auctioneer eBay and Taiwanese Internet service provider PChome Online have announced a joint venture. The pair has teamed up to create a Web site bringing online trading opportunities to buyers and sellers in Taiwan.

<http://www.ecommercetimes.com/story/bfcBRK5cRFC961/eBay-Joint-Venture-Will-Bring-Online-Trading-to-Taiwan.xhtml>

Alliance & Leicester have warned new car buyers in the UK that taking up car dealer finance offers could mean overpaying by more than GBP1,500.

<http://www.datamonitor.com/~f0e3d3be81eb4aa29cdd1767ce8160c9~/industries/news/article/?pid=D6040F71-F5A5-4C41-B239-D3CE37AE4C20&type=NewsWire>

Nairobi's leading supermarket chain Uchumi closed its doors last week as a last ditch franchising effort brought the company to its knees. The words spoken last year by the company's boss, John Masterten-Smith, when he described the expansion as "a viable venture that is bound to pay handsome dividends to both the franchise holder and the franchisee" proved more than a little ambitious.

<http://allafrica.com/stories/200606020433.html>

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