

Welcome to IF Consulting's weekly e-mail newsletter

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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 (www.i-f.com) if you want to download a version for your hard copy file.

Fast Food Franchisors: acting in good faith

A duty relating to good faith and fair dealing will have considerable implications for franchisors when it comes to developing a franchise strategy and exercising rights under a franchise agreement.

Under such a duty, the franchisor is compelled to exercise its rights in relation to a franchise agreement reasonably. Although franchisors can still promote their own business interests when exercising their rights, they must not act for a purpose external to the franchise agreement.

In the case, *Far Horizons Pty Ltd and Rodney Hackett v. McDonald's Australia Limited*, the court found that by expanding its chain of franchised outlets, McDonald's was pursuing its own legitimate business interests even though opening a new franchise would have a negative impact on the existing franchisee.

http://www.corr.com.au/WebStreamer?page_id=2773

IF Comment

As organizations grow and expand their distribution networks, there is increased emphasis on the issues of market coverage and, more particularly, management of channel conflict

For a company to achieve strong market coverage and penetration, it has to be prepared for some conflict among its marketing channels. Their challenge is to ensure that channel conflict is healthy and growth oriented, without inhibiting the organization and its channel partners from meeting their respective business objectives.

As mentioned in the article, McDonalds' aggressive distribution growth targets might give the appearance of creating conflict and has the capacity to upset its franchisees. However, based on our experience, the quality of market and geo-mapping assessment McDonald's undertakes in its site selection processes is substantially superior to that of most organizations and should minimize channel conflict.

Snippets

A dubious honor has been bestowed upon the China's manufacturing sector – it is known by some as the world center of counterfeiting. Few industries can beat Chinese manufacturers of DVD players when it comes to taking advantage of other people's intellectual property rights.



Marketing Channel
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Maximizing shareholder value
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to market

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