

Welcome to IF Consulting's weekly e-mail newsletter

June 7, 2002

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 (<http://www.i-f.com/E-comLinks02.htm>) if you want to download a version for your hard copy file.

Franchising option looks rosy as economy slumps

As escalating corporate lay-offs drive the growing unemployment rate (especially among middle management ranks), a growing number of candidates are inevitably led to investigate the world of franchising. The corporate dispossessed and the wannabe entrepreneurs, in addition to those seeking a 'safe' road to self-employment, are traditionally attracted to the franchising option during an economic downturn.

A successful franchise offers a projectable income stream from a proven business concept, accompanied by an operating history and support structure that relieve the stress of the unknown. Franchising has, in fact, proven itself as a sound business concept that has survived the test of time.

Prospective purchasers should, however, be aware that there can be many pitfalls associated with franchising and should be extremely thorough in researching their options. Only then can franchise prospects tie their selections and their futures to a partnership based on best available knowledge and proper due diligence.

<http://www.bizjournals.com/sanantonio/stories/2002/05/20/smallb5.html>

IF Comment

Economic downturns result in corporate layoffs, producing talented people with redundancy payouts that are looking for their next career move. Franchising appeals at these times because they represent a proven business formula - a path to success for would-be entrepreneurs, especially if they have had no previous experience operating a business on their own.

With a franchise, the avoidable mistakes have been worked out of the system through experience.

However, franchising does not represent a nirvana. It is still business - and people running their own businesses are aware of the serious dedication of time and resources that they need to pour into the business to make it work. In addition...

- there is a loss of independence normally associated with being in your own business. Franchisees are expected to follow prescribed systems and procedures, and will need to follow the advice and direction of the franchise manager.
- there are often territorial restrictions - franchisees can't just blanket the state - or the nation - with their marketing efforts. Franchisees will most likely be restricted to a prescribed PMA (prime market area)



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

IF Asia Pacific Pty Ltd
An International IF Company
ABN 38 970 704 536
390 St Kilda Road Melbourne
Victoria 3004 Australia
Telephone +61 3 9867 8822
Facsimile +61 3 9866 3969

email channels@i-f.com
www.i-f.com

USA
Europe
Australia
Latin America

- there are also many ongoing costs with a franchise - a franchise fee is usually charged every month as a percentage of sales. In addition, franchisees may be called upon to invest in refurbishment of their outlet, or participation in advertising from time to time.

Franchising can and does work. An ACCC publication states that "franchising is currently the largest growth area for small business, and as such, is of great importance to the economy." However, to be successful, franchisees:

- must accept the disciplines of the franchise system
- have to have an interest in the type of franchised business - not be in it "for the money only"
- have to be prepared to take direction - if franchisees "know best", this relationship will not work out
- will need to have significant working capital to sustain them through the start up period
- have to be prepared to work as hard as necessary to get the job done and finally...
- be self-motivated, self-disciplined, sales oriented, and hungry for success.

Snippets

A report issued this week by online consulting company Jupiter Research found that although businesses and their customers spoke freely about the possible abuses of personal information and the detrimental effect on Internet spending, neither made much of an effort to actually protect individual privacy online.

<http://www.nytimes.com/2002/06/03/technology/03ECOM.html> (free registration required)

As part of a settlement of litigation over mislabeling, McDonald's Corp. will donate \$10 million to Hindu, vegetarian and other groups. Although beef product was used for flavoring the vegetable oil, the company's French fries and hash browns were incorrectly identified as "vegetarian".

<http://stlouis.bizjournals.com/stlouis/stories/2002/06/03/daily32.html>

Although Internet commerce currently claims barely 1 percent of retail sales, top practitioners point to the experience of a number of successful e-tailers as evidence that this channel will grow up to be an industry heavyweight.

<http://www.washingtonpost.com/ac2/wp-dyn/A2513-2002Jun5?start=11&per=12>

Share the Knowledge.

If you have colleagues who would be interested in receiving our weekly email please forward this e-mail to them.

IF Consulting publishes "Our View", a quarterly review of topical marketing channel issues. Samples are available on our website. To receive "Our View", please return this email with your address details.

To unsubscribe, please reply with "unsubscribe" AND a copy of the email address to be removed.

IF Consulting is a leading international marketing channel strategy consulting firm with over 30 years experience in a vast number of industry sectors. See our website for further information. <http://www.i-f.com>