

## Welcome to IF Consulting's weekly e-mail newsletter

July 26, 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.

### Is Burger King set to sizzle?

After 14 years of ownership by the British liquor barons at Diageo Plc., fast food chain Burger King is about to get a new owner. With 11,500 stores grossing annual sales of \$11 billion, it's tipped that the struggling chain will soon be in the hands of the highest bidder, at a cost of \$2 billion to \$2.8 billion.

In an incredibly competitive US fast-food market, the new owners will be faced with a whopper challenge. Despite 4.7% annual growth in the fast-food industry, average sales per Burger King store fell from \$1.1 million in 1996 to \$980,000 in 2001. Customer visits to Burger King dropped 20% from 1996 to 2001.

With Burger King franchisees still struggling with debt resulting from ambitious expansion in the 1990s, as well as existing branding and product issues, a major turnaround will not be easy. The chain has already sold struggling operations in Japan, Poland and Australia. Compared with McDonald's, where 50% of total revenue is from ex-US sales, Burger King's ex-US sales are only 23%.

Some of the biggest names in leveraged buyouts are lining up to bid for the chain that is already showing sign of restored growth under a new management team. It is expected that the new owners will be announced late August.

<http://www.forbes.com/forbes/2002/0722/062.html>

### IF Comment

For an organization's marketing strategy objectives to be achieved it is critical that they are aligned with the corporate strategy objectives. If the business operates through external channel partners then this issue becomes even more important. The success of the business will be dependent on the performance of "external" organisations such as franchisees.

Burger King operates in a highly competitive and saturated fast-food market with 11,500 retail outlets run by franchisees. The success of the franchisees is hugely dependent on innovative product development and high impact advertising/promotion support from Burger King. It seems, however, that the owners over the last 14 years (Diageo Plc.) have failed to provide their channel partners with that support and as a result the business has shrunk by 20 % in a market that has grown by nearly 5 % (1996 to 2001)



Marketing Channel  
Strategy Consultants  
Maximizing shareholder value  
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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](mailto:channels@i-f.com)

[www.i-f.com](http://www.i-f.com)

USA

Europe

Australia

Latin America

To turn this business around the new management will have to work closely with the franchise network and give them support with a clearly communicated corporate vision and all the relevant support programs. Only with motivated and profitable channel partners can Burger King fully realise the true value of its brand, product and presence in the market.

## Snippets

An annual report by Taylor Nelson Sofres, analyzing Internet and e-commerce penetration, products purchased online, reasons for not purchasing products online and e-commerce spending among 37 evaluated countries, has produced some interesting results. It found that although global Internet usage has grown slightly, the proportion of users making a purchase has remained unchanged at 15 percent.

[http://ecommerce.internet.com/news/news/article/0,,10375\\_1431461,00.html](http://ecommerce.internet.com/news/news/article/0,,10375_1431461,00.html)

A new co-branded shopping site shared by Overstock.com and women's media company iVillage aims to extend the reach of discount retailer as well as boost revenues at the women's network. A spokesperson for Overstock said that the deal will provide iVillage with additional revenues and give Overstock.com access to a new audience.

<http://www.internetnews.com/ec-news/article.php/1431931>

As busy executives on the road tire of trying to type on tiny cell phones and the number of public places where it is possible to make wireless connections increase, mini laptops or subnotebooks could find a niche in the world of mobile computing.

<http://www.iht.com/articles/65220.htm>

### **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>