

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

October 18, 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.

### Disenfranchised no longer

An Oklahoma City-based chain of drive-in fast food outlets continues to turn its back on the health conscious direction its rivals have taken. Sonic has stuck to a very retro look and feel – with high-calorie menus delivered by 1950s-style carhops on roller blades. However, implementing the company's style across 2,471 drive-ins and putting the company back on its feet were daunting tasks faced by J. Clifford Hudson when he took over as CEO in 1995.

The problems faced by Hudson were vast: menus differed from store to store - Slaw Dogs served up in the Carolinas; ice cream sundaes peddled by a renegade franchisee in Texas – and there were serious taste variations in certain items because franchisees bought ingredients from different vendors. Further problems included the lack of any refurbishment to the drive-ins since the company's founding in 1953 and accounting was still done manually, meaning that statements from franchisees were months later and often filled with errors. Franchisees were not happy.

Today, although the company hasn't changed its formula, it has been turned around. For the last five years, Sonic has enjoyed 17% and 28% annual average sales and profit growth, respectively. The success has been the result of a number of focused decisions by Hudson and his team. It took 13 months to negotiate new contracts with disgruntled franchisees, but the resulting success has been significant. In return for new opportunities for franchisees, Hudson demanded consistency in menu and vendor deals, cooperative purchasing and advertising. Fees increased but the franchisees that stuck with the company have reaped the benefits from a management shakeout, increased market research, a remodeling program and a focused strategy.

<http://www.forbes.com/forbes/2002/1028/246.html>

### IF Comment

The quote "Cliff is very good at selling instead of forcing" sums up much of reason for Sonic Corp's success as a channel principal. Being able to effectively communicate and "sell" ideas into your marketing channels is vital. When any channel partner is asked by a channel principal to invest more money, their obvious question will be, "Why? What returns will I get from upgrading shopfronts, investing in staff training or installing a new point of sale system?" While channel principals know that such improvements can stimulate increased revenue, can we provide any hard figures to channel partners?

Getting your customer offer, site locations and operating procedures / controls right, are critical to gaining market success. The use of company-owned outlets (or very company



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

USA  
Europe  
Australia

friendly channel partners) as pilot sites provide great testing grounds for any changes companies want to make to their channel partner and / or customer offer. Incremental changes can be made and results tracked over time. While external factors will always affect the pilot sites' results, pilot sites will provide some performance benchmark for the network and help to build confidence in channel principals.

## Snippets

Telecom deregulation has given India's cellular industry the boost it needed after many years of stagnation. Up until now, cell phones have been limited to only the wealthiest in India. The Indian mobile market is now growing by 80% annually and will have 44 million subscribers by 2006.

[http://www.businessweek.com/magazine/content/02\\_42/b3804151.htm](http://www.businessweek.com/magazine/content/02_42/b3804151.htm)

Online DVD rental company, Netflix, has signed on 670,000 customers and is growing exponentially. However, there are obstacles on the horizon: video rental giant Blockbuster and the growth of video on demand.

[http://ecommerce.internet.com/news/insights/trends/article/0,,10417\\_1479881,00.html](http://ecommerce.internet.com/news/insights/trends/article/0,,10417_1479881,00.html)

We've all been told that men are from Mars and women from Venus, but where do franchisees in New Zealand fit in? Best-selling author Dr John Gray is now turning his attention to solving this problem.

<http://xtramsn.co.nz/business/0,,5114-1844862,00.html>

## 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>