

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

Esso and franchise-owners' cat fight goes to court

Thought to be the largest legal action Esso has faced outside the US, the Commercial Court in London began hearing evidence this month from former franchise-holders in a major dispute over license agreements. A victory for the 104 managers could result in their receiving major damages from Esso, and set a precedent for other legal actions in the petrol retail industry.

The case will thoroughly investigate the relationship between Esso and the people who run its petrol stations and it is expected to raise serious issues about the state of the industry.

At the centre of the dispute, which has been brewing for nearly 18 months, is Esso's 1986-96 Tiger Token scheme. The scheme involved giving motorists a token for every £6 spent on fuel, which could then be exchanged for an item in the gift range, such as a hi-fi. Managers say that ambiguous wording on the agreement between Esso and its franchise-holders did not make it clear who was responsible for the bill - Esso or the franchises.

<http://news.independent.co.uk/business/news/story.jsp?story=376611>

IF Comment

We must reserve judgment on the two cases confronting Esso and its franchisees in the UK and the US until a final verdict has been reached. However, both cases are indicative of what happens when two basic principles in franchising and/or reseller relationships are not applied: transparency and clarity.

Franchisees and resellers do more than just carry and resell a company's product(s). Often, they also represent that company in the eyes of the customer. In the most successful franchise/resell relationships customers cannot distinguish when they are dealing with a franchisee/reseller or a company owned and managed outlet (whether it's a store, a branch or any other type of channel). This doesn't mean that the functions, roles and responsibilities of a franchisee/reseller aren't clearly differentiated from those of the company's. On the contrary, it is precisely because they are very clearly differentiated and identified that each party (franchisee/reseller and company) knows exactly what to do and what to expect in the relationship, and can therefore deliver a superior customer value proposition.

The necessary corollary to the clear definition of functions, roles and responsibilities is transparency in the way each party is going to be remunerated for what it does and accountability on how any fees are being spent or invested. The higher the integration of the franchisee/reseller business with that of the company, the more transparency is required. The more a company wants the franchisee/reseller's business to conform to its standards and to



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implement its way of doing business, the more transparent the relationship between the two entities should be.

Snippets

British Airways and other airlines have started to offer online access to business travelers, despite some ongoing technical hitches. Boeing's wireless technology subsidiary, Connexion, is rolling out its in-flight Internet service in the Northern Hemisphere, which could lead to billions of dollars in additional annual revenue for the Maryland-based manufacturer.

<http://www.zdnet.com.au/newstech/communications/story/0,2000024993,20271889,00.htm>

McDonald's text-messaging marketing campaign has pulled 1.5 million entries in five weeks. It is believed to be the biggest dual-telco (Telecom and Vodafone) campaign in New Zealand and attracted up to 50,000 text messages a day. The aim was increase sales of "combo" meals and to gather a database of McDonald's customers, targeting those aged from 15 to 24.

<http://www.nzherald.co.nz/business/businessstorydisplay.cfm?storyID=3197982&thesection=business&thesubsection=adandmark&thesecondsubsection=general>

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