

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

March 7, 2003

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.

### Free franchise response to growing competition

One of Thailand's largest furniture makers and distributors announced last month that as a response to increased competition, it is adopting a 'free franchise' strategy. SB Furniture Industry Co has decided to become more aggressive by inviting prospective franchisees to operate showrooms at low cost. Operators would be exempt from franchise fees, entry and marketing fees up to 500,000 baht.

Marketing director Tanyaruck Chawaldit said that increased competition in the local market has forced operators to cut prices, offer more attractive installment payment plans and spend heavily on advertising.

Chawaldit said that SB Furniture plans to expand the number of its showrooms from 200 to 300 nationwide in the next three years.

[http://www.bangkokpost.com/260203\\_Business/26Feb2003\\_biz79.html](http://www.bangkokpost.com/260203_Business/26Feb2003_biz79.html)

### IF Comment

Offering free franchises may be an appealing means of increasing market awareness and sales volume. However, it is important to remember that fees paid by channel partners do two things:

1. They reinforce that the partner / franchise program is of value and worth joining, and that entry is only available to a select group of retailers. A channel partner who pays \$500,000 to join a program expects significantly more support than a partner who pays \$5,000. Typically, the more expensive a program is, the better the results and the more exclusive the membership.
2. Franchise / channel partner fees also reinforce to the channel principal that they have to deliver value to their partners / franchisees. If the channel principal is receiving fees in exchange for the support it provides, there would be a channel uproar if the principal decided to scrap the support program.

One final thought to consider: Haven't we all purchased a product one day to see it advertised by the same retailer as 10% cheaper the next day? How would you feel if you've just paid a substantial amount to join a franchise / partner program and next month you see others joining for free?



Marketing Channel  
Strategy Consultants  
Maximizing shareholder value  
through creating the best route  
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@if.com](mailto:channels@if.com)  
[www.i-f.com](http://www.i-f.com)

USA  
Europe  
Australia  
Latin America

## Snippets

The ASCII Group, one of the world's largest reseller organizations, has formed a surprising alliance with direct-seller specialist, Dell Computer. Dell, which has battled with resellers for years, is putting the finishing touches on an agreement that will enable members of the ASCII Group to sell Dell systems to customers

<http://www.varbusiness.com/Sections/News/BreakingNews.asp?ArticleID=40398>

Regardless of the fact that the world's fast-food service leader McDonald's is currently facing tough times on home soil, Russia's fast-food market seems to be growing. McDonald's share of the market exceeds the total share of all Russian-based fast-food outlets put together: 83 percent. An average fast-food outlet in Moscow (be it a restaurant or a mobile stall) serves 300 customers a day.

<http://www.mn.ru/english/issue.php?2003-7-14>

According to recent research by DoubleClick, the Internet played a key role during the 2002 holiday shopping season. Although the number of shoppers purchasing solely through the Internet for gifts increased from 4 percent in 2001 to 10 percent in 2002, it is the multi-channel consumer that is becoming most valuable.

[http://ecommerce.internet.com/news/insights/trends/article/0,,10417\\_2077861,00.html](http://ecommerce.internet.com/news/insights/trends/article/0,,10417_2077861,00.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>