

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

March 28, 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.

### Businesses make surprising discovery

Several cases have come to the fore recently where companies terminating distributor relationships have discovered that the law considered them franchisors, subject to franchise laws.

When considering what constitutes a franchise, many people think of the high profile, 'typical' model, evident in so many fast-food companies. However, franchise laws were designed to protect a wide range of small businesses that depend on their relationships with particular companies. The definition is broad - a franchise is when one business operates in close relationship to the other's trademark, is required to follow a certain marketing plan and must pay a franchise fee

Manufacturers may think that if they are not charging fees, then they are not operating a franchise. However, in several recent cases courts have interpreted other payments, such as payments to an advertising fund and the setting up of electronic databases, as indirect franchise fees.

<http://www.Entrepreneur.com/article/0,4621,306793,00.html>

### IF Comment

If it looks like a duck, swims like a duck and quacks like a duck, then, it doesn't matter what you might want to call it, it remains a duck. Similarly if a business relationship meets the test of a franchise, then it has to be managed as a franchise.

Franchise law prescribes a code of conduct, however it also provides a unique opportunity to control the delivery of customer proposition through the operations manual. An operations manual has the potential to enhance the value of the franchise network. A skillfully prepared operations manual, when implemented effectively, could deliver unsurpassed results for the franchisor as well as the franchisee.

Franchise fees are a common source of revenue for the franchisor, however most franchisors should not overlook the role of the franchise arrangement in enhancing the goodwill of the franchisees' business. A franchise remuneration structure built around sharing of the future goodwill of the franchisee's business could deliver to the franchisor their rightful share of the retail margin.



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

American retail giant Sears has announced that it will sell all or part of its \$31 billion credit card operation. The sale could generate as much as \$7 billion and reduce a debt of \$28.5 billion, most of which is associated with the credit card operation, leaving Sears virtually debt-free. However, the move would also result in Sears being even more dependant on its department stores, which they have been struggling to revive.

[http://www.forbes.com/home/2003/03/27/cz\\_mt\\_0327sears.html](http://www.forbes.com/home/2003/03/27/cz_mt_0327sears.html)

It was reported this week that fast-food franchisor, McDonald's, plans to cut several hundred administrative jobs and drop a US\$300-million plan to revamp its older restaurants. The report, citing unidentified "company insiders" said details will be given to franchisees at meetings scheduled for next week in Las Vegas.

[http://www.torontostar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article\\_Type1&c=Article&cid=1035779953474&call\\_pageid=968350072197&col=968705923364](http://www.torontostar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Type1&c=Article&cid=1035779953474&call_pageid=968350072197&col=968705923364)

According to e-business news and analysis site Ecommerce Times, the hype surrounding Web services has been replaced with a slow but steady adoption, as businesses find ways to leverage Web services to increase efficiency and improve customer relationships.

<http://www.ecommercetimes.com/publication-info/>

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

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<http://www.i-f.com>