

Welcome to IF Consulting's weekly e-mail newsletter

July 25, 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.

A marketing channel strategy that's making dough

There can be no doubt that the rise of the doughnut-making giant Krispy Kreme is a huge success story. The customers that rush through the doors every time a new store is opened border on the fanatical. Many will have lined up half the night just to buy the product.

Although, at 292 stores, it is relatively small compared to its main competitor, Dunkin' Donuts (3600 stores in the US) it is fast becoming part of American popular culture. Krispy Kreme's share price has quadrupled since it went public three years ago and net income per share has compounded at more than 45% since 1998. Total revenues, including sales by franchises were over \$770 million last year and are expected to reach at least \$1 billion this year.

Krispy Kreme brings in revenue in three ways. Sixtyfive percent is made through selling donuts directly through its 106 company-owned stores, 31% comes from selling flour mix, donut machines and supplies to its 186 franchised stores and about 4% comes from franchisee licenses and fees. Although this license and fees portion seems relatively small, it has operating margins upwards of 74%.

<http://www.fortune.com/fortune/investing/articles/0,15114,460119,00.html>
(Full story available in July 7 edition of Fortune magazine)

IF Comment

Everything old is new again.

Dunkin' Donuts was one of the first big time American franchises. Dunkin' Donuts started in the 1940's and sold donuts, an old commoditized product, and coffee. In recent years Dunkin's sales have slowed - not surprising for a product that's been around for over 50 years.

So what's with Krispy Kreme, a North Carolina donut company that has totally revolutionized the donut market to the extent that people line up their pajamas on cold winter mornings in America's frigid Northeast to get the high fat, high sugar, theoretically totally unhealthy Krispy Kreme donuts?

And further, what does Krispy Kreme have to do with marketing channels?

It's been said, "build a better mousetrap" and the world will beat a path to your door.

Krispy Kreme built the mousetrap and revitalized a product to the extent that potential franchisees are beating a path to its door. It is rumored that millions were paid for the Australian Krispy Kreme franchise.



Marketing Channel
Strategy Consultants
Maximizing shareholder value
through creating the best route
to market

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Companies selling commoditized products through channel partners should take a careful look at Krispy Kreme to learn how an out of date commodity in a health conscious market has been able to take America by storm - not bad for a "new" company that's 66 years old.

Snippets

Easy Bill Pty Ltd, a subsidiary of the Hero group, has just completed test marketing its e-transaction oriented products in 150 touch points in Delhi, including grocery stores, pharmacies and service stations. The company plans to set up 500 franchisee 'Easy Bill Shop-in Shops' in Delhi and 10,000 such counters across 35 cities over the next 36 months.

<http://www.business-standard.com/today/story.asp?Menu=91&story=19185>

Australian company, The Mayne Group has entered discussions to acquire NaPro BioTherapeutics' global oncology franchise. This deal could bolster Mayne's flagging revenues from its principal business activities.

<http://www.datamonitor.com/~07cc7796246d4c5db3abeab41c79fe96-/all/news/product.asp?pid=7D8D9FE3-4A01-4A18-A557-5E1A663BD166>

An e-commerce network originally dedicated to selling cameras now sells \$1,700 boat anchors and \$4 bottles of hot sauce. In this interview Ritz Interactive CEO Fred Lerner discusses how his company is mastering all aspects of the online marketing channel <http://www.emarketer.com/news/article.php?1002369>

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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>