

Welcome to IF Consulting's weekly e-mail newsletter

July 30, 2004

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

Room at the inn, but it's somebody else's

It seems that hoteliers' preference swings towards running hotels rather than owning them. Hotels, such as the Intercontinental chain which operates 540,000 rooms across the globe, have decided it is not necessary to own their buildings.

Before it was separated from the Six Continents group in April 2003, many of Intercontinental's 3,500-plus hotels were franchises, but those it owned were worth some \$6 billion. Since then 28 of these have been sold for \$600m and 13 others are on the market. This month the company announced that it will sell 20 of the 160 hotels it still owns.

The reason behind the sell off is clear: the return on the billions of dollars invested in bricks and mortar was low. The decision to sell means that shareholders will receive a return, and the chain is free to focus on running hotels well – a trend that has permeated the international hotel market. Most hotels brands are based on a franchising model, with usually only a small percentage of operations being retained by the principal.

(This is a summary of an article that appeared in *The Economist* on July 15, 2004. It is available to subscribers or pay-by-view only.

http://www.economist.com/business/displayStory.cfm?story_id=2926218)

IF Comment

Hotels have discovered a new avenue to raise their return on assets: sites that are Franchisee Owned and Franchisee Operated (FOFO). This platform contrasts with the earlier archetype, Company Owned Franchisee Operated (COFO). Such moves have been seen earlier in other franchise sectors, including petrol forecourts, convenience retail, and fast food.

These companies are now founding their franchise value propositions less on the network's hard assets on the ground and more on the accumulated brand, know-how and associated management systems contained in the franchise system itself. The establishment and operation of suitable monitoring and compliance programmes which guard franchise standards are absolutely critical to the success of such a transition.

Snippets

Kodak launched a new digital photo-printing franchise in Thailand last week. According to Pallop Santiphant, country business unit manager of Kodak (Thailand), the existing 500 digital labs which Kodak and other firms operate in Thailand are insufficient to serve demand from the growing population of digital cameras and camera phones. Thus, the Kodak Photo Maker kiosk has been developed. The company aims to have at least 200 Photo Maker kiosks situated around the country by the end of the year.



Marketing Channel

Strategy Consultants

Maximizing shareholder value
through creating the best route
to market

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<http://www.nationmultimedia.com/page.arcview.php3?clid=6&id=102812&date=2004-07-21&usrsess=1>

Avnet, a distributor of IBM computers, has restructured its marketing channel strategy in order to deliver better support to its partners. The restructure was instigated following a survey of the company's client base. As a result, Avnet has invested heavily in product knowledge and expertise, and re-aligned operations to provide a higher level of support to channel partners.

<http://www.channelbusiness.com/articles/newsroom-open.asp?node=1%20&ArticleID=14888>

Apparently, the online finance industry is suffering from an image problem. A recent report by Javelin Strategy and Research indicates that consumers' fear of online identity theft limits their expanded use of online financial services. According to this report, fear of online identity theft has risen 20 percent over the last 12 months.

<http://www.ecommercetimes.com/story/35222.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>