

Welcome to IF Consulting's weekly e-mail newsletter

October 8, 2004

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

Franchising resurgence down under

Franchising is enjoying a boom that is stretching to all corners of the globe. In New Zealand, for example, recent research indicates that approximately 40,000 people are currently earning their livings through franchising, generating around NZ\$6.9 billion. However, industry observers believe these figures to be extremely conservative and estimate that the market is worth excess of \$10 billion.

Mike Pero Mortgages is one of New Zealand's national success stories; he first franchised his business in 1998 and his company now has 36 offices. Over the past three to four years, the company's profitability has skyrocketed, with monthly loans ranging from NZ\$100 million and NZ\$130 million. Confidence is at an all time high – when recruiting new franchisees, Mike Pero Mortgages does not even require that they have previous mortgage broking experience. New recruits face their first clients with not much more than one week's training, backing from regional sales managers and support from financing banks.

However, entering the franchise industry is not all plain sailing. Franchising experts say that troubled relationships often occur because franchisees believe their part of the agreement is fulfilled when they have paid the franchise fee. Franchisors should carefully work out an applicant's expectations and frame of mind in the early stages. Franchisors should be aware that, as the franchising model spreads to virtually all areas of business, many hopeful franchisees are just after the "magic formula" and have little understanding of the effort required.

<http://www.stuff.co.nz/stuff/0,2106,3054011a1864,00.html>

IF Comment

This article is another in a string of recent articles from around the world establishing that franchising is enjoying a bit of a resurgence. One force behind the recent growth is franchising's spread into new market areas. Indeed, the first franchisor profiled is Mike Pero Mortgages, a franchise that provides mortgage advice and financial services, far afield from the franchise archetypes of fast food or convenience store outlets.

The article describes some common success factors in franchising: strong brand recognition, proper partner selection, conflict arbitration, and open communication. A key ingredient in successful franchises that the article omits is the ongoing franchisee support program - the set of standards and activities the franchisor provides to the franchisees. The support program is essential to attracting and retaining high quality franchisees and helping them make the franchise into successful businesses. The most successful franchises have standards and activities that align the incentives of both franchisor and franchisee.



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

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Snippets

Readers will be interested to note a common misunderstanding contained in this article (link below) – the media has confused the relationship between the franchisor and the franchisee with an employment relationship. The writer reports that a former Shell franchisee from Framingham, Massachusetts is suing his franchisor for wrongful termination, refers to the Shell subsidiary as the franchisee's boss and later states that the company "hired" a new company to run the business.

<http://www.metrowestdailynews.com/localRegional/view.bg?articleid=79551>

The well-known personal-care company, The Body Shop, hopes to "learn from the mistakes of other retailers" with its revamped online store. Body Shop International recently launched a redesigned e-commerce site as part of a strategy to create multiple marketing channels. In the U.S., the online store will complement the Body Shop's 300 stores and its direct-sales initiative, which uses a network of independent agents who host sales parties in their homes.

http://www.businessweek.com/bwdaily/dnflash/oct2004/nf2004107_5978_db049.htm

Google Print, the new search engine that allows consumers to search the content of books online, could shift the balance of power between companies that produce books and those that sell them.

<http://www.nytimes.com/2004/10/08/technology/08book.html?oref=login>

(Free registration required)

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