

Welcome to IF Consulting's weekly e-mail newsletter

October 22, 2004

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

Fast-food franchise flips its fortunes

The world's biggest fast-food company has turned its fortunes around since 2001, when customer-satisfaction surveys indicated McDonald's was being surpassed by its direct rivals, Wendy's and Burger King. There was also a definite swing towards healthier offerings, such as Subway's freshly filled sandwiches. Since then, the fast-food giant has turned itself into the world's biggest seller of salads and its business is flourishing again.

Although McDonald's operates fewer restaurants, it is about twice as big in terms of sales as its next global competitor, Yum! Brands, operator of Kentucky Fried Chicken (KFC), Pizza Hut and Taco Bell. McDonald's makes its money from its 9,000 company-owned restaurants and the rent and service fees paid by franchisees and licence holders, who operate a further 22,000.

Part of McDonald's recent turnaround has come from the company's new policy of generating more sales from its existing restaurants, rather than opening lots of new ones. This year, some 90% of McDonald's growth is likely to come from incremental sales at its existing restaurants, compared with around half last year.

This is a short précis of an article that appeared in the October 14 issue of The Economist.

The full article is available by paid subscription, see: www.economist.com

Another recent article:

<http://www.reuters.com/newsArticle.jhtml?type=topNews&storyID=6546191>

IF Comment

McDonald's has always been the biggest and the best. As the article says, being the biggest and the best doesn't necessarily result in popularity. Many people want Manchester United or the New York Yankees to lose.

And, in the past, McDonald's has lost. The negative publicity generated by a disastrous libel case in England where McDonald's sued two penniless activists was appalling.

The documentary, "Super Size Me" and the obesity debate generated more bad publicity. Many major corporations when faced with lesser problems hide their heads in the sand and make excuses. Charlie Bell and his colleagues, to their credit, tackled their problems head on.

So what does this have to do with marketing channels? McDonald's deals with its unsatisfactory franchisees in the same way as it dealt with its recent problems. Moreover, it has done so for years. We rarely hear of unhappy McDonald's franchisees yet the fast food giant has both unhappy and unsatisfactory franchisees. In general, the problems with these franchisees don't become public because McDonald's solves its problems by buying



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franchisees out. It has been said that the biggest capital gain from a McDonald's franchise comes from getting booted out.

By quietly getting rid of bad franchisees and through constantly improving its menu, McDonald's volume and profits per restaurant are growing - a real test of a business turnaround.

Snippets

Leading IT supplier Tech Data announced last week that it is refining its go-to-market strategy. The reorganization will create business units that will function more like self-contained companies with their own sales and marketing capabilities. Each unit will become the conduit through which Tech Data will market more than 11 different types of overall programs on behalf of suppliers.

<http://www.crn.com/sections/breakingnews/breakingnews.jhtml;jsessionid=4UW5Y4PDGSGG MQSNDBGCKHSCJUMKJVN?articleId=49901830>

Five years after the first wireless super-gadget, the BlackBerry, came out, 82% of users are still in North America. Now, the company is turning up the volume in Europe, where it has fewer than 300,000 customers. US manufacturer, Research In Motion Ltd (RIM), has signed deals with most of the major mobile operators, including Vodafone Group PLC and Orange, to sell BlackBerrys and provide e-mail forwarding over their networks.

http://www.businessweek.com/magazine/content/04_42/b3904078_mz054.htm

Microtex India Ltd has made the decision to discontinue the company-owned stores of its apparel brand, Live-In. The company is redesigning Live-In's marketing channel strategy and is looking to focus on franchisee run stores and the distributor-led multi-brand outlet channel.

<http://www.agencyfags.com/news/stories/2004/10/20/10116.html>

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