

Welcome to IF Consulting's weekly e-mail newsletter

November 5, 2004

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

Expanding marketing channels across the channel

Franchisors from English-speaking countries often see the UK as the most logical place to begin a European expansion. The language is familiar; there is an existing franchising community that is supported by the lending banks and an array of experienced legal and practical advisors. The steps to further expansion into Europe are often seen as being easier once a business is established in the UK.

Whichever approach to market entry the franchisor chooses, the proposed business will be well received by the UK franchising community if all pilot tests are complete and the formula proven before sub-franchisees are appointed. Often more conservative and cautious than their overseas counterparts, potential UK franchisees will look for a proven, professionally presented business format, for which some credible market research has been undertaken.

One area of franchise development where the UK is seen as a world leader is the presence in nearly all the major banks of dedicated franchising sections. These dedicated divisions keep an eye on operating franchisors. Banks in the UK are usually happy to lend to franchisees because it is proven to be a much safer form of small business lending for them.

IF Comment

It is a commonly accepted that the UK is a logical place for businesses, in particular franchised businesses, coming from other English speaking countries and looking to expand into Europe, to start. There is some merit in this approach, as it is based on the commonality of language and, in the case of franchising, on the existence of a well-developed franchising lending sector and access to a vast network of advisors. However, this approach doesn't take into account all the other factors and criteria that should be considered when deciding where to expand internationally. These factors and criteria vary from sector to sector and they can include, for example: market size and growth rates, competitive environment, labour rates and other costs of doing business, customer preferences.

When all the factors are carefully considered and weighted, it may very well turn out that the language spoken or the presence of a well developed franchising lending sector have little or no influence in prioritising international markets for expansion. Likewise, success in a European market doesn't guarantee success in all other European markets. For example, Mail Boxes Etc. started its European expansion in the early 1990s entering first Spain (1991), then Italy and the UK both in 1992. Other European markets followed a few years later. Market conditions and the potential attractiveness of its business model played a much bigger role in deciding where to expand and the resulting expansion rate (for example as of today, Italy has 470 outlets vs. 85 in the UK) than the language or the presence of franchising advisors or lenders.



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

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Snippets

According to this article which appeared in the most recent edition of McKinsey Quarterly, multichannel customers spend 20 to 30 percent more money, on average, than single-channel ones do, and channels such as the Internet and overseas call centers promise big cost savings.

http://www.mckinseyquarterly.com/article_page.aspx?ar=1504&L2=16&L3=18&srid=17&gp=0
(free registration required)

Sky TV has formed a partnership with video rental chain Blockbuster as it makes its debut into the online DVD rental business. A revamped website is the new public face of DVD Unlimited, a start-up Sky purchased earlier this month for an undisclosed sum.

<http://www.nzherald.co.nz/business/businessstorydisplay.cfm?storyID=3604616&thesection=business&thesubsection=media&thesecondsubsection=television&thetickercode=SKY>

NECs Business Equipment Division in the UK has recently made management changes as part of its ongoing commitment to its channel network. The company says the changes are aimed at developing a greater awareness and level of product knowledge within the reseller network. By further developing knowledge of high-margin products, NEC says that it will enable partners to develop their skills and ultimately widen their reach and customer base.

<http://www.channelbusiness.com>

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.

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