

## Welcome to IF Consulting's weekly e-mail newsletter

January 23, 2004

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.

### The cost of taking eyes off the fries

The announcement mid December that McDonald's was selling off two of its non-burger brands is yet another indicator that the fast-food giant is going back to what it knows best – burgers and fries.

The company has recently shed a number of its partner brands, including Donatos Pizzeria chain and the Italian chain Fozili's, while downscaling its involvement in the roasted-chicken company Boston Market and sandwich chain Pret a Manger.

Since his appointment 12 months ago, Chairman Jim Cantalupo has been successful in reversing the company's wavering turnover. However, with a contribution of just \$US1.1 billion to the company's total revenue of \$US41.5 billion, Mr Cantalupo regards partner brands as a distraction to core business.

*This information was sourced from an article that appeared in the Australian Financial Review on December 17, 2003: "McDonald's goes back to basics to stem its losses", by Sean Aylmer*

### IF Comment

McDonald's divestment of its various acquisitions is following the trend that seems to be recurring throughout business. Some years ago, companies talked about sticking to their knitting, but at the same time, they talked about outsourcing. McDonald's core business is hamburgers and french fries. Based on recent results reported, almost every one of its businesses, other than burgers and french fries lost McDonald's money. This, in a time when overall eating out in the US is growing at 3% per annum. Jim Cantalupo has been quoted as saying that he sees McDonald's partner brands as a distraction to its core businesses. This is not surprising and in light of the fact that many of the businesses are not related to McDonald's basic business processes.

While McDonald's is still growing around the world, it hasn't saturated the world and we wonder if McDonald's would have been much better off if it had put in all the money and effort it invested in partner brands in continuing to expand its spread worldwide.

Also, McDonald's has opened many outlets in premises such as army bases and schools. The main question is whether this should not be McDonald's major thrust. McDonald's is an enormous success. The restaurant business is probably the most difficult business in the world. Restaurant chains that don't stay with their core businesses, even if they're large, strong, experienced and tough as McDonald's, have problems when they deviate from what they know best.



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

IF Asia Pacific Pty Ltd  
An International IF Company  
ABN 38 970 704 536

390 St Kilda Road Melbourne  
Victoria 3004 Australia  
Telephone +61 3 9867 8822  
Facsimile +61 3 9866 3969

email [channels@if.com](mailto:channels@if.com)  
[www.i-f.com](http://www.i-f.com)

USA  
Europe  
Australia  
Latin America

## Snippets

Hewlett Packard's latest bid to take on its two largest competitors, Dell and IBM, sees the company combining its high-end hardware, software and services into one organization. The overhaul represents a fundamental shift in the way HP will develop, market and sell complex IT solutions that it sees as having a more customer-centric focus.

<http://www.varbusiness.com/sections/News/breakingnews.asp?ArticleID=47246>

The ever-expanding use of the Internet is often blamed for the growth in crime figures. Recent research, however, indicates that using the Internet for banking and paying bills actually reduces the threat of identity theft and banking fraud.

<http://www.ecommercetimes.com/perl/story/32622.html>

Whole Foods Market, a specialist retailer of natural and organic products in the UK, aims to bring greater integrity and trust to the UK natural food market. However, busy consumers may still choose the convenience of the supermarket ahead of niche retailers when it comes to buying organic.

<http://www.datamonitor.com/~f2cc02c3eae940d2915f37bb69c987f7~/consumer/news/product.asp?pid=42C0C69A-862D-46DD-BE7B-E99186DECFCE> (Because of the length of this URL, you may need to cut and paste it into your browser's address bar)

## 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>