

Welcome to IF Consulting's weekly e-mail newsletter

February 27, 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.

Franchise the reward for a decade's work

Fast Retailing, the Japanese company behind casual clothes retailer Uniqlo, has announced a program that allows employees with over ten years experience to operate under a franchise structure. Up to 200 Uniqlo outlets will operate as franchises in five years with the aim of giving proactive employees the opportunity to run their own shows.

A spokesperson for Fast Retailing reports, "Our chairman and founder Mr Tadashi Yanai, says that store managers should be independent. This is Mr Yanai's philosophy. At Uniqlo we want to establish a win-win relationship."

The retailer suffered significant losses last year when it closed 16 outlets in the UK. However, the first quarterly results posted recently indicate that the company generated more than half the income in this three month period that it did for the whole of financial year 2003.

http://www.just-style.com/news_detail.asp?art=33040 (One month free registration available)

IF Comment

We said in our weekly email some years ago that the more things change, the more they stay the same. Uniqlo's plans to award franchises to its "go-ahead employees" actually had its origins about 50 years ago with the Canadian Tire Company (CTC). CTC had what was, at the time, a unique franchise operation. Young people came in to manage small stores and as their performance improved, they were given larger stores to run until, through their salary, bonuses and savings, they accumulated enough money to buy a CTC franchise.

CTC is still a franchise force in Canada. Uniqlo's approach also contains a very subtle modification. Our experience is that franchisees self select. Consequently, Uniqlo has every chance of the more entrepreneurial of its employees taking on an owner-operator role. Mr Yanai says he wants to establish a win/win situation. Giving salaried employees the opportunity to share in corporate rewards by earning incomes based on their hard work and equity increases based on how much they improve their businesses is a wonderful example of a win/win situation.

Snippets

Swiss insurance giant Zurich Financial Services Group has announced ambitious plans in the UK personal general insurance market. However, the success of this strategy depends heavily on the performance of the broker channel. This could be a risky approach, considering the extent of this channel's declining revenues last year.



Marketing Channel
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Maximizing shareholder value
through creating the best route
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According to the Video Software Dealers Association, the days of video rental outlets depending entirely on walk-in business and the late fees it generates may well be over. On the other hand, the rent-by-mail model is growing exponentially, with pioneer Netflix reporting almost 1.5 million subscribers.

<http://www.guidetohometheater.com/news/022304blockbuster/>

QuikDrop International, the company behind the new eBay drop-off stores announced this week that it will no longer operate on the familiar percentage-of-sales royalty system employed by most franchise organizations. It will replace the percentage-of-sales model with a flat-fee system.

<http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=SVBIZINK3.story&STORY=/www/story/02-23-2004/0002114782&EDATE=MON+Feb+23+2004,+12:43+PM>

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To unsubscribe, please reply with "unsubscribe" AND a copy of the email address to be removed.

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