

Welcome to IF Consulting's weekly e-mail newsletter

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

Multi-site franchising

From its earliest days, franchising was considered a tool for rapid growth with minimal capital outlay. Franchising was based on the premise that small companies could grow rapidly by providing small business people with proven products, systems and advertising, thereby reducing their risk of failure.

From the end of the 2nd World War through to the mid 1990's, most franchising continued through large companies selling franchises to Mom and Pop. However, in the mid 1990's a number of major corporations, particularly in the oil and automotive industries, began to explore the opportunities available through multi site franchising, where franchisees would be required to invest millions rather than hundreds of thousands of dollars.

The theory behind the change to well funded franchisees was driven by the fact that major corporations found it difficult to deal with individual Mom and Pop franchisees.

Ford was one of the first companies to grant multi-site franchises and to form joint ventures, such as Auto Nation, although these ventures didn't work as well as hoped. However, the oil companies have achieved remarkable success in multi-site franchising, particularly in countries such as Australia. About two years ago, Shell sold its entire Australian network to Coles Myer, one of Australia's two major retailers. To date, the operation has been a resounding success.

In an equally innovative move, BP Australia granted the franchise for its 15 truck stops to one company. Previously, three franchisees controlled these sites and prior to that, the sites were franchised to 15 individuals. Although the ownership change took place over the last few months, projections show increased profits for BP and its multi-site franchisee. It is interesting to note that today most international franchising expansion is through the grant of a master franchise for a country or company ownership in major markets. As franchising grows, we can expect to see many more multi-site franchises in domestic and international markets, with Mom and Pop franchises left to smaller franchisors.

IF Comment

One of the main drivers behind the introduction of multi-site franchising is the availability of systems that enable a single franchisee to manage multiple sites and report back to the franchisor on the sites' performance. The ability to manage more than one site allows multi-site franchisees to achieve economies of scale, particularly in the back-office and administration areas, that wouldn't have been possible when the reporting was done manually. Multi-site franchising can also be cost-effective for franchisors, as it requires a lower level of the franchisor's management resources to supervise the sites.



Marketing Channel
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to market

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One of the critical aspects to assess when considering multi-site franchising is the franchisee's span of control; in other words, the number of sites that the franchisee should manage. This is a function of the profile of the franchisee, the resources that it has available and the complexity and level of control that the franchised business requires. Multi-site management can actually be applied to company-owned sites, by replacing the store or site manager and combining his or her role into that of the multi-site manager. The same benefits and issues as in multi-site franchising apply.

Snippets

According to a new report, wireless e-mail connectivity will be a built-in feature on all smartphones by the end of 2008. The latest report from Gartner indicates a shift in the hand-held device market and predicts significant future changes. Gartner said wireless e-mail is on its way to becoming mainstream, predicting that although there are several factors currently slowing uptake, it will eventually be as common as voice communications among end users.

<http://www.ecommercetimes.com/story/42256.html>

Apple Computer Inc. announced this week that its second-quarter profit jumped more than six fold. Unsurprisingly, Apple can contribute its success to the iPod music player, which remains largely uncontested in the marketplace.

<http://www.forbes.com/2005/04/13/0413autofacescan13.html>

A new kiosk-based approach to selling software on the high street is making hard-to-get, but useful titles available to a far larger market. Turning his back on the trend for high-speed software downloads over broadband connections, Daniel Doll-Steinberg, founder of SoftWide, is promoting kiosks that produce disks and packaging, on demand, from within high street shops.

http://www.economist.com/science/PrinterFriendly.cfm?Story_ID=3713975

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