Welcome to IF Consulting's e-Newsletter

July 1, 2005

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

A cleaning up franchise or a franchise cleaning up?

A group of Coverall franchisees have begun negotiations with the cleaning service franchisor to recover damages resulting from alleged misrepresentations made by the company prior to the purchase of their businesses. The predominantly immigrant franchisees claim that Coverall took advantage of their rudimentary command of the English language during negotiations.

Lawyer Shannon Liss-Riordan, who represents a dozen Brazilians who purchased franchises from Coverall, claims that many immigrants bought the franchises in order to improve their lives, yet found that were paying for the right to work harder and longer hours instead. "The claim is that this is an investment opportunity, but what really happens is the pay these people receive is actually coming out of their own pockets," said Liss-Riordan. "It is bad enough to work in jobs that pay less than minimum wage, but it is worse when you pay money to work in a job and still get meager wage."

Established in 1985, Coverall's revenues hover around $200 million a year. Cleaning franchises are sold to individuals for $6,000 to $32,000, with the company promising to provide between $600 and $10,000 per month in cleaning contracts for a minimum of one year.

Coverall denies that the company is mistreating its franchisees and it defends its practices as legal and aboveboard. "We promote economic growth and independence for a culturally diverse group of prospective business owners through franchise ownership opportunities," said Jacqueline W. Vlaming, vice president/general counsel for Coverall North America.

http://www.boston.com/business/articles/2005/06/20/immigrants_cry_foul_over_cleaning_franchises/

IF Comment

The USA was the first country in the world to introduce franchise legislation through the Uniform Franchise Offering Circular (UFOC), which the American Federal Trade Commission (FTC) developed with the co-operation of the International Franchise Association, the world's pre-eminent franchise association.

FTC penalties for false and misleading conduct are severe. As well, the specter of mail fraud, a federal offense, hangs over dishonest franchisors' heads.

While the "Boston Globe" article doesn't accuse Coverall of dishonesty, it certainly questions the company's ethics. Basically, the Brazilian immigrants depicted in the "Globe" article are buying a job by buying a franchise. Buy-a-job franchises are offered worldwide and the product rarely lives up to the promise.

IF Consulting

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@i-f.com
www.i-f.com

USA
Europe
Australia
Latin America

Buy-a-job franchises are traditionally sold to migrants, people who recently lost their jobs and the less educated. These people rarely know their rights and, even if they do, usually don't have the financial clout to pursue them. It would also be surprising if many buy-a-job franchisees received legal or accounting advice on their franchise purchases.

Add to this the likelihood that at least some of the immigrants that bought Coverall franchises may have suspect immigration status, and their situation becomes even more untenable. Sadly, the law rarely protects the poor and underprivileged and for every successful McDonald's or KFC story there is a Coverall story.

Snippets

All is not as it seems in rosy world of e-commerce, with channel partners voicing their concerns over recent treatment. Now in its tenth year, the online distribution channel is dishing up some problems that nobody predicted.

http://www.washingtonpost.com/wp-dyn/content/article/2005/06/24/AR2005062401905.html

According to the managing director of a Vietnamese fund management company, the business environment in Vietnam will soon support strong growth in franchising as a business model.

http://www.thanhniennews.com/business/?catid=2&newsid=7524

Electronic payments provider eFunds and French financial services firm Societe Generale have teamed up to develop new card processing platform. The card processing services will be used by the financial services company's international retail subsidiaries. http://www.datamonitor.com/~c9cf6036219649019b40fc073924a019~/industries/news/article/?pid=E03F07D6-3987-457B-A894-2292303D4C60&type=NewsWire (Because of the length of this URL you may need to cut and paste it into your browser's address bar)

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