

## Welcome to IF Consulting's e-Newsletter

September 11, 2006

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

### A whopper of an idea?

When a mention on the *Oprah Winfrey Show* caused sales to spike from US\$44,000 a month to US\$245,000, Jeff Weinstein, the founder of a gourmet burger joint in Santa Monica, California was soon thinking expansion plans. To date, the restaurant known as The Counter, had built popularity for its 300,000 different possible combinations of burger, through word of mouth. A mention on Oprah, and a listing in *GQ* magazine's list of "20 Hamburgers You Must Eat Before You Die", however, saw Lou Gurnick, known as the grandfather of franchising, approach Weinstein about expanding through franchising.

Now, the pair is in the middle of rolling out 60 restaurants over the next three years in California, while plans for 400 to 600 restaurants across the US are being developed. What remains to be seen is whether it is possible to keep the unique elements that helped make The Counter a success as a one-off store, while replicating it on a large scale.

[http://www.businessweek.com/smallbiz/content/aug2006/sb20060824\\_157378.htm?chan](http://www.businessweek.com/smallbiz/content/aug2006/sb20060824_157378.htm?chan)

### IF Comment

Oprah may well have given The Counter a rousing endorsement, however endorsements do not guarantee success, particularly in the restaurant industry.

Restaurant businesses such as KFC, McDonald's and Pizza Hut, the three pioneers of restaurant industry franchising, succeeded because their operations could be formalized and manualized and because they sold to mass markets worldwide.

Many white tablecloth restaurant franchises have failed because their ambience, their maitre d's cachet and their unique menus could not be converted into a template with mass market appeal.

The idea of franchising a self-styled gourmet business is best summed up by Lord Sieff, one of the founders of the iconic British chain, Marks and Spencer, who said, "Sell to the masses, dine with the classes. Sell to the classes, dine with the masses."

While we at IF wish The Counter the best, experience says that extremely tight controls and very special franchisees will be needed for significant growth.



**IF International**

Marketing Channel

Strategy Consultants

Maximizing shareholder value  
through creating the best route  
to market

IF International

ACN 004 783 519

email [channels@i-f.com](mailto:channels@i-f.com)

[www.i-f.com](http://www.i-f.com)

USA

Europe

Australia

## Snippets

Subway's strategy of setting up shop in any 'nook or cranny' has helped the sandwich specialist outdo its rival McDonald's as the restaurant chain with the most U.S. locations.

[http://online.wsj.com/public/article/SB115707596903951418-tjGrJRFILiVvGQ5HHlc0VRczXLo\\_20060930.html?mod=tff\\_main\\_tff\\_top](http://online.wsj.com/public/article/SB115707596903951418-tjGrJRFILiVvGQ5HHlc0VRczXLo_20060930.html?mod=tff_main_tff_top)

Over 130 Mail Box Etc franchise owners in the U.S. have sued UPS for alleged "strong arm tactics". According to this article, all other former Mail Box Etc franchise owners "have either converted to the new UPS Store format, closed or 'gone independent'."

<http://www.chron.com/cs/CDA/printstory.mpl/business/steffy/4112507>

Famous for its cowhide patterned boxes, computer manufacturer Gateway this week rejected an unsolicited bid to buy its retail operations for US\$450 million. Gateway said its board of directors had determined the offer was "not in the best interest of shareholders."

<http://www.ecommercetimes.com/story/PqlwBBIZ39qG7w/Gateway-Rejects-Former-eMachines-CEOs-Offer-for-Retail-Unit.xhtml>

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