

Welcome to IF Consulting's e-Newsletter

November 14, 2006

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

The circle of licensing

Alimentation Couche-Tard Inc., which made its presence felt in the U.S. in 2003 with a US\$830-million takeover of 2,000 Circle K stores in 16 U.S. states, is about to lose 315 of those stores after a Texas licensee decided not to renew its agreement. Susser Holdings Corp. has decided to let its licensing agreement with Couche-Tard subsidiary TMC Franchise Corp. lapse.

Susser is the largest independent convenience store operator in Texas. The reason given by the company for its decision not to renew was that it came to the conclusion that the more than US\$3-million a year it was paying to TMC for the right to use the Circle K name and logo on its stores "outweighs any benefit from the licensing agreement." Susser also felt that the licensing agreement restricted any plans for expansion.

<http://www.theglobeandmail.com/servlet/story/RTGAM.20061102.wcouche1102/BNStory/Business>

IF Comment

Susser's conclusion that the licensing fee it was paying to TMC Franchise for the right to use the Circle K name and logo on its stores "outweighs any benefit from the licensing agreement", should be kept in mind by potential licensors when deciding the level of their licensee fees.

The basic rule of thumb, particularly if the licensee can operate the same business with or without the licensor's brand, is to determine if the incremental value added by the licensor's brand is lower or higher than the licensing fee. The assessment often requires a subjective evaluation of the licensor's brand and the customer pull that it can generate.

Companies often look at other benchmarks of similar businesses to determine the right level of their licensing fees. This can be a good indicator, but it could also be misleading, as the circumstances could be substantially different from company to company in terms of what their licence offers.



IF International

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through creating the best route
to market

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Snippets

The Barbadian Deputy Prime Minister and Minister of Economic Affairs, Mia Mottley, is encouraging the country's businesses to set up franchises overseas. Last week, the Deputy Prime Minister stated that there were too many business enterprises doing well on the local market that had chosen not to export capital and franchise their operations.

<http://www.babadosadvocate.com/NewViewNewsleft.cfm?Record=28545>

Amazon's CEO latest idea to run other businesses with the technology that sits behind his Web site may not be all that popular with Wall street

http://www.businessweek.com/magazine/content/06_46/b4009001.htm?chan=tc&chan=technology_technology+index+page_today%27s+top+stories

BP is to roll out its BP Connect/Wild Bean Café brands to its dealer network in the U.K. in a franchise arrangement following a successful trial at two sites earlier this year.

<http://www.theretailbulletin.com/index.php?cat=news&page=5&tag=16fa2b0294e410b2551c3bf6965c0853>

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IF Consulting is a leading international marketing channel strategy consulting firm with over 35 years' experience in a vast number of industry sectors. See our website for further information.

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