

## Welcome to IF Consulting's e-Newsletter

February 1, 2007

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

### The Internet franchise: Worth the virtual risk?

There is no shortage of Internet-based businesses for sale, many of which promise successful franchising opportunities. However, just as thorough research is required when buying a traditional business, prospective virtual franchisees should be wary of signing up to online storefront ownership.

The founder of one e-business applications company doesn't believe that Internet franchises work. Thomas Harpointner, CEO of AIS Media, has seen many online companies use a franchise business model, only to end up bankrupt. "The survival rate with franchising is not as high as with other types of business models and has more risks," he said. Harpointner believes that partnerships are a better marketing channel solution in the virtual business world.

On the other hand, Chuck Fuller, senior vice president for marketing development at Entrepreneur.com sees Internet franchising as having both good and bad points. Fuller's main concern is with quality issues – he believes that the cost per lead is a lot less on the Internet, but the lead quality it produces often suffers quite a bit.

Prospective franchisees are protected somewhat in the U.S. by the Federal Trade Commission (FTC), which oversees compulsory registration, regulation and disclosure requirements.

<http://www.ecommercetimes.com/story/55297.html>

### IF Comment

IF International's view is that Internet franchising is a **VERY RISKY** business. Our first concern is that so many Internet franchising sites offer instant riches. Most reputable franchises offer no more than the opportunity to do well if franchisees are competent and work hard.

In many countries, the law requires that franchisors provide detailed disclosure documents, similar to the United States' Federal Trade Commission's Uniform Franchise Offering Circular (UFOC), which provides relevant information concerning such things as litigation, franchisee failures and the background of the franchisor's principals.

Most Internet franchisors exist only in cyberspace, which, in many cases removes them from direct control of a country's law enforcement. The crooks may eventually be caught, but not before many franchisees lose their money.

Instead of the old warning, "Caveat Emptor or Buyer Beware", prospective Internet franchisees should take the harsher view. "Figures don't lie, but liars can figure".



**IF International**

Marketing Channel

Strategy Consultants

Maximizing shareholder value  
through creating the best route  
to market

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## Snippets

Automotive insurance firm Esurance has engaged an online system which enables its customers to keep track of car repairs over the Internet. Customers can now monitor their vehicle's progress throughout the repair process.

<http://www.datamonitor.com/~60fc3173f84f4e6ca06a8637b1370d8b~/industries/news/article/?pid=820D2103-8BE8-4BA9-9EEB-72E7E92D96E0&type=NewsWire>

Vietnamese business leaders have asked lawmakers for clearer rules in relation to franchising. According to some Vietnamese business owners, companies are being prevented from franchising their businesses because of a deficient legal framework.

<http://www.saigontimes.com.vn/daily/detail.asp?muc=2&Sobao=2871&SoTT=8>

With a new mantra of “better, not just bigger”, McDonalds’ decision to run nearly 40% of its U.S. stores 24/7 looks to have the fast food giant sizzling.

<http://www.msnbc.msn.com/id/16828944/>

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IF Consulting publishes “Our View”, a review of topical marketing channel issues. Samples are available on our website.

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.

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