

## Welcome to IF Consulting's e-Newsletter

March 1, 2007

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

### Franchisees vs Franchisor: Calmer waters ahead

After years of seeing their brand bought and sold, dealers of a water-treatment product were not happy. With eleven different owners since 1978, Culligan's dealers were sick of coping with changing rules, modified franchise agreements and confusing legal obligations. Despite being the backbone of the company's U.S. business, the network of approximately 650 dealerships felt that they had been treated very badly in the past and perhaps could be forgiven for being suspicious of the latest round of owners.

When Culligan's new owner, a Wall Street private-equity firm, realized that relations with the dealers had deteriorated badly, it put franchisee relations at the top of its priority list. Following what some negotiators termed a "gut-wrenching" process, a deal was drawn out that some might consider a model contract for franchises.

The new franchise agreement is based on shared commitments, responsibilities and rewards. Underpinning the new model is the strengthened role dealers now play in decision making. Some of the changes include being consulted on decisions involving the brand, operating in exclusive territories, caps on their wholesale costs and the ability to decide who takes over their business when they retire. Unusually, the new agreement also allows dealers to become part owners of the company.

<http://startup.wsj.com/franchising/franchising/20070222-gibson.html>

### IF Comment

The essence of the Culligan story, with its many corporate owners, may appear to be about it being an itinerant brand. In reality, the story is about franchisees and their varied franchisors not understanding each other's needs and goals.

Many failures, be they in our day to day living or in commerce, are a result of poor communications.

In a franchising environment, communication is critical. Effective communications helps all parties in a franchise program to:

- ?? Understand each other's goals and needs.
- ?? Know that when both parties achieve their goals, both franchisor and franchisees benefit.
- ?? Establish an environment of mutual respect, so that disagreements are handled in a mutually constructive manner.



**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)



Clayton, Dubilier and Rice is a major private equity organization whose directors include Jack Welch of General Electric fame and a manager experienced in conflict resolution. To date, it appears that both Culligan and its franchisees have increased their earnings.

Faced with the real threat of franchisees becoming their competitors, Clayton, Dubilier and Rice, decided that open communications and not threats were the only way to save the Culligan franchise and help it grow.

We talk about win\win scenarios. Few win\wins occur in confrontational situations.

## Snippets

The British Insurance Brokers' Association has launched a self-service portal to give its member access to and control over their membership details online. The launch will also help to encourage new business leads through its own cross promotions.

<http://www.datamonitor.com/~f9a74e0af5014283830face298b50f3f~/industries/news/article/?pid=D42C904A-2732-40DC-A408-5C3DABED6F2E&type=NewsWire>

Computer manufacturer Dell may turn its luck around with "IdeaStorm" – a website that, by asking customers for advice, makes them into co-creators.

[http://www.businessweek.com/innovate/content/feb2007/id20070223\\_399988.htm?chan=innovation\\_innovation+%2B+design\\_innovation+and+design+lead](http://www.businessweek.com/innovate/content/feb2007/id20070223_399988.htm?chan=innovation_innovation+%2B+design_innovation+and+design+lead)

The leading processor of fresh pork and processed meats in the U.S., Smithfield Deli Group announced last week that it has entered into a licensing agreement with Subway Restaurants. Within a month, Subway-branded premium deli meats and cheeses will be offered within the full-service deli counter at mass retailers and grocery stores across the U.S.

[http://www.drinksmediawire.com/afficher\\_cdp.asp?id=1023&lng=2](http://www.drinksmediawire.com/afficher_cdp.asp?id=1023&lng=2)

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