

Welcome to IF Consulting's e-Newsletter

July 1, 2007

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

Why steamrolling franchisees doesn't work

The beginning of the new millenium brought with it a whole series of stressful events for one forklift franchisee. James Picarillo, owner of U.S. forklift dealership Maintainco, felt that his business was being attacked, and worst of all, the 'enemy' seemed to be his largest supplier, Mitsubishi Cat Forklift America (MCFA). In the year 2000, another forklift dealership, Mid-Atlantic Handling Systems, moved into Picarillo's exclusive 12-county territory. With a list of Maintainco's customers, a substantially larger advertising budget and a generous debt arrangement, all provided by MCFA, Picarillo felt he had no option but to go to court.

Early last month, New Jersey Superior Court determined that, by introducing a rival dealer within and exclusive territory, MCFA, a joint venture of Japanese Mitsubishi Heavy Industries and Caterpillar Industrial had breached both its contract and the state Franchise Act. In his decision, the judge depicted former and current MCFA executives as determined to ruin Maintainco's business in order to achieve their own expansion plans.

http://www.businessweek.com/smallbiz/content/may2007/sb20070522_173534.htm?campaign_id=smlbz_May29&link_position=link19

IF Comment

The essence of this story about MCFA trying to replace a franchisee and the subsequent trial and loss by it is not so much about the franchisor doing what the court deemed to be wrong, as it is about the negative results of poor communications.

The most effective franchisors know that successful franchise relationships are based on:

- ?? Franchisor and franchisees working to achieve each other's goals, which is accomplished by;
- ?? Understanding of each other's goals, which is accomplished by;
- ?? Mutual understanding, which results from;
- ?? Mutual respect;
- ?? Which can only be achieved by open and frank communications.

As Mr Picarillo's lawyer said, an open conversation between the franchisor and Mr Picarillo might well have resulted in an amicable settlement instead of a court case, which surely has had a negative effect on the franchisor's reputation.

Finally, knowing Caterpillar's corporate culture and its relationship with its franchisees, it's a fair bet that Caterpillar's top management were unaware of this sad set of events.



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Maximizing shareholder value
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IF International

CON 004 783 519

email channels@i-f.com

www.i-f.com

Snippets

The Japanese parent company of the U.S. 7-Eleven chain of convenience stores, Seven & I Holdings, will invest about \$US2.4 billion over the next four years to open 1,000 convenience stores in the U.S. and revamp 6,050 existing outlets there.

http://www.csnews.com/csn/news/article_display.jsp?vnu_content_id=1003605052&imw=Y

Further bad news for the music and video industry, with the announcement that HMV's full year profits were down by more than half. This announcement follows recent reports of financial concerns at rival retailer Fopp, as well as rumours that Virgin will be selling off more stores. The future for music and video retailers will no doubt be turbulent, as the sector continues to face increased competition and digital downloading grows in popularity.

<http://www.datamonitor.com/~e8424ad7e2d04907b65a3462ff89b13e~/industries/news/article/?pid=A7CA36E2-1922-4F16-AB25-3D7B7DCC878E&type=ExpertView>

Online DVD rental service, Netflix, has recently settled a patent infringement lawsuit against its biggest rival, Blockbuster. The lawsuit alleged that Blockbuster had illegally copied Netflix' ideas when it adopted the online marketing channel for DVD rental in 2004.

<http://www.ecommercetimes.com/story/58071.html>

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