Welcome to IF Consulting's e-Newsletter

August 1, 2007

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

Lack of support ends in court

Four franchisees have sued fast-food franchisor, Quiznos, in the United District Court in Ohio, U.S., alleging that they received inadequate support in locating and opening new locations.

All four franchisees signed agreements for stores that remain unopened for more than the year permitted for opening a restaurant. According to the suit, there were nearly 3,000 signed Quiznos franchise contracts that were at least a year old for stores that never opened.

Although a memo that recently surfaced in court says that in 2003, 40 percent of Quiznos restaurants weren't breaking even, franchisees each handed over a $20,000 non-refundable fee for the right to open new stores in Northeast Ohio.

http://www.ohio.com/mld/ohio/2007/07/16/business/17490562.htm

IF Comment

In a number of previous IF comments, we have said that the more things change, the more they stay the same.

In the 1960's, John Lee Hooker, who ended up as Governor of Tennessee, looked at Kentucky Fried Chicken and decided that there were more chicken eaters than chicken stores in the US, so he developed a franchise called Minnie Pearl's chicken.

For those of our readers not steeped in country and western music, Minnie Pearl was a star of the Grand Old Opry in Nashville Tennessee, the most popular country and western program of its time.

John Hooker said that he met potential franchisees and put the proposition of more chicken eaters than chicken places to them. They believed him and paid down payments on franchises. Based on these down payments and promises from potential franchisees to pay the full fees, Minnie Pearl Chicken went public at $80 a share.

Sadly for investors, very few Minnie Pearl Chicken outlets opened. See Quiznos above. The stock ended up at 80 cents a share before the company liquidated.

What's the message? Although over 40 years have passed, franchisees, despite all the new legislation worldwide, still face Minnie Pearl-type risks. The message is caveat emptor (buyer beware) because, the more things change, the more they stay the same.

IF International

Marketing Channel

Strategy Consultants

Maximizing shareholder value

through creating the best route

to market

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Snippets

Coffee giant Starbucks is facing a major threat by the Goliath of the fast food industry, McDonald's. Archrivals Dunkin' Donuts and Tim Hortons are also adding pressure to the former king of 'premium brew', resulting in an expected declining revenue growth for three years in a row.
http://www.businessweek.com/bwdaily/dnflash/content/jul2007/db20070717_188896.htm?chan=top+news_top+news+index_businessweek+exclusives

It seems that a marketing gamble has paid off for 7-Eleven. Apparently, the 7-Eleven Simpson's' cross-promotion with 20th Century Fox has more than paid for itself and earned the retailer a string of kudos from the advertising world and, more important, from the public
http://www.dallasnews.com/sharedcontent/dws/bus/stories/DN-7-Eleven.ART0.State.Edition1.35fa414.html

Medicine Shoppe India, the Indian arm of the largest pharmacy chain Medicine Shoppe International, owned by the US-based drug trading major Cardinal Health, is planning to add about 500 medical stores in India within two to three years. Unlike its rival pharmacy chains, Medicine Shoppe has used the franchise business model in India.
http://www.business-standard.com/compindustry/storypage.php?leftnm=1&subLeft=1&chklogin=N&autono=292322&tab=r

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