

## Welcome to IF Consulting's e-Newsletter May 1, 2008

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

### The Buy a Job franchise

IF International has produced its newsletter for almost 20 years. Over all those years, it has been our policy to comment on current marketing channels issues and, in particular, not to editorialize.

This IF email breaks our editorializing rule because of what we see as a serious, negative change in the franchising marketing channel.

The earliest franchises were in the motor vehicle, gasoline and food industries. These franchises are all substantial enterprises that offer their owners an opportunity to make excellent livings while they operate their businesses and to earn the ultimate payoff of capital gain when they sell these businesses to third parties or to their franchisors.

Hard work and intelligent operation of business format franchises earn franchisees incentive compensation. Building their franchised business over a period of time offers franchisees the same type of equity increase available to senior executives of publicly listed companies.

Sadly, franchising's focus is changing. Increasing numbers of people are buying jobs where their only compensation will be the incentive compensation achieved from their hard work. They buy lawn mowing rounds, car detailing and janitorial franchises, pool cleaning and carpet cleaning franchises and franchises in many other businesses which they could start independently and in which they could do just as well without paying franchisee fees and royalties.

Many job franchises purchasers are retrenched middle managers, particularly the over 50's who often have trouble finding jobs, and newly arrived immigrants. The retrenched over 50's often experience crises of confidence and see a job franchise as an easy way out. Decisions to buy are often emotional, not rational.

Newly arrived migrants see job franchises as a port in a storm.

But, in both cases there is little chance of these franchisees selling their franchises for more than they paid for them. Finally, there are few job franchises where franchisors' services live up to their promises.



**IF International**

Marketing Channel

Strategy Consultants

Maximizing shareholder value  
through creating the best route  
to market

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## Snippets

The strong euro is making Europe look attractive to US manufacturers, yet the complexity of the market means a different approach to distributor relationships may need to be taken.

[http://www.businessweek.com/smallbiz/content/apr2008/sb2008042\\_490718.htm?campaign\\_id=mag\\_Apr3&link\\_position=link24](http://www.businessweek.com/smallbiz/content/apr2008/sb2008042_490718.htm?campaign_id=mag_Apr3&link_position=link24)

In a climate of plunging CD sales, record industry players are looking for alternative deals that secure a larger share of an artist's overall revenue. Concert heavyweight Live Nation, for example, is positioning to compete directly with established music labels over rights to distribute recordings, sell concert tickets and merchandise, as well as a greater influence over other areas of artists' careers.

<http://www.ihf.com/articles/2008/04/03/business/music.php>

Russia's largest food retailer by revenue, the X5 Retail Group, has announced that, as part of a strategy to buy out franchisees in the regions, it has paid US\$18 million for a former franchisee in the Perm region in the Urals.

<http://sg.news.yahoo.com/rtrs/20080402/tbs-x5-acquisition-7318940.html>

## Share the Knowledge

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<http://www.i-f.com/E-comForm.htm>

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>