



The main reasons for controlling and/or influencing retail distribution

Before: focus on **organizing distribution at the wholesale level**, without interfering with the way the products were sold to consumers

Today: focus on the **customer**, setting up of certain requirements on how the products must be sold, **controlling the retail level**.

Why controlling is so important? Economic interest. Intangible assets such as trade secrets, confidential information and brand reputation have grown to account for approximately 80% of the market value of trade companies.

The transformation of the retail with the advent of integrated multichannel/omnichannel, due to the rapid development the internet as a new selling channel.

The internet gives to the retailers access to more customers and also improves operational efficiency.

Scope of the activities monitored, the degree to which control is exercised and the means by which is achieved.

The contract is the main source of control

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Control: key element of a franchise (business format, independence of the parties, ongoing support by the franchisor, the economic interest of both parties, the control and enforcement of the brand standard):

- imposed by the franchisor with penalties for non compliance
- control of: quality, services, hygiene, safety, image, reputation, prices
- Sales techniques recognized by French Court as a know how. In Brazil know how is protected under technology transfer agreements and shall be registered at INPI as franchise agreements with foreign Franchisors
- in some countries control is part of the legal franchise definition:
 - Malaysia Franchise Act 1998 - Section 4: *The franchisor possesses the right to administer continuous control during the franchise term over the franchisee's business operation in accordance with the franchise system.*
 - In Korea the franchisor is required to *support, educate and control.*
 - Uranian Law imposes liability fo the franchisor for defective products sold by the franchise

Types of control : adaptations tailored to the precise needs of each business and each company business.

- Operational and relational control.
- Before (research about the future partner/NDA) and after contractual agreements are signed (continuous control with inspections/ before the opening of each shop)
- After the contract expires or terminates (*debranded*)



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Reasons of controlling:

1. Protecting brand reputation / protecting the trademark

- much concern about brand reputation: the image you want to give to your customers , not only a luxury brand concern
- controlling the social networks (tripadvisor)
- controlling IP infringement
- registering the trademarks
- imposing the brand standards in terms of hygiene, security (more important than local laws)
- TM local registers: protect the consumers and also protecting the trademarks registered in the territory (Thailand, Cambodia, Australia, Colombia)
- the brand and its reputation shall be controlled to ensure its consistency
- Challenge to uniform the brand / local challenges and adaptations

2. Warranting an appropriate service to customers

- to perpetuate the brand and the business
- to distinguish from other brands: quality, hygiene



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3. Strengthening links with consumers:

- collect their data, needs, preferences

4. Influencing and imposing retailers's sale policy in order to assure their compliance with the policy and image of the distribution network

5. To reduce liability of the franchisor concerning the product sold by the franchisee

Objective of the control: to maintain a consistent brand image, uniform and quality, and safety of the product, services standards, brand reputation.