Teaching Moment

**The COVID-19 and Managing Disruption: Critical Marketing Strategy for a BFF**

Lou Pelton, University of North Texas, USA

**Experiential Exercise 1**

In this Experiential Exercise, “BFF” is not the acronym for “Best Friends Forever.” BFF or Business Format Franchising is the most common type of franchising: it is the right to manage and market an entire branded retail offering. Such contractual vertical marketing systems must have strong brand/trademark, operations and perceived customer value. Please familiarize yourself with franchise systems, and understand the role of the “franchisor” and “franchisee.” To learn more, I recommend that you go to [https://www.franchise.org](https://www.franchise.org/) the web site for the International Franchise Association, the most prominent trade association for franchise systems. All franchise systems are required (by U.S. law) to have a clear and fully articulated FDD (Franchise Disclosure Document) that provides transparency to prospective franchisees (see [https://www.franchiseprep.com/docs/fdd/Sample%20Franchise%20Disclosure%20Document%20](https://www.franchiseprep.com/docs/fdd/Sample%20Franchise%20Disclosure%20Document%20FDD.pdf) [FDD.pdf](https://www.franchiseprep.com/docs/fdd/Sample%20Franchise%20Disclosure%20Document%20FDD.pdf)).

 There is no doubt that you have consumed goods and/or services from a retail franchisee.

Here are some of the hundreds of BFFs that predominate the global market place:

There is no more timely nor unprecedented disruption in marketing than the extant Covid-19 public health and economic crisis. Think about how Covid-19 has impacted your fast-food and fast-casual dining purchases. You might enjoy this video: <https://youtu.be/OjNDOqtPfrw>

Generally, our discussion of disruptive forces addresses innovation and technological innovations (i.e., AI, robotics), natural disasters (i.e., tornadoes, hurricanes), competitive forces (i.e., mergers and acquisitions) and economic fluctuations (i.e., pricing, financial market shifts). SARS (2002/2003) and H1N1 (2009/2010) were pandemics that disrupted markets and marketing; however, it appears that the present Covid-19 pandemic will be far more devastating at both a macro- and microeconomic level. In this Experiential Exercise, you will critically explore the impact of the Covid-19 on a business format franchise in either the fast-food or casual dining sectors. You likely know that many cities and state governments have forced closures of restaurants, except for delivery and take-out services. So, please use the following Discussion Platforms to articulate a well-integrated descriptive (situational analysis) and prescriptive (recommendations) for a focal business format franchise in one of these sectors. It may be a large franchise system like *McDonald's* or *Subway*, or a small system like *Chicken Salad Chick* or *Nestles Tollhouse by Chip*.

1. **Situational Analysis.** Critically investigate the focal firm's current market position, market performance (i.e., average ticket, gross revenues, number of units, profitability, geographic reach) and value proposition. You may want to use the IFA web site, IbisWorld.com and the company web site. Please understand that the company’s web site is a “marketing site” and is2

generally not the best source for objective information. Considering that franchise systems generate profits from franchise unit performance and royalties, how is your focal firm poised to address disruptions such as the one posed by Covid-19? This should be an in-depth analysis from multiple sources. It is not adequate to go to a company web site and report on marketing hype or puffery. You need to address the reality of the business format franchise (BFF) relative to its profile of franchisees, number of units and resilience. This is important: the stakeholders are NOT just consumers; they include franchisees, suppliers and – very often stockholders.

1. **Competitive Analysis.** Now, please critically evaluate the direct competitors that impact the focal firm's (BFF's) market performance. Consider how these competitors are addressing the Covid-19 crisis, and use this market intelligence to evaluate directions for your BFF.
2. **Prescriptive (Managerial) Recommendations.** Based on (1) and (2), please articulate a set of specific, well-developed recommendations that will enable the focal firm (BFF) to survive and thrive. Please indicate the timing window (i.e., three-year, five-year plan?) and provide a financial forecast of how your recommendations can help offset the "unknown" duration of this disruptive force. Please consider how your recommendations will need to address pricing and cost of goods sold.

**References**

International Franchise Association. (n.d.). *Franchise Advocacy, Education and Opportunity*.

https://www.franchise.org