

DAILY BUSINESS REVIEW

Half a loaf

Five unhappy French franchise-holders are ordered to pay Burger King half the royalties they owe, but only half

Both sides are claiming a legal victory in an ongoing battle between **Burger King Corp.** and its unhappy franchisees in France.

A French court ruled that the franchise-holders need to turn over to Burger King half of the nearly \$2.5 million in advertising and royalties they've withheld for the past year.

Affected are five franchisees, representing 18 of the 38 Burger King restaurants in the country, who sued Burger King, claiming that management's failure

to develop proper advertising, supply lines and a clear strategy in France led to several years of losses.

The ruling also postpones any attempt by Burger King to collect the money based on personal guarantees the franchise-holders signed, according to their Miami lawyer, Robert Zarco of the law firm Zarco & Pardo.

Riad-Edmond Hajjar, head of the Association of French Franchisees, complained that rather than find solutions to costly food supplies and delivery problems, Burger King, for example, told franchisees to increase the size of their burger patties 45 percent, sending food costs soaring. Several months later, Hajjar said, the franchisees were told to reduce the size again, causing erratic food costs and quality control complaints.

In Miami last week to meet with his lawyer, but not Burger King officials. Hajjar said he invested more than \$7 million in two Paris restaurants and has lost "millions" of dollars. "We pay royalties to get the best benefit of the system," Hajjar said. "We don't ask BK to give us profits, we ask them to put in place an available system in which, with our skills, we can make profitable."

"Nothing has been done to develop the brand there," he said.

According to lawyer Zarco, Burger King's competitors in Europe, namely McDonald's and the U.K.'s Quick Burger, have grown much faster in France than Burger King.

Sally Conty, Burger King spokeswoman in London, called the ruling a victory for the company and said Burger King is pursuing the back royalties owed by the franchisees.

Burger King is well along in correcting problems, evidenced by a strengthened management team, she said. The company recently appointed Pepsico veteran marketer **David Williams** as the region's new managing director and created several new senior management positions.

"We've got a clear strategy of growth ... but it's something we can't talk about," she said.

MARKETING & MEDIA

By ALEXIS MUELLNER