

Planning a winning franchise program



Peter Parrish

Mr. Parrish is an experienced corporate executive; having held senior management positions with a variety of established US and Canadian corporations. He has over ten years experience in developing and managing national franchise dealer and licensee programs. Peter has worked with several emerging information technology-related businesses, helping them grow into viable and sustainable enterprises. Peter has a strong entrepreneurial spirit, having successfully implemented many new business initiatives including corporate transformations and renewals, and having assisted three e-business start-ups to become operational.

Peter is an excellent innovator, communicator and motivator, as well as being an effective team leader. He is an accomplished agent of change, having skillfully led several business transition projects for his employers and clients. Sharing his extensive retail management experience and his industry affiliations, Peter is also the editor and publisher of www.brickNclicksPROFITS.com, a web forum assisting progressive retailers to formulate winning Internet integration strategies.

By Peter S. Parrish

The winning franchise program creates a partnership between franchisor and franchisee wherein the operating value produced by each partner is not always or as readily attainable by the other. The most common franchise model has the franchisee managing the front-line (customer) sales and/or service responsibilities while the franchisor manages procurement, marketing and promotion and those other responsibilities where economies of scale and best-practices intelligence are achievable.

Senior management experience within national franchise and licensee business systems and continuing study of the franchise business model have led me to identify key considerations for any organization investigating the franchise model for possible implementation. Whether your company is considering the franchising of currently operating business units or expanding your company into new markets using the franchise model, to build a winning franchise program you must include the following in your deliberations.

Planning the franchise model

- **Business system.** Identify and offer exclusive and protected products and processes and/or exclusive and protected marketplace presence and operating expertise that your franchisees cannot readily create for themselves.
- **Strong customer service component.** Structure the franchise relationship to provide opportunity for your franchisees to add value, particularly customer service value, to the business.
- **Partnership.** Embrace your franchisees as business partners, not as employees. While this may seem intuitive and easy, failure to “partner” is the single most common cause of franchisee/franchisor conflict. A winning franchise program is not simply building your business using other people's money.
- **Royalties and fees.** When setting the royalty and general fee structure, align the franchisees' interests and your company's interests such that every effort expected of the franchisee benefits both partners.
- **Working capital requirements.** Examine the total outlay for a franchisee to acquire a franchise, e.g. franchise fee, inventory, equipment, leasehold improvements, professional fees. Are you interested in financing a portion of the franchisee outlay? Security required? Capital equals commitment. The amount of capital required will determine your franchisee recruitment plan.
- **Training.** Prepare and deliver mandatory training to incoming franchisees of your company's best-practice procedures common to all company-owned and franchise units. Training needs to be ongoing and consistent. An ounce of prevention is far better than a pound of cure.

BUSINESS TRANSITION PLANNING

The *Signal Group* practice is directed towards providing action-oriented plans which enable organizations to effect necessary transitions expeditiously, cost-effectively and sensitively. In working closely with our clients to develop these transition plans, the transition planning process often reveals aspects of the organization's vision that are no longer appropriate or are no longer relevant. As a result, we often help modify and clarify the expressed vision.

Transition planning is the interactive identification of tasks, assignments, responsibilities, deliverables and applicable time-lines associated with moving from one organizational structure and operational business environment to another. The transition plan is developed in such a way as to ensure a smooth and well-managed transformation.

Our services are provided to our clients in a very interactive way. We work closely with our clients by facilitating planning and analytical workshops, by leading and managing client teams, and through scheduled formal review workshops designed to gain understanding and acceptance as the transition process unfolds, as well as to obtain buy-in and ownership of the emergent recommended actions. In so doing, we employ a variety of proven techniques that facilitate understanding and gain commitment. As our slogan says:

We Make Change Happen

HOW TO REACH US

Call 604-263-4811 or email us info@thesignalgroup.net. We will gladly add (or even delete) you from our mailing list.

- **Ongoing supervision.** Make certain that supervision of franchisees is competent, consistent, peer-level and substantive.
- **Company-owned and franchised stores.** Operate company-owned units cooperatively, not competitively, with franchised units, e.g. common customer service policies and practices, common marketing and promotions. However common retail pricing cannot be mandated and must be negotiated with the franchisee.

Selling the franchise program

- **Documentation.** The typical franchise document package includes an operating agreement, trademark/registered user agreements, a sub-lease agreement, security documents and a comprehensive operating manual. Develop required and documented operating parameters, e.g. performance standards, initial term and renewals, with concern for both near and longer-term applicability.
- **Territorial considerations.** Provide first-rights for additional business units based on satisfactory operating performance rather than by prior guarantee.
- **Landlord approval.** If your business units operate in leased space, notify your landlord of the installation of a franchisee in the business unit. Your leases may have specific instructions in this regard.
- **Cash recovery through franchising company-owned locations.** The sale to franchisees of operating business units may create the release of significant cash as inventory, equipment, leaseholds and goodwill value are added to the usual franchisee fees as start-up payments by the incoming franchisee.
- **Franchisee selection.** Develop a detailed profile of the preferred franchisee, considering, among other factors, seed capital, financial security, general and sector-relevant business experience, full-time commitment and enthusiasm for your company's business model.
- **Current market for selling franchises.** High-probability franchise candidates are most often individuals with accumulated seed capital, interested in establishing or maintaining a managerial position. In this current period of economic turbulence, you will enjoy success recruiting not only in the traditional high-probability candidate clusters but also from within the cluster of newly laid-off career managers having ambition and the means to pursue opportunities as independent business people.
- **Franchising a high-profile brand.** "Investigate before investing" is advice given all interested franchise investors. If your company enjoys strong brand awareness, you will enjoy immediate and premium-value recognition by franchise investors as a trustworthy franchise program. Exploit your brand profile when developing your franchise recruitment marketing message.

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