

How to Franchise YOUR BUSINESS SIMPLY

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More than just systems: a franchise without a system is like a car without wheels – it's just not going anywhere.

Whether you are just starting up, you currently have 50 franchisees or are somewhere in between, if you are to franchise, you need a clear, simple and well documented system. Just as any well-run business does.

I have found during my 30 years of dealing with every aspect of franchised business for both myself and others, that success involves so much more than just systems and a set of documents. Converting to the franchise model will create change in almost all parts of your business.

Here are some examples.

BUILDING TWO BUSINESS STRUCTURES

You are in fact building at least two very different but linked business structures, one for you as franchisor and one for your partners in business, your franchisees.

Your franchisees will take responsibility for dealing with your clients or customers and they bring in the money. Your franchisees will be doing much of the technical work your business now concentrates on.



You, as franchisor, and leader of the franchise group, need to make sure everything is working and that you provide support so your franchisees can cover their part of the bargain.

You are going to trade franchisee service for the money they pay and as they will be watching your every move to make sure they get value for money, you had better do your part well.

FRANCHISOR SUPPORT

So yes, one of your core roles as franchisor is to look after your franchisees. And this will involve different skills with different franchisees as they grow in your partnership.

In the early days, you will be inducting them into the franchise. Teaching most of them exactly how you want them to do business. How to make up the burger to meet your customers'

expectations. How to interact with your customers. How to make your business look and feel. You will also be teaching many of them the basics of business. All about accounts, advertising, converting leads to sales.

As time goes on though, your interaction with this group will change. They know the basics and understand all the technical details. But they will be looking for change and maybe help in growing their franchises. Perhaps by adding more outlets so they, like you, will need to learn how to step out of the business and manage it from the outside.

As Tim Wise, founder of the Tap Doctor explained to me, as his franchise matured he needed to change the way his staff interacted with franchisees and so he needed to adjust the skill-set of the staff he employed in his Support Office to match franchisee needs.

THE MARKET SAYS YES

Looking after your brand and marketing is also a central task for any franchisor. Marketing in a franchise, as with any business, involves far more than just advertising.

First, and most important, you really need to understand the market that loves your product. Make absolutely sure you have a product which has a sustainable tribe of raving fans. And then work out how big you want the franchise group to be. Marry the two and make sure your product is presented to your tribe in a way which will satisfy their every desire.

And remember, it is the characteristics of this tribe of raving fans which will provide the details for you to work out your franchisee territories, which in turn feed into your fee structures. Great fee structures and profit will ultimately

determine whether you have happy franchisees or not.

Secondly, looking after the brand, to make sure everything looks the same and works the same, so your franchisees have enough leads to keep them (and you) profitable and happy are central roles.

You cannot afford to let your franchisees make changes to the brand as they wish. This doesn't mean you cannot make adjustments to meet cultural differences in different localities, but those changes in service, product and the way your business looks and feels need to be carefully considered by you within the context of keeping the heart of the brand consistent.

Subway in India, for instance, overcomes local cultural needs by serving from two counters. One a traditional Subway offering and the other with a vegetarian counter to suit religious requirements and cultural tastes. McDonald's in Australia was the first to introduce the McCafe counter to meet the need we have for expresso coffee on the road. But these changes are made in a carefully considered way.

Thirdly, take control of how your franchisees get their customers. In many franchises, responsibility for supplying leads (advertising) to each franchise outlet is also held by the franchisor.

Jim Penman of Jim's Mowing fame for example decided right at the beginning of his journey in franchising that he wanted people out in the field to be mowing lawns and bringing in the money. And that meant they should not be spending time doing office work they were simply not suited to doing well. So he decided the franchisor office would take every call for a lawn to be cut. The job was costed there and then allocated to the appropriate franchisee to complete.

The balance of how much advertising is undertaken locally will be different with each franchise group.

TWO SIDES OF THE SAME BUSINESS

So yes, big or small, the secret is to realise you are building two completely different business structures from your current business and you will be doing business completely differently in the future.

In order to tease out how you will organise these two sides of the business so they work together, I have

found I need to look at every aspect of your business; not just marketing and support, but also how the money works for both sides of the franchise in the long term, who is going to do what exactly, how product is going to be supplied. The list of questions is endless.

To simplify the process I have an uncomplicated four step system, my Franchise Success Path, which covers every aspect. At the outset I have to say, I agree, franchising is not necessarily easy. It is hard work. But I know the process can be made simple.

These are some of the things I would be looking for in your business.

EXPANSION WITH CHOICE

How big do you need your franchise group to be? Do you have a simple business method which will suit the largest number of potential franchisees or does the complexity in your business restrict the market? How skilled do you need your franchisees to be?

In the main, I have discovered people who choose to grow their businesses through franchising are entrepreneurs. They are always looking for something new and so most who come to me have businesses with many layers. The trouble is, people who are attracted

to buying franchised outlets are very different. They are looking for a clear business idea, one which not only appeals to them but which they can see will work. It is the simplest franchise systems which appeal.

I had a client in the wedding industry who provided both the wedding ceremony (usually on a beach) and the wedding celebration afterwards. She found it was difficult, logistically, to organise clearing up after the ceremony and then running to the celebration venue with sand between her toes in time to greet the bridal party. And when she franchised she found the combined business was just too complex for one person to manage. So she split her business into two franchise groups – one to deal with the wedding ceremony and the other to deal with the wedding celebration. What she also then found was that the two franchises attracted very different franchisees, with very different profiles and skillsets.

Her story is not unusual. The thing is, these simple franchises appeal to a much wider range of people in the franchisee market, so you get more applicants giving you more choice so you are able to select the best franchisees available and making it easier to expand the group.



MONEY MAKES THE WORLD GO ROUND

Absolutely key is understanding the money.

As franchisor, you bring no money into the group. Your franchisees make it and pay you for services you bring to them. This simple fact is often at the bottom of disputes and where franchisees are not happy with your service. The bottom line is you want happy franchisees who love you and it is profit – their profit – which will please your franchisees.

So, right at the beginning, as you design your franchised business, you need to work out the money.

- How much does each franchise outlet need to earn to be profitable enough to support you and them?
- How much does your product need to cost and sell for?
- How many items do your franchisees need to sell?
- Who are the people with the money and love of your product and what are their characteristics?
- Where do they live and what are their habits?
- What is the fee structure which will support your group as it begins and as it matures?

The list is long...

But once you know the answer you will be able to set the structure of fees. You really need to get this right as you will be stuck with it and not easily able to make changes.

Training and conferences will need to be accounted for and there may be accounting fees. Think about negotiating the purchase of products with suppliers to give you rebates, but be sure to disclose them to your franchisees so there is no feeling that you are making some extra on the side.

What about renewal fees? Goodwill? Fit out? Plant and equipment? There is a lot to think about when setting your fee structure and professional advice is clearly the right avenue to take.

Returning to the question of how large you want your group to grow, it's about sustainability and your critical mass – what's your tipping point with outlet numbers? Some say any less than 60 outlets and you will not succeed.

I do not agree.

And neither does the market. The trend

in the US and elsewhere is for micro franchise groups to grow, servicing a particular niche or a particular regional area.

Certainly I know a number of smaller groups, satisfied with being where they are. A small family owned franchise group of bakers on the Mid-North Coast of NSW and its hinterland only have about eight outlets but this is enough to give the group what it needs.

Others work hard at growing the franchise group to meet the needs of a much wider audience.

The thing is, you stand to become successful faster if you work all of this out at the beginning. Then be adaptable and move with the market into the future.

BE ADAPTABLE OR DIE

Remember the video store. First the huge expansion of free-to-air television, then online piracy. Now, with programs re-playable on demand, Netflix and the like have taken over.

Any franchise group which has been around for years will not look anything like it did when it began. If you want to have a franchised business which goes the distance, you have to adapt.

It's Darwin's Theory of Natural Selection all over again: Adapt or Die.

I am watching Maccas go through its latest round of adapting in Australia. Originally just a burger store offering chips with that, they realised in the 90's that if they were going to get the kids they needed something to attract Mum as well and McCafe and a suite of healthier food happened.

Today it is all about choice, so they introduced Gourmet Creations, a concept new to them, the flexible burger – you choose what is in there. Shades of one of their biggest fast food competitors – Subway perhaps.

We've seen the rapid emergence of gourmet pizza with Pizza Capers and Crust Pizza. And now the third generation of local niche franchises such as New York Slice and Pizzarazzi cater to a new niche of foodies with palates influenced by My Kitchen Rules and Masterchef.

And don't be fooled into thinking this does not apply to you because such changes apply to a lot more than food.

Keep an eye on what is going on in the market and adapt to keep up.

ARE YOU FIT TO LEAD?

Franchising is not for everybody.

You may know everything there is to know about franchising but you have to ask yourself the question, "Is franchising right for your business?"

And more importantly, "Is it right for you?"

Do you have the business skills, the confidence and personality to make your franchise system work?'

One of the other deciding factors when analysing whether a business is ripe to franchise, is the personality of the business owner or owners. Is that person a natural leader? Does he or she have the characteristics to lead a franchise chain?

However, as Jim Collins so succinctly puts it, leadership can be learned. Some of the most successful leaders in business and politics are just weird.

The key is to understand three things.

- Be humble and listen to what others are saying to you and be able to respond. When things go wrong be prepared to sit down and discuss the problem. Hear what your franchise partners are saying.
- Stand up for your franchise principles and be prepared to take the hard decision when needed.
- Understand how different character types and different skillsets fit into your business. Profiling will help ensure the right communication and decision-making styles fit into the different levels of the franchise.

And don't restrict the understanding to others in your team – if you understand how you fit into the scheme of things, you will not only be able to adjust your style to lead different groups of people more effectively, you will realise you really need to employ others to fill the gaps your personality and skillsets show.

DON'T SELL - RECRUIT

At last, as you move onto recruiting your franchisees, remember, it is about attracting really good people. As John O'Brien from Poolwerx explains, "Think about it this way, you are not selling franchises, you are selecting franchise business partners and it is important to have that clear difference in mind."

You are looking for people who are skilled, driven, energetic, experienced, and want to see the group succeed.



These days a broad range of people are interested in becoming franchisees. A lot of younger people who previously would have gone into a career are now seeking more exciting opportunities. Perhaps they are uncomfortable in the job market where the hire and fire mentality combines with the vulnerable economy and promotes a sense of insecurity. Owning a business seems a far more stable proposition and franchising is a perfect way to get started in their own business.

Franchising also attracts people of middle age. They may have come out of middle management, taken early redundancy and are now looking to invest in their own business. A lot of tremendously successful franchisees have come from those sorts of backgrounds.

But take care. There are people who just want to buy a job and that can be a bit risky for the franchisor. It really depends on the sort of franchise they are buying. Be sure that they have the commitment, experience, and right goals in place to succeed in business."

Franchisees can come from anywhere. But make sure you have a good fit for your group.

AND FINALLY – IT'S TRUE – YOU REALLY CAN'T BEAT THE SYSTEM

As I said at the beginning, the foundation of any good business, especially a franchised business, is a great system.

And the thing is, a systemised business gives you a great exit strategy. This was proved by a client of mine.

Speedy Lube is a car servicing business. My client was thinking of franchising and I worked with him to systemise the business. We got all the documents in place, uniforms and scripts for each employee to greet and treat customers. Everyone needed to deal with clients in the same way.

My client became unwell and decided not to go down the franchising path but to sell the business. The systems and standards meant that the business sold fast and for significantly more than it would have otherwise done.

As a standard car servicing business the market would have been restricted to mechanics, not generally a group with easily accessible funds. The purchaser of this business was not a mechanic, he was a white-collar businessman and car enthusiast with limited mechanical skills

who knew that he could slip into Speedy Lube easily because the systems were there and the staff well trained.

Which is why we are a modern business and have systemised our processes, introducing our new software, FranchiseSimplySYSTEM to do two things. First, we use it to deliver our four step Franchise Success Path to you. And second, this same SYSTEM is there for you to easily develop your Franchisor and Franchisee Operations Manuals so they are simple for your future franchisees to use and abide by.

To conclude, if you are looking to franchise your business, remember you do need to look at how the whole franchise will be structured and to review each aspect of the business to make sure you grow a group of happy and profitable franchisees. That way you will become happy and profitable too.

To Your Success!

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