

By Clive Sawyer, Managing Director of Business Options Franchise Consultancy looks at the issues facing franchisors in their second year.

FRANCHISING IN YEAR TWO – CREATING A FIRM FOUNDATION FOR THE FUTURE!

The second year of franchising is where the euphoria and excitement of setting up and launching a franchise has died down and the hard work of establishing a firm foundation for the future starts. In this issue we will consider practical steps for creating the foundations for the future:

I would encourage any franchise that has been running for more than twelve months to consider these seven steps and where they are found to be lacking, make positive steps to change them:

1. Review the benefits of franchising to your business
2. Update your business plan
3. Is your franchise support structure fit for purpose?
4. Ensure you have a formal franchise budget
5. Undertake individual reviews with all of your franchisees
6. Instigate regular franchisee network meetings
7. Undertake regular competitor analysis

STEP 1: REVIEW THE BENEFITS OF FRANCHISING TO YOUR BUSINESS

This is a good time to review why you are franchising and the benefits that a successful franchise network will bring to the business. Sometimes it is easy to lose sight of the reasons why one is franchising. It is important to allocate time to review the reasons why you are franchising and I suggest that these are split between the two headings of: 1) Strategic reasons and 2) Financial reasons. If you are really clear about the benefits to the business of franchising it will make it easier to allocate the necessary resources to ensuring that franchising is successful.

STEP 2: UPDATE YOUR BUSINESS PLAN

In many smaller companies, Business Plans are often developed at the outset of a project and seldom reviewed or updated. A Business Plan is an essential component to any company looking to develop firm foundations for the future. A good business plan should have clear, short, medium and long term objectives, which the business is structured around achieving. Franchisors must ensure that the franchising element of their business is included within, and an integral part of, the overall business plan.

STEP 3: IS YOUR FRANCHISE SUPPORT STRUCTURE FIT FOR PURPOSE?

In a previous article “the first year of franchising – the reality”, I discussed the practicalities of having belt and braces support systems and support staff from the outset. Most businesses can not justify the cost and time to establish comprehensive support systems and processes when they may only have one franchisee. Year two however is the time to review the appropriateness and effectiveness of the systems you have and review whether they are suitable for the next three years. Being clear about the benefits of franchising to the business both strategically and financially makes it easier to justify investing in and improving on the franchisee support systems and processes. It is also important to remember that as a franchisor you have both legal and moral obligations to support your franchisees.

STEP 4: ENSURE YOU HAVE A FORMAL FRANCHISE BUDGET

Despite often being a key component of a business strategy, for some unknown reason franchising is often not allocated the same level of financial commitment as other parts of the business. If franchising is to be an integral part of a business then it should be treated the same as other core elements of the business. A detailed plan should be developed identifying what level of resources needs to be allocated to franchising in order for it to achieve its objectives. Once the plan has been developed then a specific franchise budget should be allocated. This should be monitored, assessed and managed as with all other budgets within the business.

TIP 5: UNDERTAKE INDIVIDUAL REVIEWS WITH ALL OF YOUR FRANCHISEES

Ultimately the success of franchising a business is reliant on the success of each individual franchisee, not just through the direct income they generate for the franchisor, but in their ability to help or hinder future franchisee recruitment and their ability to create or damage the corporate brand. Many franchisors state that they will support their franchisees but when it gets down to it the level of support they provide is grossly inadequate. To get the most from ones franchisee network it is essential that the franchisor assesses the performance of each and every one of their franchisees. This is not just about monitoring their sales income each month, but assessing what they are doing well and what they are having difficulty with. To get the best out of your franchisees you must tailor the support you give each franchisee to their individual needs. There will be some franchisees that require less support than others however you will only be able to understand the level of support needed if you undertake individual reviews with each franchisee.

STEP 6: INSTIGATE REGULAR FRANCHISEE NETWORK MEETINGS

Franchisee network meetings are an excellent vehicle to communicate a wide range of things to franchisees from, new procedures and systems to new product or service developments. Franchise network meetings provide an ideal opportunity to deliver short training sessions to large numbers. It is important not to overlook the fact that being a franchisee can be a lonely business. Over 2/3^{rds} of franchisees come from a salaried background where they would have worked with other colleagues; where natural networking and social interaction would exist. This compares with a large number of franchises where they are single person operations. It is important to provide franchisees with opportunities to meet, interact and socialise with other people in the same situation as themselves. Network meetings can provide this opportunity, but these are not sufficient on their own and franchisees should be encouraged to talk amongst themselves and where viable meet up on a regular basis.

STEP 7: UNDERTAKE REGULAR COMPETITOR ANALYSIS

Too often franchisors see the development of their franchise offering as a one off event. Many franchisors seem to feel that once the initial franchise offering has been developed the franchise offer remains constant. Franchisee recruitment is a highly competitive market. With the every increasing success and popularity the franchising, it is becoming harder to recruit franchisees with enquiry conversion rates of 200+ enquiries to recruit one franchisee. It is therefore important to constantly look at the franchise offering of your franchise competitors. Your franchise competitors are not just those franchises that operate in the same sector as you, but those franchises that look for the same competencies in the franchisees as you require. Do not just compare the cost of your franchise against others but compare what franchisees will get for their money. Many franchises now include initial launch marketing campaigns and professional membership fees within the overall franchise fee, so you need to ensure that your offering makes your franchise the preferred choice.

“Businesses are very good at seeking professional advice in how to set-up and launch the franchise however they are often very bad at seeking professional advice about how to make the most of their franchise network once it is up and running”

THE SECOND YEAR OF FRANCHISING

The steps listed above will help franchisors to build on the hard work of having developed and launched their franchise, so that franchising can become an effective and integral part of their businesses future success. Managed correctly and effectively, franchising can be the foundation for national and international expansion.

The secret to creating a firm foundation for any business is to be open and objective about assessing the way the business is at the moment and the future potential. It is hard to be truly objective when doing this yourself. I would advise every franchisor to seek external specialist franchise advice to ensure that they are getting the most out of franchising. A list of accredited franchise consultants in your area can be found on the British Franchise Association website at www.british-franchise.org

For further information about franchising a business or getting the most out of ones existing franchise business, contact Clive Sawyer at: clive.sawyer@businessoptions.biz or telephone 01420 540260 or visit the Business Options website at www.businessoptions.biz

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