

Lori Lofstrom – Branding

Orange County

All three roundtables discussed “Targeted Direct Marketing” of the brand to not only obtain new customers but retain existing customers. Customer retention efforts and marketing is much cheaper than new customer marketing. Some systems are quite local in their Trade Area and really work on getting the franchisees into the community to sponsor teams and local charitable functions. Overall, the most important factor in creating goodwill and expanding the brand was creating an experience for the customer when they are in the store that helps to grow and foster the relationship between the store and the customer.

Conducting the initial demographics on what is your target is was mentioned and the National Marketing Institute was cited as a great source. A comment was made to be sure not to over commit so that you can deliver on your promises and not fall below the expectations that you yourself have set. It was also deemed key to know your competition and distinguish yourself from them to allow the customer to choose your brand over the competition.

---

Mary Ann O’Connell - Operations

Orange County

Group #1

At Relax the Back they have found it is important to start support and compliance enforcement immediately through the training program. It is important that they keep in line with the concept’s system.

It was suggested that it is vital that they understand the basis of franchising and what it takes to make them successful. This is vital for the franchisor, too. The franchising model should be understood on a global basis and then applied and taught throughout the individual system.

Don’t have too many corporate stores: it takes your focus off the franchise operations.

Franchise Advisory Councils are important because they can promote change, encourage communication and give good insights.

What makes franchising successful?

- The franchisor/ franchisee/franchisee relationship

- The system

- The BRAND. The operations of the franchise need to support and protect the brand.

Use technology to manage the support and operations functions because it can be effective, save time and the cost of a large support staff. Common uses are the intranet

and extranet sites, e-learning and webinars. Have networked, web-based POS reporting so the business trends can be tracked and remedial support can be customized and more efficient.

#### Group #2

Some found that managing the franchisee/franchisor relationship was their biggest challenge and the need for a well- designed Advisory Council was stressed.

Having an in-house franchise support staff to back up the work of the field support has been critical for success. It takes the burden off the field staff and gives the franchisees a high level of comfort.

Many use technology to manage field support. FAQs, forms, documents and announcements are posted on their intra or extranet sites.

The best operational support comes from managing at the store level. Staff must know the performance metrics and help franchisees reach them. Teach them how to help themselves.

#### Group #3

Training is the key to a good start and a good grasp of the business. Be sure you have a good training program that is long enough. Have classroom and field training.

Many companies have gone to using a performance coach for business development. They need to understand the financial structure, analyze it and give advice for improvement. Technology and web-based accounting programs like QuickBooks Online are a great help.

Be bold and help the chronic under-performers and malcontents out of the system. They system will be better for it, your resources will be better served and the remaining franchisees will appreciate it. Sometimes the person who left the organization will realize it was for the best, too. This can be done with peer pressure, Advisory Councils or legal means. It is all part of the basis of franchising: protect the brand.

#### San Diego

#### Group #1

The focus of this group was on a new business that was experiencing rapid growth.

Technology is great and efficient, but it is not a replacement for human interaction. Be sure your franchisees understand what they are supposed to do, and help them implement it in the early stages.

Decide what essential services the new franchisees will need, calculate the price for that and weigh it against the revenue stream the franchisees will receive. Then prioritize based on budgetary restrictions.

Build a financial structure that will pay for the franchise support.

Document all franchisee communications as well as visits made and support delivered. Several people have recommended IFX.

#### Group #2

Initial training is the most important factor for building strong franchisees. Make it a combination of classroom and field training.

Use technology and POS systems to pinpoint the support the franchisees need. Generic support no longer works.

Identify the five key operating factors on the franchise level and devise an operational support plan to manage those. Build the franchise strength in a stair-step approach: get the basics down first and build each layer. Prepare new support programs to help the franchisees that grow have gained sophistication and are bringing the business to the next level.

Use satisfaction surveys to determine the attitude of the franchisees. Look at the results carefully so you can spot outside trends, consistent complaints and possible weaknesses. Rebuild the training, marketing and support materials to reflect the field needs. Use an independent third party to do this so the franchisees feel comfortable with anonymity.

E-learning is a great tool for growing the business and supplying value to the franchisees for a low unit cost.

#### Group #3

Use e-learning to compliment training and to introduce new products/services.

Technology helps deliver support. IFX was recommended. Can be used for remedial training, announcements and general support materials.

Have a strong FAC and some use regional committees for additional input and support. Groups meet electronically for better efficiency.

MBE had broken down the system to three basic areas: compliance (in-store operations and standards), customer satisfaction (secret shoppers) and business success (financial performance). These areas were measured, evaluated and managed and this was critical to their sustained success. It was agreed that it is valuable for a franchisor to invest time and money into developing means of measuring and implementing these programs.

In general, support is all about knowing what the franchisees need for success and giving them the tools to do it for themselves. Generic or undirected support calls are a

waste of everyone's time and resources and will do nothing to build the system. Use a blend of technology and informed coaching to bring success to all levels of the system.

---

## **David Holmes - Franchise Development**

### **Orange County and San Diego**

Screening and objective evaluation of prospective Franchisees is vital; since the franchise relationship is a long-term one, not a one-time sale, the ability of the Franchisee to work successfully within the system, and be a "team player," is vital.

Two tools used successfully include bringing together the Franchisor personnel who have met the prospect at Discovery Day for a joint evaluation while impressions are still fresh in their minds, taking into account how comfortable they would be in working with him or her as a Franchisee. And, a number of Franchisors report success using psychological tests, designed by a professional and not necessarily customized to the franchise system.

Part of the process of determining what Franchisee skill sets are important may involve surveying existing Franchisee for their opinions, as well as the Franchisor evaluating the existing Franchisee population, and seeing who is successful and who is not.

Almost all Franchisors report increased use of brokers, with one Franchisor reporting approximately 50% of closed deals coming through this source. Broker-generated leads also seem to be better educated re franchising. Brokers and word-of-mouth were seen as the best overall lead sources.

Our group also noted the need for prompt follow-through and professional handling of leads, not only to enhance the relationship with the prospective Franchisee, but also to not send a message of unprofessionalism to brokers, who may then direct prospects to systems that better handle them and have higher closing ratios.

Franchise systems with low-priced franchises may have difficulty utilizing a broker, since the broker's commission may be larger than the initial franchise fee. One suggestion to deal with this was to use brokers for multi-unit deals.

A number of Franchisors also suggested working with multiple brokerage organizations, since individual brokers in any brokerage organization may be strong or weak, and it seems wise not to put "all of your eggs in one basket."

It was generally agreed that it is a mistake to try to convince a prospective Franchisee that they should purchase a franchise until they have become comfortable with, and understand, the lifestyle involved in actually operating the type of business being franchised. Part of that process involves encouraging the prospect to talk with existing Franchisees, and not only the most successful members of the system.

One participant suggested having the prospect chat with relatively unsuccessful Franchisees, and understanding why they have been less successful and how that may or may not relate to the prospect's skill sets and personality type.

There was general agreement that prospects must understand that they cannot be passive in operating their business; proactive marketing and management is almost always required. A candid explanation of the realities of the business, including the importance of customer service, is probably vital.

A related discussion took place re Franchisor goals re Franchisees. There was general agreement that the objective, both from an operational and from a franchise sales validation standpoint, was happy and profitable Franchisees, noting that happy and profitable are not the same thing and not always present together.

Our group also noted the common mistake of awarding franchises in widely scattered locations, making support more expensive and difficult and reducing the opportunities for local marketing synergies, such as common advertising, exchange of operating personnel, etc.

We also discussed methods for dealing with a Franchisee who has too large a territory and is unable to service all potential or existing customers, including structuring "win-win" deals to assist such a Franchisee, introduce new Franchisees into the territory and build market share. One approach involved helping the existing Franchisee understand how he or she is wasting advertising dollars. Another approach, to avoiding such problems in the basic franchise award, was the use of rights-of-first-refusal, which the group felt was a good approach.