



FRANCHISOR SOLUTIONS ROUNDTABLE
IFA 2011 CONVENTION - LAS VEGAS, NEVADA
FEBRUARY 14, 2011
TOPIC: BEST PRACTICES IN BUILDING FRANCHISE PERFORMANCE
FACILITATOR - Karen Powell, Décor and You

This summary of the conversation is based on notes taken by roundtable attendee, Barbara Carper of Profit Soup. The comments have been grouped into topics to give the summary a logical flow. For this reason, the comments don't necessarily appear in the order they were shared.

ISSUES OF CONCERN:

- Does sharing information about franchisee results motivate improvement/growth?
- When does poor performance warrant terminating a franchise agreement? (compliance issues - enforcement and accountability).
- Which individual franchisee performance issues impact the brand?
- What can franchisors do to improve franchisee financial results?

Share some of your best practices. What do you do to drive franchise performance?

Marketing drives success. When we started out, it took us 8 years to get the kind of growth that new franchisees now get in just one month. We can still grow in a mature market because we have a good marketing program.

We know that we have a good concept and we know how to market our product. For us sampling really drives sales. We have something good to give away. It's inexpensive to do sampling yet it gets results.

We have a selection process that screens out people who wouldn't do well with our franchise. We won't just sell a franchise because somebody wants to buy it. We work with candidates in a shop for a week before we offer an agreement. We also do personality profiling (use Franchise Navigator) to see if they are a good match for our model. It is a 9-12 month process "from interest to open", but we believe that by putting a lot into the selection process, we get better performing, better suited franchisees.

It helps to share a vision of what “good franchise performance looks like”. This can be done by benchmarking the results and sharing that information.

Another franchisor that described her franchisees as owner operators that work from home said she requires that franchisees have a college degree because it proves they can complete something. “We background screen thoroughly. We also follow our gut sense about the franchisee. Intuition matters.”

Selection was stressed by many as the key to franchise performance. “Take and keep control of the selection process. Assign homework during selection.”

Multi-unit owners are important to our growth and we realize that not everybody is cut out for multi-site. There needs to be criteria for selection of multi-site owners, just like there are criteria for new franchisees. But there are different skill sets required for multi-site.

A franchisee may have a personality type that is well suited for a single location – takes responsibility, works hard, sees everything through to the end, dedicated, accountable. To be successful in a multi-site environment they would need to delegate, oversee, interact with more people and lead a team. Not all successful single-site owners have the ability to lead or to change, as is required for multi-site owners.

Everybody has some criteria for selling more units to an existing franchisee. For example, they need to be in good standing/in compliance, they need to meet some time requirement as a single operator, have the financial capacity, things like that. But starting with knowing what characteristics make them successful and doing personality assessment is critical to their success.

We require a business plan for development of multi-unit. This helps you assess if they have it in their head what it takes to make it happen.

We provide special assistance/support for the first year. We look at sales metrics and measure them against our benchmarks. Field support has a monthly conference call focused on helping them get to breakeven. We also talk with them regularly in the first year about operations, marketing, product sales, and financial results.

Share best practices. Figure out a way to tap into franchisees ideas and bring them back into the system. Franchise advisory groups or peer groups are a good way to do this. Highlight and recognize innovation. Tap into it and feed it back to franchisees through training, coaching etc.

Help new franchisees build relationships with your top performers. We share videos of existing franchisees during training. This creates an immediate connection to their peers. It sends the message of who they can talk to, and establishes our best franchisees.

Disclose results. Everybody knows what good performance looks like. We accomplish greatness because of that.

Helping people hire their key people. Help the franchisee get the right people on the bus.

Create a culture of profitability. Support commitment to profitability from the top down. This means you must also have a process to bring the performance of mediocre franchisees up.

One franchisor reported that they cultivate their culture of profitability at all levels. They have a financial statement review every 4 weeks, line by line, of the franchisor's results.

Understand the importance of field support to franchisee performance. Give incentive pay—bonuses or commissions—to your support staff for improving franchisee performance.