

# FRANCHISE CLINIC

Our expert panel offers advice on a range of issues for franchisors



**Jonathan Mills** is a franchisor and MD of Personal Career Management who will be running the Career Advice Clinic at the British Franchise Exhibition (8 & 9 June) at Manchester Central.



**Hilary Briggs** is managing director of profitable growth experts R2P Limited. For the last 10 years, she's worked with SMEs to improve their business performance and profitability.

**Despite repeated attempts to help them improve, I've reached stalemate with one or two underperforming franchises. As their neighbouring territories are doing so well I can't fathom why they are failing. Any tips?**

Every franchisor will testify that a disproportionate amount of their time is spent dealing with underperforming franchisees. The problem for most struggling franchisees is that they stop following the system. They may have started to initially, but then, sensing that it doesn't work for them, have tried their own methods. When this fails they convince themselves that nothing works and then go into a state of inaction and denial. The trick is to break the cycle of behaviour and get them motivated to follow the system.

As external consultants, we meet with the franchisee in a confidential setting to discuss the issues as they see it and provide an impartial perspective on the challenges they face. By us not being the franchisor they can talk to us openly and honestly. Underperformance amongst franchisees typically boils down to:

- Franchisees feel the product is too expensive
- Franchisees think the people in their area are different.

We work with them to challenge their assumptions and to get them motivated by what will happen when they change their thinking. Most people hate being sold to but love buying. We make sure the franchisee's own preconceived views on what their customer may be thinking doesn't get in the way of their customer actually buying.

We encourage more helpful techniques such as good questioning and easier sales processing administration. We've helped over 150 franchisees in this way in some cases to go from the verge of exiting to profit and expansion.

**How can I help my franchisees to grow their businesses more systematically and encourage some healthy competition throughout the network?**

From my early career, particularly working with Honda, I saw the power of benchmarking to drive performance improvements. Since then, I've applied the principles to increase sales and profits in SMEs. The first thing is to ensure everyone is recording the same data – for instance monthly sales per customer, frequency of purchases, key sources of customers, eg specific companies giving introductions, website, particular promotions and so on. Ideally it should also be recorded using a consistent, uniform method, for instance, cloud computing.

The next point is to analyse the data and look for patterns. A simple chart of spend per customer in value order will typically follow the classic Pareto Principle – top 20 per cent accounting for 80 per cent of the sales – with a long tail of lower-value customers. This is common knowledge but I'm always surprised how actually charting the data yields some interesting insights – and pinpoints where the most profitable business is likely to come from. It led one of my clients to instigate a minimum sales value, develop an ideal customer profile and re-focus their sales effort. Sales grew 100 per cent in less than 12 months.

Encouraging this approach across the network will also allow you to test out different marketing campaigns in parallel, enabling you and your franchisees to assess results faster. The final key to success is being disciplined enough to keep collecting the data and reviewing it on a regular basis. Exposing the franchisees to each others' data will pique their curiosity and encourage best practice sharing. The value gained from growing sales will provide an incentive to keep the process ongoing, driving continuous improvements in the future.



### Penny Hopkinson

is founder and managing practitioner at Manual Writers International and a bfa companion. She has over 25 years' experience in structuring, authoring, editing and producing operations manuals for all types of businesses.

#### When would I have to update my franchise manual and how can I avoid it quickly becoming out of date?

Many franchisors think that once they have produced their operations manual there's no need to update or develop it. In reality it should really be viewed as a living document in continuous development, providing comprehensive insight into franchisor know-how and the business system.

As the franchise grows, so should you modify, improve and develop aspects of the business setting new benchmarks for improvement across the network. If you franchise overseas, you will need to adapt your manual to cover local requirements. Under the terms & conditions of the franchise agreement, any changes must be reflected in the manual – and franchisees issued with timely updates underpinned by training, as and when appropriate.

There are several strategic stages at which it becomes essential to review and update the content of your manual, notably:

- When a provisionally listed company has piloted the system and is developing the business in accordance with bfa industry standards – or within 12 months of signing your first franchisee(s). Invariably, modifications will need to be made to processes and procedures as these are tested fully during day-to-day operation of the business. Any changes must be detailed in the manual so that new franchisees can benefit from initial experience.
- When there is a change to legislation that affects your franchise – eg employment, health & safety, data protection.
- When you introduce a new process, product or service.
- When you franchise overseas and need to adapt the system and procedures to local markets and cultural considerations, in the case of a food and beverage franchise for instance.
- When you need to strengthen compliance across a large, mature network.

As for avoiding an outdated manual, although the production and issue of a hard copy is standard, managing content online in a fully cross-referenced and searchable electronic format assists you in staying on top of updates that you are obliged to circulate.

Increasingly, franchisees are given access to an Intranet resource where they can view the manual, print out what they need and download documents that, for example, are for everyday use but subject to change – eg marketing materials, artwork, approved suppliers, specifications, recruitment tools, order forms.

A user-friendly structure will encourage franchisees to use the manual as a powerful, up-to-date resource that will meet the needs of a growing network. This is much better than reproducing old hard-copy manual that is likely to be far more difficult and costly to update.



### Liza Gratton ACA

is head of franchisor services at Dennis & Turnbull Chartered Accountants, a leading firm of bfa-affiliated franchise accountants who look after a wide range of franchise networks across the UK.

#### I've heard a lot about online accounting for franchise businesses – in what way is this different from what we do currently?

Online accounting is perhaps the biggest shift in how franchisors can manage their franchisees and understand what is happening at ground level. I've worked with a number of franchisors who have had no systems in place whatsoever and, by using our network accounting solutions, we've helped them understand exactly how their franchisees are performing. The main advantage is in how the information is received by you. Rather than relying on franchisees to process their records, send reports to you, and for the reports to be consistent with other franchisees – this is what could be called a 'push' relationship – with online accounting, we can change this to a 'pull' relationship. With online accounting, you log into their system to take this information and with automated bank feeds, you also know that at least the bank processing is up to date.

Consistency is another key factor. To be able to understand your franchisees' finances, you need to be comparing like with like. A network accounting solution allows you to do this. ■



If you would like to ask our experts a question please email [fnews@vmgl.com](mailto:fnews@vmgl.com)