

Is the obsession with growing franchisee numbers destroying the ability to develop thriving franchises?

Let me start by stating categorically that my answer to that question is YES.

There is an obsession of saying I've got x number of franchisees, and I'm growing at x++% per annum and I'm planning on going to China this year..yadda, yadda, yadda...

While the blunt question in my head is "Who is talking about the long-term outcomes of franchisees and the viability of their franchise system?"

This is the conversation I want to start here.



FranchiseED

Let's **Deconstruct the Obsession** of franchise sales and franchisee number growth and the **BRULES** (bullshit rules) that franchisors and the franchise sector generally buy into:

- 1. The number of franchisees within the system indicates the level of success**
The number of franchisees within the system at any point in time is a factor of the history of the franchise and not the future. Franchises can be in serious decline and still have hundreds of franchises at present or a change in ownership and management capability will greatly affect the future. So what is important is the viability and profitability of each franchise unit and the quality of the system that supports this viability.
- 2. The growth in the number of franchisees per year equates to a thriving franchise.**
Whilst it is true that attracting more franchisees can be an indication of success, with lack of transparency within franchises, some unsuspecting franchisees can be lulled into dodgy franchises through slick sales methods or be hoodwinked by dodgy deals such as first year income guarantees.

Growth without quality franchise partners and quality locations will lead to failure in the long run. Growth needs to be as a result of high performing franchise partners based on a strong future-proofed franchise system.

3. The more franchisees you have, the more you will succeed into the future.

The more franchisees you have in your system, the more staff you need to service them and the more complex your business becomes. Some franchisors have made decisions to stay small and have thrived as a result of this considered decision. The more franchisees you have, may actually mean less profit, particularly if they are wrong for the business and chew up resources to service them. Ditch the ego at the door and focus on the RIGHT numbers.

4. Having an industry award means you are successful, have a thriving franchise and will attract more franchisees.

Aargh wrong! Do you remember Wendy's Supa Sundaes winning the 2014 Australian Franchisor of the Year awarded by the Franchise Council of Australia and then being in receivership literally months after the award was won? The mindset "is we can't sell franchises so let's go and get some shiny award to prove our worth" – because we're focussing on selling franchises for all the wrong reasons. These issues mean franchisees still fail and its literally sending sand through the hourglass...as fast as we fill the top they also exit out the bottom. Sometimes it seems easier to focus on the external: on awards and accolades in the hope that this will attract more franchises to the business. Instead you need to look at the internal: on what and how we can do better.

These types of measurements I call "Franchise Ego Metrics" which result in push and emphasis on selling more franchises and the unsustainable growth in some franchises.

Franchise Ego Metrics make you feel good (and potential franchisees feel safe) but have very little impact on the long-term sustainability and viability of the franchise. Just think about the Franchise Ego Metrics which RFG have boasted about over the past few years. From the media in 2016 "RFG reached 2500 outlets and plans to grow its footprint to 3500 outlets".

Ego Metrics clouding the real situation: lack of franchise profitability, innovation and faltering brands.



Conversely, **"Authentic Metrics"** measure concrete aspects of the franchise, and if measured over successive years and with results improving, will mean your franchise will move towards being a **Thriving Franchise**.



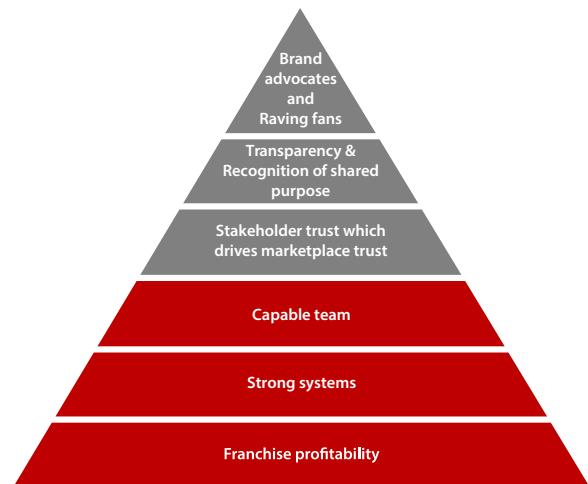
Measuring Authentic Metrics means that we are focusing on building a Thriving Franchise through franchisee success. A Franchise that is sustainable in not just 2 years but in 10, 20 years and beyond.

What we are finding

People who are setting up franchises are often great technicians and have worked the day to day operations efficiently and effectively. They have built a viable business that is profitable which is supported by strong systems implemented by a capable team. This is where many franchises stop in their business evolution. Stopping at this point will not generate a thriving franchise.

Let me explain.

When we start, we focus almost exclusively on the operational aspects of the business. This is really important to begin with because as Start-Up Franchisor, we need to develop the concept, prove the concept and then show that it can grow. All things are focused on building the best operational systems and then once we have established them, we then focus on a team that can help implement the franchise strategy. We get to the point where things



are humming along fairly well, we are selling a few franchises and we are growing. This is where many franchises then stop their evolution.

So then many don't get to the pinnacle of the triangle, that is where franchisees, customers and other stakeholders are brand advocates and raving fans. This is the Holy Grail of franchising, because at this point, franchises will almost sell themselves. Your system is so bloody amazing, that everyone wants a piece of it for all the right reasons!

Franchises that truly sit at the pinnacle of the triangle have worked hard and pushed through the tipping point to go from the red zone into the grey zone. They have moved from just providing extrinsic benefits to the franchisee (ie monetary rewards) to intrinsic benefits (things such as feeling like a valued member of the group, feeling like part of something bigger than themselves). Sure, you need a healthy profitable franchise system but the magic starts when there is intense trust, there is a strong sense of shared purpose, and there is a respectful and supportive culture.

Franchisees who are truly onboard and passionate about their franchise will become passionate brand advocates resulting in exceptional customer service. As you move up the triangle and all of these factors come into play, the brand advocates and raving fans will emerge. You will never need to go out and actively sell a franchise again!

The model to get to the Pinnacle - Creating a Thriving Franchise

Thriving Franchise = Sustainable Long-Term Success



All franchisors want a sustainable and thriving franchise, one which has long term growth opportunities. They want the ability to grow their brand and network, service more customers effectively as possible and provide a living for their franchisees and returns for themselves. However, to have a Thriving Franchise, you need to have in place, three foundational Pillars, Pillars which provide the foundation for a successful franchise in 5, 10 or 20 years.

The Pillars to create a thriving franchise include:

High levels of superb leadership – the ability to guide all stakeholders in the right direction and have everyone talking the same language.

The second pillar is commitment to innovation – innovation where there is a collision between customer experience and franchise profitability.

The third Pillar ensures that execution of the plan means that there will be both a profitable franchisee and franchisor.

Because if we have no Superb Leadership then we have chaos, where we head in any direction on a whim and don't focus on what matters.

If there is no Commitment to Innovation then we have no future and no way to keep ahead of the pack.

And if there is no Effective Execution then we have no control or any mechanism to focus on objectives.

That is not the future of a thriving franchise.

It's more than having just a good franchise that ticks along.



A Franchise which will thrive now and into the future focuses on the Pillars (the grey areas) and their corresponding Elements (the outer blue areas). Only a sustained focus on all these elements will ensure a Thriving Franchise. And a Thriving Franchise is one where all stakeholders are thriving, not just the franchisor. It is where the whole ecosystem is healthy.

Focusing on the Pillars and Elements set up the Pathways for future success: Future proofing your business; sustainable growth; and a competitive edge.

Ms Kerry Miles

As the Director of FranchiseED, Kerry Miles is at the forefront of understanding what it takes to create thriving franchises with a comprehensive perspective encompassing both the franchisor and franchisee.

Shifting from 5 years owning a business within the franchise sector, to more than 10 years heading up Griffith University's Franchise Centre as General and Business Manager Kerry's work is unique and driven by maintaining an independent perspective.



Kerry's work includes franchise sector research for both the private and public sectors, developing commercial franchise educational programs, developing and managing communications across all aspects of franchising, and developing content for leading edge workshops and conferences.

Her industry networks are extensive, and she has been awarded Certified Franchise Executive by the International Franchise Association. Holding the position of Adjunct Research Fellow at the University of the Sunshine Coast in addition to her extensive industry experience underpins Kerry's determination to unlock the elements which create a thriving franchise sector for all.

Kerry's clients include:

- ▶ Franchise organisations
- ▶ Not For Profits looking at commercial strategies
- ▶ Emerging franchisors
- ▶ Federal and State Government

Kerry's work includes:

- ▶ Franchise research
- ▶ Franchise feasibility assessment
- ▶ Industry and sector based research
- ▶ Training and professional development



Want to arrange a time to chat with Kerry?

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Learn more! Visit www.franchise-ed.org.au