

RECIPES FOR SUCCESS

One of the greatest gifts a franchisor can give their new franchisee is a realistic formula - or recipe - for success. And yet, recent research by Associate Professor Lorelle Frazer of the School of Marketing at Griffith University indicates that there are a number of franchisors whose marketing is disconnected from the realities of life as a new franchisee.

Associate Professor Frazer recently released a paper on the dimensions of franchisee failure. Her research highlighted some of the major causes of failure. One cause was the franchisee not being suited to the type of business, because they either didn't understand or weren't prepared to put in the work required to achieve success. In some cases this was exacerbated by marketing from the franchisor, implying that the franchise offered an easier lifestyle than a normal job.

While much of franchising is about creating systems and processes, if we use the analogy of a recipe we can find gaps. A good recipe gives precise details about the ingredients, the process of mixing the ingredients, the cooking time and serving suggestions. When we think about franchise systems, many of them focus on the process of mixing, cooking and serving and may ignore the quality of the human ingredients – usually the ingredients that make a difference.

Let's take a look at the benefits of spelling out the ingredients in our franchisee success recipe.

The Franchisors' Perspective

If franchisors who operate on a fixed fee basis, there may be a short term incentive to bring in unsuitable franchisees, but for most franchisors with an ongoing fee structure, they only succeed when the franchisee succeeds, so they want to increase the likelihood of franchisee success.

There is interesting research from the recruitment world, which indicates that certain personal characteristics are difficult to develop and therefore better to recruit for. Examples include initiative, persistence, innovation and flexibility. What this means for franchisors, is that if any of these characteristics are the basic ingredients in their best franchises, then they'd better be including that in their recruitment recipe.

Why write out a recruitment recipe?

One reason is to help new franchisees self select. It's amazing how many people who come from an employee background, go to work every day and do their best but have no idea whether their efforts are making or costing the business money. They need to know that making money from a franchise requires certain types of people as well as certain processes.

For those of you reading who are franchisors, do you have a clearly articulated success recipe for new franchisees? Or have you spent most of your effort perfecting the

systems and maybe forgetting to be as clear about the ingredients. If not, why not take some time out to ask yourself the questions below.

What human ingredients made this business successful?

What are the management skills, knowledge and attitudes that have made my best franchisees successful?

What skills, knowledge and attitudes make for the best employees in my franchises?

How were they different to my less successful franchisees?

Is there are pattern of differences?

We presume you've already documented the following, but you may also want to review any information you have about:

What types of staff best with the franchises' best customers?

What types of products and services sell best with different types of franchisors?

Common ingredients that franchisors want in new franchisees are initiative and persistence, yet as mentioned above these are harder to grow – it seems that by the time we are adults our patterns are pretty well set. Those who want to walk in and have the system work for them and the franchisor do everything for them, are not good franchise candidates.

One furniture store franchisee found out the hard way that customer focused or quality focused staff made a huge impact on the bottom line. Quality focused people were great behind the scenes, but they just didn't seem to listen well enough to what the customers wanted. She was disappointed that the franchisor had made no mention of this important ingredient because customer focus became a prime ingredient for her when recruiting.

What quantities of these ingredients are required?

Do you have internal rules of thumb about the ratios of staff to customers, the ratios of support staff to advisory staff, or the ratio of managers to staff in your franchise? If you do, do you pass these on to your franchisees so that they know what to do when they expand?

One motor products franchisee angrily approached his franchisor complaining that while revenue was increasing, profits were going down - fast. He had been following the formula and now found his business was too top heavy – too many supervisors and managers. The franchisor reviewed other franchises and found that there were levels of profitability. When franchisees jumped from one level to the next, profit would go down for a while, until the spare people capacity was fully utilised. This was a very important learning for both the franchisee and the franchisor and was used to manage future growth more carefully.

What are the processes for combining those ingredients?

How your franchise mixes the people with your products and services is what franchise systems are all about. So we'll only focus on one process - finding new customers?

The assumption made by many franchisees who fail, is that the franchisors' marketing will do it for them. They expect to open the doors (physically or otherwise) and be flooded with customers.

The better franchisors ensure that they are recruiting franchisees who can and will include marketing and business development as part of their day-to-day activities, rather than rely on head office marketing.

How you serve (deliver) the completed products and service?

This represents all the questions around processes or functions such as how do you deliver or distribute your products and services and again, usually this is part of the mainstream systems that the franchise offer.

Finally, how much do you follow existing recipes or create new ones?

Many franchises are like a bread and butter pudding recipe – a well-known favourite. Each franchisee uses the same basic ingredients and prepares their products and services the way they were taught and the best ones include a secret key ingredient or two that keeps their customers coming back.

Many franchises “mix” young, inexperienced staff with a supposedly idiot-proof system, yet often there is more to it than that. Again we go back to identifying basic characteristics that will serve the franchise well. Interestingly, there seems to be a mindset – let’s call it the innovative mindset – which is almost incapable of following instructions and procedures. Either they want to improve the systems or cut corners. This is a two-edged sword for franchisors. If new franchisees won’t follow your system, you can’t guarantee their success. On the other hand, many franchisors say that their best new products come from franchisees who are prepared to innovate. So it seems franchisors need a mix of both, although they may have a preference for one over the other.

The Franchisees’ Perspective

So what does this mean for franchisees? The intention of buying a franchise is to buy a system that already works. Yet, what franchisees may get is only part of the recipe - the mixing and serving instructions. It’s also important to make sure that they get full details about the “human resource” ingredients. If the franchisors haven’t included details about this, they will need to find out more. They can start by asking the franchisor directly what characteristics they believe made them successful.

They can also try to get details of successful franchisees and talk to them. They can ask them what characteristics helped them succeed and find out if their expectations were met and what the reality was like in the first few years.

In the final analysis, if we have a comprehensive recipe for success and follow it, then we can all enjoy the sweet taste of success.