

Franchising is a Win-Win Way of Doing Business

Fancy your business brand appearing in Whangarei, Wellington or Wanaka?

It's quite a task to set up outlets the length of the country yourself, but franchising can make that job a whole lot more attractive.

Franchising is an effective way of building your business by licencing others to use your proven business system for a fee. They do the work of setting up the business elsewhere and you benefit from rapid growth, brand development and penetration into new locations.

Naturally, your business focus changes when you develop a franchise. Where before you had control of day-to-day operations, now your role is to support individual franchisees build their own businesses, which in turn helps to grow your business and your brand.

It's definitely a win-win situation - by working together and investing time, energy and capital, you both help to build, and benefit from, a successful business enterprise.

Knowledge is extremely valuable

Almost any successful business can be franchised as long as the business process is bulletproof, there is a demand for your product or service, and enough revenue can be generated from the business to satisfy both yourself and the franchisee.

The key to franchising is the business process. What you sell is important - people have to want it. But the real value is in the intellectual property - the knowledge you have accumulated into creating an operating system that can be replicated over and over again and continue to produce the same successful result.

This is what the McDonalds restaurant chain did so well and where modern-day business format franchising has its roots. The restaurant developed an extremely efficient operating system, which licensed operators were able to replicate, for a sizable sum, in restaurants all over the world.

The success of the restaurants helped to build the hugely recognisable McDonalds brand, which continues to grow with each new outlet that opens.

Today a wide range of businesses use the business format franchise method, including sports outlets, garden maintenance firms, clothing stores and financial services companies.

For many people, it's proving an excellent way to do business, but franchising can have its drawbacks. In particular, you are reliant on the enthusiasm and motivation of the franchisee to help build your business. While franchisees do need to work within the terms of the franchise agreement, unlike employees, you cannot tell them what to do on a day-to-day basis.



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Plan, plan, plan... and get advice

Research and planning are critical before plunging into any business venture and franchising is no different. If you feel your business is a prime contender for franchise development you need to do some careful strategic planning.

In the very first instance, start reading. For example, the *New Zealand Franchisor's Guide*¹, published by the Franchise Association of New Zealand Inc (FANZ), covers the critical points you need to work through in order to set up a successful franchise. This includes: determining whether you are even the right person to run a franchise; strategic planning; preparing the franchise agreement; recruiting franchisees; and maintaining the franchise.

The guide stresses the importance of also engaging qualified professionals to help you set up your franchise operation - lawyers, bankers and accountants who are experienced franchise practitioners. These people know the best path to take when setting up franchises and, just as importantly, they know the pitfalls. Make sure you use them.

For more information look online:

www.franchiseassociation.co.nz. This website will point you in the direction of other useful sites if you want to franchise your own business or buy into a franchise.

¹ New Zealand Franchisor's Guide, by Franchise Consultants (NZ) Ltd, published (2nd edition) December 2003 by the Franchise Association of New Zealand Inc.

Next Steps - Setting up a Franchise

It can be an efficient method of doing business but setting up a franchise is not a decision taken lightly. You'll need to:

- Read as much as you can about franchising and talk to others who run franchising businesses
- Examine your reasons for becoming a franchisor - this is a long-term commitment and will require strong financial, managerial and marketing expertise
- Determine whether it's feasible for your business to operate as a franchise
- Get expert advice from professionals

Your current business (often called a pilot) should:

- Be highly profitable - there needs to be enough money in it to be attractive to both parties.
- Offer a product or service that people really want, not only in one centre, but throughout the country
- Operate on a successful, yet simple, business system that can easily be replicated elsewhere



Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.





The Burger Vision

When we talk franchising we typically think of McDonald's, the fast-food burger restaurant generally credited with the invention of modern-day business format franchising.

In the 1950s, Ray Kroc, who sold milkshake mixing machines, saw huge potential in the business process of one of his clients - the McDonald brothers who owned a burger restaurant in California.

He reckoned he could replicate their slick operating system to mass-produce burgers in a restaurant setting in outlets throughout the US by detailing each part of the business into an operating manual.

In this way Ray Kroc made sure the customer's experience would be the same in every restaurant they visited.

Through constant renovation the McDonalds franchise soon became a proven operating system. It encompasses every aspect of how to run a McDonalds restaurant, from purpose-designed equipment to produce the food, to the operating area, to the look and feel of the décor, to purchasing and supply, uniforms and cleaning.

It was this intellectual property, on top of a burgeoning brand, that made the McDonalds franchise so valuable throughout the world and which has continued to this day.

"Franchising allows businesses to capture national markets - and establish a strong brand - within a few short years."

New Zealand Franchisor's Guide, by Franchise Consultants (NZ) Ltd, pub. Franchise Association of New Zealand Inc, 2003.

Don't Forget the Business Pages

The world of business is not all about high-profile mergers, takeovers, quarterly results and the economic outlook in China.

Small business has a big part to play, and New Zealanders *want* to read about new innovations.

The business pages of daily newspapers should not be overlooked. Generally, if you've got a good story to tell they'll want to hear about it.

Some papers may reserve a specific day for profiling a small business which has done well. We're not talking about advertorials promoting run-of-the-mill new business start-ups. On the contrary, success and innovation are high on the agenda for these pages. For example, have you:

- Invented some highly innovative product or service, or business system, never before seen in New Zealand, or even the world?
- Turned customer-servicing on its head to offer an innovative shopping experience for customers?
- Taken a small business into global markets?
- Seen rapid success throughout the country from small-town roots?
- Created or invented something unique which in some small way makes a difference to New Zealand as a whole (eg, in health or the environment)?

Innovation, difference, success despite the odds - these are makings of a great small business story. Small business abounds in New Zealand and successes need to be seen in the business pages of our dailies.

If there's something worth saying, tell the newspaper.

Look, Feel, Attitude all Count in Advertising

Expensive, slick advertising could be a total waste of money if your shop or workplace is dingy and uninviting.

If your business is retail, your entire shop is an advertisement, as well as the attitude of your staff, the way your goods are arranged and so on.

Dirty, dowdy or badly-lit premises and dusty goods will definitely put people off, even if your prices are competitive. In fact people are likely to choose a more expensive shop down the road for similar goods because it is bright, colourful and welcoming. If our shopping experience is pleasurable, chances are we'll be back for more.

Train your staff

Staff are a huge advertisement for your business. Select them carefully and put 'positive attitude' high on the prerequisite list. You don't want a horde of potential customers turning up, lured by persuasive advertising, only to be faced with rude or inattentive staff. Not only have you wasted thousands on advertising, you may never see these people again!

The same rule goes for talking to customers on the phone. Never be grumpy or abrupt or leave people waiting unnecessarily. And if you're taking messages for others, make sure you have a system for always returning calls within a specified time.

Systems for using the phone and email are particularly important for home and internet-based businesses. Because you don't have a bright and attractive shop to show off, or staff to give one-on-one attention, your 'electronic etiquette' is crucial to supporting your fantastic products and services.

Most people will understand if you cannot help them with a particular request - either on the phone or in person. But don't leave the conversation dangling - is there another way around the problem? Has the caller thought of this option? Where else could you recommend they try?

Even though you might not get thanks, most people will notice your efforts to help, and you may be rewarded with a sale at another time. Having a customer-friendly attitude is good advertising for your business.

Clean the company car

And don't forget the car. Company advertising on vehicles can work really well, but do keep them clean! For many people the value of the advertising will be dented by their reaction to the dirt, unless of course the vehicle is advertising off-road adventures where a little mud could go a long way!

Advertising, like charity, begins at home. Keep things in good shape on the shop floor before you start advertising further afield.



An important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within you own particular circumstances, as they are intended as general information only.



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