

How Franchisors Can Improve Brand Protection and Maintain Strong Franchisee Relations

Introduction: Your Brand is Your Business

You will find few people in the franchise industry who won't list protecting the integrity of their brand as one of the most vital prerogatives of franchise management. But like any business, the larger you grow, the harder it is to communicate and execute a consistent brand message, though brand consistency is the catalyst to customer satisfaction and retention.

How can franchisors possibly get 100% compliance to their brand standards as they grow in diverse markets with owners of variant backgrounds? The answer involves definition and discipline. Franchisors need to execute a multi-faceted approach to ensuring brand compliance from their owners, starting with recruiting the right owners. They need to have a strong, defined brand with specific market differentiators. Franchisors need to have a scalable system for brand standards reviews and site inspections and it is imperative that owners are held accountable for compliance infractions. These are not only best practice imperatives but ones with legal implications.

This white paper looks at the ways corporate franchisors can increase and maintain brand consistency across their franchise network from the early stages of franchise recruitment and selection through to ongoing expansion, re-sales and franchisee exit. We'll explore these four components of effective brand protection. Strong brand controls do not need to come at the expense of franchise relations.

Franchise Expansion Should Never Come at the Expense of Brand Consistency and Your Operating Standards.

Find the Right Owners

The common denominator to successful businesses is talent. The same holds true for franchise companies. Finding, recruiting and signing the kind of owners who not only adhere to your standards but embrace them and drive business by leveraging your brand should be the focus of franchise sales teams. One industry veteran said they invest so much on recruiting (not selling) the right owners that they have enviably low churn (under 5%) and do not plan on realizing a return on investment for five years from signing. That is how much they invest upfront in finding, screening and supporting the right owners throughout due diligence and discovery through grand opening and the critical ensuing months.

“There are three kinds of owners; willing and able, willing and unable and unwilling and unable. I can work with the first two groups but won't waste time on the third. My focus with them is getting them onto other things.” Successful franchisors ask a lot of their owner candidates. They send them books to read, require them to spend time in established franchise markets learning the model, have them talk to other owners and require good business plans. If candidates are not passionate about the model or unwilling to do the due diligence, they likely would not have made good owners. A well-defined, comprehensive and rigorous screening process should be in place to ensure that the candidate is a good fit for your brand.

Past success in business does not always translate into success running one or managing the personalities that operate within the franchise business. Absentee owners can also be a dead end. Finding candidates with “skin in the game” is essential.

Defining Your Brand

Franchisors wrestle with the balancing act of protecting their brands while supporting the creative and entrepreneurial spirit of their franchisees. According to Creative Producers Group, “Successful franchise brands are built over time by consistently setting and meeting customer expectations of the brand experience. This can’t be done without network-wide adherence to brand and operating standards.” By the time companies decide to franchise their model, they will have found a business model worth replicating. Brand by definition is “name, term, design, symbol, or any other feature that identifies one seller’s product distinct from those of other sellers.” The obligation of carrying out and defining these established features is the franchisees.

The relationship between franchisor and franchisee by definition is set up for some degree of conflict. Most franchisees seek business ownership to scratch an entrepreneurial itch and to seek a higher level of autonomy in their professional life. Franchisors want these attributes to an extent. Entrepreneurs are resourceful, creative and can work around hurdles. However, adherence to the established model is how brands are defined. When you look at established brands like Starbucks, you can expect a coffee shop that looks and feels the same no matter where you are and the employees almost always reflect that commitment to an inviting aesthetic.

The Age of Technology Has Changed Customer Relationships to Brands

In the past, word of mouth was just that. Service industries relied heavily on word of mouth advertising, and now this phenomenon has been turbo-charged by the internet and the advent of Yelp, Twitter and other on-line consumer review forums. In the franchise world, bad press is usually the result of bad service. Bad service is in all cases inconsistent with any franchise organization’s defined brand standards. Eliminating negative customer reviews or being able to rapidly address those issues will be the difference between success and failure.

Over 70% of consumers surveyed said that they trust on-line reviews as much as personal recommendations and half of them¹ said that positive local reviews make them more likely to patronize a local business. There has been a significant increase in the number of consumers using the internet to find local businesses and the increase in mobile device users has contributed significantly to this trend. This means that access to user reviews is easy and instantaneous. Most consumers researching a product or business will read between 2-10 reviews before determining whether or not they’ll commit. They have become more empowered, savvy and discerning in whom they engage business.

This can be a great thing for Franchises as they harness the power of social media in their marketing strategies and a great tool to reinforce their brand message. However, it increases their liability and exposure when franchisees fail to deliver on the corporate brand promise.

1 <http://searchengineland.com/study-72-of-consumers-trust-online-reviews-as-much-as-personal-recommendations-114152>

The Peril of Brand Extremism

Adherence to brand standards is always important but franchisors need to instill in their people the understanding that there may be some gray areas prohibiting owners from always scoring 100% on brand standards reviews. Knowing when to allow for some flexibility will help create goodwill in your franchise network and will allow the big picture to remain intact. Not all build-outs allow for the precise merchandise planogram. However, pricing should always be consistent. Franchise experts list the following “common sense” guidelines when outlining your standards.¹

- Who is this guideline protecting and how? The Brand? The Corporation? The Franchisee? The Customer?
- Who gets hurt when the guideline is not followed? Can such damage be quantified?
- Is the brand image, at its core, at risk if the guideline isn't followed? (corporate values, brand promise, etc.)
- When would it be appropriate to alter from the guideline? How likely and often might this happen?
- Can this guideline be enforced?
- Does the guideline prevent the franchisee from promoting the business or make it difficult to explain the value proposition to the customer?
- Does the guideline have legal implications?
- Does the guideline have safety implications?
- These questions and their answers should be used to guide your brand management strategy and dictate the extent to which you define and enforce the guidelines.

Brand Standards Compliance Reviews

When franchisors have an established set of guidelines that reflect the standards they want to maintain at the franchise location level, they need to define their process for ensuring these standards are regularly reviewed and that corrective action is taken when owners fall outside of the established brand guidelines. Most franchisors conduct on-sight reviews or inspections by a field manager from the corporate office. It is imperative that this process is conducted with transparency and consistency. If the guidelines are not clear, the visits are not done with regularity and care, they will be seen as punitive and arbitrary which will damage the franchisee relationship and jeopardize the very brand standards you're investing in maintaining.

The Right People

Having the right people in the field is as important as the owners you've carefully screened and selected to advocate your brand. Your ideal candidate should be organized, detail-oriented and have experience managing people. Many franchisors select people who they can train to do many of the jobs required at the franchise level so that they have intimate knowledge of the prerequisites and required skills for the various positions franchisees hire. Skills to look for would be autonomy, accountability and flexibility.

A Good System

Empowering your people with good systems is another critical piece. The days of clipboards and paper checklists are numbered. Brand standards reviews should be done with internet based technology on mobile devices and for good reason. SaaS (software as a service) site inspection software today allows for instant data collection, photo uploads and access to review results and action items through the cloud. The sooner franchisors can review and publish site reviews, the sooner franchisees can view and reconcile actionable items.

Transparent, cloud-based review software also eliminates the dual date entry and redundant administrative tasks by your field personnel. It centralizes and aggregates the data that you're collecting as well so franchise reviews are easy to access. Running reports comparing data collected can help inform franchisors on potential training and development issues or, franchisees who are sliding into or continually delinquent on brand standard adherence.

Table 1 below demonstrates the progression of technology with the increased demands of brand standardization in the franchise model.

	Paper	Excel	Enterprise	SaaS
Class	Desktop	Desktop/laptop	Laptop	Tablet
Era	pre-1990	1990s	1990-2007	Today
Pros	Step up from rote memory	Accounting	Covers all facets of Franchise Management	Real-time, efficient, transparent and customizable
Cons	Lacks transparency and accessibility	Lacks transparency and room for narrative	Cost, complexity and portability	Change and integration
Cost	\$	\$\$	\$\$\$\$\$	\$\$

Table 1: Franchise Review Software Over the Years

Reliability

SaaS review technology typically guarantees 99% availability in service level agreements. Data stored in the cloud is one of the safest ways today to maintain and access information.

Franchisee Accountability

Holding owners accountable to your brand standards is not an optional business practice for franchisees. Ideally you've selected the right owners, have clearly articulated guidelines (which these owners have agreed to maintain when they signed your FDD) and good corporate personnel teaching, coaching and managing owners in the field. Your problem franchisees should be few and far between.

Most franchisors have arbitration and mediation clauses written into their Franchise Disclosure Document. However, if and when you need to remove a franchisee from a market or get them to sell their business, both undesirable options, it is important that you have a well-documented history of compliance tracking. Specific dates, notes and photographs help mitigate the unfortunate time spent justifying the action.

Summary

Protecting your brand is goal number one for franchisors. When you are a small company it is your people that drive results. As you grow, your processes become drivers of success. It is important to focus on working with people who fit the model, culture and passion for your brand. Outline measurable guidelines and hire people to help your owners maintain them. Empowering your people with the tools necessary to manage and protect your brand will ultimately allow for more innovation and scalable, responsible franchise growth.

<http://creativeproducersgroup.com/the-balancing-act-of-building-a-franchise-brand.html>

About Volano Solutions

Founded in 2007, Volano Solutions is a software consultancy based in downtown Omaha. Focusing on small to mid sized businesses, Volano brings accountability, efficiency and transparency through custom software built specifically around the business processes of our clients. Volano is also building a portfolio of applications around the SaaS model that hold true to their focus of workflow, collaboration & efficiency. Volano's staff brings a level of experience in a variety of facets & from a knowledge of many business verticals from high-end application architecture to great design & usability. Volano has grown strategically & organically every year since inception. Through the Gallup® CE11 survey tool, Volano achieved a 4.71 customer engagement index out of 5.

What We Do

Volano Solutions starts every engagement with a very pragmatic attitude as we listen to the needs & vision of our client. We help augment the vision with a business process perspective, streamlining the tasks & process. From this discovery process, Volano starts to build the solution with our own flavor of Agile methodology which is collaborative, iterative & adaptive. We work with our clients to demonstrate the software through the development lifecycle & continuously incorporate feedback. At the end, the solution is delivered as envisioned by the client & refined through the iterations.

Our Clients

Volano Solutions' model is designed to best help dynamic, client-driven organizations through increased communication & collaboration. Volano finds this kind of dynamic collaboration most readily exists with small & mid sized business in Omaha & the Midwest. Our clients are in no particular vertical & are both service-oriented & manufacturing. Nearly 90% of Volano Solutions' clients request new development efforts after the initial project. This is because Volano truly believes in building a relationship with our clients & becoming their technology expert.

In the Community

Volano prides itself on community involvement. We are active members of the Omaha Chamber of Commerce, Grow Nebraska, MOWBC & Rotary International. We have owners & employees that volunteer with The Stephen's Center, Boy Scouts of America & Lewis Central Education Foundation. Volano has also sponsored events for Cystic Fibrosis Foundation & Big Omaha.

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