



BRAGGING RIGHTS

These five key attributes will set your franchise brand above the rest and really give you something to boast about to prospective franchisees, says Scott Greenberg



THE AUTHOR

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"Scott, I'm thinking about investing in a franchise. Are there any brands you'd recommend?"

I've been advising established franchisees for a long time on how to run their businesses more effectively. Increasingly, I'm contacted by aspiring franchisees wanting me to steer them towards the best opportunities.

I feel that most success in franchising comes down to the individual franchisee's mindset and execution. It's not about betting on a racehorse, but being a workhorse, who takes responsibility and shapes one's own destiny. The greatest franchisees (who I refer to in my work as 'wealthy franchisees') operate with a mindset and skillset that would yield success with almost any proven franchise system.

Still, some franchise brands are better than others. And while all of them declare enticing prospects to potential franchisees – you'll 'be in business for yourself, not by yourself', you'll be given 'a proven system', and the franchise will help you 'achieve your financial dreams' – the best brands have more substantive bragging rights.

These are the things I tell prospects to look for. If your franchise brand can legitimately make these claims, you should be screaming about them from the rooftops. If not, they're great opportunity areas where you can improve your system and better serve your franchisees.

WORDS BY SCOTT GREENBURG

1 Unit level economics

You may have good reason to leave item 19 blank in your FDD. But making specific earnings claims is different than talking up all you do to help franchisees be profitable. The best franchise brands not only build top-level sales, but also partner with franchisees to achieve solid bottom lines.

Former IFA chair, Catherine Monson, has advocated for years about focusing more on unit-level economics. Her team at Propelled Brands (FASTSIGNS, NerdsToGo), includes a sales development specialist whose entire job is to help franchisees take home more money.

Another great example is Poolwerx, which helps franchisees increase profitability through a detailed business planning process with their franchise partners.

"Having been a franchisee myself, I know how important it is for owners to take home as much as possible," says Troy Hazard, chairman of the Poolwerx global board. "We're not doing our job unless we're able to help them make that happen, and in fact franchise partner profitability is one of

our core corporate KPI's that we measure ourselves on each year."

PuroClean's president and COO Steve White also shared with me the lengths his franchise goes to help franchisees generate more profit. "We conduct an annual profitability study to identify key financial benchmarks. Each participating franchisee gets a personalized report showing them where they should be targeting improved profit performance, which our regional directors also use in personal coaching with our franchisees. We also use them in our impact groups to compare peer groups to the annual benchmarks and each other."

If your brand is committed to

"Build a company that's truly committed to people wanting to build their own business. And when they succeed, then you'll really have something to brag about"

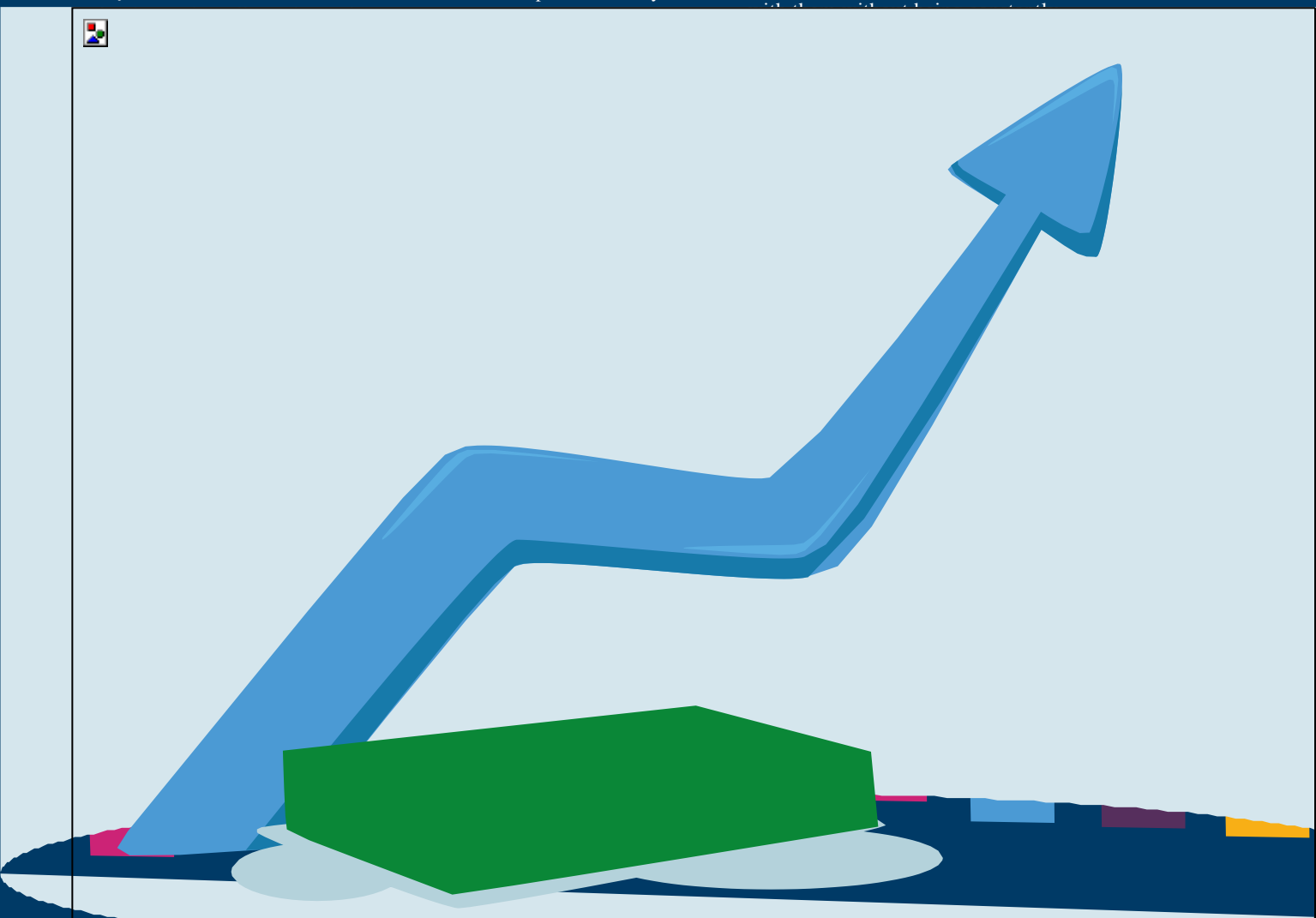
Company culture

This wasn't something I considered when I bought my first franchise (though I lucked into a good one), but today it would be an absolute priority. Franchises are so much more than business models. You're buying into a network, to a grouping of personalities that communicate and interact in their own unique way. Some brands are driven by beautiful partnerships and warm, high-functioning cooperation. Others are toxic and adversarial, plagued with mistrust, tension, and in-fighting. Great franchises focus as much on the people as they do products and processes. They vet

discuss their mission and values and train franchisees on how to operationalize them.

Recently keynoted for DreamMaker Bath & Kitchen after a presentation by their CEO, Doug Dwyer. The bulk of his presentation was tips on how to memorize their extensive code of values. Being able to recite them (to customers and team members) is key to being able to live them. My interviews with franchisees prior to their conference confirmed how much the culture of the company means to franchisees, and how much it impacts their daily operation. It's one of the reasons they're doing so well.

Another client of mine, Self Esteem Brands, keeps culture at the center of all they do. You can't be in business



conferences and spent time at their home office and can tell you firsthand; they're as obsessed with building the culture as they are with building the company. This is a huge selling point and something prospective franchisees should look for in any brand they're considering.

3 Selectivity and exclusivity

Will your brand sell to anyone or do you have high standards? This not only impacts the franchise culture you're creating but also speaks to your priorities. Some brands want to expand at all costs. One of those costs is bringing in franchisees who won't serve the network. Once these unfit franchisees are in, franchisors spend the rest of the agreement term managing the problems these franchisees create.

It also puts well-intentioned prospects at risk of investing in a concept for which they're not well suited. No one likes to be rejected for a loan, but banks really are doing them a service by preventing them from taking on high-risk debt. A great franchise wants to reserve its opportunity for those who will serve the brand, and those who will be well served by the brand. To do that, they need high standards and a willingness to turn people away.

Jersey Mike's CEO Peter Cancro told me he spends time with every franchisee on their discovery day. By the time they get there, they've already been financially vetted. Now it's about ensuring a cultural fit.

Sport Clips Haircuts founder Gordon Logan told me about the third-party assessment tool they use to vet prospects for a predetermined set of characteristics. Only five per cent of those measured are invited to their discovery day. This exclusivity makes these brands more appealing.

It's easy to have standards when the system is mature and profitable. It takes a lot more discipline when it's young and in need of cash. Play the long game.

4 Ownership

I advise prospective franchisees to consider not just a brand's system, but its owners. Who's running the place? Is it the founder? A multi-brand umbrella organization? Private equity? What's their track record and what are their plans?

I also explain that the answers to these questions may change. If prospects really like the founder of a rapidly emerging brand that makes the franchise network feel like a family, they better not get too attached. In today's environment, franchise brands are getting gobbled up as quickly as the frozen yogurt and chicken sandwiches they're selling.

There are advantages to every form of ownership. Whether it's the passion and vision of the founder, the resources and opportunities of a multi-brand, or the guidance and investment of PE, each can offer franchisees something worth discussing in the sales process.

But there are also disadvantages to each. Founders are sometimes limited in their ability to operate and/or fund a large-scale operation. They're likely to bring in outside partners or cash out altogether. Umbrella multi-brands have the desire to expand but may not have the operational experience of the new concepts they acquire. And some private equity firms concern themselves exclusively with overall brand value and not with franchisee success. (One former PE executive told me in confidence that their interests were diametrically opposed to that of their franchisees.)

If your ownership truly has franchisees' backs, that's something to talk about.

5 Franchisee satisfaction

If there was only one factor for prospective franchisees to consider, it should probably be this one. It's a reflection of all the other factors. No one is more qualified to judge a brand than those it promises to serve. If your franchise is successfully meeting your franchisees' needs, is keeping its promises and building a positive culture, the bulk of your franchisees will say so.

Typically, brands enable prospects to evaluate franchisee satisfaction through validation calls to current owners. Many offer a select list of franchisees they know will validate. But some brands offer up the entire system, inviting prospects to talk to as many owners as possible.

Great brands measure franchisee satisfaction. They use the data and feedback to improve the system. And when the numbers are good, it's one of the first things they let prospects know.

5 CHARACTERISTICS OF BRAGGABLE BRANDS

- Solid unit-level economics
- Unified culture
- Selectivity and exclusivity
- Proven ownership
- Measurable franchisee satisfaction

It's mind boggling that some of the well-known lists that rank franchise brands don't actually consider franchisee satisfaction. The most notable exception to this is *Franchise Business Review*. Its entire function is to help franchises measure how happy franchisees are and make recommendations for improvement. It also publishes lists that reveal which brands are getting the most love from their network.

"If you're considering an investment in franchising, ask for franchisee satisfaction data," recommends Emily George, senior client coordinator at FBR. "If a brand has nothing to offer, it could be a telling sign that the brand isn't actively gathering feedback from its franchisees. If the brand can share satisfaction scores, either from internal surveys or third-party research, use that feedback to have deeper validation conversations with existing franchisees — ask specific questions that will allow you to make a more informed decision."

If your franchisees aren't validating, or if your franchisee satisfaction scores aren't good, you'd do well to address these issues before pushing too hard to expand. It's not just about helping your overall franchise sales in the long run. It's also about doing the right thing. Having someone trust you with their life savings and financial dreams is both a privilege and a responsibility. Create a system worthy of their trust.

Franchisors aren't just representing themselves. Everything they do reflects on the entire business model, a model many people (and legislators) don't completely understand or trust. To promote your brand and our industry, focus on the factors that matter most. Build a company that's truly committed to people wanting to build their own business. And when they succeed, then you'll really have something to brag about.