



# The Key to Happy Franchisees

Here is a plan to implement a four-step, franchisee-centered process to generate healthy bottom lines.

By Todd Recknagel



“Happy wife, happy life” was the wise advice given to me by a sage uncle on my wedding day. And, the same is true of the relationship between a franchise system and its franchisees. Happy

franchisees, happy franchisors. Both types of relationships take time, effort and energy to stay positive and healthy. However, discovering what makes a franchisee positive and healthy is simple. Bottom-line should equal profit and lots of it. Common sense dictates that the individual franchise owner’s unit economics drive the entire franchise system. A franchise system must regularly engage in a process that involves the measurement and sharing of key business metrics and best practices in a way that leads to healthy internal competition and growth within the system.

## Healthy internal competition among franchisees can do wonders.

Great franchise concepts are a dime a dozen. A recent broker show included some 245 different opportunities. Some had created unique marketing campaigns. Others had generated tremendous brand awareness with consumers. Still others had catchy logos and jingles. These are all great features, but if a franchise company fails to identify a strategic advantage in the marketplace which allows its owners to generate more revenue than their competitors and then fails to focus on the operating model, they aren’t worth their salt.

Franchise companies should continually engage in this four-step, franchisee-centered process to generate healthy bottom lines.

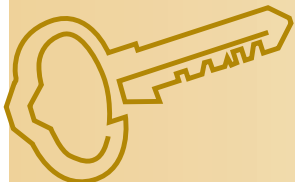
**1. Measure the Key Metrics:** What gets measured gets done. One might wonder why more franchise organizations don’t gather the key metrics of their business model and publish them to the system. At Mr. Handyman, numbers are gathered that are related to weekly sales, hourly

rates and revenues, jobs per week and effective labor rates for every owner in the system. These are compiled into what is called a benchmarking study and published twice a year to the whole system. Franchisees can see where they stack up in these key categories and eyeball whether they are in the top, bottom or middle of the system.

**2. Communicate:** In addition to sharing the “numbers” side of the business in the benchmarking study, the company makes it a practice to discuss this information positively every chance it gets through newsletters, the intranet, regional meetings and especially at the convention. The system has 80 percent of the network attend regional meetings and the national convention. One of the main reasons they come is to check their progress relative to other owners.

Several years ago, Mr. Handyman set up a franchise advisory council to be able to have communication go both ways on what is best for the system. Most systems have councils, but it’s likely that most FACs don’t spend time discussing key metrics. If the system is one that doesn’t do this, it would be a good practice to start.

**3. Relate Best Practices:** Next, develop the best practices. Gather what is working extremely well across the system. An operations team should coordinate and manage the flow of information to get everyone on the same page and then in turn let the franchisees sell it to the rest of the system. This company utilizes a “panel of the pros” on conference calls and at meetings. Those owners who are exhibiting the best practices are asked to speak to those points resulting in owners learning best practices from other owners. The franchise organization uses two forms of surveys to communicate with franchise owners. Customer service surveys help franchisees assess their success and the franchise system surveys enable franchise owners to assess the franchise system’s service. The survey tells franchise owners whether they are making money and whether the system has helped them to do so. If results are poor, at least the franchise system is measuring them and now knows where to improve. Remember, what gets





measured gets done. Share the results with the FAC and show them where the franchise company is putting its efforts. With some hard work in those areas, next year's survey will improve.

Here is an effective way to educate the system. There is a franchisee in the system who figured out an incentive system to up-sell his customers. After tracking it a while, he noted that it sent an extra 5 percent to his bottom line; needless to say, system franchisees were very willing to listen to him at the next meeting.

## What gets measured gets done.

**4. Inspire Internal Competition:** Gear all contests to continue to provide incentives to the franchisee and stimulate a little healthy competition among the franchisees. Design the contest to reward the behaviors that should be encouraged. Don't just award the big guys; give it to those to who are big improvers. Healthy internal competition among franchisees can do wonders.

There are two other points that are not part of a continuous process, but the franchise system still must employ them:

### Accountability

As noted above, customer service surveys work two ways: to help franchisees assess their own customer satisfaction and also to assess their satisfaction with the franchise system's customer service.

Sometimes there is a fear the numbers may not be good. There could be confusion between making an earnings claim early on in the franchise sales process and sharing numbers once a franchisee is in the system. What if the numbers aren't good enough to share? Go back to the

franchisees and have them assist in developing a strategic advantage in the marketplace as stated in paragraph two.

### Missing the Point

A guy is driving around and he sees a sign in front of a house: "Talking Dog for Sale."

He rings the bell, and the owner tells him the dog is in the backyard. The guy goes into the backyard and sees a Labrador retriever sitting there.

"You talk?" he asks. "Yep," the lab replies. "So, what's your story?"

The dog looks up and says, "Well, I discovered that I could talk when I was pretty young. I wanted to help the government, so I told the CIA about my gift, and in no time at all they had me jetting from country to country, sitting in rooms with spies and world leaders, because no one figured a dog would be eavesdropping. I was one of their most valuable spies for eight years running.

"But the jetting around really tired me out, and I knew I wasn't getting any younger, so I wanted to settle down. I signed up for a job at the airport to do some undercover security work, mostly wandering near suspicious characters and listening in. I uncovered some incredible dealings and was awarded a batch of medals. I got married, had a mess of puppies, and now I'm just retired."

The guy is amazed. He goes back in and asks the owner what he wants for the dog. "Ten dollars."

The guy says, "This dog is amazing. Why on earth are you selling him so cheap?"

"Because he's a liar. He didn't do any of that stuff!"

Obviously the owner missed the point. The dog was an amazing asset; no matter what he said. Never overlook or undervalue, even if it appears justified in doing so. What if franchisees give the system poor ratings? So what, it becomes an

opportunity to improve. This year this company's franchisee survey came out with very high ratings. One of the things the company is most proud of is that one of the categories that had a lower rating increased 21 percent in a single year.

Franchise organizations have to sell the sizzle and the steak. The dog has to be able to talk and have done all that he said he did and continue to do what he said. A franchise system needs to deliver on the promise.



## What if franchisees give the system poor ratings?

Most franchise companies have seen systems that did not value the franchisee's bottom line or input. As a former franchisee, this topic ignites my passion for profitability. When systems follow this process and view franchisees for their input and as an asset instead of just a revenue stream, the franchisees will be happy.

Happy wife, happy life means giving more than one thinks he should at times and, understanding more than one wants to because it may necessitate changing old patterns and practices and may involve an expense as well. All this is well worth the effort to avoid the huge cost of divorce in a relationship and a toll on finances and family. This is the same with a franchise system. Failures and closures are devastating to a system. The best way to avoid this is to keep franchisees happy and the best way to do that is to keep them profitable. ■

*Todd Recknagel is president of Mr. Handyman International and a former multi-unit franchisee of a large quick-service restaurant chain. He can be reached at 800-289-4600 ext. 790 or todd.recknagel@mrhandyman.com.*