

franchise

A matter of choice

Franchisors must be attractive in their own right if they want to attract good franchisees.
By Pam Kershaw

Periods of high unemployment and corporate downsizing create fertile fields for franchise groups hunting new franchisees. However, Australia's current low unemployment rate and the franchise sector's growth mean recruitment is becoming a lot tougher for many groups.

According to the *Franchising Australia 2004 Survey* carried out by Griffith University, the number of franchise systems was practically static between 1998 (693 systems) and 2002 (700 systems).

By 2004, it had jumped to about 850 systems, 48 per cent of which reported a lack of suitable franchise applicants. Rod Young, managing director of franchise consultancy Deacons Consulting, says if each system offers just five new franchises annually, more than 4000 new opportunities become available.

And, as an estimated 10,000 existing franchisees want to sell each year, more than 14,000 franchises could be on the market.



So if a franchise group hasn't established itself as a franchisor of choice, it will struggle to find quality franchisees.

"Franchisees gravitate towards the better chains. If you look at strong emerging franchisees, they have little trouble attracting franchisees," says Young, who lists a number of important areas where franchisors of choice excel. These include the look and feel of the business, the quality of locations, operating systems and marketing, a high media profile, a vision that is shared with franchisees and good relationships with banks that provide funding packages.

Strong: Rod Young says there are a number of important areas in which to excel.
Photo: Dominic O'Brien

Absolutely critical to a franchisor's success is the selection of quality franchisees and a level of operational support that will help them maximise return on investment and profitability.

A lot of people move into franchising with the thought of making money by selling franchises, but nothing can be further from the truth, says Young, who is a 30-year veteran of this sector.

"Good franchisors ensure their franchisees are successful. They do this by careful selection of sites, careful selection of operators and, very importantly, by having a compliance program

that ensures the people who represent the brand are doing a good job."

Emerging franchisees whom Young says are franchisees of choice include Boost Juice, Pack and Send, Happy House, Healthy Habits and Hairhouse Warehouse, a group into which Young's son James has bought.

But franchisees of choice are obviously not found only among newer operations. Bakers Delight, a group which Young says is a very successful business that has stuck to its knitting (baking bread), was launched in 1980 and now has about 680 outlets in Australia, New Zealand and Canada.

Chris Gurney, general manager marketing and supply at Bakers Delight, says the company's success is partly due to its very sharp and narrow focus on baking quality bread products. "The margins are good in baking bread, so it's more profitable for franchisees," he says.

Bakers Delight's corporate income is almost entirely derived from the 6.5 per cent royalty paid by franchisees, and this drives the company to inspire franchisees to build their business. "When the franchisees improve their sales line, the franchisor improves its sales line. Having that creates a virtuous circle," he says.

A high level of franchisee support is provided, with each business consultant advising only 15 bakeries, and there's a heavy emphasis on career development and opportunity. About a third of franchisees come either from Bakers Delight's corporate ranks or employment in a franchise.

A strong social conscience at the corporate level - Bakers Delight has supported the Breast Cancer Network since 1999 - has served as a rallying point for staff, franchisees and suppliers, and has made a huge difference within the company, Gurney says.

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Photo: Angela Brkic

Hair lines

Investors and greedy operators need not apply. The Hairhouse Warehouse franchise has been built on a strong training and customer service ethos, and founders Joseph and Anthony Lattouf want only hands-on franchisees with solid leadership and people skills.

Outlets carry only professional hair-care products, so qualified hairdressers are employed as sales staff. But, as Joseph Lattouf says, they still have to be trained. A customer-service program is delivered every week and each franchisee spends 10 minutes daily with sales assistants, refocusing them on the sales and service process. Franchisees must therefore be people who want to support their team.

"If you look after your staff, you've got a great team and a great business. If you look after your customers, they'll keep coming back," Lattouf says. Since the franchise was launched in 1992, 43 outlets have been opened nationally, including the first Sydney outlet last September. A further 25 stores are planned nationally this year.

Sydney franchisee James Young, pictured, who previously worked in the company's head office, bought a franchise because he wanted a proven operating system in a sector he believed would grow. "Hair and beauty is the second-biggest industry in the world after food," he says.

Young says the high level of customer service is a core influence on the success of his franchise, as is the Hairhouse Warehouse wow factor that includes music, fashion and a wide product range. As well as hair and beauty products, he offers body piercing, hairdressing, an electrical

department, accessories, cosmetics and perfumes. "We are able to compete with a number of stores in any shopping centre, but without their being able to compete with us as a core business," he says.