

Beauty or Beast? Positioning Emerging Franchise Brands for Success

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Franchisor Threshold Analysis: Should We Franchise This Business?

- Just because you *can* doesn't necessarily mean you *should*
- No standard/legal minimum qualifications, but need to be practical
- Franchising is only one method of expansion/distribution

Franchisor Threshold Analysis: Economics

- Economics need to make sense for both Franchisee and Franchisor
 - Do Unit Economics allow for additional Franchise-related costs?
 - Is ROI sufficient? Do we have enough data to be sure? Now vs. 5 or 10 years?
 - Is Royalty/Brand Fund/Other Fees enough for Franchisor's support costs?
 - Evaluate potential additional costs/changes to system over time?

Franchisor Threshold Analysis: Brand Standards

- Are Brand Standards established? Proven?
- Consistent – Sustainable – Replicable?
- New or Different Markets?
- Training, Manuals, Support?
- Understand Specifics of Franchise Relationship?

Franchisor Threshold Analysis: Franchisor Soft Skills

- Do we understand Brand Culture?
- Can we communicate it at all levels?
- Is Founder/Management ready to be a Franchisor?
- Are expectations fully understood and communicated to franchisees?

Franchisee Recruitment

- Proper Strategy/Philosophy for Success as Emerging Brand
- What does “Growing Smart/Responsibly” mean?
- *Awarding* Franchises vs. *Selling* Franchises
- Grow where you can support
- Fully communicate expectations

Franchisor Entry Strategy: Initial Steps

- For an Established Operator with Multiple Units starting out as a new (or re-entering) franchisor
- For a New Operator with New Concept
- Franchise-Related Training for the franchisor: What is expected?

Franchisor Team Building

- What roles need to be filled
 - Consultant
 - Lawyer
 - Financial Advisor
 - Franchise Experienced Exec
 - Operations Personnel
 - Development Personnel
- In the beginning, leadership members will all wear multiple hats

Franchisee Advisory Team and Process

- **Advisory Team**
 - Franchise Experienced Lawyer
 - Financial Advisor
- **Evaluation Process**
 - Careful FDD Review With Lawyer
 - Current and Former Franchisee Validation
 - Internet Search of Franchisor and Executives

Negotiating The Franchise Agreement?

- Should franchisees seek or expect to negotiate certain terms of the franchise agreement?
- Should franchisors agree to revise agreement to address a specific franchisee's concerns?

Scenario:

Is it ever appropriate for a concept with only one location to franchise?

- Minimum acceptable number?
- Minimum acceptable time in operation?
- Other considerations?

Discussion:

How can emerging brands manage their franchisee development strategy to avoid common pitfalls?

- Inability to open/support number of franchisees as they sign on
- Distance/Supply Chain Issue
- Franchisor Home Staff Readiness

Discussion: Reverse Due Diligence

- How much due diligence do/should franchisors typically perform re prospective franchisees?
- Best Practices?

Questions?