



CORAGGIO
FEARLESS OBJECTIVE ADVICE

WAYS TO WIN IN THE FRANCHISING WORLD

How to transition from a one unit to a multi-unit franchise owner



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FRANCHISING

1. SUMMARY

Franchising is a special way of structuring a business relationship and an effective way to grow your business by expanding geographically without an extensive capital outlay. In addition, facilitating owner operators to join your business under a mutually beneficially commercial arrangement enables franchisees to focus on expanding their business not working in the business operationally.

In fact, in the 21st century franchising is more popular than ever.

Recent studies cite there are approximately 1,160 Australian franchise systems and an estimated 79,000 franchise units in Australia.

According to The Franchise Council of Australia (FCA), the peak business organisation, providing a platform for franchisors, franchisees, business advisors and small to medium businesses in policy decisions, of these operating franchises they employ 470,000 direct employees nationally.



FRANCHISE COUNCIL
OF AUSTRALIA

Successful franchise organisations understand that building their franchise community is a critical strategy for exponential growth. This extends from the franchisor to the franchisee, customers, as well as employees, suppliers and other related stakeholders and constituents.

FRANCHISE	ESTIMATED FRANCHISE COST	
	\$50,000 to \$100,000	Poolwerx is the leading pool cleaning franchise in Australia with over 100 retail stores and 300 mobile service vans. With over 25 years of brand history, Poolwerx is committed in creating profitable partnership by providing outstanding support, marketing and business development systems to franchise partners.
	\$200,000 to \$250,000	Battery World is a reputable battery retailer in Australia that carries over 8,000 battery products from mobile, appliance to automotive batteries. In 20 years of business, the company has expanded to a total of 94 stores, making it the largest battery retail franchise in the country. It provides a comprehensive training and support for franchisees to give them the best chance at success.
	\$250,000 to \$500,000	Foodco has become one of the leading food and coffee franchises in Australia since 1989. It owns the popular café franchises Muffin Break, Jamaica Blue and Dreamy Donuts. It has established its name in the franchise industry with its hands-on training and superior marketing and operational support.
	\$450,000 to \$700,000	Coffee Club is the largest homegrown café group in Australia with approximately 400 stores throughout 9 countries. With its dedication to provide good food, great service and excellent coffee, franchisees are guaranteed to benefit from its over 40 million dedicated customers.
	\$375,000 to \$450,000	Mad Mex is a fast casual Mexican restaurant franchise that trades in over 40 stores in Australia. It prides itself in serving authentic Mexican dishes and the best flavours and fresh quality produce for their burritos. With a trend in healthy food and fast-casual chains, investing in a Mad Mex franchise is a wise decision.
	\$80,000 to \$120,000	Gutter-Vac is Australia's premier gutter cleaning service network with over 80 franchises across 7 states and territories. With 20 years of innovative experience, Gutter-Vac is well-positioned in the booming home service industry making it a perfect fit for a franchisee.
	\$250,000 and up	Gelatissimo is an Italian-style, hand-crafted gelato franchise with footprints throughout Australia as well as in Southeast Asia and the Middle East. It provides franchisees independence of operating their own business while being part of an established business system based on proven methods.
	\$350,000 to \$500,000	Roll'd is the first and largest Vietnamese food franchise in the country with 60 stores under its hood. It specializes in authentic Vietnamese street dishes with a twist to satisfy the Australian palate. With a growing demand for healthy options, a Roll'd franchise could be just what the market is looking for.
	\$200,000 to \$400,000	Skinny's Grill is a casual dining eatery that offers, low-carb, gluten-free and vegan options. Its franchise model includes comprehensive operation system, marketing assistance and as well as financial support. Franchisees will also benefit for the right to use its trademark low-carb recipes which alone is already an edge.
	\$350,000 - \$500,000	Baker's Delight is a household name in Australia with more than 700 locations across Australia, Canada, USA and New Zealand. Each Baker's Delight franchise carries the recognized brand and excellent baked goods that will ensure a profitable investment.

It is also imperative to generate the blue print for the business “serving as a model or providing guidance.” This incorporates buying power, systems, advice, training, technology and marketing. In essence a tested, refined business concept with a consistent, wide-reaching branding architecture.

A brand is one of the most valuable assets of a franchise because customers are already familiar with how the franchise market offering looks, operates and a pre-conceived price point.

THE INITIAL SUCCESS OF A FRANCHISE IS:

- The brand
- How the brand is promoted
- How the brand engages and
- How the brand drives sales

HOW THE ULTIMATE SUCCESS IS:

- How its services are promoted
- How customers are engaged and
- How you drive sales locally to build community relations and generate untapped/new revenue streams.



2. FRANCHISING FROM HUMBLE CREAMY BEGINNINGS

Dairy Queen was first to become a fast food franchise. The company offered franchise opportunities in 1940 and their growth was spectacular. The company grew from 10 locations in 1941 to 2,600 locations 10 years later. In 1952, McDonald's franchised its second restaurant and by 1954 Ray Kroc commenced licensing the brand, evolving to what "Maccas" is today.

According to Rick Grossman's author of *Franchise Bible*, as a franchise owner by nature you are emulating the product or service from the originator – the franchisor.

The franchisor created a system for its franchise owners to follow without the costly mistakes of generating a new business and it is simply a franchisee's responsibility to apply these tools and techniques to build and scale their business.

Fast food franchises epitomises this "cookie cutter" consumer-expected market offering.



These franchise systems are highly structured operating under rigid procedures and standards, following a business operations manual. The core essence to effective franchises is complying with the way the franchisor specifies, regardless of whether you agree or not.

Author of *Buying a Franchise – The Key to Success*, Len Rainford said, "As a franchisee, you are agreeing to follow someone else's operating system, often including specific requirements for what marketing materials to use, which suppliers you must work with and what specific products and services you must offer."

3. ENTREPRENEUR VS INTRAPRENEUR

In business there are no guarantees. Just because your business is based on a franchise, doesn't mean you have a 100% chance of success, however franchise ownership removes some of the uncertainties of building a business. Below are franchise case studies and legal perspectives:



Commercial electrician and Coraggio Member, John Grout with more than a decade in a franchise arrangement offers insights regarding from his personal experience,

“Following my 10 years operating in a franchise environment I can objectively share that being part of a franchise business is an effective way for a tradesman to transition to a business owner by saving time leveraging on existing systems, branding and operational issues. However, it is critical franchisees

acknowledge when they have outgrown the franchise structure and feel confident enough, they should consider running their own business, adopting their own brand and business model.

In essence this may provide greater control over business operations and generate a new career direction which may result in greater, more sustainable profits.”

Make no mistake, at the end of the day as a franchisee business owner it's up to you to:

- Invest time and energy to run your operation
- Recruit, hire and train a functioning, high performing team
- Generate the confidence to take calculated risks
- Maintain your revenue streams to grow the top line
- Ensure your expenses are in check, for a profitable bottom line
- Overcome obstacles and problems and maintain satisfied customers
- Comply with regulations and licenses
- Articulate the vision and be an inspiring leader and motivating employer.

Former franchisor, Serge Romano, Founder and Director of *Leverage Sales Coaching Australia* and Melbourne-based Coraggio Chair offers the following advice.

As a franchisor questions you must always ask yourself:

“Whatever decision I make is it to the benefit of the franchisee?”



If the franchisee benefits and improves their business and the bottom line, then everyone wins! Happy Franchisee, Happy Franchisor!

Like any other business nothing is guaranteed to succeed. Your own dedication, passion and willingness to work hard and contribute daily to business success is a non-negotiable when operating a franchise!

It is easy to overlook even the smallest details, for example for a franchise you are considering, does it have a sound system and process which has been functioning for a significant period of time, a minimum of 3-5 years? You don't want to be the guinea pig! In addition, consider asking the following questions of the franchisor:

1. Can I have a disclosure document?

The Franchising Code of Conduct requires all franchisors provide potential franchisees a disclosure document, as well as a franchise agreement along with a copy of the code.

2. How much can I expect to earn?

When considering whether to invest your money in a franchise, you should gather as much financial information regarding the business. Potential earnings will be an important factor in determining the commercial viability of operating a franchise.

3. What are my costs?

An accurate picture of a franchise's sustainability requires not only earning information, but also costs and operational outlays. Most franchisees understand they will be required to make a significant upfront payment and then pay agreed ongoing fees to the franchisor. Acquire as much information you can regarding any additional costs you may incur.

4. What training and support will I receive?

Some people choose to buy a franchise instead of setting up their own small business because of the training and ongoing support they expect to receive from the franchisor. Find out exactly what support and systems the franchisor will provide.

5. What marketing will the franchisor implement?

Franchisors often require their franchisees to make regular financial contributions to a marketing or advertising fund. If your franchisor does collect money for marketing, ask them for specifics regarding how they intend to allocate and spend your contribution, preferably in writing in the form of a business and marketing plan, incorporating digital marketing (example) schedules.

6. What will happen when the agreement ends?

Ensure you understand what happens at the end of your franchise agreement, as there are no guarantees you will be able to operate the business beyond this term.

7. What will happen if the franchisor fails?

Like any other business, the franchisor may fail. You should clarify with the franchisor what your rights and obligations would be if the franchisor becomes insolvent. Finally, talking to a lawyer, accountant and business adviser will assist you get your head across all the information you receive to weigh up decision making.



Leading commercial lawyer, from specialist corporate law firm, Sierra Legal and Coraggio Member, Michael Jeffery cites,

“Franchise arrangements are not for everyone. For business owners considering expansion through the establishment of a franchise system, they need to recognise they will be operating within a highly regulated environment, incorporating a large volume of contracts and disclosure documentation that needs to be prepared, managed and maintained.

The regulations in this space (principally the Franchising Code of Conduct) are designed to ensure that new potential franchisees are fully aware of the key risks associated with operating a business under the relevant franchise structure – so they know what they are getting into before they buy into the business.”

Additionally, industry leader Len Rainford states,

“Clear, written agreements and contracts can avoid uncertainty and mismatched expectations. Make sure you read and understand contracts and agreements before you sign them – once signed, contracts are binding and enforceable.”



Before the business relationship begins, the contract should include a “dispute resolution” procedure, incorporating guidelines for mediation.

“Litigation of commercial disputes should be a last resort. It is costly, time-consuming, destroys the business relationship and usually has a winner and a loser. Your initial franchise agreement may have a fixed term. Once that expires, you may have to pay a renewal fee,” Rainford adds.

One way to swing the pendulum from being an intrapreneur to an entrepreneur is to consider multi-unit franchising, which commonly occurs amongst retail franchises, as opposed to service franchises, because the majority of service franchises involves the business owner providing the services to the end user.

In retail franchises the end user purchases the goods and often can do so equally from either the franchise business owner or a franchisee staff member. As such, retail franchise businesses (and service franchises that can be operated with staff) are more scalable and therefore better suited to multiple-unit franchising.

Coraggio, CEO, Richard Skarzynski cites,



“The ultimate success in any business is how its services are promoted, how customers are engaged and how you drive sales locally to generate untapped revenue streams. The difference between a franchise that sustainably grows long-term, and one that flames out and dies, comes down to customer retention”.

4. ARE YOU A MULTI-UNIT FRANCHISE OR SINGLE UNIT FRANCHISEE CONSIDERING EXPANSION?

Some of the most successful business owners are multi-unit franchise owners. It doesn't take long for a successful franchisee to determine that if one franchise works, two is twice as good.

Becoming a multiple-unit franchisee can both challenge and enhance a franchisee's skills, while also increasing their rewards from the franchise business.

Growing by acquiring additional franchises can provide a business career path for a franchisee.

Where the franchise business model is suited to multiple-unit ownership, franchisors often encourage existing franchisees to consider taking on additional stores or territories. This may assist franchisors maintain franchise business growth and lower acquisition costs.

During periods of strong economic growth, multiple-unit franchising becomes more commonplace as existing franchisees seek opportunities to grow.

Most successful multiple-unit franchisees start with one franchise outlet and expand sequentially by adding additional franchise outlets, as franchise business opportunities become available.

Transitioning from a single to multiple-unit franchisee can be a challenging leap for a franchisee.

Single-unit franchisee owners are focused on the internal workings of their franchise business and typically allocate their time in both management and operational roles, whereas successful multiple-unit franchise business ownership requires a greater focus on management skills.

Whether your goal is to prepare for retirement, build an additional income stream, or go full time, the opportunity for generating wealth as a multi-unit franchise owner can be significant. In addition, owning more than one location protects against an economic downturn and banks are more inclined to support a business in terms of lending, which has a sound track record.



Brian Keen, Founder of *Franchise Simply*, is Australia's highly respected franchise advisor and a former franchisee, having seven stores in just five years, then launching six of his own franchise groups whilst working with industry leaders. In his book *HOW TO FRANCHISE MY BUSINESS SIMPLY*, Brian draws on his first-hand knowledge and experience outlining the processes he uses to successfully franchise businesses today, guide SMEs and illustrate his no-hype franchising process saving franchisees tens of thousands of dollars in the process.

This god-father of franchising shares his story and multi-unit franchise owner tips....

"My journey in franchising commenced more than 30 years ago when I purchased a Bedshed franchise in Perth and continued when I acquired my second in Fremantle a year later. Smitten with the business model, I then grew to become a Bedshed multi-unit owner with seven outlets. This experience has only grown as I became a franchisor with six brands and more than 120 outlets and a franchise consultant and mentor assisting business owners to take the journey into franchising and expand their franchise groups one way or another".



5. HOW TO TRANSITION FROM A ONE UNIT TO A MULTI-UNIT FRANCHISE OWNER

Identify what your new franchised business can do

If your aim is to grow your business by owning more than one franchise in a group, make sure before you sign a Franchise Agreement ensure this transition is going to be possible. A highly specialised business which only has the opportunity for a few outlets in your region will probably not provide you the chance to build your multi-unit empire.

Understand the basics

First you will have to concentrate on learning how to deliver the service or product the franchisor's way. You might be an experienced restaurateur, for example, however if you purchase a franchised restaurant you will have to learn how to manage that outlet their way, a more difficult task if you have habits to "unlearn". It is no accident that Maccas make prospective franchisees work in one of their restaurants for a year before they are finally accepted. Through this time franchisees new to business will also have to learn business basics. Most franchisors have this aspect of support and training under their belt. Their operations manuals will cover technical details to one level or another and their support staff will know how to assist.

Get business under control

Once the basics are covered, the pressure will be on to really understand how business works. Key deliverables will be fully understanding:

- Marketing and what can be done at a local level to lift your trade
- Staff management and what needs to ensue to develop a skilled team
- Customer service so you become the best and most popular
- Financial control through business growth, which can be a tricky balance.

The very best franchisors know they have to support their franchisees develop their business skills. John O'Brien from Poolwerx, cites that when his franchise group was just a few years old, he was forced to completely change his whole support team from one focusing on the technical aspects of pool cleaning and maintenance to a team more focused on business skills required to manage business growth. Unfortunately, business training is where most franchise support drops the bundle.

It is essential you have these business skills if you want to significantly grow your business. If franchise business support and training is lacking, find a good coach with franchise experience, invest time and money and the effort to learn everything you can regarding building your business.

Acknowledge you will have to grow personally to work on, not in, the business

Be prepared to relinquish working in the business managing the day to day of customer service and delegate daily business operations to reliable employees, generated through great culture and team building.

Maintain a clear head

Life in business is a journey. Sometimes things will be rosy and go well however, more often than not, things go wrong. It is so easy to react instantly with emotion when that happens and allow ourselves to feel fear, anger, frustration enabling these emotions control the way we respond. Wealthy franchisees do not respond in this way. They are able to separate themselves from emotion and control it swiftly and examine the situation dispassionately, assess the data and gauge what is happening, enabling clear-headed decisions moving forward.

Managing staff including managing their relationship with their franchisor, handling difficult customers, facing challenging business circumstances and financial constraints need to be embraced with a learning mindset and techniques to better understand why others were responding to better manage themselves. The bottom line is – get rid of the ego and stay calm and centered.

Use your business to improve the life of all involved

The very best franchisees are not in business for the money. Of course, they are there to grow the business and succeed however, the majority of cases, they are there to improve the life of their customers both with their market offering and with the best customer service. Great customer service is a central tenet behind every wealthy franchisee business, training staff to ensure this is an essential part of every customer contact. Franchisees that work towards a positive relationship with their franchisor, whilst ensuring staff enjoy being part of the team and improving the life of anyone around them is imperative.

Only then will you have the skills to become a multiunit franchisee

In conclusion, Brian Keen's secret to success highlights you can't build a business empire by just purchasing lots of franchise outlets. You have to invest time working to grow the business and cites this only comes when you:

- Learn to build business by understanding basic business skills
- Delegate so you can work on not in the business
- Invest the time and emotional energy to concentrate on what's important for business growth
- Concentrate on your mindset and that of your employees to manage your relationships with staff, franchisor and customers
- Drop the ego and concentrate on building your business for the love of it and to improve the life of all who are touched by this entity
- Generate a community impact beyond your own interests
- Be proud of what you have achieved, embrace it and enjoy the journey from new business owner to multi-unit franchise owner with pride.

6. WHAT IS CORAGGIO?

Being a franchisee business owner can be challenging and may include facing uncharted territory. However, it doesn't have to be lonely at the top and making the right decisions for your business deserves more than the occasional conversation with a mate. It deserves to aggregate the experience and a shared knowledge of collective awareness from fellow executives.

Operating a franchise typically presents complex issues, sometimes on a daily basis. Imagine if you could leverage the experience from an extensive group of industry peers to improve your decision-making and future proof a sustainable business, whilst being held accountable?

Also imagine if you gained the peace of mind to seamlessly access these answers and navigate franchise business challenges, simply by connecting with entrepreneurs and gaining knowledge from business leaders? This is the strength of peer to peer leadership mentoring.

Coraggio offers a mutual exchange of expertise, ideas and a support system enabling you to capitalise on a give-and-take dynamic amongst advisors who have walked the path before, mitigating risk to your business.

Leading business owners and entrepreneurs join Coraggio to become part of a highly effective business community facilitating leadership, guaranteeing accountability and sharing innovative ideas within a cohesive and confidential national network.

This mutual exchange of Member's expertise tangibly results in sustainable revenue streams, increased cash reserves and productive outcomes to future proof your business.

Coraggio Chairs are industry leaders, Members are forward-thinking advisors and all Advisory Boards are dedicated to the ongoing success of their fellow Member's businesses, offering Fearless Objective Advice – that's the Coraggion Spirit!

Afterall, in the words of Henry Ford "If everyone is moving forward together, then success takes care of itself".



CORAGGIO

FEARLESS OBJECTIVE ADVICE

WE INVITE YOU TO BE A PART OF THIS

Want to be an integral member of a confidential group of business owners sharing their insights and experiences for the benefit of your business?

Imagine how your business would benefit and grow from connecting with a broader community consisting of more than 400 high performing and driven business owners!

EXPLORE MEMBERSHIP TODAY!

Find out how Coraggio's proven program can assist you build a better business and become a better leader.

Please contact info@coraggio.com.au or call **1300 899 006** to touch base with our Advisory Board Team or simply visit coraggio.com.au for an in-depth look at our member's success stories applying the Coraggio competitive edge.

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