

JBR HELLAS LTD.

Business Consultants

A member of Horwath

Franchise Consulting Services

Group in association with Eversheds

31, Voukourestiou str.

106 73 Athens, Greece

Tel. +30-210-36 05 002

Fax. +30-210-36 06 935

www.jbrhellas.gr



IN THE THOUGHT OF FRANCHISEE REQUIREMENTS FOR A PROPER COOPERATION

During a franchise relationship, the franchisee passes through different stages that, not surprisingly, are integrally related to the quality of services provided by the franchise network and the relationship that he has with the franchisor. However, there are some thoughts that almost all franchisees do and concern the very essence of franchising. When these thoughts appear, they have powerful impact on the progress of the franchisor-franchisee relationship and the way the whole network is functioning.

The 3 stages a franchisee goes through as he matures are:

1. The "honeymoon"

"I am pleased with my franchisor, he helped me build my business giving me valuable advice concerning matters which were strange to me and supporting me during the whole process".

These are the usual thoughts that are developed during the initial months year of the operation of a franchise. The franchisee, who has fresh memories of stress and insecurity for his investment and his entering an unknown world for him, feels grateful for the protective shield that the franchisor offers to him and is willing to pay for this.



2. The doubt

"What does my franchisor give me for the royalties that I pay to him? Do I get what I am entitled to or was the franchise contract a deal against me?"

The franchisee watches the success of his business and his profits that are reduced in direct proportion to the royalties he pays. Thus, he starts to wonder why he should share his profits and what does he get in return. During this stage, the franchisee starts to suspect that maybe he did not make the most profitable deal for him.

3. The revolution

"I could have my own successful business alone without the help of anybody. I do not need anybody to tell me what to do and to interfere in MY business".

To a greater or lesser extent, the suspicion of the franchisee turns into a reaction that can reach the level of indignation. This is a very serious stage, the franchisor has to handle professionally and with expertise. Maybe this is the single most important point that sets the basis for the future relationship between the franchisor and the franchisee.

From this stage, there are 3 directions in which the relationship can develop:

1. The Franchisee realizes the worth of the franchisor and the support provided by him. He understands what his incorporation in a successful franchise network can offer for him. For the franchisee to reach this stage, his business must be mature and profitable, otherwise he will be requesting continuous changes in the system. The franchisor has to provide services to the franchisee that correspond to the royalties that he pays.
2. The franchisee continues to belong in the network, but he feels indignation for the franchisor and avoids contacts with him while there is tension between them.
3. The relationship worsens steadily and parties may enter into legal disputes.

What can the franchisor do in order to determine the evolution of this relationship and guide it at the first stage of the above-mentioned stages?



At first, he should be fair and meet his obligations, recognizing the rights of the franchisee. But beyond this, there are some practical measures that he must take in order to create a desirable and successful relationship with the franchisees. After all, the franchisor's most important investment is his relationship with his franchisees. In this respect some of these measures are:

- The annual meetings of the franchisees. They offer a unique chance to review the whole franchise network and its operations and establish a common basis for the organization, agenda and targets to be established;
- Field visits to the franchised outlets by specially trained executives in order to establish a continuous contact and a prompt information flow between the franchisor and the franchisees regarding the functioning of the network and the problems the franchisees may be facing;
- Communication through company site and/or newsletters for the promotion and the presentation of the supportive actions the franchisor takes for the benefit of the franchisees.
- Schedule of regular meetings with the franchisor and the franchisees.
- Real support in matters of organization, management and marketing. This support cannot be static but must be adapted to the market needs and be developed following the expansion of the network.

In any case, a franchise relationship must not be only professional but it must also be human. The duration of this franchise relationship (which lasts for many years, and may exceed 5, or even 10 or more years), defines the attention and the energy that both parties must dedicate to it.