



# Improving Franchisor Income and Franchisee Performance



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# Franchisee Life Cycle





**NACFB**  
Helping Fund UK Business

**NATIONAL ASSOCIATION OF  
COMMERCIAL FINANCE BROKERS**



# IMPROVING FRANCHISOR INCOME

HOW DIFFICULT WOULD IT BE TO GROW MSF INCOME BY A THIRD?

PERHAPS NOT AS DIFFICULT AS YOU MAY THINK!

LET'S LOOK AT SOME NUMBERS AND THEN DEVELOP A STRATEGY

THE STRATEGY WILL BE YOUR 'TAKE AWAY' FROM THIS SESSION

AND WE AT FRANCHISE FINANCE CAN HELP YOU  
WITH SOME OF THE THINGS YOU OR YOUR CLIENTS MAY WANT TO DO!



# HEADLINE STRATEGY TO ACHIEVE HIGHER GROWTH

- ENSURE YOU HAVE DETAILED KNOWLEDGE ABOUT EACH FRANCHISEE

***Then:***

- REDUCE MSF 'SHRINKAGE'  
*(FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS)*
- INCREASE MSF FROM EXISTING 'AVERAGE' PERFORMING FRANCHISEES
- REPLACE THE 'NO HOPERS'
- FILL ANY EMPTY TERRITORIES





# LET'S SET THE SCENE

Within an existing Franchise network you will have:

A % of Top Performing Franchisees

A % of Average Performing Franchisees *(Some could do better)*

A % of Poor Performing Franchisees *(Some could do much better)*

A % of 'No Hoppers' *(You are probably spending too much time here!)*

A % of Unsold Territories *(Which you need to reduce by making more sales)*





# AN EXAMPLE CASE

**Let's assume your Franchise has 100 Territories:**

10% - Top Performing Franchisees

40% - Average Performing Franchisees

20% - Poor Performing Franchisees

5% - 'No Hoppers'

25% - Unsold Territories



# SOME EXAMPLE MSF FIGURES

Top Performing Franchisees delivered MSF of approx. **£25,000** each p.a.

Avg Performing Franchisees delivered MSF of approx. **£15,000** each p.a.

Poor Performing Franchisees delivered MSF of approx. **£7,500** each p.a.

‘No Hoppers’ (they need to go) delivered MSF of approx. **£3,500** each p.a.



Category	No.		T/O	%MSF	Individual MSF	Total MSF
TOP	10	£	250,000	10%	£ 25,000	£ 250,000
AVERAGE	40	£	150,000	10%	£ 15,000	£ 600,000
POOR	20	£	75,000	10%	£ 7,500	£ 150,000
NO HOPERS	5	£	35,000	<b>10%</b>	£ 3,500	£ 17,500
UNSOLD	25	£	-	10%	£ -	£ -

**100**

**This Gives**



**Actual Annual MSF Income** £ 1,017,500



Category	No.		T/O	%MSF		Individual MSF	Total MSF
<b>TOP</b>	<b>100</b>	£	250,000	10%	£	25,000	£ 2,500,000
AVERAGE	<b>0</b>	£	150,000	10%	£	15,000	£ -
POOR	<b>0</b>	£	75,000	10%	£	7,500	£ -
NO HPERS	<b>0</b>	£	35,000	<b>10%</b>	£	3,500	£ -
UNSOLD	<b>0</b>	£	-	10%	£	-	£ -

**100**

**Possible Potential Annual MSF Income** £ 2,500,000



Possible Potential Annual MSF Income	£ 2,500,000	
Actual Annual MSF Income	£ 1,017,500	
<b>Unrealised Potential MSF Income</b>	<b><u>£ 1,482,500</u></b>	<b>59%</b>

Ouch!



		Category	No.	T/O	%MSF	Individual MSF	Total MSF	
Remove →		TOP	10	£	250,000	10%	£ 25,000	£ 250,000
		AVERAGE	40	£	150,000	10%	£ 15,000	£ 600,000
		POOR	20	£	75,000	10%	£ 7,500	£ 150,000
		NO HOPERS	5	£	35,000	<b>10%</b>	£ 3,500	£ 17,500
		UNSOLD	25	£	-	10%	£ -	£ -
			<div>100</div>					
Actual Annual MSF Income								£ 1,017,500



	Category	No.	T/O	%MSF	Individual I	Total MSF
	TOP	10	£ 250,000	10%	£ 25,000	£ 250,000
	AVERAGE	40	£ 150,000	10%	£ 15,000	£ 600,000
	POOR	20	£ 75,000	10%	£ 7,500	£ 150,000
➔	NO HOPERS	0	£ 35,000	10%	£ 3,500	£ -
	VACANT	30	£ -	10%	£ -	£ -
		100				

MSF Down ➔ but we are saving valuable time Actual Annual MSF Income £ 1,000,000






		Category	No.	T/O	%MSF	Individual I		Total MSF		
Move Half	↑	TOP	10	£	250,000	10%	£	25,000	£	250,000
		AVERAGE	40	£	150,000	10%	£	15,000	£	600,000
		POOR	20	£	75,000	10%	£	7,500	£	150,000
		NO HOPERS								
		VACANT	30	£	-	10%	£	-	£	-
			100							
Actual Annual MSF Income									£ 1,000,000	



	Category	No.	T/O	%MSF	Individual I	Total MSF
This Becomes	TOP	30	£ 250,000	10%	£ 25,000	£ 750,000
	AVERAGE	20	£ 150,000	10%	£ 15,000	£ 300,000
	POOR	20	£ 75,000	10%	£ 7,500	£ 150,000
	NO HOPERS	0				
	VACANT	30	£ -	10%	£ -	£ -
		100				
Positive Impact	Actual Annual MSF Income					<u>£ 1,200,000</u>



		Category	No.	T/O	%MSF	Individual I	Total MSF	
Move Half		TOP	30	£	250,000	10%	£ 25,000	£ 750,000
		AVERAGE	20	£	150,000	10%	£ 15,000	£ 300,000
		POOR	20	£	75,000	10%	£ 7,500	£ 150,000
		NO HOPERS	0					£ -
		VACANT	30	£	-	10%	£ -	£ -
			100					
Actual Annual MSF Income								£ 1,200,000



	Category	No.	T/O	%MSF	Individual I	Total MSF
This Becomes	TOP	30 £	250,000	10%	£ 25,000	£ 750,000
	AVERAGE	<b>30</b> £	150,000	10%	£ 15,000	£ 450,000
	POOR	<b>10</b> £	75,000	10%	£ 7,500	£ 75,000
	NO HOPERS	0				£ -
	VACANT	30 £	-	10%	£ -	£ -
		<b>100</b>				
Positive Impact	Actual Annual MSF Income					<u><u>£ 1,275,000</u></u>



Category	No.		T/O	%MSF	Individual I	Total MSF
TOP	30	£	250,000	10%	£ 25,000	£ 750,000
AVERAGE	<b>30</b>	£	150,000	10%	£ 15,000	£ 450,000
POOR	<b>10</b>	£	75,000	10%	£ 7,500	£ 75,000
NO HOPERS	0					£ -
VACANT	30	£	-	10%	£ -	£ -

→  
Sell 10 New Ones

**100**

Actual Annual MSF Income £ 1,275,000



	Category	No.		T/O	%MSF	Individual I	Total MSF
	TOP	30	£	250,000	10%	£ 25,000	£ 750,000
	AVERAGE	30	£	150,000	10%	£ 15,000	£ 450,000
	POOR / NEW	20	£	75,000	10%	£ 7,500	£ 150,000
	NO HOPERS	0					£ -
Sell 10 new ones	VACANT	20	£	-	10%	£ -	£ -
		100					
Positive Impact	Actual Annual MSF Income						<u>£ 1,350,000</u>



**Realistic Potential MSF Income**

**£1,350,000**

**Actual Annual MSF Income**

**£1,017,500**

**Increased Annual MSF Income**

**£ 332,500      33%**

**That's  
A third!**





# BACK TO HEADLINE STRATEGY TO ACHIEVE THIS

**FIRST ENSURE YOU HAVE DETAILED KNOWLEDGE ABOUT EACH FRANCHISEE**

*Then:*

- REDUCE INDIVIDUAL MSF 'SHRINKAGE'  
*(FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS)*
- INCREASE MSF FROM EXISTING 'AVERAGE' PERFORMING FRANCHISEES
- REPLACE THE 'NO HOPERS'
- FILL THE EMPTY TERRITORIES



# WHAT DO WE NEED TO KNOW?

BASED ON A DETAILED 'OBJECTIVE' ANALYSIS **NOT** A 'SUBJECTIVE' ANALYSIS  
YOU NEED TO KNOW EACH FRANCHISEE'S:

- PERSONAL & BUSINESS OBJECTIVES
- BUSINESS ACUMEN / FINANCIAL KNOWLEDGE
- ACTUAL GROSS PROFIT AND NET PROFIT TRENDS (NOT JUST SALES TRENDS)
- BALANCE SHEET TRENDS (EG. NET WORTH, LIQUIDITY, GEARING etc.)
- STRENGTHS & WEAKNESSES
- AND THE OPPORTUNITIES & THREATS THEY FACE



# WHAT DO WE NEED TO KNOW?

YOU ALSO NEED TO KNOW:

- DO THEY HAVE A CURRENT PROFESSIONAL BUSINESS PLAN TO HELP THEM REACH THEIR BUSINESS OBJECTIVES AND ENSURE THEY DO NOT RUN OUT OF CASH ?
- DO THEY UNDERSTAND AND REGULARLY MONITOR THEIR FINANCIAL PERFORMANCE AGAINST THAT BUSINESS PLAN TO ENSURE THEY STAY ON TRACK ?



# **PLEASE DO NOT MAKE THESE CLASSIC MISTAKES!**

**1) SEE HIGH SALES LEVELS AND ASSUME THEY ARE PROFITABLE**

**OR**

**2) SEE PROFITS AND THINK THEY WILL HAVE ENOUGH CASH!**



# PLEASE DO NOT MAKE THESE CLASSIC MISTAKES!

**SALES DO NOT = PROFITS**

**PROFITS DO NOT = CASH**

**EVEN PROFITABLE FRANCHISEES GO BUST  
WHEN THEY RUN OUT OF CASH**

**BUST FRANCHISEES DAMAGE THE BRAND  
AND SEVERELY EFFECT RECRUITMENT**

**Woops!**



# **SO TO KNOW THIS AMOUNT OF DETAIL ABOUT YOUR FRANCHISEES**

**A) YOU NEED ENOUGH SUFFICIENTLY TRAINED STAFF TO WORK WITH THEM**

**OR**

**B) YOU NEED TO OUTSOURCE THE JOB TO A FIRM  
WITH SUFFICIENT SKILLS AND RESOURCES.**

**Guess  
Who!**



**THIS WILL REQUIRE SOME FINANCIAL INVESTMENT**



**BUT THE REWARDS**

**EG. A ONE THIRD UPLIFT IN MSF,**

**COULD BE SUBSTANTIAL!**





# BUSINESS HEALTH CHECK PROGRAMME

**48 Franchisees UK Wide**

**Each received their own independent report, SWOT Analysis and 'Health Score'.**

**Objectives were clarified and an Action Plan was agreed.**



# BUSINESS HEALTH CHECK PROGRAMME



# BUSINESS HEALTH CHECK PROGRAMME

The Franchisor can have all the data they need to understand:

- Who really falls into the good, average, poor and 'no hoper' categories?
- Who needs or wants to go?
- Who can 'step up' and increase MSF?
- What are the common weaknesses across the network that need to be addressed?



# ***ONCE WE HAVE THE IN DEPTH KNOWLEDGE WE CAN START TO IMPLEMENT THE STRATEGY***

- ➡ **1. REDUCE INDIVIDUAL MSF 'SHRINKAGE'**  
***(FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS)***
2. INCREASE MSF FROM EXISTING AVERAGE PERFORMING FRANCHISEES
  3. REPLACE THE 'NO HOPERS'
  4. FILL THE EMPTY TERRITORIES



# FAILURES

HAVING IDENTIFIED THE MOST VULNERABLE BUSINESSES YOU CAN HELP THEM TO IMPLEMENT A TURN ROUND STRATEGY FOLLOWING A PRIORITISED ACTION PLAN *(This is the final output of a Business Health Check).*

THE KEY IS TO ACT **BEFORE** IT IS TOO LATE.



# LEAVERS

HAVING IDENTIFIED WHICH FRANCHISEES WANT TO LEAVE AND WHEN YOU CAN HELP THEM TO UNDERSTAND THAT BY INCREASING THEIR SALES AND PROFITABILITY THEY WILL INCREASE THE VALUE OF THEIR BUSINESSES.

THIS WILL INCREASE **YOUR** MSF IN THE INTERIM

THERE WILL ALSO BE MORE TIME TO FIND THE RIGHT TYPE OF REPLACEMENTS.



# POOR PERFORMERS

THESE NEED MORE BASIC SUPPORT AND TRAINING TO MOVE THEM UP!

WHEN YOU KNOW THEIR WEAKNESSES YOU CAN HELP THEM



THEY ARE LIKELY TO NEED A BUSINESS PLAN





THEY MAY NEED ADDITIONAL FUNDING





# IMPLEMENTING THE STRATEGY

-  1. REDUCE INDIVIDUAL MSF 'SHRINKAGE'  
*(FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS)*
-  **2. INCREASE MSF FROM EXISTING AVERAGE PERFORMING FRANCHISEES**
3. REPLACE THE 'NO HOPERS'
4. FILL THE EMPTY TERRITORIES






# AVERAGE PERFORMING FRANCHISEES

SIMILAR TO BEFORE BUT

PROVIDE A MORE SOPHISTICATED LEVEL OF TRAINING AND SUPPORT,  
BUSINESS PLANNING AND ROUTES TO FINANCE



# IMPLEMENTING THE STRATEGY

-  1. REDUCE INDIVIDUAL MSF 'SHRINKAGE'  
(FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS)
-  2. INCREASE MSF FROM EXISTING 'AVERAGE' PERFORMING FRANCHISEES
-  **3. REPLACE THE 'NO HOPERS'**
4. FILL THE EMPTY TERRITORIES



**WHY ?**

**TAKE YOUR PICK.....!**

1. IT IS COSTING YOU TIME AND MONEY TO MONITOR AND CONTROL THEM.
2. YOU ARE NOT MAXIMISING YOUR MSF FROM THEIR TERRITORIES.
3. YOU ARE PROBABLY PUTTING OFF THE INEVITABLE.
4. YOU ARE PROBABLY STORING UP BAD DEBTS.
5. SOMETIMES YOU NEED TO BE 'CRUEL TO BE KIND'.



## HOW ?

SHOW THEM IN POUNDS AND PENCE  
THAT IF THEY COLLABORATE TO ACHIEVE AN AMICABLE CLOSURE  
THEY MAY COME AWAY WITH SOMETHING  
AND IF THEY DON'T, THEY WILL NOT (OR WORSE!)

TELL THEM IF THEY KEEP ON DOING THE SAME THINGS  
THEY WILL GET THE SAME RESULTS.

INDEPENDENT ADVISERS SUCH AS FRANCHISE FINANCE  
CAN HELP TO GET THE MESSAGE ACROSS.

YOU HAVE A FRANCHISE AGREEMENT  
UNDERSTAND IT / USE IT TO TERMINATE IF NECESSARY



# THERE IS SOME LEGISLATION THAT ALSO HELPS

## SECTION 214 OF THE INSOLVENCY ACT 1986.

BASED ON THE CURRENT FINANCIAL TRADING OF A BUSINESS THE DIRECTOR(S) NEED TO BE MINDFUL OF THE PROSPECT AND IMPLICATIONS OF WRONGFUL TRADING.

THIS IS ESSENTIALLY WHEN A BUSINESS CONTINUES TO TRADE WHILST INSOLVENT WHEN THE DIRECTOR(S) OUGHT TO HAVE REASONABLY BELIEVED THAT THERE WAS NO PROSPECT OF AVOIDING LIQUIDATION.

THIS COULD RESULT IN DISQUALIFICATION FROM BEING ABLE TO ACT AS A DIRECTOR AND **PERSONAL LIABILITY**



# IMPLEMENTING THE STRATEGY



1. REDUCE INDIVIDUAL MSF 'SHRINKAGE'  
*(FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS)*



2. INCREASE MSF FROM EXISTING 'AVERAGE' PERFORMING FRANCHISEES



3. REPLACE THE 'NO HOPERS'



**4. FILL THE EMPTY TERRITORIES**





**Coconut Creatives**<sup>®</sup>  
MARKETING TO PERFECT YOUR BUSINESS



## 5 ½ Biggest Recruitment Mistakes Made by Franchisors

1. Talk to the wrong people
  2. Messy marketing collateral
  3. No marketing plan in place
  4. Inadequate sales process
  5. Forget about their network
- 5 ½ They don't use a carefully determined combination of activities

**Paul Clegg**







British Franchise Association  
Qualified Franchise Professional

## How to Market Your Franchise and Recruit for Network Growth



Chris Cook



# Our Services for New Franchisees

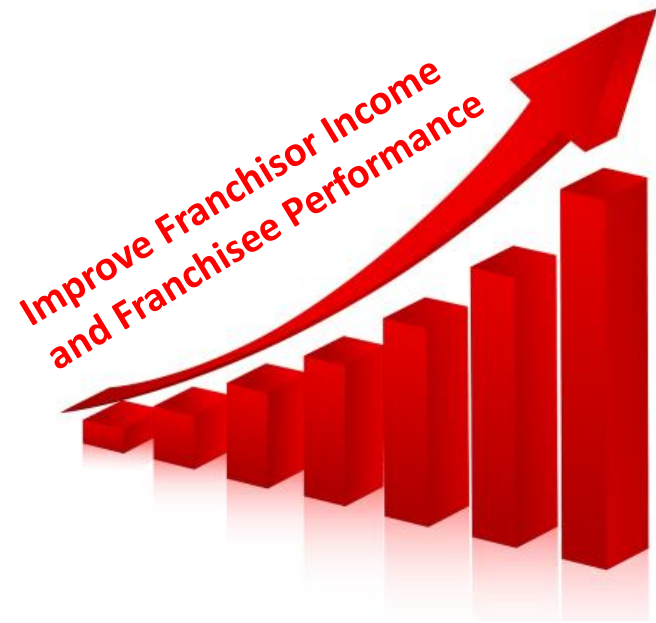


**95%**  
**Success**  
**Rate**



# THE NET RESULT OF THIS OVERALL STRATEGY

- GAIN DETAILED KNOWLEDGE ABOUT EACH FRANCHISEE  
(*HEALTH CHECK PROGRAMME*)
- REDUCE INDIVIDUAL MSF 'SHRINKAGE'  
(*FROM FAILURES, LEAVERS AND INCREASINGLY POOR PERFORMERS*)
- INCREASE MSF FROM EXISTING 'AVERAGE' PERFORMING FRANCHISEES
- REPLACE THE 'NO HOPERS'
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# Thank you for listening !



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**FranchiseFinance**  
*Business Training Academy*

**EWIF**  
encouraging women  
into franchising

