

The New Standards

Keeping the franchise brand relevant by franchisee buy-in

By Charles S. Modell

Keeping the franchise brand relevant is one of the biggest challenges faced by most franchisors. Not only should they constantly research and develop enhancements to their system, they also must convince franchisees of the importance of adopting new standards and programs.

Most franchisors have provisions in their franchise agreements which allow them to modify their operations manual to upgrade the system, and to introduce new products and services to be offered by franchisees. Most also have provisions in their agreements requiring franchisees to refurbish their premises from time to time, either during the term of the franchise agreement or upon renewal. These “elastic” provisions are critical for any franchise brand, because no franchisor can predict the future when writing a five, 10 or even 20-year franchise agreement, but all brands must evolve over time to keep up with the competition and stay relevant in the market.

Unfortunately, no matter how important change is to the system, and regardless how clearly those franchise agreements require franchisees to adhere to such changes, there will always be a number of franchisees who will fight change, focusing only on the short-term costs and not the long-term benefits. Forty years ago, franchisees in the fast-food industry fought the concept of drive-thru windows as an unnecessary expense that would turn restaurant customers into take-home customers (who would no longer purchase high-profit drinks). Next came late-night hours that were viewed by franchisees as an additional payroll expense that might increase revenues, and therefore royalties to the franchisor, but was likely

to reduce franchisee profits. Finally, only the most farsighted, fast-food franchisees thought that adding equipment and staff for breakfast hours would produce long-term profits for their business.

Courts have uniformly upheld language in franchise agreements allowing franchisors to change their system over time. However, when faced with complaints from large numbers of existing franchisees, it is never easy for franchisors to “stay the course” in implementing enhancements and improvements to the brand. Nevertheless, franchisors need to do just that.

We recently worked with a client who developed a new program for its brand, which it feels will be, in the client’s words, a “game changer” for its system. A handful of franchisees threatened to challenge the franchisor’s ability to implement the program. The franchisor’s executives remained confident the program would benefit the vast majority of franchisees. However, when staff members who dealt with franchisees on a day-to-day basis were bombarded with complaints about the program, it was not easy to keep everyone focused on the importance of keeping the brand ahead of its competition.

Here’s how it can work. Below is part of an email the foregoing client sent to its staff regarding implementation of the new policy. A few words have been changed to protect the identity of the client (with his permission), but the email provides critical advice to anyone going through a similar situation.

“The definition of Empathy: the capability to share another being’s emotions and feelings.

Let’s be honest—if you were a franchisee today, and some of you are, you would have feelings of frustration, fear, anger and confusion regarding our newly announced program. Even if you agreed with the features/benefits and new opportunities it provides, you would

still not want the additional costs. And you would feel angry about being “forced” to do something that you didn’t sign up for a few years ago and you’d feel confused and stressed about having to learn and sell a new product.

But it’s not just the new program. We are also intensifying our focus on store compliance and brand standards and while this makes complete sense, we are stripping away franchisee freedom which is something they valued when they bought the franchise. Or let’s say your store is performing near break even and corporate is forcing you to paint, upgrade, get a new sign or replace carpeting? How can we make them do this if the store is struggling?

We know it makes sense to upgrade their store and to enforce brand standards and we know that our new program is necessary to grow this brand. Most of our franchisees know this, too, but that doesn’t take away the emotions of the situation. We need to recognize their emotions by listening, understanding and providing empathy. It does not mean we need to give in—because we can’t. So, remember to listen more than you talk and softly encourage or explain “why” we need to do this.

No matter what, don’t lose your empathy.”

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