



The Six Dimensions of Franchisee Happiness

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This White Paper explains the framework behind FRI's new ACE Franchisee Satisfaction Survey

Every franchisor wants a network of happy and successful franchisees. These are the people who have the skill and the will to run a profitable business, deliver a great customer experience and participate constructively in their franchise network.

Through our research at the Franchise Relationships Institute (FRI), we have found that happy and successful franchisees demonstrate certain positive attitudes toward their franchisor and their business. We call this having an "ACE Mindset" because these people show Advocacy for the business, Commitment to the business and Engagement with the business.

To maintain a healthy, growing franchise network a franchisor team needs to encourage and nurture this ACE Mindset in their franchisees. This White Paper provides some useful information on the six dimensions that drive an ACE Mindset.

But first, a little more detail on the three components of ACE.

Components of the ACE Mindset

Advocacy

Most franchise professionals would agree that Advocacy, also known as validation, is vital for growing a franchise network. Advocacy could be defined as a willingness by franchisees to recommend the franchise opportunity to other people – friends, family, colleagues or strangers enquiring about the franchise.

The importance of advocacy is illustrated when we look at a survey conducted by the USA based Franchise Update Group¹, who run specialised conferences for franchisor recruitment professionals. Validation by existing franchisees was regarded as the single most important factor for successful franchisee recruitment by the 101 recruitment specialists who responded to the survey.

Have you ever wondered what your existing franchisees are saying to people who contact them about your franchise?

Commitment

Commitment is a willingness by franchisees to stay in the franchise network and put up with the inevitable challenges that come with a franchise relationship, which can at times be strained. Most interdependent relationships, where the parties can't just walk away when the going gets tough, are characterised by some creative tension.

Intention to stay has emerged in FRI's research to be significantly correlated with a number of franchisee performance measures as well as the desire by franchisees to expand into multiple units. Also high numbers of franchisees intending to leave a network will result in a loss of intellectual capital (the knowledge accumulated through hard earned experience), create difficulties in maintaining growth due to "leakage" of existing franchisees and may undermine the value of the franchise due to oversupply on the market.

Engagement

Engagement is a willingness by franchisees to enthusiastically involve themselves with brand initiatives. Engaged franchisees certainly make a franchisor team's life easier. For instance, FRI's research has demonstrated that the attribute known as "Brand Passion", which measures a franchisee's pride and emotional connection with the brand, is the biggest predictor of whether franchisors are likely to want to select specific franchisees again. In addition, we have been able to empirically show that franchisees who are high on Brand Passion deliver a better customer experience.

Engaged franchisees are also more successful and more likely to validate the franchise. A study conducted by Franchise Business Review on over 24,000 franchisees from more than 300 franchise brands² found that the top quartile of engaged franchisees were 3.7 times more likely to report strong financial results than the bottom quartile and were twice as likely to recommend the franchise.

How to measure and improve the drivers of ACE

In today's high performance market, franchisors need to understand how to create a culture that maximises Advocacy, Commitment and Engagement. With this in mind, our team of psychologists, who have been researching these factors, have discovered a number of specific attitudes that drive the ACE Mindset. This is exciting because we have also found a way of accurately measuring these attitudes. And once you can measure something – you can manage it and improve it.

The attitudes that drive the ACE Mindset fall into the following six dimensions.

Achievement

The Achievement dimension measures whether franchisees believe their business is financially successful as well as how optimistic they feel about the future. Franchisors can help franchisees maintain this sense of achievement by working with them to maximise their unit level profitability and sharing the strategy for the franchise network. Providing evidence that things are moving in a positive direction is particularly useful.

The attitude of optimism can also be enhanced by using the following techniques:

- Keep conversations solution focused, for instance by asking “what” questions, e.g. What is working? What can I do to support you? What would a good solution look like?
- Talk about how their profitability matters to you. Try to link discussions and requests back to how these will improve their profitability.
- Use coaching conversations to focus the franchisee's attention on their goals and the things they can control.
- Communicate a clear, specific vision on the direction of the business. People need to feel you are leading them to a brighter future.
- Acknowledge their challenges and difficulties while also encouraging them to persevere.
- Remind them that effort will lead to rewards. Encourage and reward their efforts.
- Recognise their progress and accomplishments. Franchisees can get overwhelmed and not see the progress they have made. Review what has been achieved to date.
- Most importantly, be optimistic yourself as feelings are contagious.

Lifestyle

Running a business is stressful. The Lifestyle dimension measures whether franchisees have the resilience, balance and support to successfully cope with this pressure and whether they feel they have a life as well as a business.

This is important to monitor because there is a strong relationship between franchisees feeling stressed and them feeling pessimistic, unhappy with the franchise, not enjoying their work and not considering their business to be a success.

In our research, 49% of franchisees say their business is emotionally draining and 43% say they do not have a balanced life. The irony of these figures is that, next to making money, the next top reason people give for choosing franchising as a career option is to have a balanced and flexible lifestyle.

Franchisors can help here by creating a culture of fun because enjoyment of one's work acts as a positive buffer to feelings of stress. Also equipping franchisees with training, productivity and analytical tools to help them delegate more to their staff, stay organised so they can have time off and step back to work more "on the business".

Leadership

Good leadership is critical to franchisee satisfaction. This dimension is particularly important for Advocacy. In fact the biggest predictor of franchisee advocacy, with a whopping correlation of 0.7, is whether they have confidence in the leadership team. Credible leadership is based on these three foundations:

- Demonstrate you are competent and professional. For instance get back to people promptly and ensure you are making sound decisions based on good information.
- Show you care about your franchisee's success. People will follow a leader who has their best interests at heart. You can demonstrate care in small ways such as being considerate and calling them up from time to time to see how they are going.
- Always be straight forward and transparent with information. If you cannot do something, say so. Most franchisees prefer a straight forward "no" (providing you give a reason) over vague possibilities that probably won't eventuate.

Connection

The Connection dimension measures whether franchisees feel they have adequate opportunities to connect with each other and the brand. This desire to feel connected with others and identify with a group is a fundamental human need. Think of how passionate people are about their sports teams. Many franchisors make the mistake of underestimating the power of this need.

Conferences and meetings provide perfect opportunities to build this sense of brand identity and connection with others. The franchisor's role should be to facilitate the sharing of ideas rather than just presenting information from the front. Room set up is also an important consideration. Round tables in a brightly lit room provide a much better environment to build a sense of community than having people lined up in straight rows in a darkened room.

Are you giving your franchisees reasons to feel proud to belong to the brand? Are you providing adequate opportunities for your franchisees to participate in group activities and exchange ideas with each other?

Partnership

All people want to feel respected and appreciated, especially your franchisees. After all they have a lot on the line and expect to be treated with the respect of a business owner who has made a significant investment in your brand. Unfortunately, the biggest complaint we hear from franchisees is they don't believe the franchisor appreciates their contribution to the business.

One simple thing franchisors can do to create more of a sense of partnership is to provide opportunities for franchisees to feel listened to. Doing a franchisee satisfaction survey is always an excellent starting point. Do your franchisees feel respected as important stakeholders in your network?

Support

The Support dimension measures the extent to which franchisees believe the franchisor is delivering useful support, relevant to their needs. This would include the use of business systems that help to drive sales and productivity improvements.

Remember, a franchisee's needs will change as their business evolves. For instance, multi-unit and longer tenure franchisees will be more demanding and have more sophisticated needs than your rookie franchisees. Most franchisees are quite mature, with 49% operating their franchise for over six years, so here are several things a franchisor team can do to provide relevant effective support, especially for longer standing franchisees.

- Involve them in piloting new initiatives. This can refuel their enthusiasm.
- Use benchmarking to reality check their performance. They may think they are better than they really are. Numbers don't lie.
- Encourage them to mentor others and share best practices. There's nothing like teaching someone else to keep you fresh and engaged.
- Provide them with regular access to senior franchisor executives. They may appreciate this extra attention.
- Sponsor them through a thorough business diagnostic. A detailed SWOT analysis would be a good place to start. Then help them develop a quarterly action plan to address risks and opportunities for development.

The ACE Franchisee Satisfaction Survey

So there you have the six dimensions that drive franchisee happiness, what we refer to as the ACE Mindset, and how to improve these. High levels of advocacy, commitment and engagement are most likely to occur when franchisees feel their social and business needs are being met, as explained in the six dimensions.

We have recently upgraded our Franchisee Satisfaction Survey to include empirically tested questions that measure franchisee satisfaction in these six dimensions and predict the ACE Mindset. We call this new instrument the ACE Franchisee Satisfaction Survey. Armed with this feedback a franchisor team can build on what is working and create action plans to improve any areas needing attention.

We'd love to show you in a short demonstration how it works and how it might provide useful insights into the health of your franchise culture. Please contact Katrina Vo on katrina@franchiserelationships.com and she'll organise a mutually convenient time for one of our team to take you through it.

REFERENCES

1. See *Franchise Update*, 2014 Annual Franchise Development Report, http://www.franchising.com/articles/mixed_bag_highlights_from_the_2014_afdr.html
2. See *Franchising World*, August 2013, Evan Hackel, Having an Engaged Franchise System Matters.