

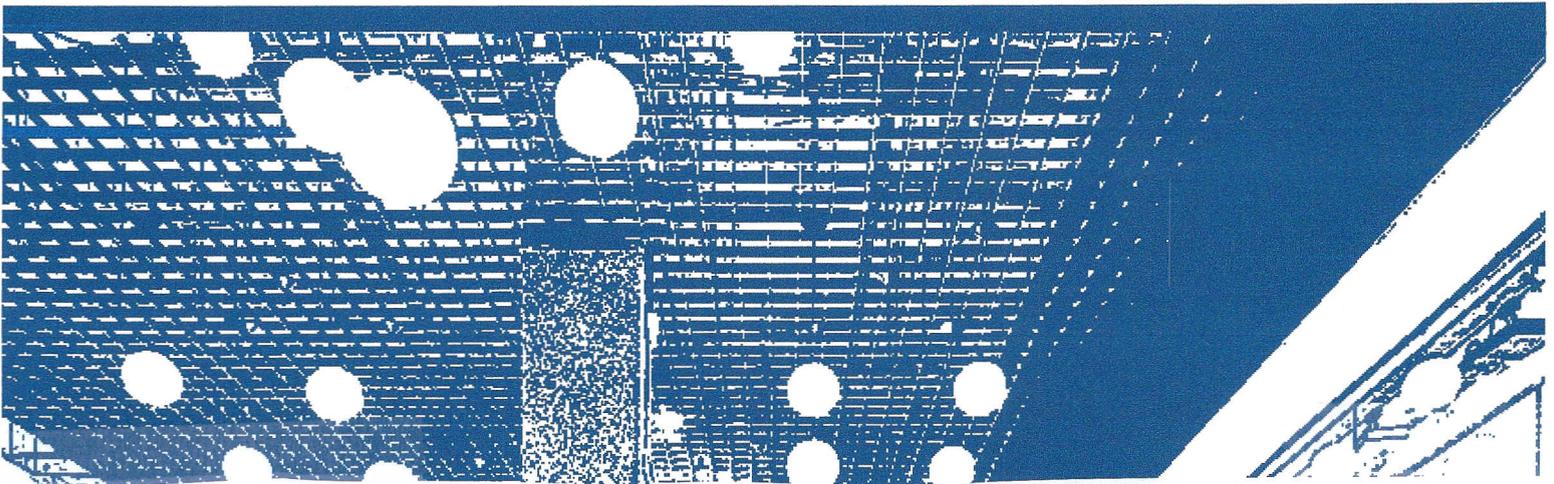


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The ten franchise commandments for a successful franchise system – is your franchise system franchiseproof?

Jeroen Janssen

Franchise.nl, Maastricht
jjanssen@franchise.nl

This article discusses the essence of a good, solid franchise system. Can your franchise system take a beating?

Is your franchise system franchiseproof and resistant to influences from outside, and can it cope with changing market conditions?

In the first place, a developed franchise system or formula with matching operational method and fee structure presumes that the partnership should benefit both the franchisee(s) and the franchisor. The developed franchise system should be based on an earning model for the franchisee allowing him/her to generate a reasonable entrepreneurial income within a reasonable span of time. Naturally the franchisee must

make reasonable efforts to operate the franchise business according to the business format of the franchisor.

The viability of a successful franchise system is based on the following ten franchise commandments. A franchise system is franchiseproof if these ten conditions are satisfied:

1. A developed franchise system, the franchise business format, must be distinctive and competitive in its speciality. Every self-respecting franchise organisation specialises in a particular product or product range or specific services and the sale thereof.

2. The franchisor must be good at, if not excel in, its speciality and keep the related franchise know-how up to date. It is also necessary to adapt the formula to ever-changing market conditions. Changes in trends, difficult-to-predict consumer behaviour, product innovations, advancing technology and changes in competitive relations are factors that have an impact on a franchise system.
3. A distinctive franchise system derives its added value from being and staying good at the developed speciality (the know-how) and the ability to translate this speciality into effective business operations focused on sales. The flexible implementation of changes in business operations is, in principle, the job of both the franchisor and franchisee.
4. The franchise system developed is only complete when it is provided with a brand label. The logo, trade name and characteristics of the corporate design are essential components of a franchise system and the franchise network. The recognisability of a formula among customers as a result of the logo and/or uniformity in doing business is decisive for the franchise system's added value.
5. The franchise organisation is solid and durable if the franchisor aims for continuity. In that context, the franchise organisation must on the one hand be equipped for expansion of the formula, while on the other the franchisor must be able to keep the growth and continuation of the franchise network operationally manageable.
6. The franchisor must organise the cooperation with its franchisees in a structured manner. The franchisor communicates with its franchisees in a group context and on an individual basis. Effective communication implies two-way traffic, whereby the franchisor is also open to input from its franchisees.
7. It is essential that the franchise organisation invest in customer orientation (approaching customers) and customer satisfaction (retaining customers). Expansion or growth of a franchise system is only possible if the customer believes in your product, your speciality, your service provision. Also make a distinction between customer groups here.
8. The franchise cooperation must comply with the applicable legislation and regulation, customary practice in the particular industry and long-term use in the franchise practice.
9. The franchise agreement must be attuned to the content, object and philosophy of the franchise system. On the one hand the rights, obligations and responsibilities of the contract parties (the franchisor and franchisee) must be specifically and clearly formulated, while on the other the provisions of the franchise agreement must enable adjustments or expansions to the formula.
10. The (legal) character of the franchise cooperation entails an obligation of loyalty to the franchise network for the franchisor and franchisee, in addition to the promotion of individual business interests. This obligation of loyalty consists of two elements: (i) the positive obligation to endeavour to maintain the uniformity and quality of the franchise system; and (ii) the duty to refrain from actions or omissions which could damage the partnership.

In summary, a franchise system is franchiseproof if:

- there is a distinctive franchise system (franchise business format);
- the franchise organisation is durable and equipped to grow and maintain the franchise network; and
- the franchisor pursues qualitative entrepreneurship and facilitates a balanced franchise cooperation with its franchisees.

The commandments described are based on my research, experience and current franchise practice. These commandments should be seen as a franchise toolkit to optimise your franchise system, franchise organisation and franchise cooperation.