

Corporate Culture – DuPont becomes a franchisor

By: Michael H. Seid, founder and managing director, Michael H. Seid & Associates - MSA

DuPont is a remarkable company.

Viewed through the lens of Wall Street, DuPont is listed fourteenth in the Fortune 500. It is superbly profitable, and, based upon the reaction of the stock analysts to its recent senior management shifts, it is not only a remarkably well managed company but has a corporate culture that facilitates the development and retention of superb managerial depth throughout the entire enterprise

Viewed through the lens of consumers, competitors and aligned partners, DuPont is a brand leader. Its capacity to develop and sustain brands is seemingly unlimited. Some of the recognized DuPont products are Nylon, Dacron Polyester, Teflon, Coolmax, Silverstone, Mylar, Kevlar, Tyvek, Corian, Lycra, Antron, and Stainmaster. There are few trademarks as well known as the DuPont “Oval” or service marks as recognizable as “Better things for better living”.

Viewed through the lens of management, DuPont is a company whose core competencies are technology, innovation, safety and the environment. For a company whose history begins with the manufacture of explosives, DuPont’s focus on safety is recognized as the industry standard. Competitors call on DuPont for advice and assistance when disasters occur and its record on environmental issues makes it a darling of the green movement. If you are a commercial customer of the DuPont Flooring System, you are assured that the carpet that is removed from your building will never see a landfill. Regardless of whether the removed carpet was manufactured using DuPont fiber you will be provided with a certificate that eliminates you from future EPA liabilities over the removed products. To the extent possible, the carpet will be recycled and remanufactured into other products including Ford Motor Company automotive parts.

But, viewed through my lens as an advisor, DuPont’s core competency is in its culture. The company has an extraordinary core belief in the ethical conduct of business. It believes in fairness in the marketplace, managerial discipline to look for ways to win that do not necessarily require others to lose and a real strength that comes from a singular focus on the consumer and its aligned partners as customers. It is this culture that permeates throughout the company and is the culture under which we operated during the development of the DuPont Flooring System’s commercial carpet franchise. It is the single most important reason that the DuPont franchise system will be an extraordinary franchise success story.

DuPont is the manufacturer of the leading branded commercial nylon carpet fiber - "Antron". If you examine the essence of why DuPont developed its down stream franchise play it was to pull fiber through its manufacturing plants by securing its downstream route to market as well as enhancing the long-term value of the Antron brand.

The DuPont commercial franchise system was designed to be attractive to established commercial carpet dealers, who are leaders in their respective markets and most of whom have existing multi-million dollar volumes. By converting existing commercial carpet dealers to the DuPont Flooring System it was DuPont's strategy to accelerate market penetration.

Following DuPont's corporate culture the franchise system's structure and design was geared to strengthen the financial and competitive position of its future franchisees. While the ability to operate under the DuPont Oval was important and extremely attractive, these companies are market leaders themselves and have their own established reputations. Therefore, the value of the franchise offering rested not simply on the branding, but on the overall system offering as well as its ability to deliver on the consumer's perspective of what the DuPont name stands for.

The primary driver for the development of the franchise system was to improve the performance of the company's existing core operations. It was not developed to create a significant new profit center for DuPont. This was the mission as laid down by Keith McLoughlin, Chairman of DuPont Flooring Systems Franchise Company and Craig Corey, vice president, who led the initial development of the franchise system and the franchise system was designed with that mission in mind.

Once the structure of the program was established, DuPont appointed Ron Rose President of the franchisor to oversee the program's launch. Ron, prior to joining DuPont had been a Divisional Vice President of MSA Industries, one of the companies DuPont acquired in developing their prototype system. Ron is considered an industry leader in the operation and marketing of commercial flooring dealers.

To meet the mission, the DuPont franchise program incorporates declining royalty percentages as dealer volume increase as well as a base line sales exemption that provides relief from royalties on pre-existing sales. In addition, franchisees have been provided with additional opportunities to reduce their royalties while improving overall franchise system performance and cost effectiveness at the franchisor level. This was accomplished through the development of a Universal Service Credits program that can be used by the franchisee to pay for additional training, field support, marketing materials and marketing support. By improving franchisee performance, DuPont creates the win-win situation that is core to the company's overall business philosophy.

Much of the effort in developing the core franchise offering was focused on improving the return on investment for franchisees, including reducing their cost of infrastructure re-development and ongoing operating costs as well as ensuring that the franchisor had a management team with the ability to deliver.

DuPont was not shy in using its significant financial muscle and buying power to assist franchisees in improving their financial performance by stripping costs from their operations. In addition to below market financing for the dealer's conversion costs, DuPont arranged for equipment and vehicle leasing programs for its franchisees. DuPont also negotiated special pricing arrangements or discounts with many of their suppliers including office equipment, long distance telephone services, printing, small package shipping and other goods and services included in the DuPont Buying Powers Opportunities program.

Significant time and investment was made in the development of technology and training programs offered by DuPont University. These training programs were designed to improve the efficiency of dealer operations, as well as make certain that franchise members could use the complete offering for their benefit and the benefit of their end user customers.

The training and other programs were also designed to protect the DuPont Oval. In addition to developing a training program that provided the franchisees with the tools to deliver the offering to the end user customers, it was decided that franchisees needed to understand and adopt the underlying DuPont culture of ethics and safety before they were granted the use of the Oval. A separate and extended course entitled Service Excellence was developed as a pre-requisite for the granting of "provisional status" to a franchisee. Provisional franchise status is a relationship that was structured to ensure that the franchisee met certain minimum standards prior to conversion into the DuPont system and before they could market themselves as part of the DuPont franchise program.

Finally, in the development of the products and services offered by the franchisees, DuPont learned by listening to the management and staff of the independent flooring businesses it acquired. The company also relied heavily on core industry research, and discussions with dealers and end user customers to develop the market intelligence required to succeed.

That process bore DuPont Answers the company's approach to the end user marketing of the system's offering. DuPont Answers quickly and cleanly defines for the end user customer why they should buy from the DuPont Flooring Systems' franchisee or owned operation. It includes the company's approach to its aligned suppliers (both within carpet and hard flooring), exclusive flooring products, national installation capabilities and technology, maintenance programs, and carpet reclamation.

Listening to the needs of the end user customers, DuPont developed a carpet-leasing program that enables hotels, office buildings and other major flooring product users to lease their flooring needs, therefore dramatically reducing the cost of project development and cash flow.

There has been an overwhelming industry response to DuPont's offering. DuPont's selection criterion is stringent and its review process is structured to protect the "Oval", DuPont's most important symbol.

Prospective franchisees are invited to attend a Discovery Day where there is an open discussion of DuPont's goals for the system, the company's culture, the franchise system's management structure and the overall franchise offering. The day and a half-initial meeting give the prospective franchisee and DuPont's management the opportunity to assess each other and determine if their goals are in alignment. DuPont, prior to inviting any candidate to Discovery Day has already completed an independent pre-qualification assessment that includes a review of the dealer's reputation and capabilities in the marketplace.

(There is a significant learning that comes from the development and offering of a business format franchise program where both the franchisor and potential franchisees are of the size, capabilities and as well represented by council as the entities on both sides of the DuPont offering. The existing rules of franchise disclosure do not truly meet the needs of either party and are unnecessarily restrictive. As more and more large companies embrace franchising for their down stream plays and larger entities seek to acquire franchises, modifications to the rules will need to be explored to better respect the abilities and needs of both parties.)

Following the initial meeting, if both the candidate and DuPont agree to move forward, an assessment team visits the dealer's location. The team assesses the dealer's operational capabilities, their back office competence, their managerial and staffing levels and determines the cost, both in time and money, to convert to the DuPont Flooring System.

In early December, DuPont selected its first commercial carpet franchisees. In typical DuPont fashion, the trade media was invited to a press conference to ensure that they received information that was complete and up to date from DuPont and the new franchisees.

Over the next few months additional franchisees will be selected and begin the process of converting to the DuPont system. One thing is certain, while the program is well structured, success will rest on the system's ability to continue to evolve to meet the needs of its customers. Just as it did when it acquired owned operations in 47 cities, DuPont will continue to modify the program, incorporating the best practices of each of its members. The company will continue to learn its way into the future.

DuPont's management is dedicated to improvement and the franchise system's management is both structured and entrepreneurial. The leadership team will continue to combine the talents of the franchise operators with those found in the company owned system and DuPont overall.

This is the DuPont culture.