

Franchising and the Internet

Part two of a two part series

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In last months columns we explored the importance to a franchisor of having a web site. In this month's column we will take a look at some of the options franchisors have in establishing web sites for their individual locations.

Web sites can be an important addition to any franchise system. Franchisor web sites allow franchisors to provide consumers with information about their products and services. They also enable franchisors to introduce potential new franchisees to the opportunity of owning one of their locations.

Similarly, franchisee web sites enable franchisees to provide potential customers with information about where their business is located; their hours of operation and, ways in which consumers can contact and purchase from them. Franchisees often provide other information that features their location including personnel information, community involvement, awards the franchisee may have won, products and services they have available and specials the customer may be interest in.

Consumers like franchisee web sites and are more likely to visit those web sites that change their information frequently as they look for specials, new products and other interesting information about the location.

There are several options that franchisors have in establishing web sites for each of their locations. They can:

- Let franchisees establish web sites independently and without any specific guidelines, or
- Let franchisees establish web sites individually but provide them with templates and guidelines so that the sites have a more uniform appearance and content, or
- Develop and maintain web sites for all of their locations

There are some advantages and disadvantages to each approach.

Independent Web Sites

Franchisees often develop independent web sites for their businesses when their franchisor has not established any policies for the system or have not provided them with any guidance on methods for establishing web sites through the franchisor. In some franchise systems the lack of leadership from a franchisor in providing methods for franchisee web sites has created a vacuum that franchisees feel needs to be filled and they move independently to get their own consumer message on the Internet.

Web sites that are developed by franchisees without any guidelines or controls by the franchisor are the least attractive option for franchisors for a host of reasons:

- It can make it difficult for consumers and potential franchisees to find the franchisor's web site since search engines may direct individuals to franchisee sites due to confusion over the use of the franchisor's trademarks in domain names and Meta tags.
- It can make it difficult for franchisors to provide links to and from the system's main web sites due to content and inconsistencies on the franchisee sites.
- It has the potential to dilute the system's brand message because of variations in Web site content.
- It has the potential to negatively impact the business at the system's brick and mortar location due to poor e-commerce activities conducted by the individual locations.
- If franchisees are not careful, independent web sites may contain information that jeopardizes trade secrets and copyrighted material. Also, the use of customer information can cause privacy right concerns.
- Independent web sites may contain unexpected links or advertising that could include information about competitors or other service providers that may be inappropriate. These could include auction sites, discounters, consolidators or even competitive web directories

Overall, independent web sites that are developed without any guidelines or control can be problematic for both franchisors and each of the franchisees. Should franchisees choose to provide information that truly differentiates themselves from others in the system based upon price or services there is the risk of intrabrand competition that can be very damaging to the brand consistency that franchisors work hard to maintain. Also, if franchisees begin to offer unrestricted Internet sales there is an increase in the risk of territorial disputes between franchisees since sales from one location may take place in another franchisee's territory. Also, research shows that poorly performing Internet sales activity has a negative impact on how the bricks and mortar locations are viewed by the public – and this can impact overall system sales.

When they have the ability, franchisors will likely avoid franchisee independent sites that are set up without any policies or controls and will tend to use one of the others methods available.

Web Sites Developed by Franchisees Using Templates

Franchisee developed web sites that use franchisor provided templates and content guidelines solve many of the problems that found in independent web sites while securing most of the benefits for the franchisor and franchisee. Unfortunately, since these sites are still developed and maintained by each franchisee there are still some issues that franchisors and franchisees need to address.

- Since each site is developed and maintained individually, and given the potential number of sites that have to be monitored by a franchisor, there is a high cost of reviewing each site and monitoring changes made by franchisees to the content, format, scripts and even spelling that may appear on the site.
- With the number of sites that need to be monitored and the ability of franchisees to make frequent changes to their sites, the risk that the franchisor may miss errors and the potential that problems will not be identified is high
- Personalization of the site by the franchisee, even using a uniform template can still cause conflict with the brand's consistency and chain image.

Monitoring franchisee sites can also cause relationship problems with franchisees. Because franchisees will be in control over the content and frequency of changes to the web sites, there will likely be frequent discussions and often negotiations with franchisees over the format and content of their sites. This will likely not be the best use of either the franchisor's or the franchisee's time. Also, many of the other risks associated with trade secrets, Meta Tags, consumer privacy, intra-brand competition, and Internet sales can still cause the system problems.

Web Sites Developed by Franchisors

For most franchisors and franchisees the best option will likely be for the franchisor to develop and maintain sites centrally for each its locations since it provides the best control over the format and look of the sites and its content.

- By developing and maintaining sites for the entire system the franchisor and franchisees can be assured that each site will have a consistent look and feel. The brand messages are protected
- The web sites will contain information about each location and periodically franchisees will be able to update their information by providing changes to the franchisor.
- Consumers will be able to access the franchisee's site through links on the franchisor's site because of consistent use of domain names and Meta Tags.
- Potential franchisees will be able to access information about the system quickly
- Linkage to and from franchisee sites will be uniform and consistent as will on-site links and advertising
- Franchisees are protected from the risk of online activities of other franchisees and there is a reduced risk of territorial risks from e-commerce

- Trade secrets, copyrighted material and marks are protected and there is a reduction in the risks associated with consumer privacy and other issues.
- Consumer feedback to the system can be facilitated.

One of the negative issues associated with a franchisor developing individual sites for franchisees is that they are expensive to set up and expensive to maintain. Additionally, franchisees may wish to personalize and localize the content of their web pages to a greater extent than allowed by the franchisor. Finally, because of the volume of changes to franchisee sites, the franchisor's ability to modify the sites will be slower than if each franchisee was making their own modification.

While many of the older franchise agreements may not clearly provide franchisors and franchisees with specific information about each party's rights under the Internet and e-commerce, it is important for franchisors and franchisees to remember that they must keep the customer in focus. Web site should serve customers first by understanding how consumers want to shop and what information consumers need to make their buying decisions. Disputes that impact what has traditionally been the backbone of franchising's success – brand consistency – need to be avoided. What we have learned from some of the recent disputes in franchising concerning franchisee and franchisor rights concerning e-commerce activities is that the only party that wins from these kinds of disputes is the competitors.