

Is the franchise a place where people are happy?

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Question: I am trying to choose between a few franchisors and while each seems to be a great opportunity I want to find a system that not only treats its franchisees fairly but also has a great community and corporate culture. What information can the franchisor provide me that might indicate what their company's culture is like? How else can I get this information?

What a great concept – not only are you looking for a franchise system in which you can make money, you want a franchise system that has a great relationship with its franchisees and that supports your social and charitable views.

Some companies like Ben & Jerry's, The Body Shop and Bennetton wear their political, charitable and social view points not only on their sleeves but also on every part of their public face. A portion of their profits or marketing muscle is targeted to support and advance their pet causes. Often they ask their customers, their suppliers and if they are franchisors, their franchisees to support them in these worthwhile ventures. The hope is that like-minded people will flock to the company; they will have a heightened comradery because of similarity in focus and together they can make a bigger difference. The reality is that sometimes the strategy works and sometimes the risk of alienating a significant portion of their potential customers has unintended consequences.

Other companies are just as passionate about doing good things but for a variety of reasons don't place those causes or issues front and center. But they still commit significant resources to those good deeds. So, how do find out if a franchisor has not only a great relationship with its franchisees but shares your political, charitable and social views?

As with most investigations of any franchisor, the information is available and it's usually plentiful. Even before you began to look at any brand as a potential investment opportunity, you likely have shopped at their locations, seen their ads or read local news stories about events they and their franchisees supported. Franchise systems routinely enlist their franchisees in putting their locations on the front line of supporting causes. Similarly franchisees also bring their franchisors and other franchisees to help them support charities. You will see point of sale materials such as posters, coupons, cross promotions announcing the system's support and seeking contributions and help from customers.

Certainly, if franchise systems are involved in such causes they have invested some public relations effort to get the message out to the public. Doing a search on the Internet for news stories about the franchisor is a great ingredient in any due diligence on the opportunity. If you are interested in their social views expand your search to include not only the company but its senior executives as well. See what the news will tell you about where their hearts lay.

For the routine but very important issue of what the relationship is between the franchisor and its franchisees, a search of the news will also often let you know what is going on. Certainly, many people outside of franchising might have been surprised to learn that even systems that universally have great relationships with its franchisees, like McDonald's, occasionally have small groups of franchisees that are unhappy about a particular issue. But most times, where

the issues are systemic the best starting point to seek out the news is in the franchisor's Uniform Franchise Offering Circular – its disclosure document.

In that rather lengthy document you will find out not only the quantity of lawsuits the franchisor is involved in with its current and former franchisees, but you will get an understanding of the issues. While claims in litigation are not necessary a definitive statement of fact, they should not be ignored. It is important that you seek additional information about those matters that raise your interest. Not only can you ask the franchisor for further information, you usually can contact the franchisee that is involved in the lawsuit. If they are a current franchisee or if they have recently left the system, their contact information is contained in the UFOC.

You should also look into the document to determine what cooperative programs the franchisor provides to its franchisees. See if the system has a franchisee advisory counsel that is active in helping the franchisor seek out the advice of its franchisees. Ask to speak to the leadership and members of the advisory counsel and ask them about the franchise system's culture and problems. If there is an outside franchisee association, ask for a list of their leadership and give them a call. Always go to the list of current and former franchisees of the system that is contained in the UFOC and give them a call. They can provide you with a host of great information that will help you make your franchise decision and if one of your critical requirements is the franchisor's social programs, they are the ones that can talk to you about whether these issues are really part of the franchisor's corporate culture.

See if the franchisor has an intranet for communications between the franchisor and the franchisees and among the franchisees. Ask to see the latest postings and get a sense of what the franchisees are talking about today. Ask if the franchisor monitors the franchisee intranet and whether they often pull comments off of the board. Franchisors generally do not routinely limit the free flow of comments between the franchisees by censoring their communications. Most good franchisors do not censor their franchisee's communications because if they did, the franchisees would find other ways to share thoughts and besides in most systems, the free flow of ideas enables those franchisees that support their franchisor's actions to give them public support. This is a much more practical and effective way to avoid conflicts in a franchise system.

Go to work in a franchisee's location. It's a great source of real time information about the franchisor and it's a great way to find out if you like the business and system anyway.

Finally, just ask the franchisor. If they are passionate about a particular cause they will let you know it. They are as interested in finding franchisees that will support their social and charitable causes as you are in finding a franchisor that supports yours.

Looking past the pure economics of a franchise relationship is one of the most important things a potential franchisee should do but that most do spend enough time on. It is another reason that we suggest that you avoid getting all of your information about the franchise opportunity from the franchise salesperson and seek out independent sources of data. It's a reason that working with a franchise broker should be avoided. Since they are not part of the culture of the franchise system, they really have little basis to share with you information that may not support their ability to convince you to buy their clients franchise opportunity – and earn their sales commission.

A franchise investment is not passive like the stock market. You are likely going to be actively involved in your business and the franchise system in general. The public is going to view your

business through the lens of the franchisor's brand. If that brand does not stand for the same things you support, if that brand is tainted by continually distrust or news reports of conflicts in the franchise system, if the relationship between the franchisor and its franchisees or among the franchisees is not positive, no matter how much money you make, you can never be truly happy in that relationship. Find a franchise system that makes money and can also make you proud.