

How to Get Franchisee Satisfaction [1]

A sad man once said, “I can’t get no satisfaction.” Of course, that man was Mick Jagger of the Rolling Stones, and he was singing about... things that can’t be published in a restaurant trade. But you’d be forgiven if you thought it was a limited-service restaurant executive who muttered those words, lamenting on the troubled relationship he has with his franchisees.

For many companies, the franchisee/franchisor relationship is tenuous at best, and franchisee satisfaction is in the dumps. Whether it’s poor sales, misguided company initiatives, or the absence of franchisor support, any number of conflicts can sour the relationship between franchisee and franchisor and, in turn, sink the company’s growth potential.

But it doesn’t have to be that way. Countless companies in the limited-service industry have proved that through a strong relationship with franchisees, brands can jumpstart growth momentum and develop a positive organizational attitude that trickles down to customers.

Eric Stites, CEO of Franchise Business Review—which releases an annual report on franchisee satisfaction—says a good relationship with franchisees isn’t rocket science, but he adds that it does require hard work from each company’s top executive. He says CEOs typically fall into two camps: those who are in the trenches with their franchisees working hard for their benefit, and those who are “my way or the highway.”

“When [franchisees’] satisfaction is high, they’re operating at a higher level and they’re more successful, and it just sort of flows from there,” Stites says. “It really does come down to that culture of inclusion, and I think that’s almost impossible to have if it doesn’t flow from the CEO.”

We talked with four top executives at companies that perform well in Franchise Business Review’s franchisee satisfaction survey every year about the best ways a franchisor can invest in the relationship with the franchisee base.

Don Fox

CEO, Firehouse Subs

You are only successful if your franchisees are successful. Period. If you’re going to take a long-term approach to building your brand, then you have to be invested in the long-term success of your franchisees, as well. Even though that’s common sense, the history of the restaurant industry and of franchising is dotted with examples of franchisors who lost sight of that.

At the very foundation of it, you have to have a commitment as a franchisor to enforce your brand standards. If you’ve got a system of excellent franchisees, they expect and even demand that. Many franchises have gone sideways because they’ve failed to do it. I think we’ve been extremely consistent and fair in the way we apply our brand standards, by doing it evenly and in a disciplined fashion. It also leads us to having great report cards from the consumers, because of the consistency we have across the board.

There’s a need for us as the franchisor to really carry the burden for inspiring the franchisee to excellent levels of performance. Just enforcing the brand standards isn’t enough. We try to do that a number of ways. The one thing that I’m most proud of that we’ve been doing now for almost two years is something we call the “Awesome Awards.” Every week, we are reviewing every bit of customer feedback that comes across our doorstep. What we’re looking for are examples of employees of franchisees doing things that are above and beyond what it says to do in the book. When we see that, we’ll surprise that restaurant. We’ll go visit it; the franchisee doesn’t know why we’re coming, just that

we're going to be in town and would like to meet the crewmembers. When we get there, we recognize not only the employee who did the great deed, but we also recognize the entire team, believing that employee would not have performed that excellent deed unless the culture of the restaurant endorsed or encouraged it. The way we recognize them is to give everybody on the team a thank-you card with a \$50 bill in it.

Keeping 'Em Satisfied

According to the Franchise Business Review, these are the top five brands for franchisee satisfaction in 2015:

1. Culver's
2. Checkers/Rally's
3. Firehouse Subs
4. Penn Station East Coast Subs
5. Hungry Howie's Pizza & Subs

When I go out to visit, it needs to be inspirational in nature. The last thing that the brand needs is a CEO going out and playing "gotcha." I never lose sight of the fact that, when the founders or the CEO of a brand go to visit a restaurant, it's a big deal. More often than not my visits will be announced, because I want to set them up for success. And frankly, if I go in to a restaurant and things aren't as they should be on an announced visit, that's all the more of an indication that there are some things that need to be worked on. As a CEO, I've got to encourage optimism and let it cascade down throughout the organization, because it goes without saying that an optimistic organization is going to perform better than a pessimistic organization. If you've got pessimism coming down from the top, it doesn't stand a chance to well up from the bottom.

I inherited a system where every DMA had its own incorporated co-op. When we were still relatively small, I was able to persuade the franchise community to collapse all of those entities into one national marketing co-op. The key was to empower the franchisees by increasing the size of the board that controls that co-op. At the time, we expanded it from what would normally be just a three-person board to a nine-person board, the majority of the seats going to franchisees—they had five seats, and those franchisees were elected by fellow franchisees. We had three area representatives, because we franchise on a two-tier network. And then there was one person that I appointed, and I originally filled that seat to get it off the launching pad.

At the same time I did that, I empowered them to form whatever committees they wanted on any topics. In effect, I was allowing them to create a franchise association, because in my experience in looking at what so many other brands had done over the years, I would venture to say a very large number of associations that are out there in the industry have been formed out of adversity and have been formed by the franchisees not with the franchisor's support, but in opposition.

Rick Silva

CEO, Checkers/Rally's

Our operating model is one that inherently gives us a huge amount of alignment with our franchisees. We own and operate 335 of our 800-plus restaurants, so that immediately creates alignment. It starts in a place where, day to day, we live restaurant operations, we live restaurant profitability. Half of my profit-and-loss statement depends on the performance of my company restaurants. As a result, we are extremely close to the business, what's happening in the restaurants every day.

We are obsessed with profitability. We have the right culture, we have a great relationship with our franchise family, we all love each other truly as business partners, but at the end of the day, our franchisees are investing their

livelihood—and many times the next generation’s livelihood—in this business. We take that so incredibly seriously. It’s not a spiel, like, “Oh, we’re trying to be good to our franchisees.” No, we truly believe it.

When I first got here, I said every quarter we’re going to have an all-franchisee call, because there were a lot of things going on in the business, and we needed to communicate more; I could sense that franchisees didn’t completely trust us. So I said we’ll have an all-franchisee quarterly call, and we would first send out a complete presentation and show them everything we’re doing—everything from our company restaurants, everything we’re thinking about doing—and then I open it up to Q&A, and they can ask anything they want to.

Our management team has the duty of communication and a professional relationship with every single franchisee individually. You paid your royalties, you paid your franchise fees, and I owe you that. We don’t believe that our Franchise Advisory Council members have any obligation in terms of communicating to the system or carrying any of that. We have a Franchise Advisory Council and our marketing sub-committee and operations sub-committee because we need people to be honest with us. We know we don’t have the best ideas. We have the courage to put a lot of, we think, decent ideas out there, but we need people to get in that room and say, “You have no clue what you’re thinking. This is a bad idea. In my part of the world, in the Midwest or in California, it’s just not going to fly.”

I think with all relationships, personal and professional, it starts with trust. You need to have great communication. And you have to have mutual respect. I don’t care what you’re trying to do. If I were talking about the relationship I have with my wife, I would start with the same thing. It’s the same thing with your kids or a good personal friend, and the same thing in business. I think if you’re lacking those things, honestly, it’s like trying to build on a weak foundation. By the way, there are going to be things you disagree with. I tell people all the time: There are going to be things that you and I will never agree on. And I love that, because you’ll challenge me to potentially make me think more broadly about that, and I might actually improve my position and move closer to yours.

Franchisees are an incredible asset to the brand. First and foremost, they bring incredible passion; they bring fresh ideas; they bring fresh momentum to a brand. As much as you think you can do it internally, franchisees can do it tenfold. They also, obviously, bring capital and bring growth. But they can provide so much benefit to a system.

Phil Keiser

CEO, Culver’s

Because of our franchising model, we basically have a collection of small businesses—mom and pop businesses, family businesses—and when they come to us, this is the biggest financial bet of their lifetime. Many of them are counting on us to help them navigate the business. By doing that and helping them solve problems, or eliminating things they don’t have to worry about, it allows our franchisees to stay focused on what they need to stay focused on. That’s execution in their restaurants, that’s recruitment, succession, training, coaching—all that stuff within their restaurants. They can focus their energies on what’s going on in their trade areas surrounding their business.

Sometimes in franchising, it’s a little bit like raising kids; you can’t protect them from everything out there in the world. But there are some things you can definitely help them with and coach them on and advise them in. If they trust you and feel like you’ve got their back, then they feel like, when we’re looking at new programs, looking at new initiatives, looking at new products, whatever it may be, that it’s really in the spirit of win-win.

You’ve got to have some personal relationships. A lot of times, in a lot of organizations, they don’t know their operators as well as they should. We’ve gone through times when we’ve made some decisions that weren’t incredibly popular. But when we go back and reflect on some of those, nine times out of 10, we had a communication issue where we didn’t appropriately or timely introduce the notion to give people a chance to get their heads around it so they can internalize it.

Sometimes we make this business a lot more complicated by talking about some of the big-business strategic things

at 30,000 feet, and it's our responsibility to think about that. But we also have to make sure we occasionally go out and wait in the weeds and talk about some of those basic operational issues, some of those basic challenges that face our franchisees out in the real world. What looks good on paper and what gets presented to a CEO by someone on the team sometimes lacks enough color for you to really make a good decision. So you've got to get out there.

We have manager workshops here in the office; I make it a point to at least be there to greet them, and if we're having a meal together, maybe be with them, and if possible have a little time for Q&A. But I think when they have some sense of what the CEO of the company is thinking about and that he understands some of that, it helps go a long way when you then face some of the tough stuff we all face from time to time.

Bryon Stephens

President, Marco's Pizza

When you're a franchisor, you have to think of your franchisees as customers. Ultimately, they're the people who are going to put the capital into growing your business, and they're the people who are going to field the teams of staff members who will take care of the ultimate end user for your product. They are our customer, and we want to take care of them like we want them to take care of our customers.

We're making sure that we have financial programs in place to facilitate them and their growth, because this is really about helping them grow their business. They don't just get into this to do one store; they want to have, three, five, 10 stores, depending on their appetite. There is an income component; their own personal income is always going to be critically important. They're going to need to understand that they can make the personal income they need to facilitate a particular lifestyle, because lifestyle is the second part we talk about. It has to be a good lifestyle fit.

We look at all of those things when we're in the vetting process: What are their income needs, what are their lifestyle needs, what type of wealth do they want to create for themselves and their family? The other elements are the intangibles. Do you respect and admire these people? Do you feel like you can learn from them? Do you feel like you can gain other benefits from that relationship you're forging? These are long-term contracts. It's important to know who you're getting into business with, both for us and for the franchisee. We encourage them to really vet us and talk to our franchisees so they can get an understanding of what we're like to do business with. It's a marriage of sorts, a long-term relationship, and we want to make sure everyone is going into this getting all of their needs met—just like you should in any relationship.

I host a state-of-the-chain webinar every single month. It's just like a fireside chat that the president of the country does. I go on and communicate key things and talk to them. We seek feedback—our organization asks for feedback on stuff all the time. So by having an open door and a feedback mechanism where we're always eliciting and looking for feedback from our franchise community, they feel very heard and very connected to us in the relationship.

We have a very, very great franchise convention every year where our franchisees are getting front and center with us. They're getting peer-to-peer mentoring and peer-to-peer fun activities. Our convention is a convention of celebration of all the great things going on at our brand. We get to meet face to face with all of them then; we have a lot of breakouts and roundtables and things like that. They're elbow to elbow, face to face, eye to eye with the leadership team here all the time, so they never really feel like a lot of distance is coming because of the size of our growth.