

We liked it so much...

...we bought the company... Franchise consultants become franchisees. Both Franchise Systems and The Franchise Shop are practising what they preach as franchisees to one of their own clients. So why did they do it, and how does it work?

Just Better Care

Mike Padden is a consultant with the group Franchise Systems and yet, like his consulting partner Bram Baker, has found the time, commitment and enthusiasm to invest in one of the franchise systems that he came across professionally – as a franchisee.

Just Better Care was founded by Trish Noakes to provide home-based services for the elderly and infirm, allowing them to access care and assistance so they are able to remain in their own home.

Padden takes up the tale.

“We put the franchise system together with Trish Noakes and it was clear she took time to get it right, had good skills, knew the industry and had plans for the future. We could see this was going to grow.

“My wife Vera Randall was interested in the sector because she believes that older Australians deserve to be valued and have the right to choose between staying in their own homes receiving support or moving on to a residential care facility.

“As consultants we were instrumental in creating the initial structure and we assisted the franchisor in their advertising for franchisees, and were pleasantly surprised with the quality of people enquiring.”

In the present environment of limited access to capital, the high cost of inventory and rentals, a non-retail business was appealing, he says, as was the prospect of giving employment to many staff (about 90 plus office staff) in each franchise and providing satisfaction for all concerned.

Before long Vera, who had founded the Knitwit sewing franchise 30 years ago, had taken on a role in the head office operations of the franchise system and the couple decided to buy a franchise in Sydney's Northern Suburbs.

“We've become enmeshed in this system, which has grown to 18 franchises in three years; Vera is now Just Better Care's full time franchise manager, so we have had to put up a wall between what she does as a member of the franchise support team, me as a franchisee, and my consultancy role.”

The franchise is not just an investment, he insists. “We are close to the franchise, we have weekly meetings with staff, monitor compliance and are vigilant with financial management. As well I talk to key

We see things from the franchisor angle and also see what franchisees require and their desire sometimes for initiatives the franchisor can't put into operation.

clients, the major not-for-profit organisations in particular to ensure ongoing relationships are strong.”

For Bram Baker business has always been top of mind, from Lego toys to Just Better Care via banking. “When starting a business the owners are generally flat out trying to get it right. This is the beauty of franchising, someone has already done this for you,” he indicates.

“I was a franchisee for The Cheesecake Shop, told them what needed to be done to fix it - they asked me to fix it, then to take on marketing and operations, then the role of general manager.”

Since then Baker has spent more than 10 years as a franchise consultant. And in the years of putting franchises together, he had the advantage of viewing systems, procedures and opportunities close-up. When Just Better Care came into the arena, he liked what he saw and wanted to open on the Gold Coast.

“I felt able to see myself in it; my wife, son and daughter are all in community health. As a franchisee second time around I enjoy the cut and thrust of challenging the franchisor, fixing and developing and improving, as franchise systems don't sit still.

“Franchisees put in a lot of money and are conscious of protecting their investment. If the franchisor is not getting it right, they get critical.

“Most move forward but as a consultant you see people who don't touch their franchise systems for two to three years. It's important to keep pushing, continually improving,” he says. “It sharpens my mind to see where a system can be improved, and I can give constructive feedback.”

But what about other franchisees? How does Padden think they feel about the dual role he and Baker hold within the franchise system?

“At conferences Bram and I do become involved. We try to moderate our views because we see things from the franchisor angle and also see what franchisees require

and their desire sometimes for initiatives the franchisor can't put into operation."

But Padden reiterates that more than one franchise system houses dual role franchisees. "That happens in many systems - Bakers Delight is just one, where franchisees move into franchise management. It's probably very beneficial to have an in-depth knowledge," he suggests. Coming to the business with consulting experience, he says, allows for an understanding of the needs and desires of both the franchisee and the franchisor.

"We have followed the system and been successful; it's profitable and works.

"It is a great system and the franchisor certainly has the well being of the group at heart. As the business system has grown the franchisor has spent hundreds of thousands of dollars on a new and comprehensive IT platform and field support staff. It's still hard work to break even but after that it's highly profitable. We're into our fourth year of a five plus five agreement."

Padden admits there have been compromises despite the business' success; Northern Suburbs won the Outstanding Achievement award for franchisee performance, and the Gold Coast franchise was named Franchise of the Year for the second year, in the 2010 Just Better Care annual conference.

"A good franchise is where the franchisee works full time in the business and is 100 percent committed. Both would have worked better if we'd been there 100 percent of the time."

Baker says he couldn't juggle his franchisee role with providing advice for his franchisor clients without the right staff. "The first two years I concentrated on the business, now I'm able to step back a bit," he reveals.

"Mike's a strategist, I'm an operations man - I like to get my hands dirty."

Padden came into franchise consultancy from a system with more than 200 outlets. "I've seen franchising from the good, the bad and the ugly. I've seen legislation change, and attitudes to franchising alter. At times we've worked in a number of systems in the same area and the franchisors have had sufficient trust to know we have done our best for each of them."



Mike Padden, franchisee with Just Better Care, and long-term franchise consultant



Bram Baker, franchise consultant and Just Better Care Gold Coast franchisee

Baker believes that one aspect of being both franchisee and franchise consultant puts the pair in good stead.

"We practise what we preach. Some people don't understand systems - we do."

Franchisor insight

Louise Curtis, Lollypotz founder and franchisor, explains what it means to have a consultant linked closely to the franchisee frontline.

What concerns did you have before appointing Liz Florance, given her family's link with the business?

I didn't really have concerns up front because I believed that the family had an excellent background in franchising and this would stand them in good stead to run such a business.

What difference has it made to the business to have a consultant involved in the frontline?

With their hands on experience, they are able to

identify with the business on a greater level and pass this knowledge onto potential franchisees.

I think it gives them an excellent insight into the good and the bad, and it helps them identify who would be a good franchise owner.

It's clear that Richard and Grant separate themselves from the daily business of Lollypotz on both fronts.

Does this allay any concerns existing franchisees might have about preferential treatment?

It does - I have made it clear that there is no preferential treatment and that if anything, the pressure is on the Garraway family

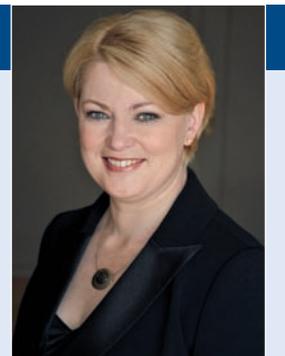
Lollypotz

Liz Florance runs the Lollypotz franchise at Knox in Victoria. She loves the fast-growing business and so do the men in her life - her father and brother Grant and Richard Garraway, consultants to the franchise industry with The Franchise Shop. In fact, they liked it so much they bought a franchise...

"We bought it in a family trust and my daughter is the nominated manager. It's a good business which matches my daughter's desires" Grant Garraway says.

As a consultant to the franchisor, Garraway had a privileged position when it came to conducting due diligence but he insists the checklist is the same as for any other franchisee. Making the choice to buy a franchise is a question of matching the opportunity to personal circumstances. "I have developed a couple of dozen franchises but only bought into one."

"It's about a price, lifestyle and a lot of boxes to be ticked. I like (another client) Wray Organic Supermarket but the money and time involved is beyond our family. I



Louise Curtis, Lollypotz founder

even more because the expectation from me is that they perform over and above, given their business experience.

Because Liz has a different surname, there is really no knowledge from new franchise owners coming on board; for the existing ones, they know that my expectations are just as high for Liz as for them.



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Lollypotz retail presence

love it to death but couldn't seriously consider it."

There are three tests for any prospective franchisee, suggests Garraway. Firstly, can you write the cheque? Secondly, make sure it's an opportunity you can work with, and finally, question whether or not you are suited to the industry.

The franchise was purchased late last year, was up and operating for Christmas on a work from home basis, and the family has been very happy with the growth so far. In fact, the business' development has highlighted the need for a physical presence, a point which Garraway says they are meeting with casual leasing in major shopping malls until they find suitable premises.

We practise what we preach. Some people don't understand systems – we do

They have also gained an understanding of how hard it can be to source the right location, and have really grasped the importance of good finances, the latter serving as a reminder of the emotional side of franchising and how much franchisees have invested in the business.

"In my consultancy business of course I understand the importance of profit and loss and cash flow, but boy do you understand it even more when you're buying stock, fixtures and fittings, and paying for training and courses, legal costs etc.," says Grant.

"Doing it in practice as a family is an



Grant Garraway

interesting test," he admits. "It has been good to see it from the inside. We've tried to be scrupulous not to blur the lines. We have physically separated the business from The Franchise Shop where on a daily basis I don't have a hands-on role; Lia Barnes handles sales for Lollypotz. Richard and I are more involved in strategic talks with clients. Liz runs our franchise."

Garraway doesn't see much of the day to day in Lollypotz either, preferring to play devil's advocate and just help with planning. Liz and her mother are firmly ensconced in the business on a daily basis.

"Liz really, really loves it. It works for her as a single mum and it's lived up to her expectations."

Not content to help build franchise systems as a consultant, and actively engage in the process as a franchisee, Grant and Richard also want to add the third franchising role to their CV; that of franchisor. They have bought the franchise Drinks by the Bar, to be re-launched later this year.