

COLEMAN REPORT

The SBA Lender's Industry Information Source

P.O. Box 546, La Cañada Flintridge, California 91012

Tel (818) 790-4591

Fax (818) 790-7859

Twitter: @BobColeman

e-mail: bob@colemanreport.com

www.colemanpublishing.com

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T.A. Seiber, Contributing Writer

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Bob Coleman, Editor

What Can Lenders Learn From the Franchise “Un”-Conference?

The Franchise Industry Seeks Improved Efficiency with Unique Event

It would please any employer to know their employee or business partner was working on self-improvement without having to be told to do so. At the Franchise UnConference, executives of the franchise industry are attempting to do just that.

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The world has changed in the past five years; businesses across the board have been forced to adjust and improve their way of doing things in order to survive. The franchise industry is no different. Zors and Zees have recognized the change and have been actively searching for new ideas and concepts to remain profitable. The intent of the UnConference is to share those ideas, which worked and which didn't, and help the industry as a whole increase productivity, efficiency, and profitability.

The UnConference attempts to increase the efficiency of franchise conventions by not only limiting the number of attendees, but hand-selecting the best and the brightest of the industry. This creates a medium that allows for freer dialogue, a more relaxed atmosphere, increased networking, and concentrated production of usable industry ideas.

The informal meetings and relaxed feel of the events creates an atmosphere conducive to the sharing of knowledge that leads to improved productivity industry-wide. At any time during the event, a low level Zor (franchisor) could find themselves rubbing shoulders with the president of the IFA, a rarity at comparable conferences, and what makes the UnConference so special in only its second year.

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Coleman Publishing was offered a rare glimpse into the inside world of franchising by being invited to this burgeoning event. Attendance granted us the ability to participate in the discussions of the franchise industry's top executives, accessing us to information normally unattainable elsewhere.

Transfer-In

Led by Steve Hearon, Vice President of Franchise Development for CertaPro Painters, the first day morning session was structured to be a "cross-pollination" of ideas. Divided into tables of eight, with designated table leaders to encourage discussion, attendees were posed a variety of questions, asked to discuss them amongst their table, then present them to the group one table at a time.

"Please no piling on, no dominating," Hearon said, "The only way to get the best out of each table is if everybody is able to participate. We want to highlight not only the ideas, but the people who brought those ideas."

With so many high level people in the room, the "dominating" of discussions was a valid concern. The table leaders were encouraged to prevent this, as well as recharge the discussion should it reach a lull. The result was a cordial atmosphere, where many were glad to step aside to let another voice their opinion. Seeing those that usually lead these types of sessions go back to basics, take direction and participate in the discussion is a direct example of how this conference is changing the norm.

"Our hope is," Hearon continued, "that if there is a supplier knocking it out of the park on technology or lead generation, we credit them

so that at other events this weekend people can approach them to talk about their ideas."

What Can Lenders Learn?

Lead Flow and Generation were two of the most discussed topics throughout the event, specifically targeting where leads came from.

One idea was to bring in and network with franchise brokers. A franchise broker is different than a loan broker, who usually serves as an intermediary between a borrower and a lender. A franchise broker assists prospective Zees in indentifying franchises that would be a good fit, taking into account factors such as the person's skills and investment capabilities. The broker can also steer their clients away from franchises that sound solid in their FDD, but have proven to be problematic business models.

But, as part of the franchise brokers' business model, they limit which franchises they endorse. Franchises pay these brokers to be included in their options portfolio, expecting that investment to produce more "leads". This puts the brokers in a power position, making them the recipients of a variety of incentives from the franchises in hopes of gaining favor.

Paying for the franchise brokers to travel to the corporate office, meet the staff, and reach an advanced relationship was proven to increase referrals from the brokers in a specific area. If you are looking to improve leads from a certain area, an executive said, start by improving your connection with the lead brokers of that area.

A frustration for many of the attendees was they were unable to target or choose where their leads came from.

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“We obviously have a map of where we are sold out and where we are lacking,” said one Vice President of Franchising, “But, the problem is we continue to get leads from places where we don’t need to expand and we have been unable to find a way to reach those lacking areas.”

One executive offered the success he had targeting laid-off pharmaceutical representatives as a solution. A few years ago, when the massive lay-offs of this industry began, his firm garnered a list of those newly unemployed and engaged them by cold calling.

“If you think about it, these are recently unemployed, hard working people with usually significant amounts of cash saved away. We knew these representatives had earned six-figure salaries for years, and were now looking for something to do with their money as well as looking for employment. Most of this group we contacted was eager to hear what we had to say.”

The last idea for targeted lead generation was hosting a webinar with targeted customers. Marc Kiekenapp, Founder and President of Kiekenapp & Associates LLC, told of how they would invite and host targeted leads in a webinar specific to them.

“The listeners would all be on mute, and the only people on the line from our end would be myself, their broker, and a few people from our staff. We’d simply go through a two slide presentation we created, answer any of their

questions and that was it,” Kiekenapp said. Kiekenapp attributes an increase in their closing rate specifically to these webinars.

How are Zor’s Improving?

One section of the meeting, called for the tables to discuss and produce a list of things that have worked and things they would never do again. A consensus among the group was the failure of online franchise web portals, intended lead web browsing prospects to franchise brokers or the franchise themselves. Many of the attendees had invested heavily in these portals, but none had found them worth continuing.

Direct mail, massive print campaigns in USA Today and the Wall Street Journal, and a combined cellphone-app campaign with T-Mobile were all also unsuccessful.

As the world has transitioned to the internet and technology, the franchise industry has been forced to separate from the traditional methods of harvesting leads. The first attempts of automation, namely web portals, haven’t proven worthwhile, leading some to retreat back to things that have been proven in the past. But, as the failures of these recent campaigns have shown, the traditional methods are not the answer either.

“Brands need to become publishers of content,” one industry executive claimed.

“That is what people feed off of, right? If you

If you are a brand and you don’t have a website or platform that is flexible enough to have that ‘parent-child’ relationship between the franchisor and the franchisee regarding creating and publishing content, it is not going to work.

*First Session
Franchise UnConference*

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are a brand and you don't have a website or platform that is flexible enough to have that 'parent-child' relationship between the franchisor and the franchisee regarding the creation and publishing of content, your efforts aren't going to work. There isn't one channel that lives in a vacuum with this strategy; think about becoming a publisher and think about the technology that you need to do that."

A disputed topic was the concept of franchise conversions. A franchise conversion refers to the situation in which someone with a successful small business is offered the opportunity to convert the independent business into a franchised business by affiliating with a franchise organization.

Some believed that for companies that already have a good presence, but have some holes to fill, can find independence when they convert to a franchise system. Others argued that allowing discounted capitalization and the other facets of a conversion could string out the franchise too much if that unit fails. Before lenders get involved in any type of franchise conversion, they should evaluate the performance of the current company and ask what the franchisor will give them to make it a valuable endeavor.

Coleman's Takeaway

Held in Park City, UT, attendees all stay at the same hotel, with facilitated meetings each morning after breakfast. After the morning session, day activities are scheduled both on the nearby ski mountain and in the surrounding

area. Groups meet on the mountain to ski together, go on guided snowmobile tours, or go explore Park City's unique downtown. After daytime activities, attendees meet for the unofficial afternoon session held at a local watering hole at the bottom of the mountain, and afterwards participate in the organized group dinners.

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*Steve Hearon
CertaPro
First Session
Franchise UnConference*

The UnConference concept is one that should be emulated in the future. When conferences and conventions first began, they had similar events and similar sizes. Now, annual conferences have become mega-sized, with thousands of attendees, and a loss of the personal relationships among the industry has occurred.

"I have learned more in the past two hours than I did in three days at IFA," one Zor said at the conclusion of the first session.

This event harkens back to the original idea of holding a conference: bringing the sharpest minds together to share strategies, fix problems, and seek solutions by discussing personal experience. The residue from the first UnConference permeated the industry in 2010, and this year's promises to go above and beyond.

