

Habit 2: Balancing the Interests of the Franchisor, Franchisee and System as a Whole

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Components Of A Franchise System

- ▶ The License
- ▶ The Fees
- ▶ The Agreement
- ▶ The Relationship
 - ▶ Training, Operations, Communications

Relative Roles

The Role of Franchisor

- ▶ Develop and Evolve the System
- ▶ “Share the Vision” within the System
- ▶ Enforce the System

The Role of Franchisee

- ▶ Provide Capital
- ▶ Provide Unit Management
- ▶ Share Feedback/Communicate
- ▶ Follow the System (Play by the Rules)

Relative Interests

The Relative Interests of the Franchisor and Franchisee

- ▶ The Franchisor's Interest is to Maximize Revenues
- ▶ The Franchisee's Interest is to Maximize Profits
- ▶ Mutual Interest in Being Connected to the Customer

When Disputes Often Arise

- ▶ Franchise Changes
- ▶ Economic Hardships
- ▶ Associations
- ▶ Renegades/Freeriders

Golden Nugget

The successful franchisor establishes a culture of *voluntary compliance* with System Standards (The Rules), but vigorously *enforces compliance* by errant franchisees.

Disciplining *and* Removing Bad Apples

Considerations for Enforcement

- ▶ Creativity/Flexibility
- ▶ Consistency
- ▶ Smart Communications
- ▶ Get a Release, if appropriate