Operations Summit (Session 3) - Case study breakout discussion (30 minutes):

Overview:

- Experienced service Franchisor.
- Industry leader, with a strong track record – 10 years of same store growth.
- Over 2000 units - All franchisee –owned.
- 200+ franchisees.
- All operational support is field-based and dispersed across North America.
- All other support functions (Marketing, Facilities, Development, Administration, Legal, etc.) are located at a centrally-based headquarters.
- Frontline shop/store employees are typically minimum wage employees; minimum wage laws are a big concern. Model is based upon volume and there is upward pressure on pricing.
- Long-tenured Corporate Staff, including Executive level, is aging; recent retirements have exposed lack of bench strength.
- Tenured Franchisees have become accustomed to strong unit profitability and have created lifestyles that are focused on other things , entrusting business operations to hired management
- Increased competition from other Franchisors in the same service industry
- A large portion of the Franchisee base is aging and lacks an exit strategy and/or does not have successors willing and able to takeover business
- The rate of same-store sales growth, while still slightly positive, has been declining the past few years and is approaching flat to negative.

Challenges:

- Because of the long-term relationships between many of the established/tenured franchisee and corporate personnel, franchisees who are new to the system feel isolated.
- Given the Franchisor's successful ten year run, there are many corporate employees and a fair number of Franchisees who have not experienced a period of decline.
- A group of aging Franchisees own approximately 30% of the units and lack solid succession plans. There are no Franchisor-owned stores nor the personnel to run said stores.
- Corporate Executives are aging and bench strength is lacking.
- There is upward pressure on service pricing due to wage increases and various business expenses, such as health care costs. A fair number of Franchisees have chosen to increase prices, sometimes too early, rather than improving the customer experience, attracting more new customers and retaining existing customers. This has contributed to the decline of the growth rate.

Breakout exercise: Discuss and develop plans to combat: Isolated new franchisees, declining sales, the lack of succession planning, and pricing issues.

1. What actions would you take with regard to these challenges?
2. Who would you involve?
3. What tools/resources would you use?
4. Is there anything that start, stop or eliminate?
5. How would you communicate any changes to the system, as well as internally?
6. Table report out