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Part 2: Where Franchising Is Going in 2009

Submitted by [Jerry Wilkerson](#) on Tue, 2008/12/02 - 12:07. [franchising](#)

In the new-fangled economy, successful franchise executives prove that what counts is not what you get for your life's work, but rather what you become by doing it. The enrichment of other lives defines franchising accomplishment. The best franchise executives know their ideas today can turn to dust or weave magic. It all depends on the talent that rubs against them, and their franchisees. People always support what they help to create.

Leadership and management is a commodity in the new franchising world—you've got to have money to invest in these people just like gold, blue chip stocks and rated bonds. The risk is relatively low and the investment return consistently a solid yield. Earnings follow the investment in this case. Franchisors must recognize in this business environment that management leadership is capital formation upon which they can hedge their bets with the best possible candidate the market pool has to offer.

If a franchisor is not making this vital investment today, the company will fail to grow and prosper in our hyper-competitive mercurial marketplace and economy. The captains of today's franchising systems must also have wondrous vision, dauntless drive, searing intellect, a fearless spirit and a profound character, along with a well-honed competitive instinct. It is a requisite that they surround themselves with managers who resonate energy, passion and a resolute will to win under difficult financial times. This creates investing dynamics in a complex, exceptionally protracted and combative human resource arena.

In the coming years franchisors will need access to skilled and experienced franchising talent. The high performance leaders understand how the systems management framework must mature with the brand. Essential capital investment in people builds the corporate future and system infrastructure. This singular endeavor shapes the success of the franchisor more than any other single item in the annual budget.

The business environment in 2009 will change as fast as the tides of the oceans around the world. Therefore, in the new year franchisors will be looking for franchisees from every conceivable source to contract into their system. With a franchise contract, you never really sell anything and you don't close the deal with a check. You simply start the relationship process with that confirmation agreement. Every month franchisors must earn another check—the royalty. It's the franchisor's responsibility to keep the business profitable and persistently build the bottom line with new products and services. This is what franchisees are buying into and what validates the franchise system year after year.

First-rate franchisors will try to surround themselves with strong, driven, ever inquiring franchisees. The second-rate franchisors will surround themselves with mediocre franchisees that will question the system and bend the rules to their needs. The third-rate franchisors will surround themselves with anyone who can pay the franchisee fee and who really doesn't care to remember the rules, work hard, or plan to be in one place for long. These franchisees are the ones who will say that they agree to the contract in principle when they truly mean they haven't the slightest intention of carrying it out in practice. Franchisors that bring these sham investors into the system will fail in the shortest of time with this economy, likely taking the brand down with them if cash flow in the system is poor.

In '09, we all need to listen and, on occasion, put ourselves in the other person's shoes. Do we really understand what someone said, what they want to accomplish? Have we tried to accommodate their requests? Is it possible to do more than expected, yet keep the deal in place while providing for a fair, just and equitable long-term relationship? Let us all work toward that goal.

I learned a maxim from some of the best hagglers in the world on Capitol Hill. We have all met rascals who, in a fifty-fifty proposition, insist on getting the hyphen too. Successful, collaborative negotiations lie in finding out what the other side really wants. Then show them the way to get it while you also get what you want or need to run your company. Work with potential franchisees and adjust your program to fit the shrinking business economy.

As with all binding accords of legal consequences, it is important to remember that the big print giveth and the small print taketh away. Franchisees should read the contract in full—every word—and understand it. Knowledge is what one gets from reading the small print in a contract and experience is what one achieves from not reading it. Franchisors must spend time on this process; take out as much small print, backup rules, can't do's, and make the agreement more transparent. This will help bring on board a new group of investor operators in 2009.

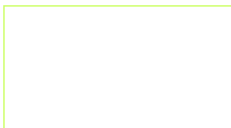
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International franchising will continue to be an exceptional business model for franchisors that can adapt to the global sales and development program, and have enough money to weather the economy. China and India will continue to be strong, although slowing somewhat along with the global economy over the experience in previous years. The Middle East is as well, a tested marketplace for franchising, as is the European market. All will improve with the economy as '09 runs the gamut of 12 months.

Foreign governments in '09 will see franchising as a way to implement change, develop new local business, create social infrastructure, generate jobs, as well as other positive economic changes. Franchising affords enormous upsides in training people and educating vast numbers of owners and managers in the art of operating a successful business. People are willing to work harder because franchising drives hope into their communities seemingly overnight.

Revamping, rehabilitating and reengineering old branded systems will engender customer returns and loyalty. The doom loop cycles are shocking a number of franchisors into reality. Once a company is in the loop, turnaround becomes harder to achieve. We have seen goliath brands with gray beards forced back to their core business as they address poor marketing plans, reevaluate their products and services, rehab tired units, retrain from top to bottom, and stress customer service with every breath. The brands that do not make these changes have windows full of closed signs posted about, seemingly while we sleep.

Veteran operators tell me that they have learned to be circumspect with their customers' on/off again behavior and infatuation with new things. There are two American public mindsets: one that drives short-term fads and the other that shapes long-term behavioral trends. The test for franchising is to spot and separate the non-market drivers from those of real change. Savvy franchisor executives indicate they intend to be more guarded this year.

Franchisors tell us that there is a consciousness of conviction emerging, overriding their business fears for 2009, that exhibits their firm grit to succeed. They are determined to show the way, an attitude that is tough to beat during financial challenge. They state with confidence that the economy will pick up in 2010. People, their buying instincts, huge budget-motivated modifications, will have altered the retail global geography enduringly. Consumer spending will have shrunk, service will be enhanced, products better made, and our society a healthier environment in which to grow and develop new business.

The high level of interest in franchising is from uniquely qualified prospects, looking for investment return in their life journeys. Capitalized individuals with strong management experience, dependable work ethics and discipline, can achieve and thrive within the franchisor's system. These franchisees are higher educated and increasingly diverse in their investing tactics. Consequently, franchised concepts must evolve to meet changing demographics, age, convenience and the driving-to-shop ratios.

Franchising remains a tremendous locomotive for employment and a huge slice of the American pie. The business of franchising is literally the yellow brick road—a global Main Street of business for all to use. Over the years a common thread has wound its way into the business of franchising, weaving the tapestry of global business with a free spirit and successful stride through the constant ebb and flow of enterprise. Predicated on men and women who trusted themselves, successful franchising executives dare to format and take control of their own business futures in these times of fiscal, social and family financial trauma. Franchise management is individuals with conviction and courage to blaze new trails, and confidence to assume the necessary risks up front. They have faith in themselves in 2009, in their methods of doing business, and an uncanny willingness to share their concept with others.

The secret of franchising in 2009 is in the consistency of franchisors to pursue new and improved products and a concerted effort for higher quality personal services. From this stage, their franchisees attain steady and stable bottom-line enhancements. In other words my success is your success, from which many around the world will benefit. In franchising, our actions create a legacy that inspires others to dream, to learn more, to do more, and to be more. One must remember along the course of opportunity that the highest achievements are never solo events. We reach our best mark in life with the help of others and their belief in us.

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Read [Part 1: Where Franchising Is Going in 2009](#)

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