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Where Franchising Is Going in 2009

Submitted by [Jerry Wilkerson](#) on Tue, 2008/12/02 - 13:44. [franchising](#)



Shuttered restaurant franchise, Salt Lake City, Utah. Photo/Blue MauMau.

If someone claims to know what will happen in the business of franchising through 2009, don't believe him or her. It is going to be that kind of a year. A multiple of answers and voices are more fitting, and a great deal has to do with which industry faces disappointment and which flows through successfully. However, do not calculate out the prosperous possibilities that franchising transports to national and global competition for financial success.

Franchising firms will traverse some very defiant marketplaces, while stretching cash flow, paying excessive costs for quality lead generation, and begging for credit to operate while helping franchisees buy into the system. Credit remains a foremost stumbling block in 2009. Most industries under the big tent of franchising suffer from the credit crash, others will not. Retail real estate is cold, with malls across the country foreclosing in 2009, shuttering franchise-leased space with little notice. We will see hotels, shopping hub big box stores, and strip centers go dark, as commercial mortgages fail and lenders walk away, stung by huge financial losses and devaluation of property.

Chains now look exhaustingly to their leadership to rewire the business plans for survival. Outside franchise consultants, retail experts and business industry specialists will be in demand to solve the retail vagueness and economic puzzle. Job losses will race to nearly double-digit scores as the nation and the world heads through a prolonged recession. This recession has already produced penny-conscious buyers putting a needs test to everything they purchase. Overall spending will be down in '09. Perceived mid-level shopping, where retail is king, has the products the shopper is contented to buy. Branded chains will provide reward points to stabilize customers while insuring repeat buyers. Spending habits change by the day with fewer stores available to buyers, who stake out their territory for shopping and drive only in that area. The coveted age group of 20 to 40 now understands the financial insecurity and risks that come with frivolous buying. Careful spending changes retail's approach to this market, and many of the industries within franchising.

Paring of store inventories will produce faster product turnaround sales while catching new wave products, all helping to move through the season quickly. This will help bring shoppers back. It is not your mother or father's kind of marketing. This is niche servicing. Mom and pop will gain plenty of attention from franchisors in the care industries, including home and health, entertainment, education and physical fitness.

For those who have built good branded chains, and are ready to spin them off to a venture capital or private equity firm, think again. What you valued your system at last year, is not what it is worth today. Plan on working longer to build up solid equity value, or sell for less. Franchising has never been a good bet for quick-change leadership. You must know your franchisees, their family members, personal financial position, health, and embrace this package. It is a way of life, not a road to financial welfare for the founder or investor.

Franchising is still in command with a staggering 41 to 43 percent of our nation's total retail sales and service dollars pouring through the system, according to International Franchise Association figures. It's an employment engine on fire and it produces wealth right through economic hard times. You don't need an MBA to succeed. Everyone is in it together to win. Franchising is the profitable wonder machine that plows through all challenges and persistently produces success. It's constantly achieving growth across our nation and around the world year after year.

"For those who have built good branded chains, and are ready to spin them off to a venture capital or private equity firm, think again. What you valued your system at last year, is not what it is worth today."

The modern method of franchising is a powerhouse for investors too. They clamor to buy more branded systems, rework them, build up the value, and sell them to another investor. Franchising is a colossal international movement of broad-based business segments. Franchising is a privilege

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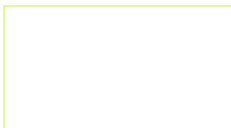
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filled with responsibilities, a series of successful habits predicated upon a few great thoughts implemented by good employees, and driven by visionary leadership.

In franchising, we let others do the pioneering; and then, with franchisees, we do it bigger, more quickly, and efficiently in large numbers. The founder took the time, economic risk, built the business model, while showing the franchisee how to do it, upgrading the system along the way. Franchising is to succeed through the work of others. The franchisor has done all the testing and costly up-front mistakes in the marketplace. Dynamic relations between the franchisor and franchisee exist to promote the growth of the chain. This allows for solid communications, superior customer experience, and street-driven sales knowledge flowing in both directions. Each party shares in the commitment and vision as they march lockstep to establish values, foster brand development, create corporate culture, set marketing directions, and cultivate bottom-line-enhancing worth.

Franchising invites everyone to join. And 2009 will be an especially challenging 12 months, while it crosses all lines of society and embraces almost anyone who is ready, willing, and able to work. In franchising, the success of both the franchisee and the franchisor is truly dependent upon the success of each other. That symbiotic relationship thrives on the willingness to prepare for success. Through constant and consistent training of the franchisee, franchisors strive to improve and to increase the system's value. But each entity must be willing to invest in the other.

Successful franchisees are captivated by the business while investing in their future. They should be infatuated with the force that goes into the thriving development expansion and basic commerce of the brand they buy into for growth. They will possess good work habits, business ethics, people skills and a burning in the belly.

At the same time franchisors in 2009 become so because they have come to wisdom through success and failure alike. Very little wisdom emanates just from success alone. I've found that franchisees buy into the system because they are betting on the quality of the franchisor's failures as much as the quality of the success. Franchisors must eliminate the franchisee's reason for failure. To remove risk, franchisors are obliged to consistently test, refine and add to their products and services that augment the brand value for both parties.

For the last year in this decade, what will make franchising successful in this strapped economy are the franchisors' tested methods of doing business and their unending search for good franchisees to grow the system with new units. They're looking for someone who wishes to borrow as much as the other is willing to lend, and at the same time remain focused on the common progress of that system. Franchising itself is bountiful enough for the non-pioneer and the pioneer to walk next to each other equally.

With this demanding economy, nobody said that franchising was easy or that it didn't take hard work to be successful. The secret that makes the business of franchising thrive so soundly lies in the people who make it run. Essential knowledge for any employer is that there are three ways to get a job accomplished--you do it yourself, you employ someone or you forbid your children to do it!

Without a quality workforce and unwavering management team the franchising system of business could not provide the excellent price points, branded quality, consistent training and elevated efficiency of service for which it's celebrated worldwide. Success in franchising implies optimism, mutual competence and fair play. Franchisors have to hold a high opinion of the worth of their company, what they sell, and feel that the product or service they provide is the best their employees can produce for their business. Franchising makes the world a much better place in which to live and to work, and acknowledges everyone's success throughout a branded system. Franchisors have faith in their organization and their staffs, that they have a profound desire to help others succeed. Clear, definite vision and consciousness allow them to generate the fusion of people working together with franchisees.

In this new global economy, franchisees pay less attention to what franchisors say and more attention to what they do. This brings even more focus on the franchise system workforce. A dynamic franchisor hires quality people whom he or she encourages and enable to become the finest employees they can be. Those destined for success never underestimate the ability of their workforce to exceed their expectations as they labor toward a better tomorrow.

If you are a franchisor planning to succeed in an economy filled with valleys, hills, mountains, rivers, tight credit and techno-driven business plans, the following guideposts will help you navigate this brave new world:

- You must be a risk taker to discover the new opportunities and lose sight of the shore to find the ocean.
- Make the ordinary the extraordinary and look ever forward into a Technicolor marketplace that is changing under your feet.
- Assemble a management team that shares your passion with an unyielding workforce. Time should not be boundaries.
- Be obsessive about commitment to execution. Clearly focus on achieving one goal at a time and know it when you get there.

- Possess an uncompromising, steadfast moral business compass. Work reflects your life along with what you are and who you are.
- Match your business with other businesses that complement and embrace your zeal and values. One and one make three in this economy.
- Be confident enough to help and encourage others along the way. This responsibility may not be fulfilled, but will always be rewarded. Everyone and everything around you is a teacher. Continue teaching your franchisees bottom-line enhancements.
- If you can't explain it to your mother or grandmother, you really shouldn't do it.

You cannot demonstrate leadership by pointing in the direction you want to go and telling people to go there. Leaders go to that place. They show the way. People will follow their leader. We must instill passion in the workplace and let people know it is a mistake to believe they are merely working for the company. Always strive for employees to work with you and not for you, just as franchisees work for themselves, in their units, but not by themselves. For franchising in 2009, it's seeing what other people don't see and pursuing that vision first with good people.

End of Part 1 of a 2 part series. Read [Where Franchising Is Going, Part 2](#)

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Jerry Wilkerson is a former president and executive director of the International Franchise Association in Washington, D.C. and founder of Franchise Recruiters Ltd., an international franchise management executive search corporation with offices in Chicago and Toronto. He recently completed his 31st year in the business of franchising. For more information or clarification, contact Jerry Wilkerson, 708.757.5595 or email franchise@att.net. Visit franchiserecruiters.com.

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Challenges to franchising efforts in 2009

Submitted by [Mr. Blue MauMau](#) on Tue, 2008/12/02 - 12:13.

We are pleased to have Mr. Wilkerson blog with the Blue MauMau community. This article is about building franchise systems and the economic trends that might impact franchisors in 2009.

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