IFA

INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses, one opportunity at a time.
Facilitator:
Jay Duke, BDO

Panel members:
Gail Johnson, Rainbow Station
Don Marks, System Forward
Kate Groom, Profit Soup
Financial Ratios-Metrics for Franchisors
How do successful franchisors identify, establish and monitor key performance indicators?
“Which road should I take?” said Alice

“That depends on where you want go”, replied the cat.

“I don’t know…”

“Then it doesn’t matter which road you choose”
Know your destination

- Build value
- Exit strategies: What do buyers & investors look for?
  - Financial indicators
  - Track record
  - Sustainable competitive advantage
What has your attention?

The significant problems we face today cannot be solved at the level of thinking we were at when we created them.

What can we learn from businesses that have the focus wrong?
What gets measured gets managed. What gets managed gets done... or does it?

Why it matters what you measure (& why financial ratios aren’t everything).
Look inside & outside

- What are the internal metrics that matter?
  - What should be on the monthly management report?
  - What reporting and review processes are helpful?

- Should franchisors look outside their own network for benchmarks? What sort of information is useful?
Lead & lag indicators

Your financial statements show the results of decisions made and actions taken in yesterday’s climate.

...Is today the same as yesterday?

...What about tomorrow?
Lead & lag indicators

• What are the uses of historical financial information, such as financial ratios? What are the problems with these measures?
• What are lead indicators and how are they beneficial?
• How do the current economic challenges affect use of historical data?
• How can we use non-financial metrics?
Indicators - examples

Rainbow Station

- Faculty/staff callouts
- Faculty/staff turnover
- Inquiry/enrollment %
- Enrollment %
- Profit
- Child turnover
- Regulatory compliance
Network revenue

• How are system sales budgets set?
• What revenue metrics are important?
  • System averages
  • Individual results
  • Same store sales
• What are lead indicators of sales and how are they obtained?
• What to share with franchisees? Why?
Franchise development

• How has the current economic climate affected franchise development metrics?
• What metrics to monitor?
  • Lead generation
  • Sales effectiveness
  • Operational success
  • Franchisee satisfaction
Franchisee profit

- Why measure it.
- What to measure.
- How to get the data.
- How to report on and use the information.
Franchise operations

“Efficiency is doing things right. Effectiveness is doing the right things.”
– Peter Drucker

How can we measure the effectiveness of franchise operations and training departments?
WARNING!
Just because you can, doesn’t mean you should!

How much do you really need?
Is information getting in the way of action?
Don Marks’ Tips

• Know where you are going and what you want to achieve.
• Set measurements to guide you to your goals and measure your progress.
• Measure franchisor and franchisee financial and non-financial metrics at a scheduled period.
• Analyze and discuss franchisor and franchisee metrics at scheduled dates.
Don Marks’ Tips

• What are your sustainable, strategic, competitive, advantages?

• What are your competitors - current and potential - doing, or able to do? What effect will this have on you and your franchisees?

• What effect will the market place, economy, government and technology have on your business, and how can you best use same?
Kate Groom’s Tips

• Know and communicate what’s important and why.
• Be interested.
• Review and learn from the past.
• Identify actions that drive results.
• Ask “How can we improve?”
• If the numbers are boring you’ve got the wrong numbers.
• Take action to create the future.
Gail Johnson’s Tips

• Are your key metrics tied to your strategic plan?
• Do you consider leading & lagging indicators – financial and non financial?
• Is your key metric data easily obtainable and reported clearly for streamlined, system-wide analysis?
• Does everyone on your team understand the rationale for each measurement?
• Does everyone own his/her part in achieving your metrics & the company’s success?
Take it home…

• What are your goals?
• What do you measure?
• What patterns do you see?
• How could you focus on lead indicators & activities that drive superior performance?
• How could you change and improve what you do?

Your thoughts
Thank you!