



FREE GUIDE

Franchising – “Wait Till You Get Your Money Right”

Four fundamentals that every franchisor should follow

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The street appeal of becoming a franchisor is highly tempting, as the successful franchisors you notice appear to have their entrances paved with gold — but as Kanye sang, “to who much is given, much is tested.”

Becoming a franchisor is fraught with risk along the path to lucrative rewards. Whether you’re a new or seasoned franchisor, there are a series of fundamentals you should be aware of if you want to achieve success.

You can’t be a professional hockey player if you can’t skate, you can’t be an Academy Award-winning actor if you can’t act (Cuba Gooding Jr. notwithstanding), and you can’t be a successful franchisor if you can’t profitably operate your own concept.

The top priority — and arguably only priority — of any franchisor, regardless of the type of business you're in, should be franchisee profitability. This seems like common sense, but it's not always common practice. By waking up every morning focused on your franchisees' profitability, and by implementing best practices to ensure franchisee success, you will secure the profitability and longevity of your own brand and business. At the end of the day, without franchisee success, your inevitable short time spent as a franchisor will be a painful and exhausting experience.

Once you have the business model confirmed and working, then the following fundamentals, proven by my 25-plus years of experience in the industry, will help equip you with the tools you need to achieve sustained franchisee profitability — and have fun doing it.

Know who you are (and how you can get better)

Before you jump head-first into the franchise world, it's important you understand who you are as a brand, and the business model you are selling to franchisees.

A common mistake many brands make is trying to be too many things to too many people — it doesn't make sense if a steakhouse tries marketing itself to a vegan, for example. First, know and understand the needs and wants of your target market. Second, establish a value proposition and brand messaging that appeals to your desired guests and creates a feeling that transcends retail locations, while building an emotional connection beyond your four walls. Third, be memorable by understanding exactly what your guest promise is, while striving to deliver and exceed it.

In 2011, MR MIKES® made the transition from steakhouse and bar to SteakhouseCasual — a reflection of what our guests were looking for when it came to dining out and having a good time. We wanted our new brand vision to evoke an irreverent, fun, and laid-back environment, while still serving long-standing menu favourites. We also work hard to create memorable experiences by bringing continual improvement and innovation to the guest.

Be ready to swipe right

It's imperative that your energy and focus as a franchisor is placed up-front on the selection of your franchisees and real estate. Assuming your brand and concept has consumer appeal and generates buzz on the street, you can expect a plethora of inquiries from prospective franchisees and real estate brokers. This is exciting, and it will seem like your vision and hard work are paying off. However, just like you don't usually hire the first employee who fills out an application, the same stringent criteria should be applied to franchisees and real estate.

Real estate is at the core of everything we do, and location is a huge driver of your retail success. While location helps bring customers in the door, it's customer touchpoints — like the look and feel of the restaurant — that bring them back. When opening a new location, it's crucial you support your franchisee from the beginning, from site selection to understanding the demographics of the trade area to negotiating the terms of the lease and advising them on the importance of third-party legal advice.

Of course, real estate is useless without a strong prototype — the physical reality of the vision of your brand. If you're similar to most entrepreneurs, your vision is an expensive proposition that has little chance of helping your franchisees be profitable.

There's a rule of thumb in the franchise world that the cost to build a retail location to the sales you bring in the door should be at an absolute minimum ratio of 1:1 to break even. Here's a simple way to determine what you have to spend: find out the average sales per year for your category, divide by two, and then use that amount as the benchmark for the amount of capital you should be spending on your prototype. This discipline will help mitigate unexpected events, economic cycles, and cost pressures. It's also true that you're going to find that benchmark low, and you're going to struggle to build your concept for that amount of money — but if you follow this advice, you'll be better prepared for the challenges that lie ahead.

The prototype is a key factor to your success, but your brand should always be looking for avenues of improvement. Over the years, MR MIKES® SteakhouseCasual has redefined our restaurant model to stay relevant with our target market. Every three to five years, we re-evaluate guest touchpoints — everything besides the roof and the four walls — to ensure our restaurants align with what consumers are expecting from our brand promise. MR MIKES® recently re-energized the UrbanLodge, a lounge that encourages people to engage with those around them and celebrates the excitement of being at a party with your friends.

It's all about relationships

Like any relationship, the one shared between a franchisor and a franchisee will have its ups and downs. Whether this relationship can survive and flourish during a challenging time is a testament to its strength, shared values, and trust. Just as your franchisee looks to you for advice and guidance, it's equally important for you to seek out their perspective.

When RAMMP, the parent company behind MR MIKES®, first purchased this restaurant brand, it was an established 50-year-old business with many long-standing franchisees. We knew it would be incredibly important to collaborate and learn about the brand from our franchisees to help during a time of transition, and to formulate the secret sauce going forward. As franchisees deal with guests and staff every day, they understand the guest experience better than anyone else. MR MIKES®' SteakhouseCasual concept was born out of a trifecta of our vision, franchisee passion, and guest feedback.

Franchisees are one of your biggest assets— they are entrepreneurial, self-motivated, driven by success, and share your values. They possess a wealth of knowledge, so working with them in a collaborative way will help ensure long-term success for your company.

Passion

The final principle to keep in mind is to love what you do, and let it show. You're leading by example every day, so passion for your work will show when you're interacting with staff, franchisees, and guests. The franchise business is always evolving and improving, so be flexible, be creative, and don't hesitate to collaborate with your team. It may be cliché, but the corporate culture at MR MIKES® follows a “work hard, play hard” mentality, and this can be seen in our corporate headquarters and at our locations across Canada.

Lastly, I encourage franchisors to avoid growing too quickly too fast. It's better to have a small number of solid, successful franchises than a large number of problem sites with struggling franchisees. Remember, some of the best deals are the ones you don't do.

ABOUT THE AUTHOR

Robin Chakrabarti, President and Partner of RAMMP Hospitality Brands Inc., the parent company of MR MIKES® SteakhouseCasual, has 25 years of hands-on operational experience in consumer packaged goods, food service, and distribution both in North America and Europe.

MR MIKES® SteakhouseCasual is a proud Canadian company. Established in 1960, the MR MIKES® brand is known for its irreverent and comfortable, unpretentious steakhouse experience that resonates with Canadians for great food, affordable indulgences and unique style. MR MIKES® has operations in 32 locations across Western Canada, with 30 more to open over the next few years.

For more information about MR MIKES® visit: www.mrmikes.ca.

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