



## **The Business End of the Franchise Business Opportunity: Communication**

By Jeff Johnson

Ask anyone who is in the earliest stage of the “I want to buy a franchise” process why they want to take this particular plunge, and you will likely hear how much they want to be their own boss, how “new” and/or “cool” the product or service provided will be, or how the franchise company they are considering has been listed as “top” or “fastest-growing” in a recent high-profile publication. All of this is well and good, of course, but as someone who has been in franchising for 40 years, my question is always “how good is the *business* opportunity?”

When considering a franchise as a business opportunity, we recommend that you follow the due diligence guidelines suggested by (<https://www.sba.gov/business-guide/plan-your-business/buy-existing-business-or-franchise>). Before signing on the proverbial dotted line, you need to do your homework with respect to the FDD/Franchise Agreement and Business Plan; both with the review and advice of legal and accounting advisors who truly understand franchising.

Above and beyond the numbers, the legalese, and your boundless optimism, however, several crucial ingredients can make the difference between being thrilled with your franchise investment and being miserable. One of these key elements is communication.

According to leadership guru Anthony Robbins, “To effectively communicate, we must realize that we are all different in the way we perceive the world and use this understanding as a guide to our communication with others.” Without a doubt, the world of franchising is perceived quite differently on the two sides of equation: franchisors and franchisees.

DLA Piper Rudnick Gray Cary US Partner Erik B. Wulff, author of the International Franchise Association publication, *Advisory Councils: Effective Two-Way Communications for Franchise Systems*, wrote: “Aside from doing all the right things as a franchisor (i.e., new product development, effective marketing, field support, etc.), a franchisor needs to continue to communicate with franchisees on an individual level.”

At the Franchise Research Institute®, we have found that the franchise companies who “get it right” in the area of communication have franchisees which are satisfied on a number of levels. In our 2023 World-Class Franchise® Compilation Report, **96%** of the franchisees surveyed gave high marks to the overall communication between home office personnel and franchisees. Open communication should not only come from senior management but also from all parts of the franchisor team. It’s common for franchisees to feel more connected with their home office when genuine relationships are created and nurtured, creating a winning combination to excel and succeed in every aspect of business. Says Jeff Johnson CEO of the Franchise Research Institute®. “Franchisees need to feel that they can directly interact with senior decision makers”.

Effective communication is not only an important part of the franchisor/franchisee relationship, but also essential within the community of franchisees, as well. Like it or not, sometimes a good, old-fashioned sports metaphor is the best way to make a point. While searching for the best way to describe the importance of helpfulness and communication between fellow franchisees, I am inevitably drawn to a football team comparison.

As with a football team (or any sports team, for that matter), actual ownership of the franchise brand lies with the franchisor, not the franchisee. Yet, the brand lives and breathes through the team members. A place on the team must be earned, and a continued position is kept secure through hard work and diligent following of the playbook. And, like a championship team, a truly outstanding franchise has team members who are mutually supportive and committed to the common good.

During my tenure in franchising (as a multi-unit franchisee, area developer, and researcher), I have seen this valuable aspect of franchise success made evident time and time again. Franchise systems which enjoy a strong bond between franchisees are strengthened by it daily, but it is especially visible at

gatherings like annual conventions. These franchisees are not only part of a sum greater than its parts; they *like* each other. This is extrapolated into an atmosphere of cooperation and innovation, which is indeed a winning formula. Realistically, every business of every type will eventually encounter some sort of problems and/or conflicts. Within the context of franchising, a key issue is how these challenges are faced and resolved. As a matter of franchisee satisfaction, the franchisor's process and time frame for doing so is of great importance and can be a sign of superior franchisor support (or lack thereof). When asked whether their franchisor responds in a timely way to their questions and minor problems, **88%** of Compilation Report respondents answered with "Strongly Agree" or "Agree." In the world of franchising there are many, many stories of dissatisfaction, disputes, and litigation between 'zors and 'zees. When franchisors take swift action to appropriately address the queries and concerns of their franchisee partners, the relationship is protected and strengthened.

Franchising expert Greg Nathan writes in *Profitable Partnerships*, "Good communication is important for success in all areas of life and particularly in the close interdependent franchise relationship." High-quality communication is not listed as a line item in the FDD or the Franchise Agreement, but based on my experience and our research it is an essential ingredient for franchisee satisfaction and success".

***About the Franchise Research Institute®:***

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