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Why Your Franchisees Hate You.

By David Chapman

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We interact daily with a deep roster of franchise-based brands with over 20,000 cumulative franchisees in the U.S. and worldwide. As you can imagine, this puts our agency right in the middle of the inevitable tension that exists and often escalates between the two parties as the brand expands its geographical footprint with more and more franchisees coming on board. Consequently, we often find ourselves in the position of being phone psychologists, listening to franchisors speak about their growing frustrations managing the franchisee network.

Here's the good news: You've built a business with successful franchisees, and you feel like you're on your way to creating a juggernaut brand. People are making the decision to invest in your franchise so they can generate their own wealth and help you grow your national footprint. People love you.

But they hate you, too.

Your family and friends still like you. But your franchisees? Sorry, but they hate you. Even that enthusiastic franchisee you met at the last annual franchise meeting — you know, the one who gave you the high five and a fist bump? Yeah, he hates you, too.

Some of this is par for the course. You hear a lot about franchisors and franchisees not getting along, and a certain amount of friction is inevitable. Fortunately, you can turn things around. But to do that, you need to know why your franchisees hate you, and unfortunately, there are a lot of reasons why they may think you're the worst.

Here are six situational examples and how to overcome them:

1. Your evaluation process leads to underachieving candidates.

Like a bad marriage, getting into a relationship with someone who is doomed to be an underachieving malcontent leads to an expensive, toxic and painful exit strategy down the road.

Invest the time to develop a screening process that identifies prospective candidates most likely to succeed and less prone to being a pain in the neck.

An effective strategy involves testing your current franchisees, and particularly your high performers to set the benchmark to measure franchisee candidates moving forward.

The Predictive Index Behavioral Assessment and the MBTI personality assessment are incredibly helpful for understanding people. As I learned a long time ago, success and happiness in business come down to an amazing team filled with A-players doing what they do best every day. Both of these tools help make that possible.

This exercise will help you better understand your franchisees and equip you with the knowledge to motivate them. Additionally, the test results of your high performers can be used as a benchmark when evaluating prospects.

Golden Corral, one of our clients, uses a proprietary process based on the skill sets, personality types and other data points associated with their most successful franchisees.

2. Your franchisees feel misled.

Perhaps some of your franchisees aren't reaping the rewards they thought they would within a given time. Even if it's not your fault, the outcome is still miserable. Your franchisee hates you. And they will not be available when the time comes for them to validate the brand with future candidates. Encourage them to develop an operating plan based on a lower earnings projection and longer ramp-up time to profitability than they're planning. Make it part of your culture to be fully transparent — even if the latest FDD isn't spotless.

3. Your franchisees feel their territories aren't well-defined.

You need to set clear guidelines on how territories will be awarded and have a credible educational resource, such as the International Franchise Association (of which we are members), that substantiates that system growth is great for everyone, not a cannibalization of established territories.

As a franchise marketing partner, we know location density translates into more efficient marketing efforts, and that multiple locations in an area typically generate higher revenues than isolated ones.

Think about it: Can a single burger restaurant franchisee compete with a brand with a dozen local franchisees pooling and spending their marketing dollars in the same market? McDonald's created co-op marketing budgets decades ago for this very reason.

4. Your franchisees feel the corporate team is lacking.

Some franchisors are known for understaffing their corporate offices, or the founder puts family members in positions of power. Bad hiring decisions can lead to lackluster marketing results, lower system revenues or disruptive operational decisions. Eventually, your franchisees will question your capabilities to help them make money, and they will go outside the system in search of solutions.

Form a Franchise Advisory Council and loop council members in on decision-making so they can communicate with franchisees in the network. Keep corporate well-staffed with well-qualified individuals. Your franchisees will understand that your employees are capable and belong there if you promote their background, credentials and successes in your company newsletter. Remember, you can't just market your business to your customers. You also have to communicate with, or market to, your franchisees. Speaking of which...

5. You aren't doing enough to promote the brand.

Your franchisees should be contributing to an advertising fund that benefits the entire franchise. That's smart business, and your franchisees know it. While they may occasionally question it, they understand the rationale behind the advertising fee, or at least it wasn't high enough to dissuade them from joining your team.

But you'll have a big problem on your hands if they don't trust you to make smart, informed decisions or perceive that you aren't being transparent with the spend.

Create a set of base advertising, social media videos and promotional materials that all franchisees can easily customize and use in their local marketing efforts. Let your franchisees know where their advertising dollars are going and what results you're generating. Like so many things in business, good, frequent communication is key.

6. Your franchise model isn't clearly defined.

People bought into your franchise because they believed you found the magic formula for bringing in and keeping happy customers. Your operating manual is a cookbook, and recipes don't turn out well when steps are left out or measurements aren't right. The fast-growing retail coffee brand Scooter's, a client of ours, does a great job mapping out every possible scenario and step-by-step instructions for running a successful location — from how to make each coffee combination to opening and closing the store each night.

If you're fully transparent with your franchisees and listen to them, you won't be hated. In fact, you may even get a card wishing you well during the holidays. But if it comes with a fruitcake, you'll know that you still have work to do.

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