

## FRANCHISING DONE RIGHT

### AS THE FRANCHISE MARKET EMERGES, COMMON MISTAKES MUST BE AVOIDED

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Croatia is slowly embracing franchise concepts throughout the different service industries. Foreign brands are entering the market and this trend is growing as new commercial centres open around the country. This development is a great opportunity for both entrepreneurs and existing domestic companies.

HMS-International is a consulting firm specialising in hotels and restaurants. We see many things happen correctly and incorrectly in this industry, and there are specific mistakes franchisees often make in this market. This article outlines the most common mistakes to avoid when beginning a hospitality franchise, but many of these can be extrapolated to any kind of franchised service company.

#### MISTAKES TO AVOID:

- ✓ WEAK IMAGE DEFINITION
- ✓ BAD LOCATION
- ✓ WRONG SIZE
- ✓ INCONSISTENT OFFERING
- ✓ NO PROCESS DEFINITION
- ✓ LACK OF SUPPORT
- ✓ WEAK CONTROL AND IMPROVEMENT
- ✓ INCONSISTENT SERVICE

The above mistakes are not in order of importance, since factors vary from one case to another. But, what do these mistakes really mean?

**Image definition:** Franchising is much more than just allocating the same logo on each new restaurant / bar / hotel of the chain. A common personality must be transmitted throughout each business unit of the chain in order to provide a consistent identity. To do so, it is important that all key players (architect, menu designer, decorator, etc.) work together as a team when developing a concept.

**Location:** Croatia's varying population density must be considered when deciding where to allocate a franchise business. Location can play a major role in any franchise's Return on Investment (ROI). All franchisors must have clear goals on when

every new open business is to recover the initial investment. It is important for the franchise to be located where there is a minimum population during the entire year since the summer season may not be enough to sustain the business.

**Size:** As a general rule, the smaller the population in a certain town, the smaller the business unit should be made. Nevertheless, this adds an additional problem. Concepts are fine tuned to perfection when there is a possibility to have more of the same. This means, similar sized restaurants / bars / hotels provide a better understanding on process optimization. If sizes vary, processes must be carefully studied (as if they were almost new). In these situations, part of the know-how cannot be replicated.



Photo: Republic Coffee House (Croatian concept with 2 units – ready to start franchising)

**Offering:** The key here is consistency. One of the hardest aspects when dealing with franchising is to convince franchisees that the offer has to be alike within the system. Of course there is room for some customization, but without abandoning the core offer of the franchise. Any customization must be agreed and monitored by the franchisor.

**Process definition:** The forgotten one! All of us have experienced service that ranges from excellent one day to terrible the next, all in the same location. What is the solution? To

develop a quality management system that creates the chains' own style, training, control and continuous improvement. While this may seem like an obvious concept, business owners very often forget how critical this matter is for the chain's success.

**Support:** Permanent support from the franchisor should be provided in order for the brand to succeed in the long term. To do so, an appropriate entry and management fees are to be charged if a qualitative service is to be provided to the franchisee. When planning to take a franchise, avoid those brands that charge very little, because little or no support is to be provided. Merely having a logo does not build a brand in the long term.

**Control and improvement:** It is advisable to start franchising when the company owns at least a few units. This provides greater experience of the concept to the franchisor, and therefore a higher security level to the franchisee.

**Service:** Any successful business should plan to exceed guests' expectations with a unique style. To do so in one business location may be doable, but it requires a great deal of effort, coordination, process definition, training, control and feedback to achieve a system-wide high service level.



Photo: Cantina Mariachi (Spanish franchise with 140 units in Europe – searching for franchisees in Croatia)

To sum up, a winning franchise is a combination of key factors. Understanding these in advance will save time, money and ultimately determine success.

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