

Fast starting businesses- franchising their way to success

The 2010 *BRW* Fast Starters are the outperformers. This is a list of those who are faster growing and have higher turnover and more confidence about their success than ever before.

This year several of the 2010 fast starters are businesses that have grown through franchising and have developed through cornering a niche in the market.

Based on this list of fast starters it appears that not only did the established franchise networks outperform the economy during the global financial crisis, start ups and smaller businesses have also turned to franchising to achieve turbo charged results in the past couple of years.

Mad Mex (www.madmex.com.au) is one such business. Ranked number 52 on the *BRW* fast starter list it is one of four fast starting Mexican food and hospitality businesses. Mad Mex Director Clovis Young describes the rising interest in Mexican cuisine as the “Coming of age and the coming to life of Mexican food”.

Marketed as a better alternative to fast food, Mad Mex provides quick and healthy food made fresh as you order. Young explains that the original idea behind the business was to challenge the stereotypes of Mexican food in Australia while creating a well respected and loved Mexican food brand.

Mad Mex opened its first store at Darlinghurst in November 2007 and with the right business model it has grown to include six stores in Sydney, one in Melbourne and has plans to expand to over 40 stores by 2016.

With a fixed business model, Mad Mex credits its success to doing a few things very well and offering a consistent product across the network. That ethos is shared by Sarah Allen of Appliance Tagging Services (www.appliancetaggingservices.com.au), ranked at number 69 on the list, “To be successful, you need to identify a niche, service it well and not be tempted to stray from it. Sales have led our business from day one. We’ve managed to identify our niche and are now actively pushing it in the marketplace.” said Allen, Business Development Manager.

Franchising can help businesses achieve strong growth with minimal requirement for capital. That makes it an attractive choice for smaller businesses and start ups. Those businesses don’t have the capital to roll out a national expansion under their own steam and do not have the asset backing to obtain the necessary bank funding either.

Franchising does require a minimum package of documents and business planning to establish the franchise system, but the cost of establishing this infrastructure is minimal when compared to the capital required with other methods of achieving growth.

However, according to Warren Scott, Partner with Mills Oakley Lawyers, “while the choice to grow via franchising requires less capital it does require the adoption of a particular mindset. Organisations considering franchising need to be prepared to engage with their franchisees as virtual equity partners. This requires two separate activities. First,

respecting the investment made by franchisees and second, protecting yourself from the relatively high risks of disputation that comes with having many stakeholders in your business”.

The reasons for choosing a franchising strategy to achieve growth are many and varied.

Appliance Tagging Services was started in 2002, but did not become a franchise until 2006 when demand from clients increased. “We realised that we had so many client requests that the business was overpromising and under delivering”, explains Allen.

A new business model was developed as a result and Appliance Tagging Services has grown to include 27 franchises Australia-wide. “The first ten franchises were the hardest to develop. We had to find the right people, people that wanted to be a part of a family and help grow and mould the business”.

Demand for business eventually became so large that Appliance Tagging Services now works nationally with a uniform reporting system and a large network that can service clients across Australia. This has helped to attract and keep many national clients, and with new Occupational Health and Safety laws to be passed in 2012 business is only expected to grow.

At the moment it is not mandatory to have testing and tagging of appliances undertaken in the workplace- but it is seen to be best practice. That could all change with the introduction of a new Occupational Health and Safety Act in 2012.

Allen says the success of Appliance Tagging Services relies on its unique business model and the strong support given to each franchisee. “Our main point of difference is the level of support we provide to our franchisees. We supplement the franchisees business development by actively going out and winning work, pass the clients on to our franchisees and then complete a substantial amount of the administrative work for them - that way they can focus on servicing the clients and their own business development” said Allen.

Allen’s comments help to put franchising in context. It is not a business or an industry in its own right. The underlying business is the key to success, franchising having its place as one of the tactics to grow that business.

Aussie Farmers Direct (www.aussiefarmers.com.au), is an example of this. Ranked at number three on the *BRW* fast starters list in 2009 and moving up to number two in 2010 it’s business is the delivery of 100 per cent Australian produce direct to the doors of 75 000+ households across five states- Vic, NSW, Qld, WA and the ACT. Aussie Farmers Direct has re-invented the old fashioned service of the local ‘Milkman’.

Last financial year Aussie Farmers Direct started over 60 new franchises Australia wide. According to Chief Executive Officer, Braeden Lord, there are three main reasons people are attracted to the franchise “It’s all Australian, provides a business opportunity and allows franchisees to support a cause and finally it allows the business to give back to the Australian community”.

A fundamentally profitable business model is behind the business as well as a strong track record with the right people. Historically the business built an impressive sales team that is now able to deliver customers and marketing support into the franchise network.

“The most important thing is what we are selling actually has traction. If it didn’t we wouldn’t be attracting such good people. It’s all amazingly exciting and we are leaving a great footprint in the industry” said Lord, previous CEO of Bakers Delight.

Lord says that one of the key lessons he learned during the growth of the Bakers Delight network was the need to be “open and informative” with potential franchisees about the business opportunity. He invests in a strong head office team that are able to ensure potential franchisees who enquire about the business are fully informed about the opportunity. Allen from Appliance Tagging Services not only supports the view that investment in a strong and capable head office is key, they have turned holistic support into their unique selling point.

Businesses should consider all of the options for growth - franchising being only one of a number of options. Many business models are not well suited to franchising, but others see quick and strong results through the speed to market and localised energy and drive that franchisees can provide by the investment of their own funds into your business model.

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