

## **Straight from the CEO: Making Your Franchise a Winner - 7 Keys**

### **SuperiorOps spoke with Michael Lister, former CEO of Jackson Hewitt**

SuperiorOps Consulting spoke with Michael Lister, the former CEO of Jackson Hewitt, about the 7 keys to running a successful franchised business.

#### **1. State the Obvious!**

First and foremost, state the obvious! What are your business goals? How do they intersect with your life goals? For example, let's say you're a Cheeseburger, Inc. franchise. Do you want to sell 1,000 cheeseburgers a month or 10,000 a month? 1,000 cheeseburgers will allow you free time for your family and a relaxed lifestyle but not much opportunity for expansion. 10,000 cheeseburgers will allow you to open a 2<sup>nd</sup> and 3<sup>rd</sup> location next year but you might not be able to see all the kids' activities. Be clear about your goals!

#### **2. Setting Milestones: The Foundation**

Let's follow our Cheeseburger, Inc. example to this section:

OK, now you've defined what you want to sell: 1,000 cheeseburgers per month. What's your plan to get there?  $1,000/30 = 33$  per day each day for the month. Demand for burgers, however, only averages 15 per day across the year. That won't get you close to your goal.

BUT demand for cheeseburgers is 5x on weekend days. AND demand for cheeseburgers is 10x on holiday weekends. AND there is little demand for cheeseburgers in January. FINALLY demand for cheeseburgers triples in June and July. So your PEAK periods are:

- Weekends
- Holidays
- June & July

For example, take July 4<sup>th</sup> weekend – that is TRIPLE PEAK – a Holiday Weekend in July!  $15$  [Regular demand] x  $5$  [weekend demand] x  $10$  [Holiday demand] x  $3$  [June & July demand] = 2,250 potential cheeseburgers per day. That's more than TWICE your monthly goal in *ONE DAY*. But how can you take advantage? Treat it like a regular day, you'll sell a few more cheeseburgers but nowhere near 2,250...



You need a foundation to take advantage of this huge weekend: **Milestones!**

What milestones do we need to prep for July 4<sup>th</sup> weekend?

- i. Monday: Hire 5 more associates for the weekend
- ii. Tuesday: Make a special, and huge, burger, bun, and cheese order to be delivered Thursday night
- iii. Wednesday: Distribute coupons to draw customers away from competitors
- iv. Thursday: Rent additional grills and refrigerators to serve customers outside, ensure your special food order has been delivered
- v. Friday: Clear out some tables for additional line capacity and standing customers

Following your predefined milestones will give you the best chance to take advantage of your TRIPLE PEAK weekend – the best weekend of the year to sell cheeseburgers! Research the market, talk to customers, and use past years’ trends to define your milestones – sales will soar! And milestones are not all about peak periods; say week day February sales last year were particularly bad – what milestones can you define to reverse that this year?

### 3. **Inspect What You Expect**

Now, it’s Monday, July 6<sup>th</sup> – you just had a banner weekend, there was a huge line the whole time, your outdoor grill worked great, the coupons worked, and you stuffed everyone with cheeseburgers! Hard part’s over, right...



Wrong! Now you need to Inspect What You Expected! How many burgers did you actually sell? How did it compare to your estimate before the weekend? You saw a lot of people with coupons, but how many actually got used? How did the offer affect your profitability? What are your observations for next year’s 4<sup>th</sup> weekend? If you did not get all the sales expected, what do you need to do to take advantage of the rest of the peak month? Do you need another coupon or a promotional partnership with another business to make your July sales goal?

Always be inspecting what you just did compared to what you expected – learn from mistakes – and revise and reinvigorate your strategy going forward!

### 4. **Embrace All the Franchise has to Offer**

You are shooting yourself in the foot if you’re losing sight of anything the Franchise is offering. Franchisors spend millions of dollars on marketing that support specific products – if these products aren’t on your menu or in your store, you are wasting the resources you’re paying the Franchisor for. If potential customers have seen TV ads about a new bacon cheeseburger offered by Cheeseburger, Inc., but it’s not on your menu, you’re losing sales that those ads drive.

## 5. *Manage Your Expenses*

This one seems obvious, but lots of franchises lose sight of a few very important aspects of managing expenses. Your 4 big cost buckets are: occupancy, payroll, supplies and marketing.

First, occupancy. It's ok to start out in a non-A shopping center! Sign a 1-2 year lease in a B shopping center to develop and build your business; you can always trade-up. A prime spot means prime rent – a prime spot with a 5 year lease means you won't be able to move if business turns out to be slower or you hit a surprise – that prime rent will be a huge burden. And seek concessions from landlords – they're business people also who will negotiate.

Second, payroll. Remember those 5 extra employees you hired for July 4<sup>th</sup>? What will happen to your profitability if you don't let them go or reduce hours? You'll have employees hanging around doing nothing (except taking money out of your pocket). Be clear when you hire/increase hours that it is temporary and your employees will understand when you scale back.

Third, supplies. Get everything you need – and the franchise supports, but not TOO much. Don't sit on inventory if possible – the cash that is invested in non-selling inventory could be used to be making profits with other products. Be conscientious – get the supplies you need when you need them.

Finally, marketing. Make sure your campaigns are working! Before you circulate a July 4<sup>th</sup> cheeseburger coupon, have a plan on how you are going to evaluate its effectiveness! On top of all your other campaigns, guerrilla market. The salesmen who call you constantly are all potential clients. Say, "I'll think about your product, but why don't you come down to Cheeseburger, Inc. for a meal with the kids this weekend." Walk around your shopping area and town and make sure other businesses know you're open. Is there a flower shop next door and a barber down the road? Offer to partner with them on deals, to refer customers, and to display their business cards. Ask if you can display yours in their shops. Always have business cards on you and distribute them! Those parents at your kid's birthday party definitely need another burger spot!

## 6. *Minimize Surprises*

Surprises are surprises because you can't anticipate them. But you can minimize them – be aware of you regulatory environment and any legal/business risks of your franchise. Make sure you have your tax returns in on time and hire all the professionals you need (accountant, lawyer, etc.).

### 4 Main Expense Buckets



## 7. **DETAILS, DETAILS, DETAILS**

SWEAT THE DETAILS! You're the one who's ultimately responsible for everything!! Pay attention to all the little stuff – does your location have good access to the road? Can motorists see your signage? Is there enough parking in your lot? Walk through the front door every morning – is your franchise a mess? People WILL walk in, see a mess, and turn right around. That's a sale lost right there because of DETAILS.

Who is answering your phone? Are they courteous or off-putting to potential customers? Is your phone always ringing? How many potential customers are getting busy signals – how many potential sales are getting lost because you don't have an extra phone line? Installing another 1 or 2 phone lines could (a pretty tiny detail) could lead to a drastic increase in sales.

Whether you're thinking of opening a franchise or looking to improve the one you're operating, it's vital that these 7 keys are part of your plan.

### **How SuperiorOps Can Help: Active Listening**

SuperiorOps can help your franchise by Actively Listening. We do not believe in business prescriptions – there is no “one-size-fits-all” solution for every franchise and business problem type. We recognize that each franchise presents unique challenges in unique markets with unique business factors.

Active Listening is defined by listening to you attentively and asking plenty of questions to clarify and understand your business problem(s). It includes reviewing our interpretation of the issues to ensure that they sync with your concerns.

From there, we will collaborate with you as well as bring our expertise to address your needs. Our consultants have experience facing multitudes of business problems, deep functional expertise (for example: finance, project management, operations), and a reputation for success. We will put together a plan, execute on that plan, and ensure you are equipped to succeed in the future.

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## *Straight from the CEO Biography: Michael D. Lister*



*Mike is an accomplished leader with successful experience in building divisions in a large cap company as well as taking over and completely re-building a small cap company.*

*As a senior executive with H&R Block, Mike directed eastern franchise and company owned operations, implemented new brand and new products and services to grow the tax preparation business.*

*Mike went on to become the Chairman & CEO of Jackson Hewitt Tax Service through a successful IPO and led the brand to record performance and standing throughout the US. His dynamic approach to develop leaders, define results oriented strategies around well-defined customer demands, and incorporating discipline in performance standards – generated success for franchisees, employees, and investors alike.*

*This award winning entrepreneur continues to consult for investors in the financial services sector and private equity companies, and is working on the next great growth opportunity.*

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## *About SuperiorOps Consulting*

*SuperiorOps Consulting was founded in 2015 – our firm seeks to provide small and medium businesses with tools and advice to maximize growth and profitability. Our consultants have worked at top tier firms including Goldman Sachs, Merrill Lynch, Bank of America, Plante Moran, AlixPartners, and Bed Bath & Beyond. They also have start-up and international business experience. Our consultants have extensive experience in finance, accounting, operations, and sales.*

*We'd be excited to hear from you!*

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