

MAXIMIZING FRANCHISEE SURVEYS:

A KEY TO ENGAGED AND PROFITABLE FRANCHISES

What successful franchises have in common are highly engaged franchisees who participate with passion in the franchise. They are so deeply connected to the franchise that they view themselves as partners, actively taking ownership for the success of the franchise. They support and inspire other franchisees, freely contribute suggestions for improvement and generally ensure that the highest franchise branding standards are adhered to - including memorable and talk-worthy customer experiences. Finally, they consistently deliver financial results which contribute to the franchise's overall profitability.

A key to franchisees being engaged is to make them feel valued, listened to and part of the organization. Surveys can help. Franchisee surveys, with clearly defined goals and a follow-up plan, offer franchisors opportunities to create ongoing engagement, gain actionable insights and improve operations.

This white paper will outline best practices for maximizing franchisee surveys so you, too, can develop and nurture a highly engaged franchisee organization.

Maximizing franchisee surveys as a franchise management tool requires the following 6 steps:

1. Commit to surveying regularly
2. Define goals for your survey
3. Create benchmarks
4. Include open-ended questions
5. Have a plan re: what to do with survey results
6. Rinse/Repeat

The following are details and best practices for each step.

1. Commit to surveying regularly

Surveys represent snapshots in time capturing perspectives on specific topics. Just as a yearly physical examination includes routine measurements such as blood pressure, weight and height taken on a regular basis, so does a survey. Taken at infrequent or irregular intervals, the measurements lose meaning.

Surveys represent a formal evaluation tool for obtaining feedback from franchisees. Commit to surveying your franchisee organization regularly and consistently over time; annually makes sense for most organizations. You'll be able to evaluate and compare your performance over time as well as to peer franchises. More importantly, you'll keep your finger on the pulse of the creativity and best practices that your franchisees offer your franchise.

In thinking about when to survey your franchisees, determine when you are most likely to get high participation. What are the natural business cycles your franchisees experience? Be sensitive to your franchisees' busiest times. At the same time, their slowest times may coincide with periods of least engagement.

2. Define goals for your survey

As a franchise management tool, a survey is only as valuable as the goals you define for it. A survey without goals won't yield the operational and business insights you need to empower and engage your franchisees.

Ask yourself what the purpose of the survey is. What do you want to achieve as a result of the survey? How can you

improve your franchise organization's long term viability? The more thoughtful you are during the goal setting process, the more likely your survey results are to deliver relevant and actionable insights for your franchise.

Goals might include wanting to:

- Improve the financial performance of your franchisee organization.
- Create more value for franchisees from the marketing services you offer.
- Make your franchisee shared buying resources more competitive.
- Evaluate whether a management change has delivered benefits.

Your survey goals will affect custom questions asked, benchmarks monitored and how you follow up.

As an example, if your goal is to evaluate how well franchisor operations staff performs, you will ask questions about how staff interacts with franchisees and the value associated with the interactions. You will establish a comparison point relevant to staff performance. Once you have results, you will develop a plan to communicate results and follow up actions with your staff. You will then repeat the survey at a set interval in time to determine if progress has been made.

As you define your goals, ask yourself what you intend to do with the results. Be prepared to act on feedback you receive. We'll discuss this in more detail in step 5.

3. Create benchmarks

Once you have determined your survey goals, you will need to establish benchmarks. Benchmarks allow you to compare results from your franchisees to one another. In some cases, they also allow you to compare your results to best-in-class operations from other franchises.

When you first survey your franchisees, you create initial benchmarks. The next time, you obtain a new set of benchmarks that allow you to compare yourself to the original and determine progress against your goals.

For example, if you survey franchisees before a major

change takes place - or soon thereafter - you will have a benchmark against which to measure future survey results and determine the success of the recent change.

As you consider which benchmarks are most relevant to your survey goals, determine what information you already have available - perhaps financial results, convention attendance rates, levels of participation in franchisee buying programs. Gather those data points. These will help you evaluate your initial benchmark results.

To evaluate your own franchisees against other franchises, you will want to examine benchmark information available from franchise industry resources such as the Franchise Business Review FSI and the Ingage Barometer. These will be relevant to you if all participants have responded to the same standard questions.

The Franchise Business Review Franchise Satisfaction Index (FSI)

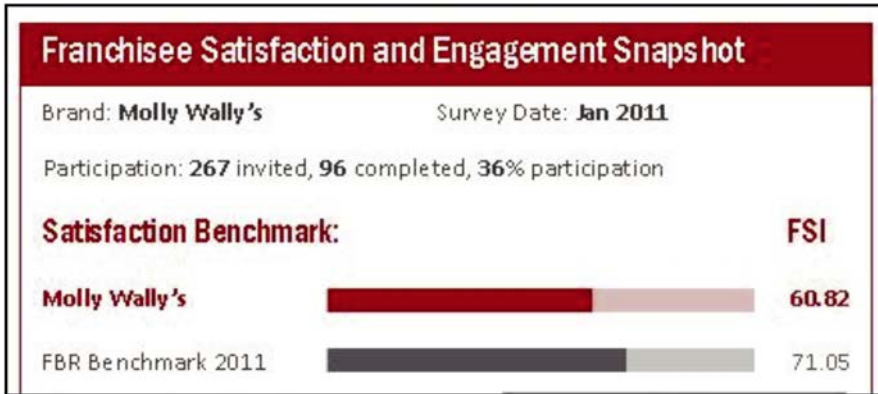
The Franchise Business Review issues the Franchise Satisfaction Index (FSI). The FSI, established in 2005, includes over 550 brands and more than 22,000 franchisees, categorized as small, medium and large businesses. The FSI represents a weighted average of positive responses to questions asked on a 5-point scale; it can range from 0 to 100.

(fsi) The Benchmark of Satisfaction™

The FSI survey examines high level topics of interest to all franchisors via 52 standard questions. These questions ask about key indicators, critical operational measures and franchisee satisfaction. They provide insights into performance, revenue generation, satisfaction, and the likelihood to recommend the franchise. The resulting benchmarks can be sorted for relevance based on 14 industry sectors, demographic factors such as years in business, organization size and investment level as well as performance levels (i.e., top 50, top quartile).

In the graphic below, Franchisor Molly Wally's recent FSI result of 60.82 benchmarks below the 2011 FBR result of 71.05, indicating an opportunity for improvement.

satisfaction - because the greater the level of engagement, the more likely franchisees will actively support change and solve problems.



In contrast, actively disengaged franchisees are outspoken critics of management, insult the brand to vendors and other outsiders, manipulate for personal gain, stir dissent and mock loyalty in other franchisees as naïve. They will hurt and hinder any attempts to implement change.

Franchisors committed to the long term viability of their franchise will pay close attention to both satisfaction and engagement benchmarks.

Depending on your survey goals, you may realize that you need additional benchmarks. Customized questions unique to the franchisor can be added and an FSI benchmark calculated.

In the previous step, we identified operations staff performance as a goal. The benchmark by which to evaluate how well the franchisor's operations staff performs with franchisees might be based on a custom question about the level of economic benefit or value created for franchisees. The resulting FSI, for some organizations, might be included as part of a comprehensive bonus plan, to create an incentive to improve.

Ingage Consulting's Ingage Barometer

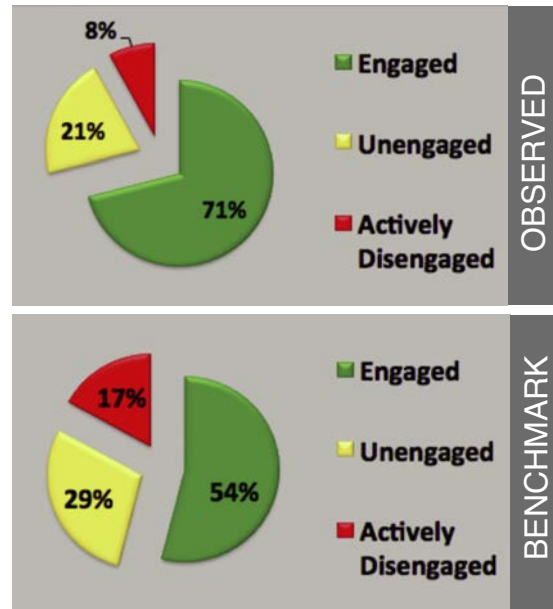
Another valuable franchise benchmark is the Ingage Barometer score which appears on the Franchise Business Review FSI survey results. The Ingage Barometer measures franchisee engagement and identifies how engaged, unengaged, and actively disengaged franchisees are.



Engagement matters as a benchmark - in addition to

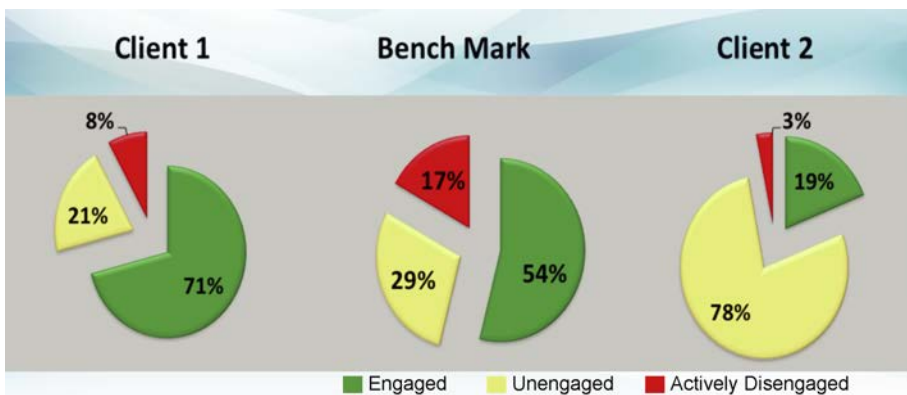
The Ingage Barometer in Action

The graphic below compares a company to the Ingage Barometer benchmark on the bottom. The 71% engaged level of the company indicates that they have very engaged franchisees compared to the 54% level of the benchmark. As a result, the company is able to execute at a high level: franchisees are listening and care intensely.



The Ingage Barometer vs. the FSI

This next graphic compares two franchisors with similar FSI scores, but different engagement levels, to the Ingage Barometer benchmark. Although both organizations rate themselves relatively equally satisfied, if your goal is to implement major change with Client 2 franchisees, you will need first to work on improving engagement levels. It will be hard to get Client 2 to implement new ideas and execute programs better without improved engagement.



5. Have a plan re: what to do with survey results

A franchisee survey does a franchisor no good without a plan of action for survey results. Requesting feedback sets an expectation that the franchisor will reciprocate by sharing results back with franchisees. This feedback loop builds trust; it requires openness and honesty. Not doing so creates resentment which leads to active disengagement; franchisees assume the worst!

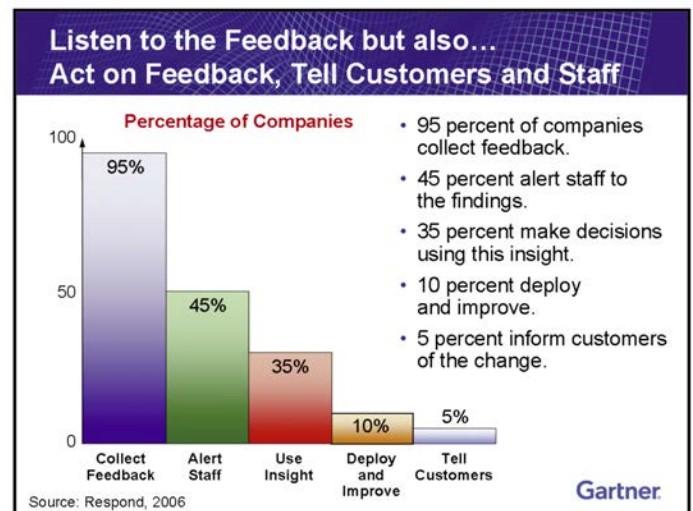
Per the Gartner chart below, although 95% of companies go to the trouble of surveying customers, 45% share findings with staff, 35% do something based on the insights gleaned, 10% actually make change, and 5% complete the feedback loop by informing customers of changes implemented. In other words, only 5% of companies have a complete plan for their survey results.

4. Include open-ended questions

Critical to maximizing franchisee surveys is ensuring that survey questions not be limited to yes/no, agree/disagree or 5 point scale questions. They should also include optional, open ended questions that franchisee can respond to in detail. For example, every section of the FSI questionnaire includes opportunities to provide "constructive feedback" and recommendations.

Open-ended questions signal to franchisees the franchisor's willingness to listen to their ideas. They help elicit best practices without forcing responses on key issues such as how to cut costs as well as feedback on how well operations staff supports franchisees, for example.

It's also important to offer anonymity on the survey for honest feedback. At the same time, some respondents may want to identify themselves. Offer both options, and be ready to respond, as we discuss in the next section.



Having an action plan for survey results maximizes the survey as a franchisee management tool. Once you receive the survey results, plan on the following actions:

- Go through the individual results.
- Take the time to acknowledge feedback, especially with those who have left their name and contact information.
- Identify who from the franchisor organization will respond. Some responses will require senior management, some a field consultant.
- Address quick fixes ASAP. These gain you credibility.
- Close the loop with franchisee respondents: share overall results with them, let them know you have heard them and read their feedback, and confirm that they are part of the solution.
- Set expectations for next steps: communicate what will happen next and what the timeframe will be. Ask for ideas/suggestions on how to prioritize.
- Make ongoing use of the survey data.

Survey results can be used in many ways, especially in conjunction with the franchisee meeting cycle, for dialogue and additional learning via:

- Conventions → schedule round table discussion to better understand specific feedback topics.
- Town Hall meetings → share the survey results and ask franchisees to tell you more about individual topics.
- Reports posted on your internal website
- Discussion groups → especially online via private networks, moderate discussion around themes identified through the survey

Survey Results Watchout!

You may have the best of intentions after digesting your franchisee survey results and identified the plan to address all concerns. Before implementing that plan, be sure to validate with your franchisees what you heard and the solution identified.

In so doing, you confirm publicly to your franchisees that you have heard them. By describing your actions and obtaining confirmation, you engage your franchisees. You make them part of the process, thereby ensuring that they buy into the solution. You also deflect resistance. The more franchisees consider themselves involved in the

problem-solving process, they more likely they are to actively support the program you roll out.

6. Rinse/Repeat

Surveys capture one moment in time. To truly maximize the value of surveys as a franchise management tool, be prepared to repeat your survey at regular intervals. The additional benchmark data helps monitor progress against your goals and determine how you and your franchisees have improved since the previous survey.

As you repeat the process outlined to maximize franchisee surveys, be sensitive to topics that haven't been fully resolved. If you haven't had a chance to implement specific changes, don't ask for feedback until you have something to evaluate.

Conclusion:

The desire to maximize franchisee surveys starts with the simple premise that franchisees represent a valuable source of franchisor information about business practices, problem-solving and marketplace perspective. Surveys are a means for accessing that wisdom. They also enable franchisors to listen. The combination of shared wisdom and listening for insights improves a franchise.

Surveys are powerful management and operational tools which force conversation between franchisee and franchisor about topics critical to the long term health of a franchise: how to strengthen the brand, how to help franchisees be more successful, how to improve their satisfaction so they are less likely to leave the franchise and how to actively engage them in the franchise.

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We encourage you to maximize franchisee surveys to develop engaged and profitable franchisees by applying the 6 steps described above.

ABOUT INGAGE CONSULTING:

Ingage Consulting is a management consulting firm that focuses on the franchise industry. Although Ingage is a traditional management consulting firm, we focus on improving business outcomes by engaging franchisees and creating a culture of partnership.

Key Service Offerings

- **Creating Partnerships** - Turn your franchisee relationships into partnership relationships
- **Change Management** - Helping franchisors positively implement change
- **Teambuilding Conference Presentations** - Energizing, creating focus and building partnerships
- **Trust Building** - Creating a stronger trust relationship with franchisees
- **Creating Vibrant Website Community** - developing vibrant communities on your internal franchisee websites
- **Strategic Planning** - Engaging all stakeholders in developing powerful strategic plans
- **Better Onboarding** - How to start the franchise relationship on the right note
- **Improving Communication** - Simplifying, energizing and amplifying franchisee communication
- **Creating Field Partnerships** - Building partnership relationships in the field
- **Maximizing Advisory Councils** - How to get the most out of your advisory councils
- **Internal Teambuilding** - Great franchisee relationships start from the inside
- **Performance Groups** - Creating performance teams
- **Regional Groups** - Improving engagement and performance through regional groups



Principal/Founder of Ingage Consulting, Evan Hackel, CFE, has 25 years of franchise experience having developed, implemented and managed three successful new franchise systems. At CCA Global Partners, he oversaw 4 different business systems representing over \$5 Billion in annual sales through 2,000 locations in 4 countries.



For more information or to set up an initial consultation contact Evan Hackel at (781) 569-5900 or via email at ehackel@ingage.net.

RESEARCH PARTNERS

FBR

FRANCHISE BUSINESS REVIEW (FBR) is the leading market research and performance consulting firm in the franchise industry. They've made it their mission to help good franchise companies - those truly committed to being great franchisors - achieve success. It may seem obvious but their research shows a direct connection between franchisee satisfaction and franchise system growth and overall financial performance. Satisfied franchisees are more engaged with their business, generate higher revenues, and support system growth through strong validation, candidate referrals and multi-unit operation. www.FranchiseBusinessReview.com

Liminality Inc

LIMINALITY, INC conducts benchmark studies for companies that want to take a deeper dive into what is on the minds of their franchisees. They emphasize the use of open-ended, conversational questions rather than merely closed-ended questions that require respondents to check off boxes or rank their attitudes. Much of Liminality's work is needs-based research that helps clients identify unmet needs that exist among their franchisees. www.liminalityinc.com