

Getting In Or Getting Out

In a Point/Counterpoint article in the March issue of Quick Printing, Howard Scott listed some of the reasons established quick printers have given for either getting into a franchise, staying in, or getting out. I thought it was a good article, but I thought there was more to say on the subject, especially from an industry observer/consultant's point of view.

Because from my viewpoint, I think it's kind of a sad commentary on the state of the industry that too many franchisees are talking about getting out, and not enough independents are talking about getting in!

Getting Out

The "traditional wisdom" expressed by most of the franchisees who leave is that the franchise might have been important in getting them started, but after they "learned the business," the franchise became far less important. Ultimately, the disgruntled franchisee decided that he—or she—was paying a substantial amount of money out in royalties and getting nothing of value in return.

"I don't need these people anymore," the franchisee would say. "So why not get out and keep the royalties for myself."

Now I'm not saying that every franchisee should stay in. I'm also not saying that all franchises are equal in what they provide to their franchisees in return for the royalties. But I am saying that, from my perspective, many of the wrong people are getting out...and for all the wrong reasons!

One Very Wrong Reason

Scott's article included a quote from Dwight Hamblet, a former PIP franchisee in Boston, MA, who said he got out because the additional cost of being part of a franchise (the royalties) pushed his prices out of line. "I couldn't compete with city competition and pay my royalty fees," he was quoted as saying. "My costs put me out of the running on too many quotes."

Now, I admit that I don't know all of the details here, but my gut reaction is still pretty strong: I think this is a huge cop-out! Successful franchisees all over the country do just fine with pricing that includes the cost of their royalties. NAQP pricing studies over the years have indicated that franchise shops on average charge more than independent shops—by a factor about equal to their royalty rates—and maintain a higher-than-industry-average sales volume. Obviously, they still get the orders! (In fact, I've always thought this information reflected a lesson for the independent shops, whose prices—and therefore profitability—must be too low!)

In my travels around the country I often run into quick printers who tell me that the things I say and write about might be true in other parts of the country, but not in theirs. They tell me that things are much more competitive in their city—Boston, New York, Chicago, Dallas, Los Angeles, and much, much smaller cities too. The simple fact that there are printers with this attitude in every city I go to reinforces my observation that the competitive situation faced by quick printers all across the country is very much the same!

It isn't the market, it's the printers who define their own competitive environment. If you want to compete on price, you'll find plenty of competition...and lots of excuses! It's harder, perhaps, to find customers who will pay higher prices because they perceive a value in doing business with you. But it's possible. In fact, it's more than possible...it happens every day!

Getting Help

As I said a moment ago, I don't know all of the details in Mr. Hamblet's case. I don't know if he asked PIP to help him solve his competitive problems before getting out. And I decided not to call him up and ask him, because even if he did, I think it would still be fair for me to make the following generalization: In my experience, many disgruntled franchisees have only themselves to blame!

Case in point #1: I've spent quite a bit of time with the field people who work for the various franchise companies. They all have stories about their "problem" customers. And one very common theme is that, "I could help this person if he or she would only listen to me and follow my recommendations."

Case in point #2: In the last two years, I've put on "traveling" seminars for four of the major franchise organizations. The seminars were either free, or offered at a very low cost to franchisees. There were always owners and their staffs in each city who were conspicuous in their absence. In all seriousness, how can you go wrong with

an opportunity to hear me—or John Stewart or John Giles or others of that caliber—for nothing? I know many independent quick printers who would jump at the chance.

Bottom Line: When a franchisee pays royalties, he or she is paying for this type of support. If you're not taking advantage of what is there for you, you do have only yourself to blame!

Brand Name

The article quoted two other quick printers on the subject of name recognition and brand awareness. Chris Barry, a current PIP franchisee, noted that the PIP name “will often get (them) in the door.” Carl Mahoney, a former Kwik Kopy franchisee was quoted as saying that “the name—Kwik Kopy—never really brought in business.” Who's right? I think Mr. Barry is much more in tune with one of the major benefits of being part of a franchise.

Brand names have marketing power, you should get that message every time you open a magazine, turn on the TV, or walk down a supermarket aisle. And if you don't believe in the power of a brand name in the minds of the quick printing/copying industry's customers, you might want to take a closer look at Kinko's!

Getting In

I think the reasons that someone just getting into this industry should consider a franchise are pretty obvious. If you don't know the quick printing business, a franchise can provide you with a proven system to get you started. But why would an established independent quick printer want to convert and join a franchise?

To get help, that's why! To get the kind of help that can turn a struggling business into a stable and prosperous one. The same “systems” that have worked for so many franchisees might be just what you need to make your business work.

There are thousands of quick printshops in the United States that don't work very well. Shops in which the owner(s) struggle to scratch out a living that is simply not proportionate to the amount of time and effort that they're putting in. Are you one of them? Have you wondered where you can possibly turn for help?

Insty Prints and Lazerquick have both advertised conversion programs, and you can call any of the other franchise organizations and talk with them about conversion possibilities. Yes, there will be a cost involved, on the front end and in ongoing royalties. But in my opinion, it would be a small price to pay for many struggling independents. And the best news of all might be that you could get financing for the conversion that might ultimately save your business, whereas any other form of “bailout” loan might be out of the question.

Another Direction

Here's another direction that might appeal to some quick printers. There is a franchise organization which originated in the business forms industry, known as ProForma. ProForma has evolved to become a network of printing, forms, and promotional products distributors. It's focus is *not* on manufacturing (which, hopefully, most quick printers have at least some handle on) but on sales and marketing (which, truthfully, represents a great mystery to many quick printers, especially many of the low-volume, struggling independent shops.)

ProForma is looking to grow, and quick printers are one of the groups they have targeted. In fact, they've told me that seven of their last twenty-six new franchisees (27%) are current or former quick printers.

The Future

I think one of the most compelling reasons that current franchisees should stay in—and some current independents should think about getting in—is the future. The one thing we all know for certain is that this industry is going to continue to change. What new technologies should quick printers embrace? Within those technologies, what's the best choice of equipment? Hardware? Software? And then, perhaps the biggest question of all...how do you sell what you end up with?

As independents are struggling with these questions largely on their own, the best of the franchise organizations are already putting together complete programs. And in addition to the development work being done by the franchisor's staffs, there's almost certain to be a great deal of shared experience within each franchise organization as these programs and new products and services are launched.

A quick printer can get some of that through NAQP, of course. You can certainly get some of the shared experience part. But NAQP has never positioned itself as purveyor of “turnkey” solutions, and let's not kid ourselves, that's exactly what many quick printers really want. And that's not a criticism, not by any means! I'd be thrilled to have someone very competent to do all of the research and tell me exactly what to buy and how to sell it.

Contract Time

I've had quite a few franchisee's ask for my advice recently, as their original contracts are coming to an end. They ask if I think they should stay in or get out, and my answer is always the same. As a speaker/consultant who does a lot of work for franchisors, I really don't want to touch those individual decisions with a ten foot pole!

But I do offer this advice: Make an honest assessment of the costs against the benefits, and if you feel that there's more cost than gain, don't simply get out. Ask yourself next, what would change your mind and lead you to stay? Then talk with your franchisor. Tell your side of the story, and see what the franchisor has to say. You may end up with a parting of the ways, but you also may reach a new basis of agreement. (If you approach this conversation objectively, you may even find that the service and support you want is there, but you haven't been taking advantage of it!)

The best of the franchise organizations view franchisees as customers. The smart franchisee will view the franchisor as a supplier. Along that two-way street, factors like need, responsiveness, satisfaction, and loyalty should always be considered...by both parties.

A Final Thought

It struck me as I read through this article before sending it off that some people are going to read it and think, "Gee, he sure loves those franchise companies."

Well, it's no secret that several of them are among my biggest customers, but that's not what's behind the article. The bottom line is that I don't love franchises as much as I love quick printers. I want to see quick printers—like you, franchise or independent!—do the best that you can, and make all the money you can! So I hope this article helps some of you in facing the future.