



## Developing and implementing a strategy to ignite growth in a retail food franchise with 15 sites

### Key outcomes:

- A clear growth strategy for the future.
- The selection of an outsourced manufacturer.
- The franchise now has competitive appeal to attract new prospective franchisees.
- New store designs and products will reinvigorate the customer experience and boost average sales values.

### The business challenge

The franchise was in “no mans land”. That position for a franchisor where store numbers do not generate sufficient royalties to allow for the build up of resources at the franchisor to enable the required expansion to be undertaken to achieve acceptable returns for the enterprise.

For an acceptable return to the franchisor on investment and effort, royalties needed to grow and grow quickly.

On reviewing the business two issues emerged;

- Low store profitability, flowing through as low royalties.
- Difficulty in attracting new franchisees.

The reasons cited by potential franchisees for not signing up where;

- High initial capital investment.
- Low profitability.
- Long hard work hours.
- Old fashioned retail sites.
- Other better opportunities.

Igniting growth for the franchise clearly revolved around attracting new franchisees with particular attention to improving individual store profitability.

### The solution

The franchise is a “bake on site” business model, operating generally six days a week. The brand is very well known and has destination shopping appeal or in other words, “I need one of those I’ll get it on the way home”. The current sites are generally in strip mall locations and require a sizable foot print to accommodate a commercial baking kitchen and retail front of house.

The business was benchmarked against other retail food franchises to establish key performance criteria that would attract new franchisees into the system.

This exercise established key hard and soft goals in the following areas;

- Capital investment required.
- Minimum return on investment for the franchisee.
- Minimum acceptable store sales.
- Work hours and type of work for the franchisee.
- Improving the customer’s experience.
- Increasing the average sale value.
- Attracting more customers to the stores.

To achieve these outcomes;

- Store size and the fitout costs needed to be greatly reduced.
- The product range needed to be expanded.
- The franchisee needed to be freed from the kitchen work and bought into the shop to build sales.
- The stores needed to be redesigned to attract customers.

### The result

The baked product was outsourced to a commercial manufacturer which also produced quality and cost improvements.

In outsourcing the manufacturing, the sites no longer required a fully fitted out kitchen, resulting in reduced floor space needs and substantially reducing fitout and ongoing operating costs.

The franchisee could now focus on selling to customers and managing his store, a far more appealing prospect.

The range was expanded to accommodate an associated range of products with the brand graphics tweaked to reflect this.

Two new modern store fitouts were designed with a modular component base to allow for a mix and match approach to allow specific site variation whilst keeping the brand image consistent and reinvigorating customer experience.