

# the franchise review

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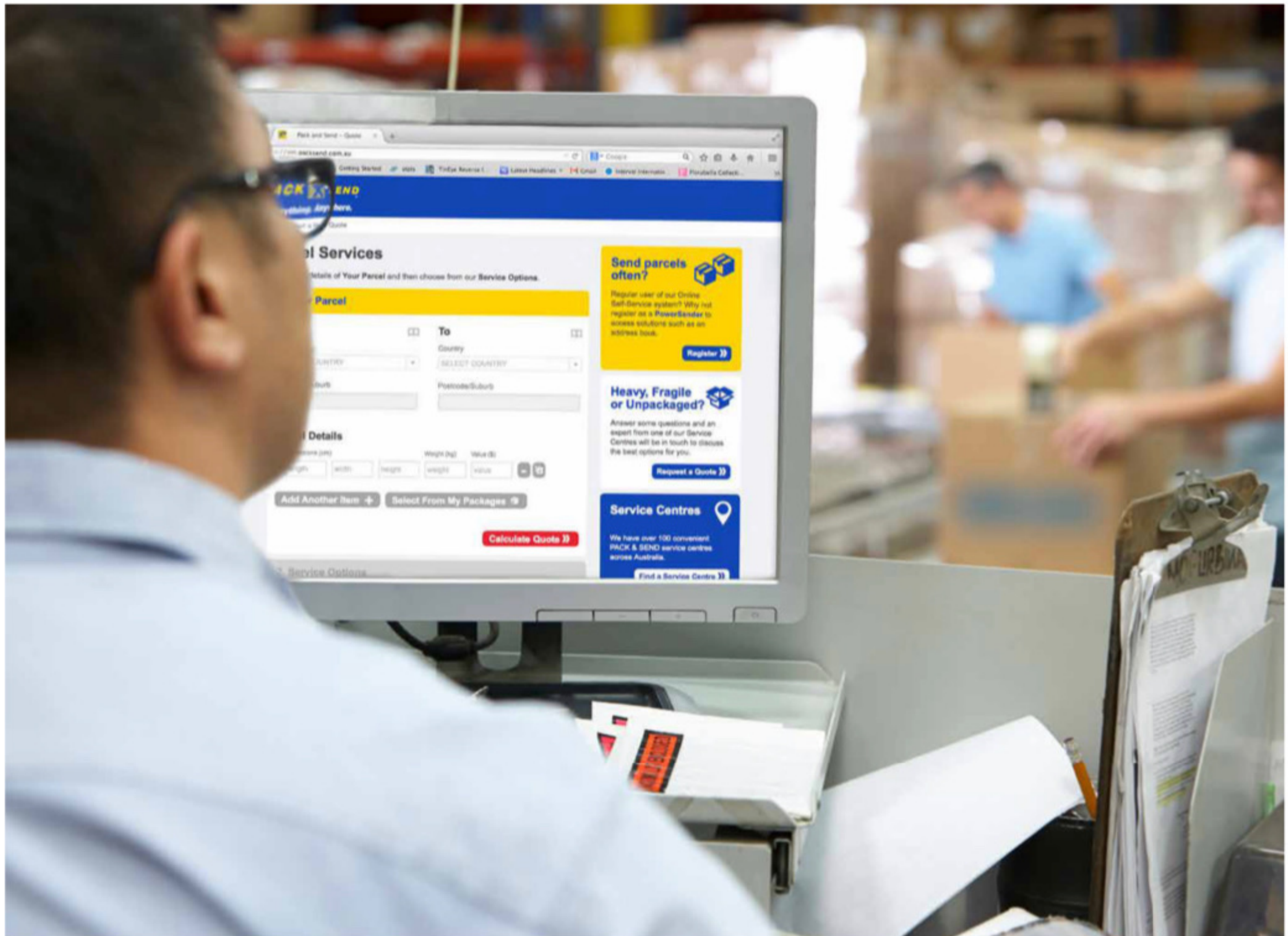
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# Leading your business through innovation and change

Innovation is the lifeblood of any business. Just ask PACK & SEND Founder and CEO, and 2018 Franchise Council of Australia Hall of Fame Inductee, Michael Paul.



In the 26 years that PACK & SEND has been providing courier and freight services to customers across Australia, New Zealand and the United Kingdom, the franchise has been part of a rapidly changing global logistics market.

It's a market where the price of inaction is far greater than the cost of innovation, and where it has been imperative for Paul, as franchisor, to lead potentially reluctant franchisees through business change.

"People invest in franchise businesses on the basis that they can look to the franchisor to be on top of changes in the marketplace, understand the impacts on the business, investigate what needs to be done and determine the best way to implement the changes. This is one of the great values in being a franchisee in a good system," says Paul.

"Franchise systems must stay dynamic, not static. Whether driven by external or internal forces, every franchise system must adapt to remain relevant, viable, and competitive.

"The business and corporate world is full of examples of successful businesses that became too complacent to make changes which resulted in failure, including some franchise systems. If it can happen to global brands like Kodak or Toys R Us it can happen to anyone."

## The innovation that rejuvenated PACK & SEND

Rewind to 2012, and for PACK & SEND, this meant acting early to remain relevant and competitive in a marketplace where new competitors started offering an automated online parcel delivery solution at self-service prices.

It was a service PACK & SEND weren't providing and the brand was suffering the consequences of this disruption. PACK & SEND had built its reputation on providing convenient 'one-stop-shop' solutions for its customers, but found itself not being able to provide a service in demand. Customers were starting to choose competitor offerings.

Maintaining a business as usual approach was not a viable option.

So, in December 2012, PACK & SEND launched its online self-service channel, leading franchisees through a vital business change.

The launch of the online channel was undertaken with very extensive franchisee consultation, including through PACK & SEND's franchise advisory council.

PACK & SEND made a very significant investment to build the online technology. Whilst franchisees had no legal entitlement to operate an online

business or receive any income from the online channel, an arrangement was made that saw franchisees receive 100 per cent of online income and would pay 100 per cent of online expenses (which included franchisee royalties and a technology fee). In other words, franchisees would receive 100 per cent of the online profits from day one.

"As a franchisor, we made this arrangement in keeping with our fundamental commitment of increasing the profitability of our franchisee partners," Paul says.

They are changes which, almost seven years down the track, have resulted in a stronger and more profitable franchisee network. Customers loved PACK & SEND's combined 'visit, call and online' options which turned into a major competitive advantage.

Not only did the online solution provide increased profits to franchisees, but there were many other synergistic benefits. This included an increased brand awareness and reputation that resulted in very strong growth for the retail services channel as well.

In the lead up to having the online channel launched, however, the necessity of having an online sales presence was less well understood and many franchisees were resistant to



implementing the change that gave the customer more options, as they saw it as a threat to their retail services business.

“One of the great advantages of franchising is that it allows franchisees to be focussed on day-to-day running of the sales and operations of their business. But that means they can naturally view things through a more ‘narrow lens’ than the franchisor who has a responsibility to view the business through a much ‘wider lens’ so it can see further for the long-term benefit of the brand,” Paul says.

“At the time of implementation, if it was put to a vote of franchisees it probably would never have got off the ground – as simply franchisees feared that it would negatively impact their retail services business.

“The easiest thing to do at that time would have been to make no investment in an online sales channel and keep the status quo. But we’ve all seen examples of companies pay the high price of being complacent and underestimating a rapidly changing market. Our commitment to our franchisees is that we will never become complacent and take the focus off the needs of the customer.”

## Establishing a case for change

“In establishing a case for change, franchisors must be upfront about marketplace realities and changes that pose risk, threats and disruption. Franchisors can then present strategies to franchisees that not only mitigate the risks, but also will make the brand stronger and more profitable,” Paul says.

According to Paul, franchisees can often be so busy in operating and building their local business on a day-to-day basis that they will often see change as an optional inconvenience, rather than something that is necessary for long-term survival and profitability.

“Franchisees often resist change

“A franchisor must lead their business and have the capacity to implement change that enhances the system and in turn better supports franchisees and their return on investment.”

because they are comfortable where they are at with their business. In the day-to-day operation of their business, franchisees may not appreciate that today’s disruptive market is like an ocean – full of dangerous icebergs that will sink you and your business if you don’t keep your eyes on the horizon. This inertia to change is often only overcome when they actually hit an iceberg – but by then it can be too late,” he says.

“Another reason that franchisees may resist change is expressed in the comment ‘This isn’t what I bought’. This comes about through a mental snapshot the franchisee takes when they join the network, believing it will always remain the same. However, franchisees don’t buy a job – they purchase a business and all businesses must constantly change and evolve – as is contemplated in franchise agreements.”

In order that its franchisees are more responsive to change, PACK & SEND has for several years communicated this as part of its recruitment phase,

with potential franchisees clearly and repeatedly informed that survival and success in business relies on the capacity to change.

Paul says this helps to develop a culture of embracing change, and to understand that change is an evolutionary requirement for all profitable franchise businesses to survive.

“A franchise agreement governs an ongoing and changing relationship over a long period of time. For PACK & SEND, this is a 10-year term. No company can possess the foresight to accurately predict such things as trading conditions, competition, new technology or the regulatory landscape over such a period.

“Accordingly, franchise agreements in all franchise systems should include mechanisms that allow flexibility to maintain a fluid and successful business model, and ensure franchisees have the proper platform to build a successful business in an ever-changing marketplace.

The PACK & SEND online solution is viewed within the business as a critical innovation in the brand’s history. Its initial success resulted in PACK & SEND’s strategy evolve to become a technology driven enterprise. Today, the company operates a technology business within its operations to develop and support innovative proprietary technology products to provide franchisees new ecommerce customer solutions, increased sales, increased productivity and provide real time data analytics on the business operations.

“Innovation is fundamentally critical to ongoing profit growth and change must be focused on delivering franchise network profitability,” Paul says.

“A franchisor must lead their business and have the capacity to implement change that enhances the system and in turn better supports franchisees and their return on investment. This is what the economic model of franchise systems is all about – the mutual success of franchisor and franchisee.” ■

