

Franchising and IFA, 1981-1994: A Retrospective

By Bill Cherkasky, IFA President



When I arrived at IFA on June 1, 1981, for my "training period," (which consisted of a one-hour discussion with then-Chairman of the Board Dick de Camara, president of Midas Muffler), the headlines in the IFA Insider read "IFA Goes to Offensive Strategy in States." The director of state government affairs recommended that the association lobby state capitals and "seek to modify or seek exemptions for laws already on the books." In 1994, the IFA's government relations staff is still aggressively lobbying state (and federal) legislatures, and recently celebrated the U.S. Supreme Court's refusal to review the circuit court's decision regarding the Iowa Franchise Practices Act. This denial of review is crucial to our efforts to (as was written some fourteen years ago) "seek to modify...laws already on the books."

Although our government relations may still be "on the offensive," a lot has happened since June of '81. Suffice it to say, my one-hour long training period has really lasted fourteen years. Every hour has been filled with new challenges—and, quite frankly, it is inspiring to look back and really examine the tremendous growth and change experienced by the IFA.

I quickly note the announcement in our hand-typed Insider (who worked on computes in 1981?) that the fall Franchise Management Workshops will be offered "in two convenient locations." In fact, only two or three programs were offered. Today, our 1995 Conferences & Education Catalog lists 397 educational programs and expos, with our second Tuesday programs boasting 50 "convenient locations."

It is difficult to summarize fourteen full and exciting years into a few words. I think of the incredible growth we've experienced—staff which was comprised of 16 or 17 is now made up of 36 expert, professional, loyal, and hard working people. An annual convention, once attended by a couple of hundred conventioners, reached a record high of 1150 participants in 1994.

In June 1982, one year into my tenure, Dick de Camara, stepped down from (actually, I should say, stepped away from) his position as president of Midas Muffler, Inc. and became a proud owner and operator of several Midas franchises. This action probably influenced me more than I realized at the time, for the first Chairman I worked with at an association, then solely comprised of franchisors, had become a franchisee. Suddenly, the similarities between franchisor and franchisee became very real—not just the 14 hour work days, but the fierce entrepreneurial spirit, the pride of ownership, and the satisfaction of success, links the two. It became even more apparent over the years,

that the continued success of franchising depended upon franchisors and franchisees working together—learning with each other and from each other.

De Camara was only the first of 14 excellent chairmen I have had the honor of working with. It has been my great pleasure, together with them, and their Boards of Directors, to carry forward the ideals and goals of IFA through good times—and some difficult times. Throughout it all, I have been able to rely upon the support and cooperation of our fine membership.

I am proud to have helped guide the IFA, over the last 14 years, as it and franchising went through growing spurts and growing pains. We have accomplished a tremendous amount. And with all of our accomplishments, I know we can do even more.

When I attend IFA's 35th Annual International Convention in Puerto Rico (where I hope to see all of you), that will be my last convention as your association President and COO. I will be waving goodbye to you, as I move on to another—and hopefully, another exciting—career. Honestly, I will be sad to leave; I've made hundreds, if not thousands, of long lasting relationships over the course of 14 years. I hope we can continue to "get together" again, some where in the "Wonderful World of Franchising." Until then...

Goodbye, and good fortune,
William B. Cherkasky

New Format UFOC Hits the Streets

By Andrew A. Caffey

Franchisors are going through a demanding self examination in 1995. All over the land they are huddling with their legal advisors to figure out exactly what the new UFOC format means for their businesses. Rewriting disclosure documents is no picnic, and the new format holds a few surprises that are making a lot of companies uncomfortable.

There are practical problems that have become immediately apparent. I predict that the Spring of 1995 will bring an unprecedented *regulatory gridlock* to the franchise community. Imagine every registration state receiving hundreds of new format efforts in the same short period (March and April is the heaviest renewal season because most

franchisors have calendar based fiscal years). Although some states will do better than others in handling the flood, many will be completely swamped. The consequence for your business will be orders to cease sales in those states until your file comes to the top of the pile, and there will be great gnashing of teeth.

Already some states are struggling to master review of the new format. In our office we have seen one major west coast state, usually the picture of efficiency, take an unprecedented 90 days just to get comments out on a new format submission.

There are problem points in the disclosure format itself. Perhaps the most dramatic are the rules that now apply to the disclosure

of litigation and the exact terms of dispute settlements. The disclosure will have a dramatic and unexpected result. Franchisors will be extremely reluctant to settle a dispute when they fully understand that the details of any payments made must be hoisted up in the UFOC for the world to see.

Imagine your company is sued by a failed franchisee with a meritless case, the suit must be disclosed. Legal counsel suggests paying an amount of money to settle for nuisance value and get the case dismissed. This is a common scenario facing franchisors weary of the expenses of litigation. How will your decision making be affected by the knowledge that the dollar figures of your set-

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sure that I balk. What I have to explain then is this practice can eventually backfire. When a national story brings in possible franchisees, no matter how many leads one gets, eventually, after disclosure, a new franchisee prospect will be calling your existing franchisees. What happens when after all of your efforts, the franchisees tell him/her that the company is not helping them market?

What is clear is that you have a stake in the growth of your franchisees. Not only will you be rewarded with better earnings via royalties, but the good will you have extended will not soon be forgotten. One of the most disappointing things a franchisor can hear from a prospect is that his franchisees are not "raving" about the system. Also it's pretty common knowledge that a successful franchisee is your best sales person.

What publicity can do in a franchisee's local market is introduce him/her to his customers. There are times when this is tough, since newspapers hear from small business owners constantly looking for some press. One of the things we try to teach in our MANAGING THE MEDIA program, is the difference between what is newsworthy and what is not.

Of course, opening up one's own business is so exciting, and that franchisee's whole life is wrapped up in that step. It's difficult and undiplomatic to say to that person, in essence, "who cares"? When he/she sends an unprofessional and unnewsworthy release to their local paper that announces they've opened a business, that's pretty much the answer they are going to get.

Unless a small weekly publication has a special section for new business announcements, another franchise opening in the community is not newsworthy. It is at this

juncture that a new franchisee needs some professional help.

Much of the work that we do is franchisee support. The franchisors on our client roster are very much concerned with the success of their franchisees. They know that this is the key to the company's success without question. Some of our clients who are the biggest proponents of franchisee support are Moto Photo of Dayton, Sir Speedy of Laguna Hills, Hardees Food Systems of Rocky Mount, N.C., J.D. Byrider Systems of Indianapolis, and Deck The Walls of Houston.

The growth of these systems is living proof that many of their strategies pay off. Not surprising to us, the clients that put their franchisees first, seem to be the companies that do better all around.

I recently had several phone messages from a Merry Maids franchisee. After four

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years with Merry Maids, attending conventions and writing profiles on countless franchisees for the system, I had developed many special relationships with franchisees. Tears literally came to my eyes when I found out he had called to say that he had really missed me at their last convention.

Of all the franchise conventions that I attend each year, the most moving and successful of them are those that have a warm, family feeling. You can't buy that feeling, or hire an expert to get it! It comes from your franchisees knowing that they are cared for, that they are the most important part of the system, and that they are all there to share information and rewards with each other.

The franchisor and home office staff are responsible for a convention that has this feeling. Supporting your franchisees through publicity efforts when they open, or even afterwards, is just one of the many steps you can take to let them know that they aren't in business by themselves. After all, isn't that the point of buying a franchise to begin with?

Very often, we need to interview a franchisee to use in a national story that will appear to aid in the growth of the company, perhaps a little more than it might help the zee in his/her market. 90% of the time, the franchisee is happy to cooperate.

The franchisees that seem most enthusiastic are those that are helped on the local level as well. Occasionally, we'll find a franchisee who says, "What good will that do me? How will this help me in my own location?" We explain to them that by helping the system grow, they are also helping their own business grow, in name recognition if nothing else. We frequently offer to take the same information from the interview, and use it to get a local story for them as well. It's miraculous what a little offer of help will do! And, aren't those same franchisees thrilled when they see their names and pictures in a national magazine!

Finally, it's important to remember that all forms of marketing are long term programs that should be interwoven to provide the most impact and benefits for franchisees and franchisors alike. When everyone works together, thinking of how much they can give, rather than how much they can get, remarkably, growth and success are inevitable. It reminds one of the famous expression, "The harder I work, the luckier I get!"

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lement terms must be exposed in your documents for the next 10 years? Changes your decision making formula, doesn't it?

Other new requirements are merely annoying. The "plain English" standards have turned some examiners into amateur grammarians. One Midwestern examiner I imagined poring over our submission with a magnifying glass demanded that we remove the terms "commence" and "in conjunction with" she had found buried deep in our UFOC because these words showed up on the list of phrases to avoid in the new

UFOC regulations. The same document had been accepted in a number of other states without comment on these banned terms.

Such is the nature of progress, I suppose. Franchisors can expect to pay the price of this leap forward in delay and legal expense, but that is not news. What will be news to most franchisor business managers is the nature and depth of the changes wrought by the new format UFOC, and the profound impact they will have on their businesses in 1995.

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