



Customer experience for franchises



Touch Points
SERVICE DESIGN PERSPECTIVES

Most Service Design models and definitions discuss the importance of creating mutual value for both provider and customer. It is a central tenet which forms the basis of the work most Service Designers undertake. However, what if there are multiple providers and customers who both need to be served and to derive value from the relationship? Franchises represent almost 50% of all retail sales in developed countries and generate over \$2 trillion of revenue globally every year. In this article, we look at the growing role and importance of Franchising in Business, how designing their service propositions requires a different approach, and what some of the key lessons for designing and delivering outstanding service experiences for Franchise businesses are.

The Coca-Cola Company has a stated aim of placing their products within arm's reach of every person on the planet, which would appear not too dissimilar to the goal of the franchise industry. In most cities and suburbs, you would find it difficult to walk 100 metres down a shopping strip or mall without coming across one or more franchise businesses. As a result, they are becoming a formidable presence in modern business, creating about \$2,000,000,000,000 (2 trillion) in global revenue every year. Enough to equal the 4th largest GNP in the world, franchises also account for about 50% of all retail sales in most developed economies and are represented across more than 75 different industries who use franchising to distribute goods and services to customers.

In Australia, franchising accounts for 14% of our Gross Domestic Product and is also growing at an annual rate of 14%. Far from being a fringe player in business, it is fast becoming a key part of all developing economies.

And despite most of us being well acquainted with brands such as McDonalds, Starbucks and The Body Shop, how deep is our understanding of an industry that spawns hundreds of new service brands every year and comes into contact with tens of millions of customers every year? And more importantly, as Service Designers, how do we approach working with Franchise businesses to create outstanding customer experiences?

The purpose, of Service Designers should be to positively transform the experience of as many customers as possible. One good avenue we have found to achieve this is by taking a particular interest in assisting franchise businesses that come into contact with millions of customers every year. Despite popular perception, most franchises would benefit from a better understanding of how crafting a more consistent service experience could play a key part in contributing to their long term business growth.

As a franchise, if you don't have 50 years of corporate history and culture to lean back on, you don't have the equivalent of Hamburger University or you aren't led by someone with the single-minded passion of an Anita Roddick, who can determine exactly what will or won't happen throughout the network, what do you do?

For the vast majority of franchises, there aren't the learning and insights that come from selling tens of millions of hamburgers across 100 different countries every day, nor do they have a centralised and significant marketing budget to invest in mainstream media to grow their brand. Most of the time, they are relying on the entrepreneurial instinct and drive that has catapulted their company from a 'one man band' to a multi-site, multi-provider, multi challenging world. And therein lays both great challenge and great opportunity.



The life of most franchisors is very different to what you might expect. Most non-U.S. franchises in our experience are characterised by being relatively new to franchising, have surprisingly low levels of customer understanding and are quite beholden to their franchisees who are looking for a strong say in not only how the business evolves but, more importantly, how the marketing funds are spent.

In this environment, new and improved service ideas and propositions – which are the lifeblood of our work – can be quickly dismissed if we are not careful. Although some might shudder at the concept of strong innovative ideas becoming an early casualty a long time before you even get the chance to start prototyping, we have found that to be able to shepherd great service ideas through to implementation with large franchise organisations it is crucial to understand:

1. who your customer really is and;
2. what their criteria is for the creation of mutual value (which is quite often different to a traditional business)

We have found by working with a range of different franchise business models, that using a binary service-design model – assuming single provider and end customer – can be severely limiting at best and downright disastrous at worst. Judging ideas and decisions using the model of what is desirable to customers, feasible from an operational point of view and financially viable, can work well with traditional businesses. However, once a new set of internal customers is introduced into the equation, what should be a relatively simple decision-making process can become far more complicated.

What is feasible for a franchisee can be operationally unworkable for a franchisor. What makes financial sense for a franchisor can drain the cash flow of a franchisee on a tight budget. So what makes franchise businesses different to more traditional structures?

WHAT IS DIFFERENT ABOUT DESIGNING SERVICES TO FRANCHISES?

Multiple providers and multiple customers.

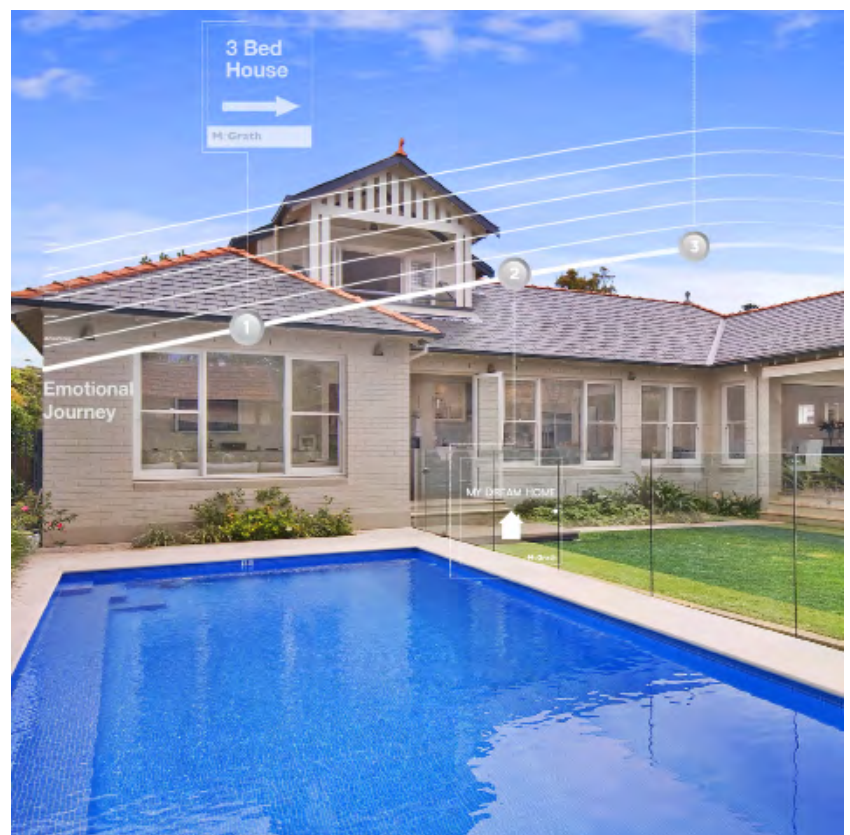
In large numbers of franchises, rarely is there just one provider and one customer: there may be three levels of providers and three sets of customers who need to believe that they will be better off as a result of the ideas and service propositions being developed. In the real estate business for example, there is a franchisor (provider 1), franchisees (provider 2), and the Real Estate Agent (provider 3). At the same time, customers include the franchisee, the agent and the end customer. How as a Service Designer does one easily achieve mutual gain across three service providers and three sets of customers?

CUSTOMER RELATED DECISIONS REQUIRE FRANCHISEE APPROVAL

In large corporate businesses, centralised functions such as Marketing might consult Sales or Distribution to gain some 'buy-in' prior to launching a new initiative. However, often there is no requirement to gain approval from those customer-facing staff. However, in a franchise business, more often than not, a percentage of franchisee revenue is allocated to a marketing fund, coordinated by a head office marketer, but approved by a franchise council or marketing council. Despite how customer centred the idea might be and how it might build the long-term business of the brand, without franchise approval, the only place it is going is in the waste bin. Financial impacts are magnified. As Service Designers, we work with innovative ideas which by their very nature offer no guarantee of success. In fact, like all new things, there is some risk, albeit with significant rewards when done right. So in this environment, it would make sense to introduce some ideas as prototypes and test them, to see what we can learn. You know, 'fail fast': wrong. That all makes sense in a world where the customers belong to the company and they are willing to fail fast for the greater benefit of customers and company alike. However, what if testing an idea upsets or puts off a customer and the franchisee loses the customer sale or the customer's lifetime value. How do you convince a franchisee that a small risk of losing a sale is worthwhile for the greater good of the company?

Franchisees are not employees. Successful Service Design rests quite often not in the ideas generated, which are customer centred, but in the execution of the processes and systems that improve the actual customer experience. Undertaking significant change within an organisation generally requires senior management to have endorsed the change and lead the teams under their control to implement the required improvements in the agreed timeframe. But what if the system is largely enacted by people who are not employed by you, how do you ensure that the training, processes and systems are undertaken at a more local level to deliver the customer experience you as the franchisor are looking for?

These are just some of the issues when working with the multiple layers and levels of a Franchise business. So what are the key lessons for those who might be attracted to improving the customer experience in the complex but nevertheless appealing sector of franchising.



FIVE KEY LESSONS IN SUCCESSFULLY DESIGNING FOR FRANCHISES

Being clear on Why

As Joe Heapy indicated in his article on 'Making yourself useful' in the previous Touchpoint, quite often companies have a very fuzzy view on 'why they exist' and 'why it matters'. They are in need of a clear vision for their company. We have found helping franchisors develop a single organising idea that works to align everyone in the franchise network to a unified purpose, enables future decisions to be made that work for all providers and customers within the system. Having this internal positioning statement is a key tool in measuring the alignment of all future customer touchpoints. Without it, there simply isn't enough time or budget to run the workshops and internal communications that would be needed to make up for the resultant lack of clarity.

Start with little stuff

In the majority of our Service Design engagements, you will uncover not only Service improvement opportunities but, quite often, business-model opportunities that present significant potential for revenue growth. We have found that by starting with small service improvement ideas that can visibly improve the customer journey and providing them with hard metrics gained through realtime customer feedback is really valuable. By getting this feedback through prototyping new ideas and gradually introducing larger and more significant service propositions, the trust needed to introduce 'game changing' Service Design becomes more realistic.

You also need to be business centred

Being customer centred logically starts with what will be appealing to customers, then deciding if it can work and finally determining whether it will make money. Although developing and evaluating ideas this way makes good sense, when selling new ideas, it can be far more effective to start with the financial benefits that accrue to the franchisee, demonstrate how simple it will be to implement and then finally why customers will appreciate it. A few attempts at 'being endcustomer centred' when presenting to franchisee groups and being met with blank stares quickly showed who the real customer was and how important building a financial case was in selling new customer centred ideas.

Franchisees are as important as customers

In one of our early engagements as part of our discovery process, we talked and interviewed not only end customers, but invested additional time with real estate principals (franchisees) and their agents to ensure we also understood the business of real estate. It helped achieve solid understanding and insights across the whole business.

What we didn't realise at the time, was that the extra investment of time with franchisees would pay back ten fold as we moved to the design phase. Why? Because when it came time to start testing new ideas and asking for volunteers to prototype them, the time invested in establishing empathy and building rapport with hard-nosed business owners enabled them to trust us enough to test small ideas initially and then as we built greater credibility, we could test larger and more important improvements. Without it, useful prototyping would not have been possible.

Being a small business yourself is an advantage

Undertaking design research with customers is, more often than not, a rewarding and insightful experience. It's rewarding because you learn so much that you are able to take back and share with your client, and insightful because your observations provide rich and varied ways of seeing current customer problems. As consumers talking to other consumers, there is a base line of empathy already established.



Because Service Design is relatively new compared with many other disciplines, most of the firms undertaking the work are small- to medium-sized businesses. This can be a real advantage, because as a small business owner interviewing and talking with other small business owners (franchisees), you are not only able to empathise better, you are able to move to directed storytelling much more quickly. The benefit of this is the ability to build on ideas more quickly by starting to co-create ideas with respondents during interviews. Establishing empathy so quickly, enables you to move from just discovery to a generative session with low fidelity prototypes, produced during and immediately following the session. With franchising such an important growth element of developed economies, we believe it is worth continuing to gain deeper insight into how best to design for multi-customer organisations like franchises.

Mastering the complexity of designing and delivering outstanding service in such a decentralised organisational structure has the potential to produce great learning and application for traditional organisations. For Service Designers, it provides the opportunity to demonstrate the ability to not only generate new ideas and service propositions, but more importantly to see them through into execution generating real value for both clients and their customers.



damian.kernahan@protopartners.com.au
www.protopartners.com.au

Touch Points
SERVICE DESIGN PERSPECTIVES