

Choosing the Right Supplier for Your Franchise Business

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Choosing a supplier for your franchise business can be a daunting process. Franchisors and franchisees alike want to choose the most qualified supplier, with experience appropriate to the underlying task to accomplish the project in an efficient, timely and cost effective manner. As a customer, you demand responsiveness, with regular communication and follow-up. Generally, you want someone who is at the top of their game, and knowledgeable about the “most current” and “cutting edge” means to accomplish the underlying task. Also, as many franchise businesses are relying more frequently on outsourcing traditional services for franchisees, like employee leasing, advertising agencies, site selection, construction management and similar services, the selection process becomes particularly important.

Some suppliers are quite large, and dabble in almost every industry. Franchisors want a supplier who understands the franchise model, the relationships involved, the length of the commitment and the common goals and interests. They want a company with a depth of experience from performing similar functions for other franchise clients or customers. They don't want to reinvent the wheel; they want to improve upon it, using the latest technology. They want to leverage supplier relationships for the benefit of the system. For restaurant suppliers, they may need supply chain management, local warehousing, or financing for franchisees, based on particular needs of their system. You want a vendor who will monitor pricing and make adjustments to reflect the system purchasing power in relation to shifts in supply and demand.

Scott Haner, Vice President of Franchise Recruiting for Yum Brands looks for suppliers who understand the nuances of franchising, who have already been through the learning curve. According to Haner, “rather than having a franchisee search for a supplier in the yellow pages, Yum! works to provide a list of suppliers who understand our business and want to work with our franchisees. For me, IFA resources like the supplier source book are a good place to start your search for a new supplier. Then, its time for suppliers to earn the business. Yum! does not guarantee any supplier business, we like to see who wants to offer the best customer service to our franchisees. In the end, the franchisees decide which of the qualified suppliers best meet their needs.”

Some franchise companies have extensive relationships with franchise suppliers, but based on changes to the underlying business, many franchisors wonder whether they are using the “best” supplier for the project. In addition, as companies change hands, and personnel constantly shifts, companies often revisit the supplier qualification and

selection process. New franchisors have no existing supplier relationships, and therefore are entirely dependent on referrals or their own independent investigations, to select a franchise supplier.

Like choosing any other supplier in your life, the best suppliers typically come from referrals. The best referrals typically come from people within the industry who have had either direct experience with a supplier, or are familiar with the supplier's activities with respect to a particular client or customer.

Types of Suppliers

Some members do not appreciate how many types of suppliers belong to IFA. IFA organizes suppliers into 37 categories. Most people expect to find the usual service providers like attorneys, accountants and consultants – but our membership is much broader. If you're looking for a place to hold your annual conference or convention, or a company to produce it, or create an exhibit for it, or to promote it – turn to IFA. If you need background checks, asset searches, or other information about prospects or employees, if you need help in determining, defining or plotting territories, or in selecting real estate, if you need outplacement, recruiting or training services, a new POS system, credit card processing services, security services, if you need marketing, advertising or public relations services think IFA.

Where to Look for Supplier Information

- 1) Find it at franchise.org. IFA's website contains a suppliers section searchable by the type of services and location of supplier. There are also links to suppliers in IFA's Virtual Franchise Mall.
- 2) IFA Publications. IFA publishes an annual Supplier Source Book; which appears in this issue of this magazine. A bi-annual Franchise Opportunities Guide which contains supplier listings and of course, this magazine which contains advertisements, articles and quotes from some of the best suppliers in the business.
- 3) IFA Networking Events. You can meet suppliers at IFA's annual convention, the Legal Symposium, Franchise Development Seminars, Regional Education Seminars and local Franchise Business Network Meetings.

In addition, you can contact industry references to determine how the supplier performed on a particular project. Further, by networking with other IFA members, you can effectively narrow the selection process, by identifying the firm with the right experience to handle your particular project.

Once you establish a relationship with a particular supplier company, you can often use that company's network of contacts, to identify new suppliers who provide different services to your company or franchise system. One of my biggest selling points in pitching a new client is my ability to help assemble a team to work with the client on other non-legal matters.

Barb Moran, President of Moran Industries, refers her people to the IFA site to find franchise suppliers. According to Moran, "our system is better off working with people in the industry who are aware of our requirements, our goal for system uniformity, and the obstacles in reaching a consensus with our franchisees. In working with an advertising agency, you want someone who knows about the unique franchisor and franchisee relationship." Whether Moran is looking for an ad agency, an attorney or consultant for themselves, or paper products and promotional products for its franchisees, it only uses suppliers from the industry. Moran says that "franchise suppliers understand the dynamic relationship, and the need to obtain a "buy-in" from franchisees for new programs, rather than presenting issues on a take it or leave it basis. We look to our suppliers to contribute to a harmonious relationship with our franchisees, not create conflict."

By choosing an IFA member supplier, you obtain the added benefit that the supplier has been "vetted" by the IFA staff, and agreed to be bound by IFA's Code of Ethics. While the selection process is by no means foolproof, you will have much more information upon which to base your engagement.

Another benefit of using IFA as your first resource is that IFA's Resources Center contains links to all IFA Supplier Members who offer the category of services. In a keystroke, you can identify all suppliers in a particular category who think enough of our business product to associate with our trade arrangement and learn about the relationship and legal and business issues inherent in a franchise relationship.

To put it simply, you should typically interview or obtain estimates from more than one supplier company. The hard part is making sure you are comparing apples to apples – that the firms have similar skill sets and experience and cost structures. But in fact, you might be willing to pay a little more for someone who understands your business better. Even

though association membership is by no means a guaranty that a supplier relationship will be fruitful, it is one efficient way to locate like-minded and skilled folks. By conducting other due diligence, in similar businesses, you can usually narrow this “shot group” and make an informed selection.