

Restaurant IT: Managing the Franchisor-Franchisee Relation Through Information Exchange

Introduction

Looking at the world of franchisee management through its engagement windows, Cognizant has tried to understand why talking about any investment in an economically challenged global business market may sound a little risky to any restaurateur. Leveraging its competency in this area, Cognizant has tried answering the question with its own conceptual understanding of the same. Taking a holistic look at the franchise business model from both the perspectives, Cognizant thinks that an effective information exchange between a restaurant's corporate and its franchisees can spiral up the productivity of the latter and right investments in this area can help the restaurant keep growing even in a down economy.

Managing Franchisees

Franchising one's business is not merely an activity of simply extending some brand standard with some mutually agreed control mechanism in place. It is more of entering into a partnership that requires lot of collaboration in terms of effective communication, transparency, risk sharing etc.

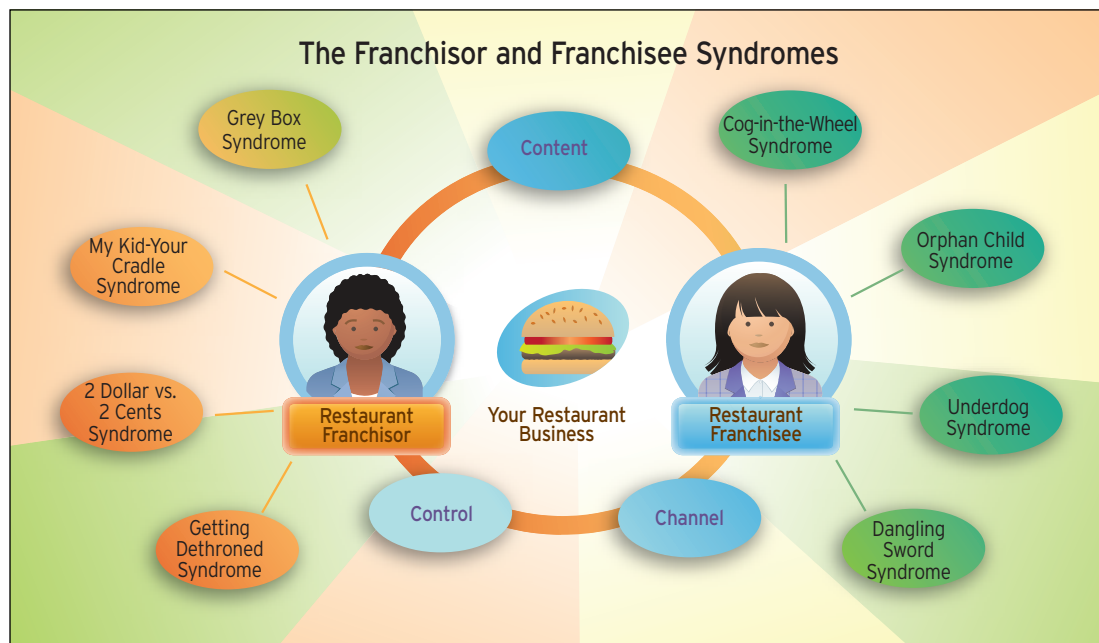
Lack of appropriate information exchange may lead a franchisee to suffer from the following four syndromes:

Cog-in-Wheel Syndrome: Owing to the fact that a franchisee represents only a part of the parent brand at certain geography, she finds it hard to understand how important it is in the entire spectrum of the franchisor's business. The relationship thus lacks proactive approach and gets reduced to a mere small cog in a big wheel.

Orphan Child Syndrome: A franchisee often feels desperate to act in her own way as right decision at the right time from the franchisor often seems like a business utopia. Sometimes, the untimely communication of the franchisor's decision to the franchisees tends to create a negative impact on the franchisee's level of trust. It, thus, makes her feel like an orphan.

Underdog Syndrome: Growing with one's franchisees needs a bunch of motivated franchisees and right estimation of one's franchisees is the key to make them feel motivated. Often incorrect estimation of one's franchisees' potential makes the latter feel like an underdog in the game.

A franchisee always perceives her investment to be much more than the franchisor. A franchisee may feel that the franchisor simply enjoys a share of revenue without shouldering the risk. So, it is the franchisee who always feels a sword dangling over her head.



Managing Franchisors

Managing one's franchisor is not an easy task as well. Lack of proper communication between a franchisor and a franchisee may make the latter feel a little skeptical about the latter. A franchisor may seem to be more demanding in terms of revenue or growth targets or quite stingy when it comes to do some investments at the franchisee store.

Following are the few syndromes that a franchisor mostly suffers from:

Grey Box Syndrome: A franchisor often remains oblivious of the exact way in which the business gets run at the franchisee's end. The entire operation seems more to be a grey box to the franchisor. It gives rise to skepticism and mistrust to the franchisor which dampens the spirit of collaboration that otherwise should exist between a franchisor and a franchisee.

My kid-Your cradle Syndrome: A franchisor puts in a lot of effort to make a brand and a franchisee just cashes in on that. At the end of the day, a franchisee may hop from one brand to the other but the same is not so easy for a franchisor. To create a brand it may have cost a lifetime's effort to a franchisor and she may not be in a position to create another one.

Two dollars vs. two cents Syndrome: The scale of operation of a franchisor is several times

bigger than her franchisees'. A franchisee only thinks in terms of a few stores within a limited geography. A franchisor always has to manage multiple geographies and multiple franchisees. It is always an unbalanced investment equation between the both.

Getting Dethroned Syndrome: A franchisee growing strong may not result in the same for a franchisor. It depends on how the brand gets projected. A franchisor may be apprehensive about the power shift that may happen to her. The extent of centralization /decentralization is something that always keeps the franchisor thinking as its not only hard to achieve but quite difficult to maintain.

Right Information Exchange - An Imperative

It is an imperative to have right information exchange in place between a franchisor and a franchisee. This will help bridge the gap between these two business entities thereby resulting in a proactive business growth.

An effective information exchange model requires focusing on the following three "C"s:

Content: What to exchange and what not is perhaps the most important aspect of franchisee management. In a franchisee management, information to be exchanged can be broadly categorized into the following categories:

Franchisee Syndromes	Influence of the Information Exchange Components					Franchisor Syndromes
	Content			Control	Channel	
	Operational	Value	Morale			
Cog-in-the-Wheel	✓ (Medium)	✓ (High)	✓ (Low)	✓ (Low)	✓ (Medium)	Grey Box
Orphan Child	✓ (High)	✓ (Medium)	✓ (Low)	✓ (High)	✓ (High)	My Kid-Your Cradle
Underdog	✓ (Medium)	✓ (High)	✓ (High)	✓ (High)	✓ (Medium)	Getting Dethroned
Dangling Sword	✓ (Low)	✓ (High)	✓ (High)	✓ (Medium)	✓ (Medium)	2 Dollar vs. 2 Cents

✓ High Influence ✓ Medium Influence ✓ Low Influence

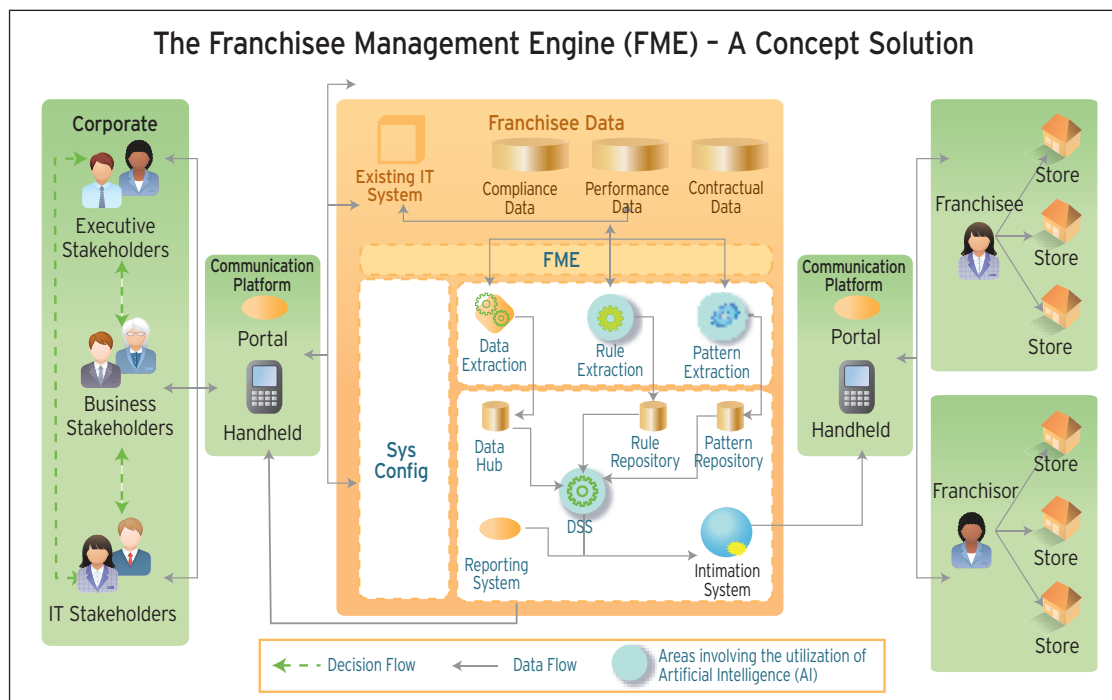
Operational Content: Type of information keeps the business rolling on a day to day basis.

Value Content: Comprises information on organizational vision and the way its wants to grow.

Morale Content: This type of information is exchanged to boost up the morale of the franchisees.

Control: Depending upon the business principles, a restaurant organization should bring in sufficient clarity to what is centralized and what not. Such an initiative will help set the right expectations and bring in appropriate accountability.

Channel: Deciding on the right channel to disseminate the information is of significant importance in determining the success of an information exchange system.



Franchisee Management Engine (FME) - A Concept Solution

Today's IT landscape catering to Franchisee Management comprises disparate applications. In the absence of any single solution capable of utilizing the past data in terms of content, control and channel to intelligently decide on the present & future course of action, managing franchisees is becoming a major challenge. From monitoring the franchisee contracts & brand standard compliance to measuring franchisee performance, it's becoming increasingly dependent on manual processes. This is leading to data inconsistency in the system. Hence SMART (specific, measurable,

actionable, reproducible and timely) decision making to optimize the franchisee performance, brand standard compliance and contract monitoring may address these challenges to quite an extent in an efficient way. FME as a solution would be able to intelligently extract rules and patterns from the franchisee data and the existing IT system and utilize the same to churn the present data thru a Decision Support System (DSS) to generate SMART reports and intimations to the corporate stakeholders and the franchisees respectively using new age communication platforms.

About the Author

Somnath works as Business Analyst with Cognizant Technology Solutions in franchisee management area of the food services domain.

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services. Cognizant's single-minded passion is to dedicate our global technology and innovation know-how, our industry expertise and worldwide resources to working together with clients to make their businesses stronger. With over 50 global delivery centers and more than 68,000 employees as of September 30, 2009, we combine a unique onsite/offshore delivery model infused by a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a Forbes Global 2000 company and a member of the Fortune 1000 and is ranked among the top information technology companies in BusinessWeek's Hot Growth and Top 50 Performers listings.

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Cognizant | Business Process Outsourcing
Passion for building stronger businesses

World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
Email: inquiry@cognizant.com

European Headquarters

Haymarket House
28-29 Haymarket
London SW1Y 4SP UK
Phone: +44 (0) 20 7321 4888
Fax: +44 (0) 20 7321 4890
Email: infouk@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
Email: inquiryindia@cognizant.com