

Drawing in those who see the axe being sharpened

By **DERRICK SIMPSON**



● *Derrick Simpson is managing partner of Franchise Resales, a specialist resales service, that provides the opportunity for franchisors to outsource their resales process in a structured manner whilst still retaining control.*

Since Norman Lamont, as Chancellor in 1991, boasted just before the economy shrank even further prior to the ERM crisis of 1992 that “the green shoots of economic recovery are appearing once again,” the phase has been a real no-go area for politicians.

Shriti Vadera, the Business Minister, got thoroughly “Paxmaned” on BBC’s Newsnight recently for mentioning the term and trying to talk up the economy so it is still a touchy subject - unless, of course, the new U.S. President mentions it. Then it is seen as visionary.

I for one have no intention of predicting an upturn in fortunes because there are no facts to hand that clearly demonstrate such a view. What is interesting, however, is the belief within the franchise sector that this recession will be good for franchising.

Based on the last couple of recessions, which the grey-haired franchise professionals amongst us experienced over the last 20 years when there were definite peaks in franchisee recruitment as people were made redundant with good pay-offs, there is the belief that it should be good again.

Certainly, the chat at recent BFA meetings has been along these lines, but we will need to see how the next few months pan out before becoming overexcited about this possibility.

During previous downturns with their attendant redundancies, the pay-offs were comparatively high, but all the evidence seems to show that this is not the case this time. Even with the high profile City-

based departures most settlement figures have been at, or barely above, the statutory minimum level. This means that although the bodies may be out there, the cash to invest isn’t.

An additional factor in the current slump is the tendency for people to use any extra money from either redundancy, or cuts in mortgage repayments, to pay off debt, rather than go out and spend. In February, there was more money paid off credit card debt than ever before. So whilst some people will have cash to spare, unlike previous times, the inclination is to be protective rather than expansive.

The recent franchise exhibitions in London at ExCel and Olympia attracted a much younger range of attendees.

They were better informed than in the past and certainly posed searching questions to exhibitors and seminar presenters. Those of us who participated and have since compared notes were delighted with the discussions as they provide some grounds for cautious optimism.

The clear message of the recent past is, however, not to be complacent. The old adage: plan to get the best, but prepare for the worst has been clearly demonstrated as a sound approach.

‘Adopt the old adage: plan to get the best, but prepare for the worst’.

At Franchise Resales, we have seen an increase in the number of enquiries for both resales and for general information since February, but there is no clear evidence this is caused by the redundancy factor.

What we are seeing are people, still in employment, looking out for their future. They either see the axe being sharpened and are planning ahead, or are simply deciding to take control of their future and set up in business for themselves because they are fed up with the current risk and angst of employment. Hopefully, this will be drawing them into franchising as their best way forward.

Hot topic

A fat capital gain is the big long-term carrot for the franchisee so they all need an exit plan. Resales could, therefore, be a hot topic at your next franchise conference. To invite Derrick Simpson to explain his hassle-free resales procedure at the conference, email him at derricks@franchiseresales.co.uk

Whilst the industry hopes for an upswing, generally it is still prudent to minimise fixed costs and utilise flexible resources for additional services. This is where using short-term employment contracts to cover specific tasks, and tapping into experienced consultancies for specialist advice is the logical way to go whilst the economic road ahead remains unclear.

Franchise Resales has participated in many franchisors’ meetings, providing exit planning seminars and bespoke consultancy advice. We are also managing the resales programmes of several networks at no cost to the franchisor.

Now is the ideal time for franchisors to discuss with their franchisees the latter’s long-term goals and move away from concentrating solely on any franchisees who are failing. Instead they should be encouraging all to adopt a pro-active approach to their future. This will make the lives of both the franchisees and their franchisor easier in the future because both parties will have focused and mutually-agreed goals.

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