

PUBLICATION

Franchisee Tips for Troubled Times

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Retailers know their customers are difficult to attract, expensive to acquire and even more expensive to replace. In this economic environment, franchisors have recognized that a new corollary augments this adage: "and won't be replaced anytime soon." With so much invested in a franchise relationship and franchise asset by both sides, every effort should be taken to preserve brand affiliation when retention remains a viable option. The notion of interchangeable flags, or the flag as a flexible commodity, flies against recent experience that a brand—or the loss of a brand—matters to the financial performance of the asset. Brand preservation will benefit your opportunity to maximize asset value in most cases.

Yet some franchisees deliberately string along their brand companies, waiting for a default notice, or two, before taking action to restore a property to brand standard compliance, or bring accounts current. This course of action is a dangerous game. If the power company sends a notice of shutoff, most electric service customers don't wait until a lineman arrives to remove the electric meter to pay the power provider. Can a hotel's cash flow survive a reservation system suspension or cessation of group bookings and meeting services, while the owner considers how to resolve franchise issues?