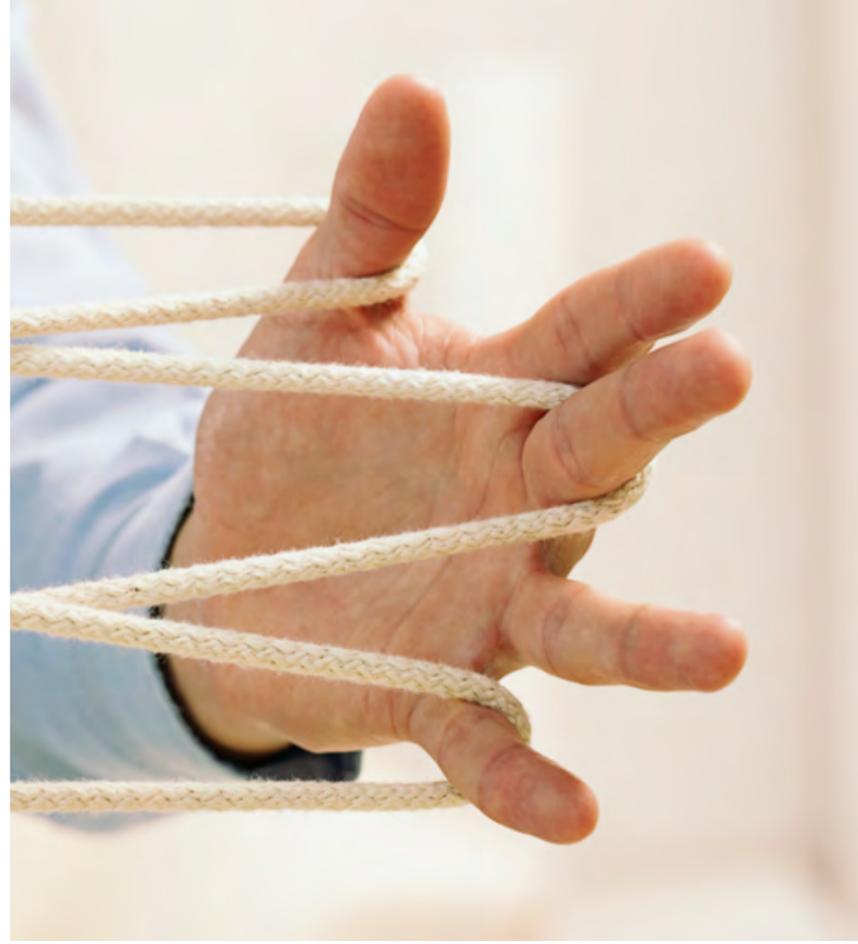


FRANCHISE  
EFFICIENCY  
PLATFORM  
2013





**D**uring the past few years the interest in franchising in Sweden has increased noticeably. According to the recent study by HUI ordered by the Swedish Franchise Association, there are around 680 franchise organizations within Sweden and this number is growing by the minute. More and more entrepreneurs see Sweden and the other Scandinavian countries as an attractive market in which to establish their systems.

Although the market is still recuperating from the last economic downturn, the franchise industry is continuing to grow steadily, increasing the number of organizations and revenue which makes the franchise companies in Sweden very confident about their business growth and finishing the 2013 year with good outcome. With such a confident approach to their expansion, the key challenges are finding suitable franchisees and further expanding the brand locally, regionally and globally. Most of the organizations are focusing on customer growth, marketing strategies and cost reduction. Because of the complexity of managing organizational growth and optimizing costs, many of the franchise or-

ganizations are pursuing a wide array of cost efficiency initiatives, including outsourcing parts of their back-office functions (IT, accounting, marketing, etc.) while investing heavily in business expansion activities.

The goal of this ongoing research is to better understand the current Swedish franchise trends and challenges, get in-depth insight in costs optimization and reduction strategies and learn about business model improvement methodologies. As a part of cost efficient initiatives we will be focusing and investigating the new approach to traditional outsourcing called “Extended Office”.

My sincere gratitude goes to all the contributors from the franchise industry in Sweden who managed to free up their valuable time and helped in making this Report as comprehensive as possible.

Welcome to Franchise Efficiency 2013 Report.

**Ana Stefanovska**  
*Project Management*

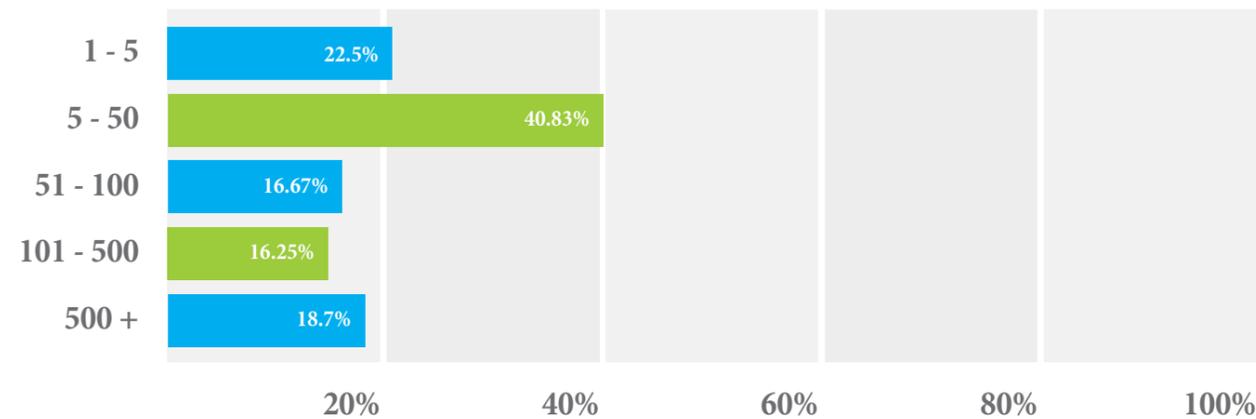
This report was developed using the methodology of desk and phone research complimented with online survey send to C-Level Executives from the Franchise Industry in Sweden and social media discussions and pools.

With population over 9.5 million, Sweden is regional bridgehead and preferred location for global HQ's and large inflow of foreign investments. As a strong purchasing power and leader in the region, Sweden attracts franchise organizations from all over the globe. Sweden is a global leader of innovation with a highly skilled labor force, sophisticated consumers, smooth business procedures, openness to international ownership and a stable economy. According to recent research done by the Swedish Franchise Association in collaboration with HUI, in 2013 there were 680 Franchise organizations generating revenue of 200 Billion SEK and employing around 110 000 people. The main franchise branches are Retail Products and Services, Restaurants, Consulting, Automotive, Training centers and etc. The franchise sector in Sweden continues the trend of the past two years, making yet another year of stable growth. Most of the companies are small and mid-size companies with 50 to 500 plus employees and simple organizational framework consisting of dedicated person or in some cases departments for Marketing, Sales, Administration, Finance, Export, Logistics, HR and etc.

Revenue 2012	200 Billion SEK
High Productivity	5.6% of Swedens total BNP
Number of franchise Systems	680
Employment	110000 employees
Number of franchisees	29 000

*\*Numbers taken from the Swedish Franchise Association report 2013. Research done by HUI Research AB. link: <http://www.testwebben.se/7037/Filer/Franchisebarometern%201%202013.pdf>*

## What is your company size (headcount)?



## Why Franchise?

Franchising can be a great way to expand a business easily without requiring significant capital or cash, leaving you time to develop your ideas, brand and business as a whole, whilst still expanding through franchisees. Although franchising can be a cheaper way to grow your business compared with setting up your own outlets in different areas, it still requires cash investment and/or time. Efficiency.

## Efficiency

Is the extent to which the program has converted or is expected to convert its resources/inputs (such as funds, expertise, time, etc.) economically into results in order to achieve the maximum possible outputs, outcomes, and impacts with the minimum possible inputs.

## What is “Effective”?

The most fundamental and broadly applied definition of the word “effective” is to “cause a result, especially the desired or intended result,” or alternately, defined as “successful, especially in producing a strong and favorable impression on people.”

In franchising then, the measure of an effective franchise organization is defined by the favorable impression made primarily on the franchisee constituents and the desired results achieved by both the franchisees and the franchisor. Franchisee and franchisor satisfaction with the quality and quantity of support, along with both network-wide and individual-unit financial success IS the definition of EFFECTIVE.

## Cost-effectiveness

Is the extent to which the program has achieved or is expected to achieve its results at a lower cost compared with alternatives? Shortcomings in cost effectiveness occur when the program is not the least –cost alternative or approach to achieving the same or similar outputs and outcomes.

## Current Market Challenges

In one for the many research calls that we made in preparation for the Franchise Efficiency Report, one of the Franchise owners said “I have many challenges but they all come under three major ones: Growth, Brand and Cost.”

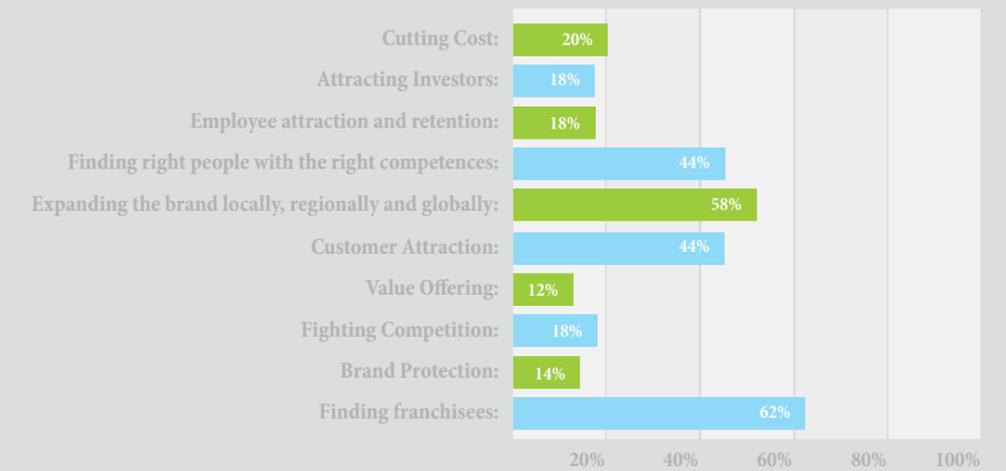
Surprisingly, this simple description of the challenges in essence summarizes the mayor challenges and initiatives that most of the Franchise companies in Sweden, contributors to the research, are facing or taking at this point. In 2013 the clear focus is on expansion and customer loyalty programs. Franchise owners are very interested in new marketing strategies and exploiting at large new interactive channels, like social media, to reach out to their new potential customers and franchisees. There is also a visible struggle for reducing company costs and keeping up with the operational strategies and capabilities, without making costly missteps.

In the next few slides we are going to be focusing on these three mayor issues and delve into the main concerns and strategies within them.

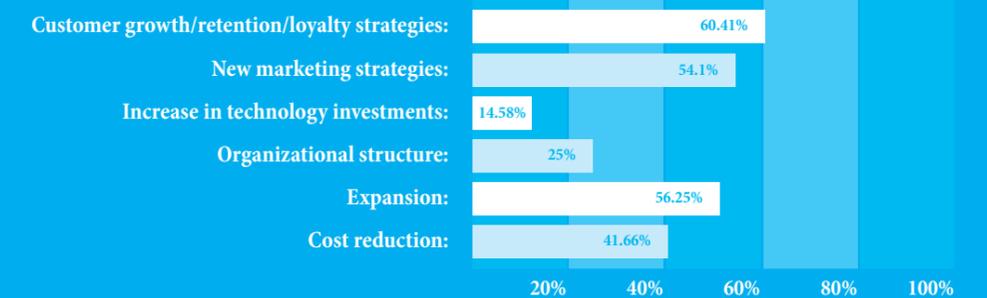
### Disagree?

Join our discussion on [LinkedIn](#) or mail the project manager on: [ana.stefanovska@coordea.com](mailto:ana.stefanovska@coordea.com)

### What are the main challenges your company is facing right now?



### What will be the focus of your company in the upcoming 12 months?



## Growth

**G**rowth is of critical importance of any company. As the organizations expand, so does the demand for more effective management system, procedure, policy and collateral material used to support the franchisees. In a volatile market like today where the competition is getting tougher and customers are getting more resourceful, companies are finding it difficult to follow the market and expand their brand and gain new market share. In order to succeed, both the franchise owner and the franchisee must have well defined structure, capital, marketing vision, transparency and patience. Many will say that one must constantly revisit that strategy to ensure that it reflects the needs and follow the trends of the ever-changing business and socioeconomic environment.

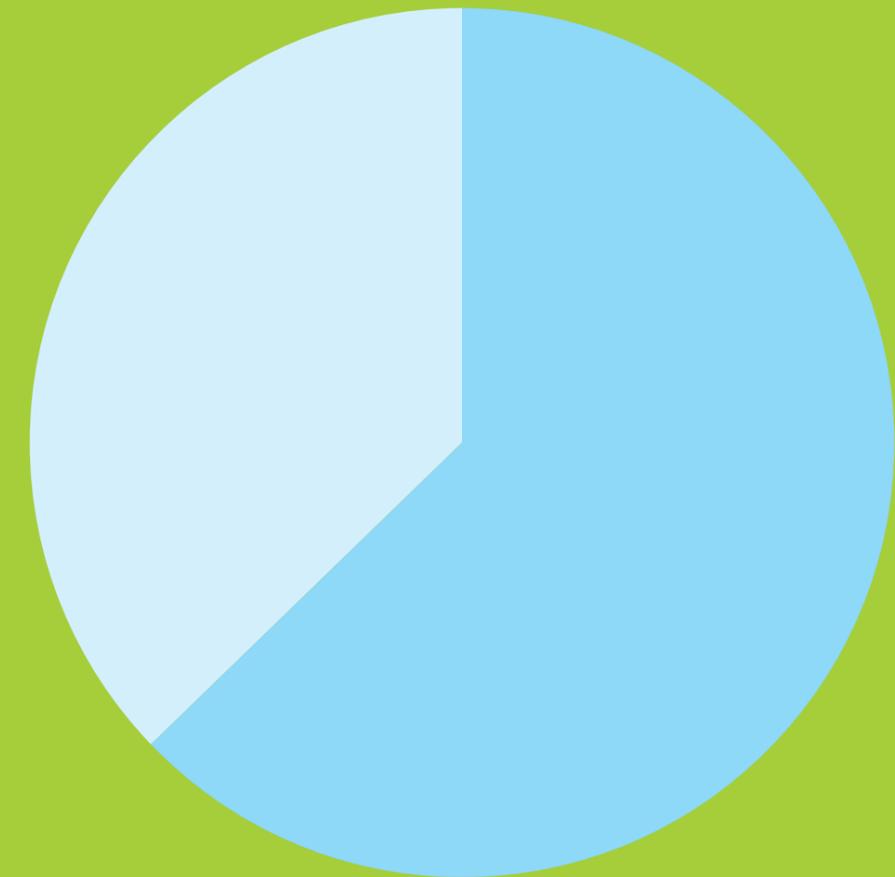
Companies generally are confident in their business strategies – they know what they want to achieve: more franchisees, more profit and stronger brand. The main challenge is how to get there, considering that every competitor is fighting for the same customer. Surprisingly, up till 18% of the respondents mentioned fighting Competition and Brand Protection as one of their main challenges this year.

*“The competition in the franchise market is so strong that the companies need even to protect their new ideas from the newcomers and not only their realization and process. That is why the franchise industry can be very complex and sometimes a mess.” - Roger Larsson – Krogdirekt AB.*

**G**rowth is directly linked with higher operational and labor cost. By the latest report from the Swedish Franchise Association the number of employees employed within the Franchise industry in Sweden is 110 000 and has grown from 2002 for more than 65 000 employees. For many organizations, expansion and hiring new personal seems natural in times when the company is going well, but for many it is not so easy. Our research not only shows that many are positive about hiring more staff in the next 12 months but for some exploring a strategic alliance with an external partner also is an opportunity. As they focus on expanding their businesses, most of the organizations are looking into investing heavily in their Sales and Marketing functions which is a strong sign of a well developed strategy.

One thing is certain, the franchisors will have another challenging year where the strongest focus will be on finding suitable franchisees, customer attraction, attracting investors and recruiting right people with right competences.

Have you consider hiring more employees in the upcoming 12 months?



Yes: 62.61% No: 37.39%

## Brand

**B**randing a franchise is a fundamental investment and is one of the key determinants in its long-term success or failure. In our research the second most common challenge was branding: finding new franchisees that can help expanding the brand locally, regionally and globally. In order to achieve this, franchisors are looking at variety of marketing strategies to attract new franchisees and retain the existing ones. Customers' loyalty strategies are very important part of the marketing strategy and helps in improving and strengthening the brand. The key is to be strategic and remain agile on the market.

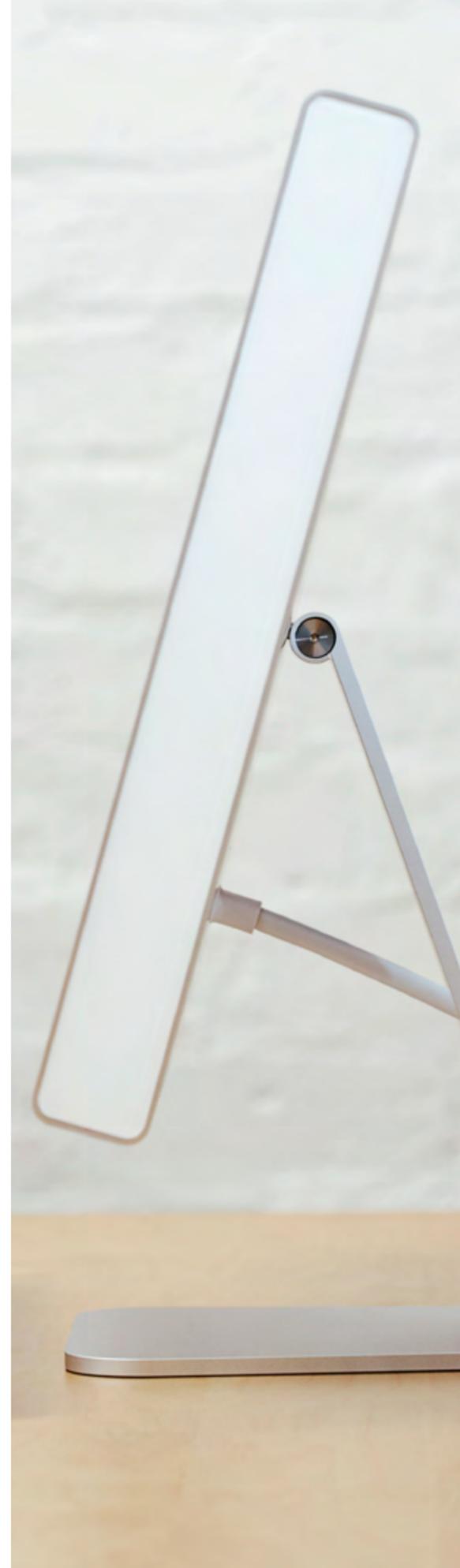
The responsibility of a franchisor is to build the brand, stimulate sales and accommodate local requirements from the franchisees. In order to achieve that, the franchisor must first indentify the customer - the franchisee through one or all of the fundamental eight sources for lead generation (advertisements in trade publications, local newspaper advertisements, internet advertising, franchise referral networks, franchise trade shows, website, in- store advertisement and social media). As expected, most of the leads are nowadays coming through various internet channels and referrals.

To work together effectively and harmoniously, both the franchisor and the franchisees need to fully understand the nature of their relationship. To bring this to higher level of course is the primary responsibility of the franchisor. On the other hand the franchisee needs to keep an open mind about franchise business system even if there are aspects of it that they find difficult to agree with in the beginning. The franchisor has to be continually open to ideas that can further improve the business system of the franchise. These ideas will be contributed by the franchisees themselves. This is because the franchisees are in the front line of operations and will eventually have many operating insights to share with the franchisor.

Using what they have at their disposal is always the most efficient. One is sure; working with the franchisees regarding new marketing ideas can benefit the franchisor. Using their knowledge of the market and relationship with the customer can make a nature symbiotic of any campaign and it is essential to initiate a win-win scenario for both the franchisor and the franchisee. They can recognize the behavior of the potential customers and markets and help the franchisor to ensure the brand and the unique look of the franchise. By maintaining an existing customer loyalty and direct approach to the customer, like write testimonials (comments and feedback), they can get the most of their promotional materials. Repetition of a customer experience is fundamental for creating a successful franchise.

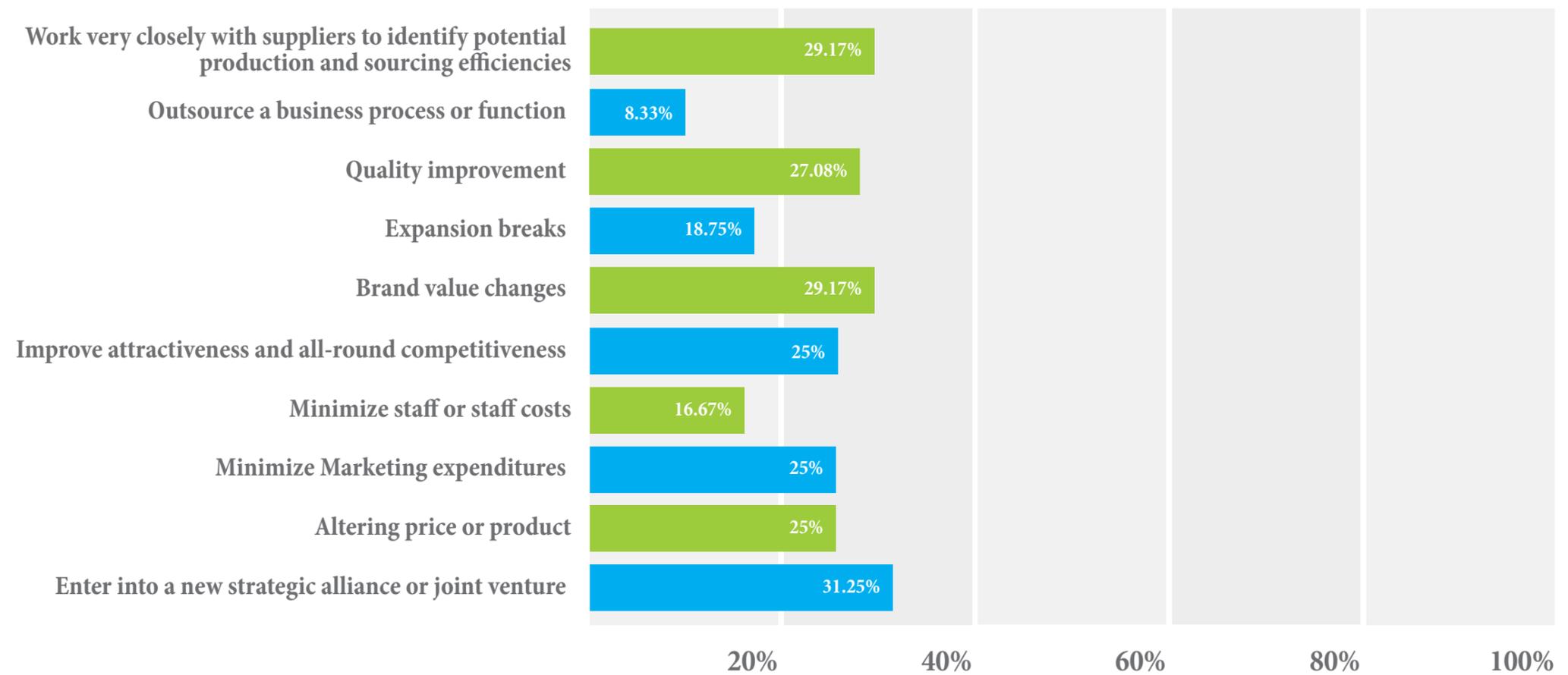
Besides working with the franchisees, the networking is still one of the most important marketing solutions available in their arsenal. First the franchisors need to establish their goals, define their objectives and key messages, and then make decisions through the customer's eyes. They work on their customer growth with adding an online shopping and paying for their services and actually majority of the franchisors finds their franchisee on the web.

Local press and in store advertising can work for the franchise organization generation opportunities. The internet, social media and the web portals are still the most powerful and obvious tools which can be used in a myriad of ways to promote the franchise. Building a strong franchise brand takes persistence and patience and in order to achieve great success franchisors need to be consistently compelling.



## Cost-Efficiency

**In the upcoming 12 months, if any, what would be the most obvious cost-efficient and productivity improvements that you will be taking in order to minimize your cost?**



It is a fact that the franchising model is the most effective way for expanding a business and a brand. With expansion and growth comes high expenses and back office work overload. “Doing more with less” is on everyone’s mind these days. But how do we manage to balance between getting bigger and better and cutting costs in a same time?

When asked, many will answer in a completely different way. Some will say by working closely with the suppliers, quality improvement, value proposition, pricing adjustments or improving overall attractiveness and competitiveness and others will say minimizing staff costs, expansion breaks, minimizing marketing expenditures or just simply looking for an investors and entering joint ventures.

There is no winning formula. Or at least not a common definition of what is needed to be done. One thing is sure. While Outsourcing still remains to be the most lucrative way to cut cost, it is still not widely accepted in the franchise industry especially in Sweden. It seems that the trust issues and managing risk is still a big hurdle overtaking the fact that there is a lot to gain.

*“When it comes to cost reduction there is a split between organizations who really manage their cost and the ones who don’t. The main reason for not managing to do so is not being able to optimize the franchise structure and initiative with the employee headcount.” - Anders Svensson, VD, Svensk Franchise Association*

Many will agree with the statement “Organizations need to focus on what is important. And that is sales and marketing”. When organizations optimize their back-office systems and processes, and ultimately employees’ performance, the benefits carry over to customer interactions. Our research shows that to the Swedish franchisors, outsourcing the back-office comes as something that is natural. Many of the small and the midsize companies have already outsourced their economy, graphic and IT to a third party solution provider within Sweden or elsewhere.

Transformational approaches to outsourcing are demonstrating how a deeper and more substantive organization-provider relationship can lead to a higher performance and generate a wide range of intangible benefits — well above and beyond simple cost cutting attention to growth-oriented agendas. Nearshoring (the transfer of business or processes to companies in a same or nearby country with a same time zone) is no longer just a means of reducing overhead and cost. It has become an integral part of the way the world does business regardless of borders. The new very effective model called “Extended Office” reaches its potential.

**T**he Extended Office model is a relatively new model used by many organizations in US and Europe. It differs from the traditional fixed cost outsourcing model when it comes to cost, control, quality and commitment.

**The model is alternative to employment and allows you to:**

- Select and recruit skilled professionals working exclusively for you
- Manage and control team members for your project.
- Have direct access and contact with each team member daily.
- Flexible contract terms.
- Higher level of project security control, IP rights protection and confidentiality.
- Lower and negotiable cost depending on your requirements and what level of seniority you seek in your new team-member.
- Mitigate the employment and contractual risk

**Designed properly, this outsourcing model removes the disadvantage that the traditional outsourcing model has, such are:**

- Inability to find and self select specialized skills at a reasonable rate.
- Low control or none control over the human assets
- Inability to create solution for the physical absence of the employee and include them in the everyday activities and planning
- Preserve the knowledge within the organization

The Extended office model is a cost-efficient alternative for opening an office in a different location with same time zone, without the investment and administration burden. This enables organizations to

- Enhance costs optimization,
- Grow in new markets and establish regional presence,
- Further develop the organization and
- Provide better customer and internal functional and operational support
- Focus on what is important - Sales, Market Growth and Brand Awareness

Some of the Swedish franchise organizations like Husse and Sushirullen who are already working with this model have experienced fast growth while decreasing their back office administration and established new regional presence.

Considering the previous given definition of Extended Office model, could you imagine having these employees working for you from another location but same time zone?



Yes: 46.66%  
No: 53.33%

## About Us

Founded in 2009, Coordea is a young and dynamic Swedish company, focusing on providing high-quality extended office services and operational business support to the Scandinavian market.

Coordea offers a broad range of cost-efficient services and provides resources with all the necessary skills, tools and technologies to support the development-path of our successful and growing clients. The extended office services enables Coordea's customers to minimize their costs, increase their workforce and focus their time and resources on the areas that are of utmost importance for growth of their organizations.

With offices both in Stockholm, Sweden and Tetovo, Macedonia, Coordea is designed to be an extension of your company and our services are customized to fit your business's needs & desires.

**Mission** - our mission is to bring value to each client and business process we serve through our strong and professional team, agile business model and up to date technology.

**Quality** – proactive and constant improvement of our services means we can guarantee to achieve results.

**People** – careful selection and continual efforts towards development of our main asset, our employees, has led to a supportive working environment providing a variety of career growth opportunities.

**Professionalism** – our rooted experience has led to the creation of a hand-picked global partnership network allowing us to manage small to mid-sized Swedish and Nordic company's structures.

Learn more about us at