

Franchise Times®

Business Services Weather the Economy

By Matt Bolch

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At a time when stocks are trading at half what they did 18 months ago, the loss of 10,000 franchise establishments doesn't seem so bad. The key, of course, is to make sure that it's not your business that closes.

Other data from the Franchise Business Economic Outlook for 2009 estimates a loss of 207,000 jobs in the sector and a decline in overall economic output of 0.5 percent, which translates into a \$4.2 billion loss for the year. The report was prepared by PricewaterhouseCoopers with input from FRANdata.

"It's a slight dip, but better than the rest of the small business economy," indicates Rieva Lesonsky, editor at large for AllBusiness.com. "Franchises are perfectly poised to handle the downturn." Bright spots include the QSR industry, temporary staffing services, coaching and franchises aimed at business services, notes Lesonsky. "Business services are going to do well," Lesonsky says. "Larger companies are getting rid of employees and turning to outsourcing."

FastSigns has weathered previous downturns without incident, but President Larry Lane says the current economic climate is hitting his business, too. The company was founded in Carrollton, Texas, in 1985 when the state's housing market was in the tank, but FastSigns prospered then, as well as during downturns in the early '90s, during the dot-com bust and in the aftermath of 9/11.

"We did pretty well the first half of last year, then the second half saw a tightening," Lane says. "In November, the business world stopped. January was bad, but we've started being more proactive and are seeing things loosening up."

FastSigns, which has 462 locations in the United States and 81 outlets in six other countries, has been reinforcing the value message of signage to the small- and medium-sized business (SMB) community and helping franchisees make smart decisions during the downturn.

The company encourages franchisees to try social networking, and FastSigns has started a blog on its Web site, which currently is undergoing a transformation to incorporate mobile access that should be complete by mid-summer. The company has instituted additional training for franchisees and their employees and has issued guidelines about how stores can operate more efficiently from a green standpoint.

Technology has transformed the signage industry but can be costly, and FastSigns is helping franchisees make critical decisions about whether efficiencies and sales opportunities gained from new equipment would be worth the expense.

BookKeeping Express believes its value proposition will appeal to the SMB community during the recession, says Greg S. Jones, CEO of the franchise services company based in McLean, Virginia. The company was founded in 1984 and operated under a license model until it was sold in 2007. BookKeeping Express has 23 licensed locations and 112 franchise territories, mostly multiple units on the East Coast.

"There's a huge void in the market between bookkeepers who mainly have limited skills and CPAs who consider bookkeeping a low priority," Jones says. "We boast the quality of a CPA with the cost of a bookkeeper."

In a small business environment, one person often does two jobs, including bookkeeping. So if that person is laid off, the owner has to look elsewhere for bookkeeping services. BookKeeping Express offers reports and industry analysis comparing a client's business with comparable companies across the company.

"Every week, every month, we're looking at how the business is run, and that's the value we offer small business owners," Jones says.

Staying on top of your game

If franchisees ever needed a little sage advice, now is the time.

"We've never been more relevant and never been more effective," says Jason Zickerman, president and CEO of The Alternative Board, an international peer advice and executive coaching franchise based in Westminster, Colorado. "Executive coaching is kind of recession-proof. In good times, owners can afford it, and in bad times they need us more than ever."

Clients can participate through peer boards of non-competing business owners who meet to discuss challenges and strategies for success and receive one-on-one coaching about their particular business.

This isn't the time to sit back and hope to weather the storm, Zickerman advises. Business owners have to be aggressive and proactive, finding ways to cut spending that do not include marketing and leveraging company strengths to find new customers and cement ties with existing ones.

David Fagiano, senior vice president and COO at Dale Carnegie & Associates Inc., agrees that the time for action is now. "It's been proven recession after recession that companies that don't cut funds for advertising and training come out of recessions better than companies that do," says Fagiano. "But usually those items are the first to get cut when the economy goes south."

That's one of the five biggest mistakes companies make, as found in a Dale Carnegie Training survey of 150 of its franchisees. Another common misstep is following the herd, cutting people or budgets indiscriminately because other companies are doing it. Others include delaying key decisions, failure to communicate within the organization and viewing the situation negatively.

"This constant barrage of awful news has a lot of people scared and retreating into their shells," says Fagiano, who says Hauppauge, New York-based Dale Carnegie has not been immune to the downturn. "Even if the unemployment rate hits 10 percent, that means 90 percent of Americans are working. It's all a matter of perception."

Savvy owners and managers are preparing for the inevitable recovery by maintaining an investment in a company's most important asset - its people.

Linda Burzynski has led several franchise organizations and now consults with franchisors and franchisees as CEO at VL Service Corp., Austin, Texas. Burzynski says nearly three-quarters of the franchisors she works with are trying to increase communications to franchisees and customers to strengthen ties, while the rest are working to expand the number of locations.

A coach with franchise experience can bring a trained set of eyes into a company's business, often paying for the service with increased efficiencies or opportunities. "One suggestion (the client)

leverages can mean hundreds of thousands of dollars to the bottom line," Burzynski says. "Franchisors can't afford not to do this."