

Does The F In Franchisee Stand For Failure?

Jono Coleman: It's Jono Coleman here. It's talking lifestyle, The Good Life, of course, and I like to regularly talk to my friend and colleague, Roger Simpson. He's a retail expert and CEO of the Retail Solution. And he knows about things: about, you know, successes and failures. And sometimes franchises fail. Everyone goes, "Oh wow. Let's buy into this Bill's Mowing or Steve's News Agency, or whatever it is, or you know, The Body Shop, or something." Sometimes it works, and sometimes it doesn't. So, I thought we'd ask Roger all about it.

Good evening Roger. How are you?

Roger Simpson: Excellent, Jono.

Jono Coleman: So, over the past few weeks, there have been a few Australian franchises in the news—Some for the good reasons and some for bad reasons. Can you elucidate please?

Roger Simpson: Yes. Mainly bad reasons for the moment, Jono, which is very disappointing. And I guess the big one of course is Retail Food Group that own Donut King, Michel's, Gloria Jeans, etc. And they've been in a bit of financial trouble in the last 6 months or so. Their share price has taken an absolute battering.

Jono Coleman: Yeah, coz its funny. 'Coz we see these things like you never really hear of the Retail Food Group. You know, we know about Gloria Jeans.

Roger Simpson: Yeah.

Jono Coleman: We know about Donut King itself. But I didn't know that they were all owned by the same bunch of people.

Roger Simpson: They started Donut King a number of years ago. It was the first one. Then they have been buying other businesses. I think they bought Gloria Jeans about 3 or 4 years ago.

Jono Coleman: Yeah. Yeah.

Roger Simpson: So, now they are one of the biggest franchisors in Australia. It's interesting because a number of the Gloria Jeans, as I understand, are doing very well overseas.

Jono Coleman: Yeah.

Roger Simpson: It's just sad for everyone because there's obviously individuals involved in losing their houses

Jono Coleman: Yeah.

Roger Simpson: Life savings... and it's always tragic.

Jono Coleman: Yeah. Exactly, because, I mean, I know people who are involved in Gloria Jeans. In fact, the TV show, that I'm involved in, Studio 10, for about 3 years we had Gloria Jeans as our, sort of, official coffee sponsor. And they had their... we had our own barista, who would be there every morning making coffee for the cast and the crew.

Roger Simpson: Fantastic!

Jono Coleman: And guests. And that stopped about a year ago. And I think he actually sold his Gloria Jeans. And he's doing something else. He still... I think he's got a café somewhere but it's not a Gloria Jeans franchise.

Roger Simpson: Yeah.

Jono Coleman: Does that mean all Gloria Jeans are gonna close or just some of them?

Roger Simpson: No, I think what they're doing, they're planning to close two hundred of them fairly soon.

Jono Coleman: Yup.

Roger Simpson: And a fair portion of these are company owned stores as well.

Jono Coleman: Right.

Roger Simpson: These are the unprofitable ones that they can't, I guess, keep propping up and trying to help them be financially viable. There's also a rumor about another hundred eighty stores that are closing as well.

Jono Coleman: Wow

Roger Simpson: Certainly... It's interesting 'coz the whole thing about franchising Jonno, I've been around retail for 30 years and if you do it on your own, and it's very challenging 'coz you've got nothing. You've got to do it all yourself. You've got to do all your marketing. You've got to do all your shop layout, etc. Whereas, franchisees are like you buy the book and you get the key.

Jono Coleman: Yeah.

Roger Simpson: And unfortunately, I think what happened is for a number of these franchisors, they haven't been very rigid on who they take in as franchisee.

Jono Coleman: Yeah. Yeah.

Roger Simpson: And a lot of them struggled and not having a background of business, not that they need that. But they don't like to follow the system.

Jono Coleman: Yeah, exactly. And that's the thing in a lot of ways has made the McDonald's brand and the KFC. They made them stick rigidly. If you wanna be a McDonald's franchisee or if you wanna be a KFC or Pizza Hut franchisee, this is it. This is the book; this is the bible.

Roger Simpson: Absolutely.

Jono Coleman: And that movie, the Founder, if you ever saw...

Roger Simpson: I was just gonna mention that. It was brilliant.

Jono Coleman: And yeah. Well boy, that guy turned out to be such a... the one that Michael, what's his name, Michael Keaton plays,

Roger Simpson: Yeah Ray Kroc

Jono Coleman: Ray Kroc. He wasn't exactly the nicest guy. You wouldn't want to live next door to him.

Roger Simpson: No, exactly. I saw that movie last year and it was absolutely brilliant because you could see the same sort of thing, when he started to roll the franchise out.

Jono Coleman: Yeah.

Roger Simpson: And he got his mates involved. And now, they were going off book in selling chicken and different things. And he went, (mimicking Michael Keaton's voice) "No! No! No!"

Jono Coleman: That's right. That's right. And they would say, "We wanna change the thick shakes and do it with powdered milk rather than having a dairy product, blah, blah, blah. But it was quite amazing and that is how, you know, and also the fact is with the Ray Kroc thing and McDonald's, they're basically it's a land company. They're basically selling you the site

Roger Simpson: Yeah. Yeah.

Jono Coleman: Buying the site. Whereas, something like Gloria Jeans or Donut King, that sort of thing. It's a lot harder because you're basically just buying into the brand and buying into the dream. But what about Aussie Farmers Direct? I understand, they plunged down as well.

Roger Simpson: Yeah. Completely gone. Yeah. I think they started out with the right focus. Again, they were doing milk delivery, first of all, then they got into fresh fruits and vegetables.

Jono Coleman: Yeah

Roger Simpson: And then they decided to... oh there's a market here. Let's go out into other grocery areas.

Jono Coleman: Yeah

Roger Simpson: And then you are starting to take on the big boys, Woolies and Coles. And Woolies and Coles have been in a "price war" for seven or so years. It was down, down etc.

Jono Coleman: Yeah

Roger Simpson: And I think that was just a bridge too far for Aussie Direct

Jono Coleman: And Woolies are winning now too. I was just watching Tonight that Woolies are now have made more profit again.

Roger Simpson: Yes

Jono Coleman: More profit than Coles. And now they've got, they've got Aldi. And they've got IGA, and there's a new German one.

Roger Simpson: Yes

Jono Coleman: That I've never heard of before. That's Kaufland that's about to come in to Australia.

Roger Simpson: Yes. Yes. That's really gonna heat things up.

Jono Coleman: Yeah

Roger Simpson: And I was doing some research and with their whole price war, sounds as though Woolies and Coles have waved the white flag and decided that it's getting them nowhere. It's just killing our margin.

Jono Coleman: Yup

Roger Simpson: It's killing our profit. So, now they're focusing on other things and particularly around... They're going to focus on customer service Jonno.

Jono Coleman: Oh my goodness. That's the person that comes in with the money, isn't it?

Roger Simpson: Hahaha

Jono Coleman: ...and spends the money. Well, it's actually tonight on the TV. I don't know whether it's just Channel 9, sort of winding it up, and stirring it up a bit. But they were saying that Coles have been the first... No Woolies have been the first to say, If you've got a Woolies gift card of any kind,

Roger Simpson: Ah yes yes yes

Jono Coleman: It doesn't matter if it says, runs at end of last year, or runs at the end of 2018, that's all dropped. You can use any of your Woolies gift cards or, you know, Dan Murphy's or BWS,

Roger Simpson: Yeah

Jono Coleman: The booze shop, or anything like that. You can use those forever and ever and ever. And then that's... they kind of got the jump on Coles and IGA again in that regard.

Roger Simpson: Yes yes. Well, that was a thing they were bringing in, in NSW, that you had to have a minimum of three years.

Jono Coleman: Yeah

Roger Simpson: And of course, it only takes one of them to break ranks and go, "Ah, look at us. We're going to say that you can use it for how ever long you want to use it for."

Jono Coleman: We're the good guys. We're the good guys.

Roger Simpson: Exactly right. So, it will happen with everyone. And why shouldn't it, I thought the same thing tonight, Jono, on TV, I think that's 70 million dollars a year or something.

Jono Coleman: Yeah

Roger Simpson: That wasn't being stamped. You think, what are all these people doing with these gift vouchers.

Jono Coleman: I know, I know. I've got to admit that I've been given a couple of gift vouchers over the years. I ended up giving them to my kids because I suddenly realized that I had a David Jones and Myer gift vouchers for \$50 or \$150. And I thought

Roger Simpson: And they used it

Jono Coleman: It's about to expire. You better have this and do something about it. You may use it in about 2 to 3 days. So, it just...

Roger Simpson: I like a bit of re-gifting, Jono. There's nothing wrong with that

Jono Coleman: Re-gifting. Exactly. It's a gift token. It's my way of passing on the good vibes.

Roger Simpson: Exactly.

Jono Coleman: So look, it's very sad about Aussie Farmers Direct because

Roger Simpson: Yeah

Jono Coleman: I thought they were... It was really good idea. I know they knocked at my door and I sort of said I was gonna think about it. I obviously took too long thinking about it that they've closed down. I mean, I'm like you, I'd like to hear people having success, successful franchises whether it's doughnuts, or whether it's, you know, Krispy Kremes had a bit of rebirth. They're back again.

Roger Simpson: Yes

Jono Coleman: Somebody else's bought Krispy Kremes. And I think even those corner sweet shops that closed down that were then being sold the brands, the liquorice and all that stuff,

Roger Simpson: Yes. Yes.

Jono Coleman: And the rocky road. I hear they're now gonna start opening up a few shops again.

Roger Simpson: Yeah. Darrell Lea

Jono Coleman: Darrell Lea. Yeah. Is that true they had a kind of been risen from the grave?

Roger Simpson: Yeah. I think it's because once again such a powerful brand.

Jono Coleman: Yeah

Roger Simpson: And the customers actually love it. They love the brand as well. And It was another very sad case but yeah I think if they resurrect that would be great. But it's interesting, Jono, because franchising in Australia, I mean, we out-franchise the Americans. I think when franchising was invented, I think we have more franchisors, and franchisees per head of population than America does.

Jono Coleman: That's amazing. 'Coz I thought things like Avon calling, you know, I like Swipe and Herbalife, and things like that would be giant. But they are quite big in Australia as well.

Roger Simpson: Yeah

Jono Coleman: So, I think the good thing that we should remember Roger Simpson is, you know, thank goodness we're in television and radio. Because it's not a franchise. It's a license to print money.

Roger Simpson: Hahaha

Jono Coleman: Hahaha
Nothing ever changes in our radio or tv franchises.

Roger Simpson: No, that's right.

Jono Coleman: As we say it in the Ten Network, it's business as usual.

Roger Simpson: Yes, thankfully.

Jono Coleman: Hahaha. Yeah, thanks for our new big brother, CBS.

Roger Simpson: Exactly that's right.

Jono Coleman: That's why I'm speaking with a slightly American accent now.

Roger Simpson: Hahaha

Jono Coleman: Roger, we've ran out of time and I'm afraid we're gonna have to say thank you very much. Can you come back and join us another time?

Roger Simpson: I'd love to, Jono. Anytime.

Jono Coleman: Alright.

Roger Simpson: Anytime, I always enjoy our catch up.

Jono Coleman: I'd like to catch up with my Kiwi cousins.

Roger Simpson: Hahaha. Thank you, thank you, Jono.

Jono Coleman: Alright. That's Roger Simpson, a retail expert and CEO of the Retail Solution. And if you want to find out more about joining Roger Simpson's franchise. I'm sure, he's got one down the back of a sofa. Thanks, Rog.

Roger Simpson: Thanks, Jono.