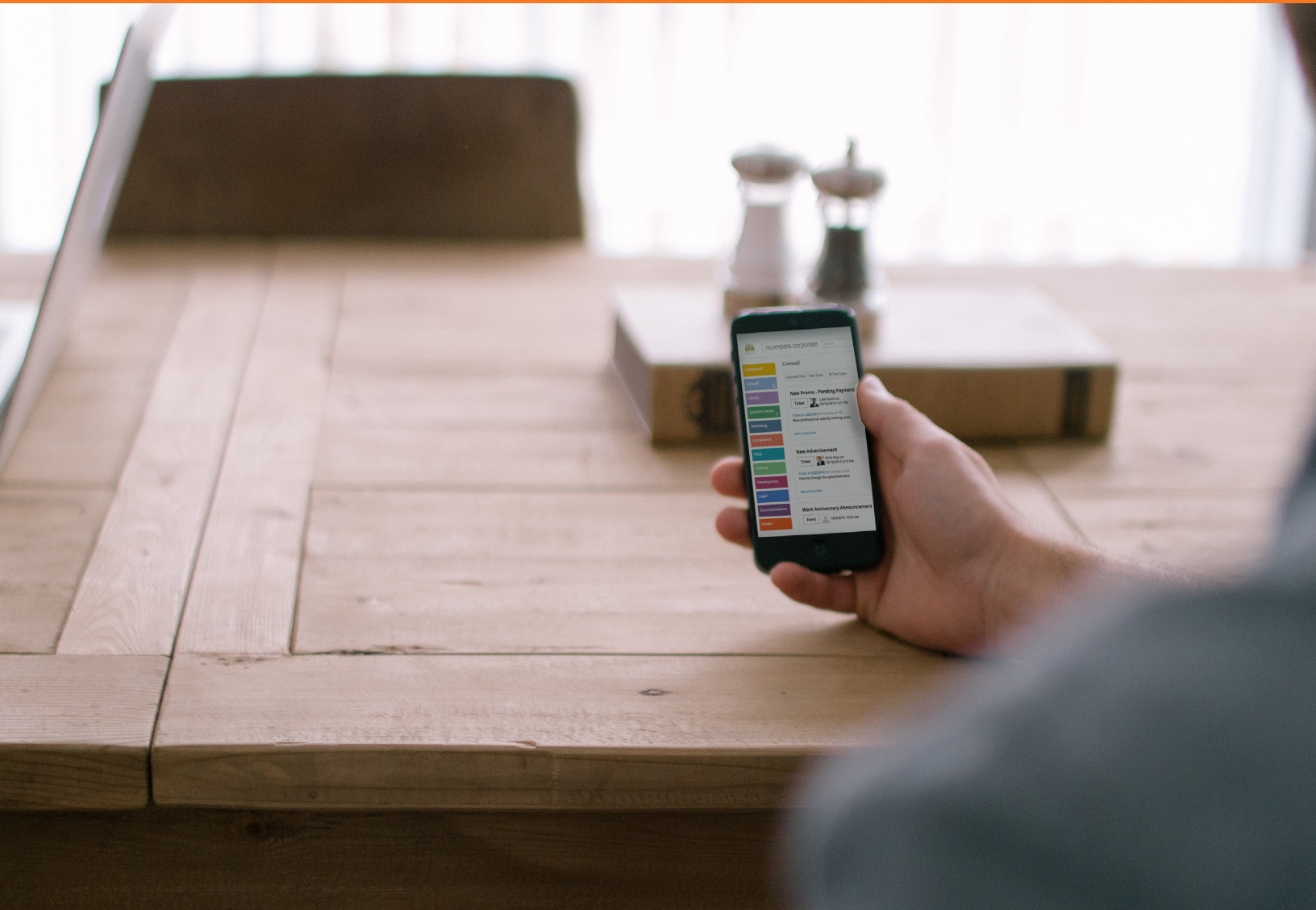


HOW FRANCHISORS AND FRANCHISEES CAN LEVERAGE TECHNOLOGY TO ACHIEVE OPERATIONAL EXCELLENCE

WHITE PAPER



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Executive Summary

Here's the reality: Franchisors and franchisees are becoming more and more reliant on technology to achieve operational excellence. In the restaurant space alone, a recent study found that 35 percent of owners and operators were more dependent on technology tools in 2015 than they were in 2014.¹ That statistic comes as no surprise in our IoT-driven, increasingly connected world. For example, by the end of this year there will be 6.4 billion devices in use with internet capabilities. That's an increase of 30 percent over last year, and by 2020, that number will more than triple to 20.8 billion devices.² The smartphone you're holding in your hand today delivers a value to you that is light years ahead of what it offered five years ago, three years ago or even last year. And that's just when we focus on technological advancement as it applies to IoT and mobile.

35% of restaurants were more dependent on technology tools in 2015 than they were in 2014.

– 2015 NCR Restaurant Technology Survey

As technology use continues to escalate, the franchise industry reports that the payoff is real. More than two thirds of restaurant owners and managers believe that technology has a direct impact on increased revenue.³

67% of restaurant owners and managers believe that technology has a direct impact on increased revenue.

– 2015 NCR Restaurant Technology Survey

Therefore, the premise of this white paper should elicit no argument, right? The overwhelming majority of us should be able to agree that franchisors and franchisees must leverage technology if they want to achieve operational excellence.

Yet, within the real practice of business operations, many franchisors and franchisees are still paralyzed by the thought of adopting new technologies.⁴ Why? Cost seems to be a popular response. 83 percent of owners and managers say that maintenance and upgrade expenses are the biggest obstacles to implementing new technologies. We will concede that as a logical position on its face, but we will also postulate that it is a misguided position. James Walker, President, Operations and Development of The Johnny Rockets Group, Inc. says that the franchisors he witnesses that are reluctant to move ahead quickly with new technologies are generally managing complex or disparate systems. "They are afraid of the capital expenditure to modernize." However, Walker is quick to add, "What they are missing is the long-term cost to their business when they do not move ahead with the new available technologies."

¹ 2015 NCR Restaurant Technology Survey

² Gartner

³ 2015 NCR Restaurant Technology Survey

⁴ 2015 NCR Restaurant Technology Survey

“(Franchisors) are afraid of the capital expenditure to modernize. What they are missing is the long-term cost to their business when they do not move ahead with the new available technologies.”

—James Walker, President, Operations and Development,
The Johnny Rockets Group, Inc.

This white paper is designed to further promote the idea that, in light of the collective movement to a mobile-centric world, franchisors and franchisees can leverage technology to achieve excellence in all aspects of their operations throughout their franchise ecosystem—from onboarding and communications to training and brand consistency. It is also our aim to flex Naranga's expertise as an enterprise technology company that focuses on multi-unit growth within the franchise industry.

The Movement to Mobile

Mobile is the new normal...and has been for a while now. Today, there are 5.8 billion mobile users worldwide—that's 80 percent of the planet's population—and they have an average of 1.5 devices each. (In two years, the average will increase to two devices each.⁵) Everyone up and down the franchise chain is always on the go, which means that we cannot talk about technology in franchise operations without addressing how crucial mobile-centric technology solutions are to success.

80% of the world's population uses mobile devices and, on average, they own 1.5 devices each. By 2018, they'll own 2 devices each.

— The Radicati Group

However, here's the important thing to remember: Utilizing mobile technology in franchise operations is more nuanced than simply transferring everything from a person's desktop to a mobile app. The most useful mobile applications are geared toward key functionalities that a person needs while he is in the field. Successful applications are simple, lightweight and intuitive in the sense that a user knows how to quickly move around in the app and use the app without much instruction. The best mobile solutions are configured to present the most important information to a user at their fingertips.

Coming Onboard

Onboarding a new franchisee is a challenge for any franchisor. When asked about the most common themes that create complexity in a franchise system, James Walker with The Johnny Rockets Group Inc. identifies initial training and investment. “New franchisees, perhaps understandably, try and minimize their time and financial commitment prior to opening their first location,” he says. “However, this is the time when we need them to be fully committed to the brand, especially in training.”

⁵ Mobile Statistics Report, The Radicati Group

Onboarding is painful because a franchisor is trying to streamline the process of getting franchisees to market as soon as possible so that they can start making money and, in turn, increase royalties.

Let's examine a scenario that is not uncommon in the franchise world. A franchisee agrees to buy a franchisor's concept, and the startup cost is estimated at \$100,000. Three months into the eight-month process, the franchisee has surpassed his \$100,000 spend. Progress is stalled, the opening is delayed and a scramble ensues to find the extra necessary funds. Could technology have prevented this breakdown? We would argue yes. At the very least, the right technology would have provided more transparency to the process and eliminated any surprises.

A technology solution such as Naranga's ncompass, which helps multi-location owners centralize their operations management in a single platform, accelerates the onboarding process and provides a user-friendly system that enables the franchisor and franchisee to both keep track of all expenditures. It creates an alignment between both parties and facilitates conversations that clarify all costs and keep the onboarding process in motion.

The Art of Engagement: Knowing Thy Franchisee

Continuing the idea of facilitating conversations, another common challenge a franchisor faces is losing touch with his franchisee. As stated earlier, technology has connected us more now than ever, and that trend shows no signs of slowing. The benefit to that interconnectedness is that a franchisor can use technology platforms to know the franchisees—to better understand the details of who they are and their environment.

Solutions such as those offered by Naranga keep the franchisor engaged with the franchisee and vice versa. Tools open the lines of communication and allow the franchisor to track the specifics of the business.

Most importantly, technology empowers a franchisor to monitor whether or not a franchisee is following the established brand methodology. Because when those guidelines are not adhered to, separate problems can arise.

Brand Consistency: Directing the Customer Experience

Brand consistency is key. As a franchisor, one of the most important questions you have to answer is, "How do you make sure your customer has the same user experience from one location to the next?" Are employees dressed properly? Are the protocols followed for delivering a service or packaging a product? Consistent field auditing works to achieve that goal, and technology helps to make that auditing process as efficient as possible.

Naranga has developed a field audit solution called nsight, which helps a franchisor ensure quality assurance and brand consistency. The name itself was born out of the idea of giving franchisors greater insight into operations at their locations. Successful technologies such as these prompt the field auditor to gather the most important information and compile that data into a report that is easily shared and deciphered.

Once brand inconsistencies are identified, franchisors must implement or reiterate corrective actions by controlling and managing training. No surprise that technology is the answer here as well. To streamline the training process, Naranga's nspire is a secure, easy-to-use video training solution that ensures consistent operations across an entire employee network. Franchisees can administer tests to evaluate how much is learned and retained. Employees get the opportunity to watch the training as many times as it takes to understand what is presented. Overall, the franchisor can use technology raise the brand consistency to the proper level.

Painting a Big Picture: What We Learn from All That Data

Franchisors accomplish success when they possess a clear vision of the operations in their entire ecosystem. Technology solutions geared toward the franchise industry present that clarity. Today, those solutions are also gathering a near endless amount of data. Far too often, however, that data and information sits inactive in its own silo. A franchisor must activate that data and information by ensuring that his technology solutions are interconnected. A franchisor gains more valuable insight into his operations—from onboarding to communicating to training to maintaining brand consistency and beyond—when that data and information is easily transferred among the technology solutions he is using.

That is the key for a franchisor in terms of leveraging technology to understand how his entire business is working and to ultimately influence and improve his operational excellence.



Always On Call: The Necessity of a Responsive Technology Partner

A national fitness franchise engaged Naranga to implement an operations solution while the franchise was transitioning after a significant acquisition. Carl Schirtzer, a franchise operations consultant with more than 20 years of experience, was the main facilitator between Naranga and the franchise. He says that a great deal of work was required to streamline the operational ebb and flow and that the general communications between franchisor and franchisees were “clunky.” The franchise was also missing opportunities to collect, store and analyze valuable data on each of the locations.

“All of these things were solved with the Naranga platform,” says Schirtzer.

Perhaps more significantly, though, Schirtzer speaks to the responsiveness and forward thinking that Naranga exhibited throughout the entire implementation process. “It was a fantastic experience,” he says. “They opened their phones to us at all times, so even if we had one-off questions, they would be there.” Schirtzer remembers that Naranga performed multiple trainings with the platform. “They were great at educating and providing guidance and a smooth transition,” he continues. “They could explain not only what the platform did, but also what was possible. They said that whatever we could envision, they were open to the possibility of expanding on it. It wasn’t just ‘Here’s how you do it.’ They listened to us and made many adjustments to make the platform more efficient.”

About Naranga

Naranga, an enterprise technology company dedicated to increasing multi-unit growth, provides mobile-centric software solutions to manage franchise, retail and hospitality operating systems. Created by a successful multi-unit entrepreneur, Naranga's configurable platform enhances overall operations management, lead gen deployment and more. Headquartered in Atlanta, Naranga's dynamic enterprise platform, including franchise sales and marketing automation solution eMaximation, is designed to serve the smallest of multi-unit businesses to 1000 locations or more.

For additional information, visit www.naranga.com or call (678) 909-4909.



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