

As franchise systems expand and mature, franchisors must address a number of critical areas that can either spur or disrupt further growth. Franchise executives who focus on these areas maximize the benefits to their systems. This Toolkit highlights Lathrop GPM's approach to **seven critical aspects** of an emerging franchisor's business and how each approach helps build a successful franchise system.

## 1 Sales Compliance Programs

A comprehensive franchise sales compliance program helps achieve system growth while minimizing problems from the actions of uninformed or inattentive sales personnel.

A trained sales staff is an absolute prerequisite to a healthy franchise system; statements made during the sales process are frequent grounds for future lawsuits by unhappy franchisees.

- ▶ We offer our franchisor clients a customized training program that addresses sales compliance issues and related topics.

## 2 Operations Standards

Maintaining minimum operations standards is key to consistently delivering quality products and services to franchise system customers.

- ▶ We assist franchisors with establishing and enforcing service standards and reporting obligations.
- ▶ We work with them to evaluate and update their operations manuals to ensure adequate protection without exposure to liability.

## 3 Approved and Designated Vendor Programs

To develop a strong brand, franchisors must ensure consistency in the products and services their franchisees offer to the public. This means that the franchisor must establish and maintain solid relationships with system vendors.

- ▶ We assist our franchisors in examining and modifying the vendor selection and oversight processes.
- ▶ We focus on data privacy and security to ensure that your vendor agreements protect you and your franchisees in the event of a breach.

## 4 Dealing with Multiple-Unit Franchisees

Virtually all successful franchise systems have multiple-unit franchisees that have expanded through area development agreements or by adding franchise units as opportunities were presented to them.

- ▶ We counsel our clients on dealing with multiple-unit franchisees and assist them in preparing and negotiating development agreements, establishing internal training programs, and avoiding and

resolving disputes that could disrupt their franchise network.

## 5 Franchise Advisory Councils/Franchisee Associations

Communication is critical to maintaining a sound franchise system. Franchisees who believe that the franchisor no longer listens to them often band together to create a franchisee association.

- ▶ To improve communications and franchisee relations, we advise franchisors on the formation of franchisee advisory councils.
- ▶ We work with franchisor executives to foster positive relationships with any franchise associations.

## 6 Emerging Franchisors with Second-Generation Agreements

Many franchisors begin offering one form of franchise agreement but, over time, modify or overhaul that agreement many times. Emerging franchisors also face the challenge of implementing systemwide changes and new programs that are developed as the system matures.

- ▶ We will review existing franchise agreements for a fixed fee and propose upgrades to reflect best practices, the current state of the law, and the franchisor's current franchise program.
- ▶ We strategize with our clients about how best to implement systemwide changes without creating undue disruption.

## 7 Financial Performance Representations (FPRs)

Financial performance representations (FPRs) in Item 19 of the FDDs are critical for franchise sales, but present challenges to prepare them accurately and legally. It is even tougher with Covid-related financial and operational changes.

- ▶ We help our franchisor clients and their sales teams to develop meaningful FPRs that disclose to prospects the pertinent information they want to review, in a manner that meets regulatory scrutiny.