

Members of gen Y could find franchising an attractive career move, provided there are policies, systems and attitudes in place that play to their strengths.

Report: Jessica Gardner

GENERATION Y-NOT

● “We know that in the next three to four years, 40 per cent of the workforce will be generation Y. While everyone’s still thinking of them as their kids, they’re about to be our employees and business leaders of the future,” PricewaterhouseCoopers partner Greg Hodson says, pointing with some concern to the next wave of prospective franchisees available to buy into chains. “Given their attitudes to life,” he asks, “will gen Y actually find franchising an attractive opportunity?”

Franchise leaders, unsurprisingly, see silver linings in the rise of gen Y – they are a big customer base, of course – but some admit to feeling trepidation about having them as the bulk of their franchisees.

The head of intelligence at franchising consultancy 10 Thousand Feet, Ian Krawitz, says franchisors will need to adapt or find their growth stagnating in five to 10 years. Gen Y already make up a third of inquiries, but so far

only 7 per cent of franchisees come from their ranks, he says.

Overwhelmingly, the issue for gen Y franchisees is finance – or lack thereof.

The entry cost for a Back in Motion Health Group franchise is \$48,500, but practice fit-out costs of up to \$250,000 prove a challenge, given that the average age of franchisees is only 31.5, chief executive Jason Smith says.

Their pool of prospective franchisees is limited to registered physiotherapists; older practitioners often already have their own practices. This means Smith had to adopt a creative approach to finance early on.

“We have done a lot of joint financing of franchisees,” Smith says. “We would co-invest with them and become joint owners of the site. They would be given a pay-back scheme to slowly acquire the remaining shares of the business out of their profits. It has been one of the most positive strategies we went with.”

Aussie Farmers Direct also has financing opportunities. Ten of the food home-delivery group’s 140 rounds started off in this way, more often than not on the back of gen Y enthusiasm.

“A number of [franchisees] have come through from being drivers for other franchisees. You talk about the impatience of gen Y. It’s not waiting until they’ve saved up the full deposit,” chief executive Braeden Lord says. “They’re more than comfortable to knock on our regional manager’s door and say, ‘I want to buy a franchise’ [now].”

Other franchisors are looking at alternative business models. “The next generation of franchise owners don’t necessarily have the capital available to invest in a large-scale print franchise operation,” Snap Franchising chief executive Grant Vernon says. “We’re looking to provide different entry points.”

Snap’s new Snap Level 2 program will attract younger franchisees, he says. The program focuses on work that can be done from a small office, saving on set-up costs. Franchisees will pitch on marketing and advertising contracts and then outsource much of the work. The downsized version will require an investment of about \$100,000 compared with \$250,000 for a regular Snap printing franchise.

“What’s really exciting about gen Y [buying into our business] is that they’re so technology-savvy and that’s the direction our industry’s headed,” Vernon says. “To be able to bring in a generation of franchise owners who are naturally intuitive with technology is going to be very powerful for us.”

Despite entry costs to the Gloria Jean’s Coffees chain of up to \$450,000, general manager Gareth Pike plays down the finance issue. He says candidates who fit their franchisee criteria will be able to borrow the money required. “If you’ve got the right attributes and get through

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PASSION FOR FITNESS

Irene Apostolakis bought into the Step into Life franchise as a 24-year-old. Now, three years later, with husband Steve Lourbeas, she owns two of the personal training franchises. “We were both at a stage where we were looking at changing our jobs and changing our lifestyle,” she says.

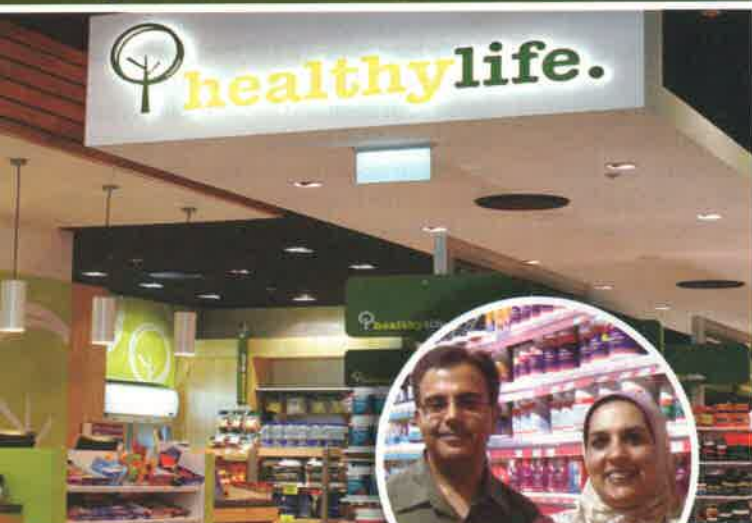
Coming from a career as a rehabilitation consultant, Apostolakis was looking for a job that got her out of nine-to-five in the office and also incorporated her passion for fitness and training. “I was over it and needed something with flexibility,” she says. “When I saw that the franchise was all set up, I thought why not, why start from scratch when it’s already there for you.”

Although Apostolakis says her classes are filled with personal touches, she is not loath to follow franchise directions. “The thing is that their rules aren’t rules just for the sake of it, they’re to help support your business and help it grow.” Crucially, the rules are not just handed down from above without consultation. “They all make sense and we discuss them.”

Sabbaticals – important for many gen Ys – are not on the agenda. “Little holidays here and there are fine for me,” says Apostolakis, who calls herself a hard worker and thinks in this sense she’s not very gen Y. “I know the typical gen Y – they’re a little bit lazier.”

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the interview process, then financiers see you as being a good investment."

Buying a franchise in specialist chocolate business Chocolateria San Churro may be at the more costly end of the entry scale, but chief executive Mark Attard is hopeful that franchising will represent value to gen Y. "I think they will be looking at investing in things other than houses," Attard says.

"Three-hundred-and-fifty-thousand dollars [to buy a franchise] is a lot, but when you're looking at a median house price of \$550,000, well [the franchise] is more achievable and that's going to give you an income stream rather than a house."

A second big issue will be if gen Y franchisees are content to follow the rules. "We don't just want robotic followers but they need to be people who are not going to spend their



SPECIAL DELIVERY

At 31, Darren Young is just on the cusp of generation Y, but the Aussie Farmers Direct franchisee relates to the tech-savvy cohort just fine. "I spend most of my time on a laptop or an iPhone," he says. "I don't read papers or anything like that. If I want to read something, I'll read it on the internet."

After living in Europe for a decade, competing as a professional cyclist, Young came home to a job in the Aussie Farmers head office, working in sales and developing business-to-business relationships. "I got to meet quite a few of the franchisees. I asked them a lot of questions and I just thought to myself, 'Why aren't I doing this?'"

Now he has a round delivering dairy products, fruit and vegetables to customers in Brisbane's inner suburbs. "I wanted a guaranteed good income. I wanted to work for myself. In this franchise, if you want to get out there and have a go, you can. You can do your own marketing. You're not governed in terms of how much you can earn."

Short breaks are OK, thanks to a fairly simple franchise system and the backup of head office, he says. "You can go away for three or four weeks and if you've got a good driver, you've got good people there to look after it for you. I generally don't have too many issues. Everything runs pretty smoothly."

However, after his European stint, Young says he won't need any long breaks for a while. He has his eye on the long game. "I'd like to be retired by the time I'm 50. I'm happy to work as hard as possible at the moment and reap the rewards later."

TIPS FOR WORKING WITH GEN Y

Lack of guidance is a deal breaker: "One of the most important things for all franchisees is support, but 58 per cent of franchise systems don't have a mentoring system in place," 10 Thousand Feet's Ian Krawitz says. "That, for gen Y, just doesn't work."

Teach more than just your system: "Second to our wages, education would be our single biggest expense," Back In Motion's Jason Smith says. "If we weren't providing generation Ys with opportunities to continue their learning, we would not be in business today."

Lay out a possible career path with clear steps: Back in Motion provides regular "bite-size" increases in responsibility. "Rather than having to work three years until their next promotion, every 6-12 months they can take a step up," Smith says.

Be open to sabbaticals: "An idea might be to have a crack A-team from the head office that comes in and relieves the franchisee so they can take their holiday," Krawitz says.

Take their ideas on board: "Generation Y bring innovation with that out-of-the-box thinking and a sense of urgency," Gloria Jean's Coffees' Gareth Pike says. "There's this nice relationship between innovation and making things happen."

Think about how you communicate: "If you don't tell them why and you just tell them the what or how, you're going to lose them," Krawitz says.

Don't be afraid to curb their enthusiasm: "You'll have a gen Y with an older franchisee in a group, and while they're a great spark you don't want them to leave the other guys behind," Aussie Farmers Direct's Braeden Lord says.

Keep them on track: "The other thing with these guys is that the opportunity of a lifetime happens about once per day and they can get distracted very easy," Smith says. "We can have a vision and an agenda or a strategy all lined up that everybody's excited about, and tomorrow is a new day and they've forgotten it."

time trying to reinvent the wheel," says the co-founder of personal fitness training franchise Step into Life, Larry Cohen. "They have to understand that there's a system in place."

Back In Motion's Smith says: "If there are two big deterrents to joining a franchise for this demographic, one is the cost factor. But the second would certainly be, 'I don't like being told how to do everything'. We probably have adapted to that criticism or potential push back by being a very consultative franchisor.

"We also pick our battles. We will have recommendations and we will have some non-negotiables but there's always plenty of room for franchisees to be creative."

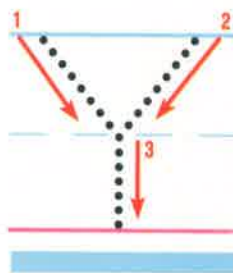
However, it's not that easy for everyone, 10 Thousand Feet's Krawitz says. "If you have a fast-food franchise system like a Hungry Jack's or a McDonald's, 80 to 90 per cent of the success of that franchise unit will come down to the structure, the systems, the brand and the group marketing. Ten to 20 per cent will come down to the individual owner.

"If you have a system that is very structured and regimented, you really want somebody who has got very much a salaried employee mindset in the start."

It is a case of being very clear to gen Y franchisees about which parts of the franchise system are flexible and which are not, Krawitz says. "You've got to be careful not to promise the world. Promise a little, over-deliver, do it fast."

For franchisors, franchisees of the future could be their current staff, and this presents its own opportunities and challenges.

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"[Franchisors must] be more sensible about career plans for gen Y who are educated and working in fast food [for example]," Krawitz says. "When I was at university, I was working in an outdoor adventure store and I loved it, but there was no career opportunity. Had there been one ... maybe I'd be selling tents and camping gear."

Crucial to gen Ys' potential as franchisees is how much they think they are heard as junior employees, PwC's Hodson says. "Are there forums within these organisations to allow for ideas to bubble up and be heard and to actually see some of those ideas implemented at a store level?"

Franchisors warn the battle is not over once gen Y franchisees sign on. A list of concerns, including the fact that many will arrive with little business acumen, highlights why gen Y have been referred to as the pampered ones.

"On the whole our experience has been positive, but [gen Y] definitely require more support and training," Cohen says. "Franchisors are going to have to learn to educate in more than just their system, because gen Y are not coming in with the same all-around skills to run a business." For Cohen's gen Y franchisees, time management is a sticking point. "They just seem less organised. They're a bit all over the place."

Aussie Farmers' Lord says: "There's probably more of a focus on making sure that they're well managed fiscally."

SUITABLE PRACTICE

"A long-term ambition early in my career was to own my own practice," Back in Motion franchisee David Spithill says. The 28-year-old worked as a physiotherapist for six years in a mixture of rehabilitation hospitals and private practice, and chose franchising as faster way into a secure practice of his own.

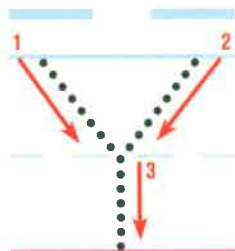
While many physiotherapists set up single-entity practices, Spithill saw more opportunity for career progression with Back in Motion. "The franchise system offers other opportunities both as a treating practitioner and in the corporate side as well," he says.

Although he spends about 20 per cent of his work time on administration, he was concerned that it would be much more in a solo practice. Spithill spends administration time developing his eight staff, paying the bills and overseeing the running of the practice. Back in Motion head office looks after the rest – the marketing, recruitment and systems development.

Spithill previously played Australian rules football semi-professionally in the Victorian Football League, and enjoys the team atmosphere that comes from being part of the physiotherapist franchise community.

"We routinely catch up at our head office for development," he says. "We catch up in think tanks on a quarterly basis."

Sometimes Spithill finds it difficult to watch his revenue walking out the door in the form of franchise fees. "It can be a large chunk of what you're doing, but that's sort of equalled with the support you get."



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James Davies

There's also the two- to four-year itch. Hodson says companies may want to think about shorter franchise periods to accommodate gen Ys' propensity to seek greener pastures.

Attard and Pike both say gen Ys could grow within their companies by becoming multiple unit franchisees, going some way to satisfying the hunger for career growth and variety. "In terms of recognition and self-growth, gen Y want to achieve things a lot faster than previous generations did," Attard says. "[We provide] the potential to own multiple stores. We're letting people grow really quickly if they want to."

Pike says: "I think it's almost a misconception that gen Y wants to move from the next to the next job. What they want is to continue to grow and if the one business or the one role can provide that, they're more than happy."

Vernon disagrees: "Gen Y do have a tendency of wanting the flexibility to move on. We may find we have them ... stay for a while and then want to move on, not because they don't like it but because they want something new. This trait is not something to be maligned. We just need to embrace that and allow it to become a positive.

"I've always taken the view that if we're losing people, whether to go travelling or they've moved onto another position with another organisation, we must be doing something right. You're developing them in a way that's opening up other possibilities for them." **HRW**



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