

In the business of franchising, talk to the numbers

By  Danette Breitenbach

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What really counts is money. It is why people are in business and for franchisers, this means guiding their franchisee on the franchise runway to achieving their goals.



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Speaking at Franchise Association of South Africa's (FASA) Franchise Convention held recently in Bryanston at The Forum, Peter Foreshaw, CFO of Cash Converters, gave advice on how to help franchisees to significantly improve their profitability.

“For Cash Converters financial management and compliance is a major focus and is crucially important because a profitable franchisee is a happy franchisee. If our franchisees make money, so do we. Also, a profitable franchisee helps you to expand by talking well about your franchise.”

In addition, a profitable franchise creates a network of sustainability, slowly. “Ultimately you want to create brand value. This is one of the most important reasons why people buy into a brand,” he adds.



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Defined bottom line

The starting point is the management of accounts. “This is something we emphasis. Management accounts need to be accurate.” He says you would be amazed at how inaccurate some business management accounts can be. These must be prepared monthly he adds. “This is the journey we are on for our franchisees to understand – start to understand the balance sheet, do not only look at income.” He stresses that you do not have to be an accounts guru, but you must understand an income statement and a balance sheet.

He says when dealing with management accounts the bottom line desired by the franchisee must be clearly defined. “Understand their expectations. If we are misaligned in the expectations it can lead to problems in the relationships. Ask them how much money do you want to make? And then determine how they can do this. The franchiser must guide the franchisee on the franchise runway,” he says.

Understand the assumptions when building the revenue model and ensure these are clearly articulated, he adds. He explains that their franchisees’ businesses are managed by clear business objectives, and this is achieved through annual business plans, that include projected income and expenses. “This is very important. The biggest challenge that franchisees face is cash flow. It is difficult to make profits in today’s marketplace and it is not going to get any easier.”

Management accounts have proved to be an invaluable tool for them. “Cash Converters has centralised its accounting for the franchises. This, he says, has been a game changer for them. All their franchisees conform 100% to the same format or standard for management accounts and he encourages you to do the same. “This allows you to benchmark and do analytics.”



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Ledger design

Get the design of ledger right the first time, Foreshaw says. “Think about the future and get the design of the ledger correct the first time. You do not want to be changing it all the time,” he advises.

Use a simple model and play around. “Your accounts can be on Excel. Be visual in what you do so you can show people, so they can understand quickly. Show them what they can do.”

Be very specific from a numbers point of view and drive these numbers in the annual budget and ensure they are continuously reported on and measured on,” he says.

“Talk to the numbers. This takes time, but we are seeing the benefits of this now. It creates an opportunity to talk to people. Our Wealth Creation Model is about helping people get on with their lives. It is about us creating sustainable wealth or profit for our franchisees.”

The success drivers for the company are:

1. Golden rules: non-negotiable operational functions.
2. Guidelines: guide the franchisee.
3. Best practice: including bench marketing.

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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