

# ***INTEGRATED GROWTH STRATEGIES***

## ***Diversification and Market Development***

### ***Sample Franchise Diversification and Market Development Plan***

#### ***“National Initiatives for Local Franchise Success”***

***By Theodore H. Sprink***

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#### **EXECUTIVE SUMMARY:**

National strategic initiatives represent new business opportunities at the local Franchise level for the purpose of driving new revenue, enhancing brand equity and increasing market share. And, as all experienced executives recognize, diversification in the nature, source and distribution of revenue streams is critical.

Although market specialization and focus represent certain benefits in managing a business, it is indeed the novice manager that would allow a business to experience extreme concentration of a limited number of customers in a highly restrictive segment of business.

For the purpose of this modest essay, I have selected to examine the floor cleaning, restoration and water mitigation business, of which there are thousands; in the categories of both “independent service operators” (ISPs) and royalty and fee-paying Franchisees.

### ***Capital Issues***

My initial observation is the thin capital available to both ISPs and Franchisees, that often results in a less-than-dynamic local sales & marketing effort. This thin capital often manifests itself with insufficient hiring and training of local business development professionals.

Further, capital limits often result in small one or two man/truck operations that are generally focused on core business, with a distinct lack of vision, desire and capital to diversify and evolve. This creates a need for marketing, branding, training, technical tools, certifications; and national Franchisor-developed customers to provide an opportunity, not just the clear need, for diversification.

Curiously, the ISPs and Franchisees are often too busy performing “high-margin” water restoration jobs, generally delivered by insurance carriers as a result of weather related catastrophic conditions. Such conditions are considered by some to be seasonal, and subject to both fierce competition and “pay-for-play” schemes from potential sources of referral business.

### ***Diversification Issues***

As a result, well-managed Franchisors must often serve as a valuable source of diversified business for their Franchisees by marketing their brand and zip code/population coverage to potential customers in diversified non-insurance carrier segments. The value of the diversification is to provide non-seasonal (albeit lower margin) annual commercial floor maintenance contracts that essentially provide business and cash flow during the lean “non-weather” event days.

An obvious (“innovative” by ISP and Franchise standards) is the capturing of commercial floor cleaning contracts that represent a relationship with the customer, that will result in the “high margin” call in the event of a weather or man made catastrophe. In other words, the emergency calls takes place because of the existence of a commercial floor cleaning contract.

Diversification...the building block of growing ones business...can be seen in two manners. First, commercial floor cleaning contracts that supplement the emergency water restoration services, and secondly, serving new business opportunities in the following “Verticals”: Restaurants, Hotels, Facility Managers, Senior Living Facilities and Multi-Family Operators.

### ***Sales Considerations***

According to the information compiled by ICSC and its affiliates, the commercial cleaning market for the above six market segments exceeds one million commercial properties nationally and is greater than \$1 Trillion annually in commercial cleaning fees.

The traditional Franchisor and ISP “core” customers are insurance carriers, P&C agents and independent claims administrators...all of which relate to the aforementioned catastrophes.

Qualified and experienced Franchisor executives, and sales initiatives implemented by skilled Franchisor employees, can assist with a sales approach to the diversified verticals. For example, that regularly scheduled commercial floor maintenance will *result in longer life* carpet, wood and tile...which makes the sales presentation an attractive *benefit to the customer as a lower investment of capital costs and related greater ROI*.

Plus, the maintenance contract places the Franchisee at the scene of the high-margin catastrophe. Diversification is indeed managing a business for future growth. It is truly incredible that most floor cleaning companies are non-diversified...and totally dependent on the weather and the friendly ivory tower insurance company.

Sound diversification and market development initiatives, should be supported by the integration of the Franchisor’s national sales team (NST), the Franchisee’s local sales representatives (LSRs) and third party intermediary business alliance partners (BAPs). This includes Third Party Administrators (TPAs)...who surprisingly, like the Franchisors, appear to lack the skill and capital to implement a meaningful diversification strategy.

### ***THE STATUE QUO DOES NOT BUILD VALUE***

Franchisors and TPAs are viewed by many to define the term “Status Quo”. So lets look at rudimentary strategies and initiatives that are available to by Franchisors and TPAs. We examine simple diversification and market development initiatives available to a well managed Franchisor or TPA.

Strategies and initiatives are intended to develop the Franchisor’s brand in a manner that allows for “control of the line of scrimmage” by presenting a value proposition to prospective customers (insurance carriers) not only from the *national* “top down” and *local* “bottom up”; but from ancillary products and services provided by alliance partners.

Strategies and initiatives seek a balance between residential and commercial business activities for local Franchises, and need to take advantage of cross-marketing commercial maintenance contracts in order to capture high-margin “one-off” service opportunities.

### ***Low Cost and Rapid Implementation***

Initiatives are designed for low cost and rapid implementation; and represent practical methods to combine the strength of the Franchisor’s brand equity in support of local Franchises’ desire for independence, growth and success in ways that integrate personal and business success.

Strategies incorporate Education, Technical Training, Technology, National Sales Campaigns, Business Development, Business Training, Certifications, Financial Planning and an organizational structure crafted to maximize sales, operations and franchise development, pursuant to Franchisor Mission and Vision Statements, as well as stated Corporate Goals.

**STRATEGIES:**

Pursuit Strategies refer to *new customers in new channels that represent new revenue*. Simultaneously, it is important to seek increased claim assignments as well as diversified commercial cleaning contracts, with current customers in current as well as new sales channels representing *incremental increases in revenue*. Strategies are summarized as follows:

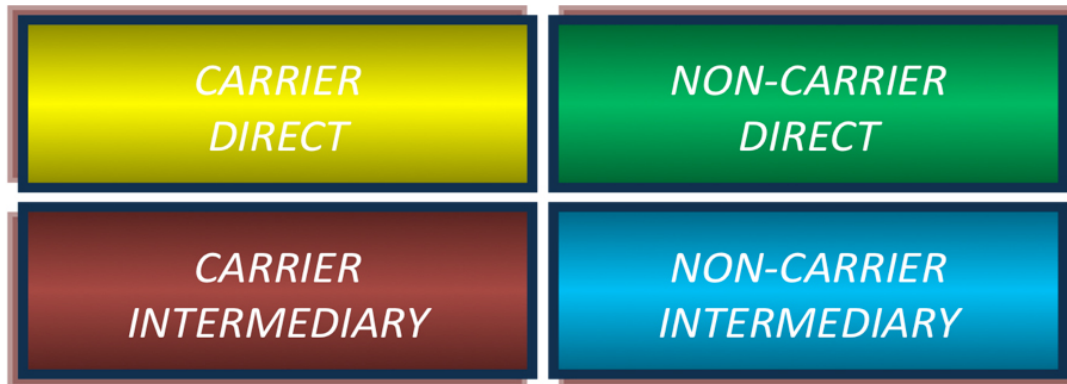
- Grow Revenue, Enhance Brand Equity, Increase Market Share
- Five National Initiatives/Nine Commercial Verticals
- New Revenue: New Customers/New Channels
- Incremental Revenue: Current Customers/Current Channels
- Integration of NSTs, LSRs and BAPs
- Business Alliances for Advantage and Differentiation
- Initiatives: Low Cost/Rapid Implementation
- Commercial National Maintenance Accounts Cross-Marketed to capture “One-Offs”
- Cross-Marketing includes Trade Groups and Industry Participants

**The Vertical “Diversification Approach:**

Nine targeted vertical market segments have been delineated into four general categories as set forth below. Within these four categories are six Initiatives that address these verticals individually. (A diversification strategy should focus initially on a limited number of “verticals”.)

The four categories are:

- Direct Sales to Carriers
- Direct Sales to Non-Carriers
- Intermediary Channels to Carriers
- Intermediary Channels to Non-Carriers



### **1. Carrier Direct Sales**

- Top 25 National P&C Carriers represent \$521 Billion in premiums, currently assigned to National Business Development Team
- Mid-Size P&C Carriers are assigned to National Business Development Team, targeting in various manners, including geographic considerations

### **2. Non-Carrier Direct National Commercial Floor Cleaning Sales**

- Direct commercial sales targeting Senior Living, Hospitality/Hotels, Multi-Family and Restaurant/Food Service in targeted geographic markets
- Weekly, Quarterly and Annual Maintenance Contracts enhancing Customer Perception, Employee Productivity and Life-of-Flooring cost efficiencies
- National Commercial Floor Cleaning Accounts cross-market into high-margin local Franchise Water, Fire, Mold, Odor Mitigation Services, and represent up-selling opportunities to one or more of DSS's seven Service Brands

### **3. Carrier Intermediary Sales Verticals: Access to Commercial Customers**

- Third Party Administrators
- Facility/Property Managers
- Independent Claims Administrators
- Independent P&C Agents and Brokers

#### **4. Non-Carrier Intermediary Channel**

- Multiple commercial sales channels aggregated by independent firms serving multiple customers in which customers enjoy one-stop vendor selection, administration and management. Access to “end-users” through third parties
- Targeted independent commercial Verticals including Facility/Property Management, Senior Living, Hospitality, Multi-Family and Restaurants (in addition to REITS, Retail, Office, Commercial and Industrial market segments)
- Broader sales opportunities and cross-selling at a reduced cost of sale
- Commercial maintenance contracts lead to Restoration/Mitigation One-Offs
- Flooring Life Cycle/Cost-Amortization as Benefit

#### **TACTICS:**

Maximize the use of sales resources by integrating Franchisor national sales team (NST) activities with Franchisee local sales representatives (LSRs) and business alliance partners (BAPs) market presence.

Tactics delineate the key market segments and cross-sell prospective customers not only from the national “top down” and local “bottom up”, but from opportunities represented by related services, products and BAPs. Franchisor seeks balance between residential and commercial business activities; and between commercial floor cleaning maintenance accounts and their leading to higher margin emergency restoration services.

By including commercial verticals as targets in certain verticals, the goal is to position Franchisees with a broad base of repeating (monthly, quarterly and annual) business contract revenue while at the same time *providing the opportunity to accept, select and/or compete for local revenue related to both commercial accounts.*

It is incumbent on the Franchisor national sales team (NST) to establish business opportunities, Service Level Agreements (SLAs), revenue and margins attractive to local Franchises.

Tactics also provide cross-marketing of products and service offered by alliance partners and Third Party Administrators (TPAs), thereby increasing the number of potential “touch points” with customers. These are *new vertical market segments* to which we can sell both nationally and locally. They are as follows:

1	2	3	4
<b>Targeted Carriers</b>	<b>Independent P&amp;C Agents</b>	<b>Third Party Administrators</b>	<b>Claims Administrators</b>
Prospect #1	Prospect #1	Prospect #1	Prospect #1
Prospect #2	Prospect #2	Prospect #2	Prospect #2
Prospect #3	Prospect #3	Prospect #3	Prospect #3
Prospect #4	Prospect #4	Prospect #4	Prospect #4
Prospect #5	Prospect #5	Prospect #5	Prospect #5
Prospect #6	Prospect #6	Prospect #6	Prospect #6
Prospect #7	Prospect #7	Prospect #7	Prospect #7
Prospect #8	Prospect #8	Prospect #8	Prospect #8
Prospect #9	Prospect #9	Prospect #9	Prospect #9
Prospect #10	Prospect #10	Prospect #10	Prospect #10

5	6	7	8	9
<b>Facility Managers</b>	<b>Senior Assisted Living</b>	<b>Hospitality Hotel</b>	<b>Multi Family Apartments</b>	<b>Restaurant Food Service</b>
Prospect #1	Prospect #1	Prospect #1	Prospect #1	Prospect #1
Prospect #2	Prospect #2	Prospect #2	Prospect #2	Prospect #2
Prospect #3	Prospect #3	Prospect #3	Prospect #3	Prospect #3
Prospect #4	Prospect #4	Prospect #4	Prospect #4	Prospect #4
Prospect #5	Prospect #5	Prospect #5	Prospect #5	Prospect #5
Prospect #6	Prospect #6	Prospect #6	Prospect #6	Prospect #6
Prospect #7	Prospect #7	Prospect #7	Prospect #7	Prospect #7
Prospect #8	Prospect #8	Prospect #8	Prospect #8	Prospect #8
Prospect #9	Prospect #9	Prospect #9	Prospect #9	Prospect #9
Prospect #10	Prospect #10	Prospect #10	Prospect #10	Prospect #10

## **INITIATIVES:**

The below five initiatives were developed for nine delineated “verticals” that include Carriers, Independent P&C Insurance Brokers, Third Party Administrators, Independent Claims Administrators, Facility/Property Managers, Senior Assisted Care Living facilities, Hospitality/Hotels, Multi-Family/Apartments and Restaurant/Food Service market segments.

Initiatives have been developed to address the goals set forth in the Executive Summary concerning each of the delineated markets. These initiatives are set forth below:

### **SAMPLE # 1 Initiative Non-Carrier: “The Family Initiative”**

- A three tier “Award-Based Referral Program” for building a pipeline of commercial floor cleaning prospects, as introduced by existing franchise family members
- 300 Franchises x 3 Referrals = 900 Referrals from local Franchises for national expansion
- Access to Independent Vertical Prospects in Facility/Property Management. Senior Living, Restaurant, Hospitality and Multi-Family market segments
- Launch can be integrated into scheduled Regional Meetings. No incremental costs

### **SAMPLE # 2 Initiative Carrier & Non-Carrier: “The Roadshow Initiative”**

- Hosted Continuing Education pre-scheduled programs to attract Franchisees, carriers and potential customers. Programs based on Change, Trends, Techniques
- Travel Team Concept. Franchisor Faculty, Independent Industry Experts and local academians and historians rotate geographically in pre-determined timeframes maximizing coverage and reducing cost of sale
- Launch can be integrated into scheduled Regional Programs. No incremental costs

### **SAMPLE # 3 Initiative Carrier & Non-Carrier: “The Tri-P Initiative”**

- Franchisor’s “Tri-P” Preparedness Protection Program provides a traditional disaster preparedness checklist



- A Franchisor's "Tri-P" Preparedness Protection Plan provides for Business Continuity with respect to facilities, technology, communication, and customer contact
- Additional Feature of Cloud-Based Photographic and Video "Library" inventory of Interior, Exterior and Contents: Evidence Before/After. Includes RSS Weather Feed for Customer Information Updates
- Emphasis embracing On-Line, Real-Time, Mobile/iPad technology positions Rainbow to serve Property Owners, Carrier Customers, Non-Carrier Customers and Vendors
- Launch can be integrated into scheduled Regional Meetings. Minimal incremental costs

**SAMPLE # 4 Initiative Carrier: "The Coverage Initiative"**

- Expand Zip Code Coverage via "Affiliation/Licenses" for Independent Service Providers (ISPs) and their Trade Associations to formally participate in local Franchise carpet cleaning overflow/referral business.
- Increase Coverage for Local Franchises. Provides NSTs and LNRs expanded coverage as a sales tool. ISPs become candidates to purchase franchises
- Also pre-qualifies Franchise Development prospects for potential sale of franchises

**SAMPLE # 5 Initiative Non-Carrier and Carrier: "Brand Expansion Initiative"**

- Marketing Alliances with Competitor(s)
- Marketing Alliances with Related Service Provider(s)
- Product Development with Vendor(s) for New Products

**SAMPLE # 6 Initiative Non-Carrier and Carrier: "Market Extension Initiative"**

- Acquire market-segment leaders or related third party intermediary sales channels

**TASKS:**

*Initiatives, Vertical Action Plans and Timelines are presented in the belief that there must be simultaneous marketing efforts taking place to capture new accounts and/or incrementally increase existing accounts. They were crafted in the belief that the vendor providing maintenance contracts, for benefits related to floor appearance and longevity, is the likely*



## **GETTING STARTED:**

Developing relationships with new end-users or third party intermediaries requires an evaluation of Franchisor liability related to indemnification of local Franchise performance under a Master Agreement. Risk/Reward Analytics are challenging given difficulties in obtaining a guarantee of transaction volume and severity amount.

The alternative is the Franchisor's recommendation for the individual "registration" of Franchises into an end-user or related third party intermediary network. Third parties desire the strength of broad franchise participation, which requires the Franchisor to negotiate fair costs and fees, and to appropriately market the franchise network as worthy of significant transaction volume.

As an example, relationships with currently established five business sources could be relied upon in late 2013, are anticipated to produce 2014 transaction volume and revenue as follows:

<b>PENDING</b>	<b>QUARTER 1</b>	<b>QUARTER 2</b>	<b>QUARTER 3</b>	<b>QUARTER 4</b>	<b>TOTAL</b>
Prospect #1	75	150	175	225	625
Prospect #2	75	75	150	150	450
Prospect #3	100	175	225	300	800
Prospect #4	75	75	125	150	425
Prospect #5	75	75	150	150	450
<b>TOTAL</b>	<b>400</b>	<b>550</b>	<b>825</b>	<b>975</b>	<b>2,750</b>

- 2,750 Claim Assignments @ \$2,500 each = \$6,875,000 in new revenue
- Royalties @ 5% = \$343,750 initial revenue from 5 "prospects"
- This illustration is a simple example of generating revenue with an initial five relationships, while preparing for a complete diversification plan of 90 targets in 9 Verticals

Each new national relationship is subject to a formal "roll-out" which introduces the relationship into the Franchisor's network of Franchises. Each relationship will incorporate an internal theme by which the relationship is essentially marketed to the local franchises.

Themes for consideration for the relationship roll-outs could include:

- New York Stock Exchange
- Spring Training/Opening Day
- New Model Car Introduction
- Latest Fashion/Runway Trend
- Breaking News

## **CONCLUSION:**

National strategic initiatives represent new business opportunities at the local Franchise level for the purpose of driving new revenue, enhancing brand equity and increasing market share. And, as all experienced executives recognize, diversification in the nature, source and distribution of revenue streams is critical.

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