

How to Super-Size Franchise Success:

Survey Reveals Top Three Barriers to Growth, Identifies Financial Automation as Solution



The franchise industry is predicted to continue to outpace growth in other business sectors, growing from \$769 billion in 2012 to \$802 billion in 2013 while creating more than 162,000 new jobs, according to an HIS Global Insight report prepared for the International Franchise Association Educational Foundation. However, despite this slow but steady growth in tough economic times, a recent survey revealed that major roadblocks to franchise growth still need to be addressed before this lucrative industry can reach its true potential.

Early in 2013, Bill.com, a leader in providing franchise owners with integrated bill payment, invoice and cash flow management solutions, surveyed 460 owners and finance leaders of franchises to discover what were the top issues facing the franchise industry today. Respondents identified three major obstacles to growth:

1. managing and controlling costs;
2. accurately anticipating cash flow; and
3. suffering day-to-day distractions from long-term goals.

Shuffling Paper, Losing Control of Costs

Of the respondents, 70 percent own and operate one store while 30 percent were multi-unit owners. 49 per-

cent of respondents owned franchises in the business service space while 15 percent were restaurant/quick service restaurants (QSRs). Despite these differences, across the board, 70 percent of respondents said that their number one challenge as a franchise owner was managing costs, and a great deal of respondents cited the struggles of managing too many invoices and documents as the main reason why they are losing control of their costs.

The franchise business is indeed fraught with details and documentation. Franchise owners and managers need to track the daily inflow of cash, pay suppliers (often ranging from 0 to 90 days payment cycles), pay employees (typically every other week), do payroll taxes and garnishments (anywhere from two weeks to 90 days), pay utilities and rent, and pay sales tax every 30 days. With these many costs to keep track of, it is no wonder that competition was a distant third in what kept franchise owners from growing their businesses. And then when you add multi-units with different store managers to the mix, the complexity can be an even bigger challenge. Given this, it is also quite clear why 41 percent of respondents felt they spent too much time verifying bills and signing checks while 25 percent said they wasted time tracking down lost invoices.

Moving to an automated system empowers franchise owners to eliminate all of this paperwork, ensuring that they never again pay for goods or services they haven't received – and never pay the same bill twice – because now every manager can easily check every bill against the relevant receipts and contracts. Plus, via automated solutions such as Bill.com they can get instant visibility into any store via their smartphone or laptop.

Automated solutions such as Bill.com eliminate hours of manual data entry and virtually all payables paperwork, letting franchise owners handle each bill, receipt or contract only once – when they send it to be scanned. And once that vendor is told to send the invoice electronically through the system, the process becomes seamless and gives users mobile access to data and the ability to transact.

Anticipate Cash Flow, Add Stores

Another major obstacle to franchise growth is the ability to manage cash flow, with more than 50 percent identifying this as a major impediment to their success. Indeed, one of the biggest advantages the respondents identified of automation was the ability to track due dates and sync with their accounting systems, so that they could finally get a clear view of their financial status at any time.

For franchises, there is a critical need to understand and consistently monitor their financial position based on their unique businesses, with sales, inventory variances and labor taken into account on an ongoing basis. The only way to grow a business with many variables is to be able to determine

how cost patterns affect profits and analyze the present to make better decisions about the future. And the only way to do this is to automate.

With online cash flow management, franchises can predict and control their cash flow with precision. With data inputted from their accounting systems, they can get graphical views and projections of future inflows, outflows and balances, which can be manipulated to plan for (and avoid) issues. Automated systems update automatically, meaning that franchise owners can work with fresh data without re-building cumbersome, error-prone cash flow spreadsheets.

The advantage of automation is especially evident to multi-franchise owners, who have to deal with all of the issues inherent in franchise ownership while also overseeing and uniting data from geographically dispersed locations. More than 50 percent of these respondents recommended automated systems as a way to achieve better cash flow management. Indeed, the survey also revealed that early adopters of automated cash flow systems are leading the industry in cost and time efficiency, creating an unlevel playing field that leaves those franchises with manual systems at a disadvantage. Franchises using automated systems are able to expand more rapidly, with 45 percent of respondents believing that an automated system could help them rake in their receivables 2-3 times faster.

Avoiding Distractions, Building Success

Beyond cash flow visibility and management issues, two-thirds of respondents simply felt that the amount

of time sunk into financial details is distracting them from long-term planning. 77 percent said that reducing the amount of paperwork they have and moving to a paperless system was important.

Automation solves this issue, with tasks that used to eat up weeks every month now able to be finished in just minutes a day with solutions such as Bill.com. This means franchise staff can spend time much more productively – doing things like helping open more stores rather than tracking down paperwork.

Automated Finances Help Put Success on Auto-Pilot

Franchise owners and finance leaders clearly see the value of automation but perhaps do not fully grasp the urgency, with automation still just emerging as a trend in the franchise industry. Indeed, 75 percent of franchise owners underestimated their cost to pay a bill by 55 percent. Respondents estimated that it cost under \$10 while in fact it is closer to \$38 due to the time spent by approvers. When you multiply this by dozens of bills per month the time and cost can become a barrier to growth. By putting in place an automated system this cost is eliminated.

The solutions needed to revolutionize and jumpstart the franchise industry exist and are recognized by industry leaders. The challenge now is for franchise owners and finance leaders to make the leap to simplify their lives and grow their businesses. Those who have moved first to automate are already enjoying a competitive advantage over their peers in this growing marketplace.