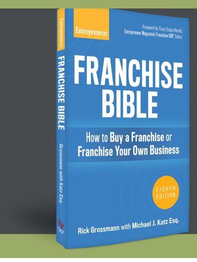

Owner's Advisory Committee (OAC)

One common complaint that franchisors get from the initial franchisees is in the area of early day support and resources, or lack there of. One of the strategies you will want to employ is the formation and management of a properly run franchise owner's advisory committee. This is an advisory only (not voting or directing) committee of chosen or elected franchise owners that serve for a period of time or "term" that you specify.

This committee can help bring new ideas and topics of concern to the corporate team and also communicate with, and mentor newer franchisees.

Consider the following tips for your OAC:

- Divide the franchise location up to create regions with similar numbers of franchisees within each region.
- Begin by hand-picking a small group of franchisees to serve as your initial OAC members and assign one to each region.
- Have the OAC members contact each franchisee within their region monthly and communicate ideas and concerns to your COO.
- Hold your official OAC meetings between your OAC members and your corporate team once per quarter. You can hold two by conference call and two in-person. It can be a good practice to set aside a full day before the annual convention for one of your OAC meetings as long as you can keep them separate and have enough staff to manage both events.
- Create bylaws that spell out the term length and responsibilities.
- Have a predetermined written agenda for each meeting and send out in advance so the OAC members can gather feedback for each item from the franchisees in their region.

- Stick to the agenda and keep the focus positive and solution oriented.
- Send out a post meeting survey after each meeting.

Exercise:
Input from your franchise owners is critical to the mission of growing a thriving community. This exercise will help you understand the unique circumstances that exist in a franchise organization that you will not find in any other business model.

Example: In this scenario we are going to assume that you (franchisor) are considering the addition of a new piece of equipment that will be required for all franchisees to purchase and use in their franchise operations. The cost of the equipment is $15,000 and will increase annual sales by $90,000. Seems like a "no brainer" from you perspective so lets break it down and learn the different perspectives:

Franchisor = 80 franchise units multiplied by the increase in over all royalty revenue shows a significant upswing on the income statement.

Franchisee = They will have to purchase the equipment from current cash flow or qualify to buy on credit. This can put some franchise owners in a bad situation that can negatively impact company efficiencies. This may result in a negative political (remember the Three Lenses) problem and a reduction in company revenue.

OAC Result = When discussed with the Owner's Advisory Committee you collectively work out the details for a plan to phase in the equipment over a reasonable timeline and offer some assistance with budgeting and ROI forecasting for the owners.

Your Turn - Put yourself in the franchise owner's shoes as you fill in the exercise below:

Scenario: Changing the mandatory annual convention from Las Vegas to Hawaii

Franchisor =

Franchisee =

OAC Result =

Scenario: Eliminating an underperforming product or service from the franchisees business offering

Franchisor =

Franchisee =

OAC Result =