



Peter Haydock

JUMPING ON BOARD THE BRANDWAGON

Two and a half decades ago, with the computer revolution in full swing and cries of "the paperless office" heard throughout the land, may not have seemed an ideal time for people with little or no experience to open print shops. That some did and succeeded is because of the way they did it—becoming the pioneering franchisees

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FRANCHISE PRINT STORES HAVE THE INDUSTRY'S MOST VISIBLE PROFILE. THEY ARE THE FIRST STOP PRINTING SHOP FOR MEMBERS OF THE PUBLIC WHILE USING CONSUMER-MARKETING TECHNIQUES TO PROMOTE THEIR SERVICES TO OTHER BUSINESSES. SEEMINGLY BULLETPROOF TO RECESSION, THEY PROVIDE AN OPTIMISTIC SCENARIO FOR THE FUTURE OF THE INDUSTRY. PETER HAYDOCK CALLED AROUND TO FIND OUT WHAT MAKES THE FRANCHISE TICK.

who were attracted to the business model offered by the quick print systems of Snap Print and Kwik Kopy.

In the interim franchise printing chains have continued to prosper and increase their share of the \$80 billion Australian printing market. At a time when small operators are under increasing pressure, the franchise chains claim to be going from strength to strength. So, even though Australia has more franchise businesses per head of population than anywhere in the world, why is printing proving so successful and what advantages do these

operators have over the standalone printer?

To begin with they hardly seem to be in the same business any more. There are over 5,000 printing businesses in Australia, the vast majority, 97 percent, having less than 10 staff. The difference between the average small printer and a franchise chain store is more than a matter of marketing and emphasis. Snap Print's general manager of marketing, Don McLean, goes so far as to describe their business not as printing but as "customer relationship management". Certainly the remarkably sophisticated

franchise operation of today is almost unrecognisable from those corner-printing shops of the 70s and 80s, churning out wedding invitations and business cards.

Some of the success can be attributed to the franchise way of doing things, such as sharing information about new technologies. While the entire print industry grappled with the onset of computers and the huge changes that came with them, franchise operators had the advantage of expert advice from a centralised head office and information networking opportunities among fellow franchisees.

Package deals from equipment manufacturers are also offered to franchisees at attractive price points, reducing capital expenditure and the need for time-consuming personal research.

Since the mid-1990s they have also benefited from the arrival of digital printing

equipment, introducing faster and more flexible ways of doing things, and requiring less technical expertise. They have seized on the development of the web, offering online services and job submission. They have taken on the challenges of design with some gusto, forming highly capable graphics departments and utilising complex software packages. All the chains have developed sophisticated online ordering systems, giving their stores the benefits of integrated e-commerce access. Now they are embracing the opportunities offered by wide format printing to enter the display graphics and plan print markets.

FRANCHISEES FRONT AND CENTRE

There are currently more than 300 Australian franchise print operations under the banner of the major players, Snap Print, Kwik Kopy and WorldWide. They aim to service the small to medium size enterprise market, a print sector variously estimated at between \$2 billion to \$3 billion and, between them, have around 15 percent of the business.

While the typical franchisee may seem to be at a disadvantage in terms of printing knowledge, what he or she does bring to the table is something more important—business



Gary Folcarelli, franchisee of Kwik Kopy outlets in Waterloo, Marrickville and Botany in Sydney.

expertise. Managing director of Kwik Kopy, David Bell, says his organisation seeks out franchise operators with solid business credentials.

"Kwik Kopy operates on a business-to-business basis which means that the franchisee must have the ability to communicate well and understand the way businesses operate," says Bell. "That means they must be prepared to go out and seek their orders, to develop customers and grow them over time. We look for personality profiles offering a mix of entrepreneurial drive combined with an understanding of the franchise system. We bolster this by teaching them specifics of small business finance, development of business plans, how to canvass for orders, sales cycles etc."

Bell believes the most important factor in the success of franchise printing operations is brand recognition. The brand is everything, reflected in the philosophy of the storeowners and their employees through to the exterior signage and interior design of the outlet.

"Customers immediately know the name and know that they will receive a quality product from professional and knowledgeable operators. And if things should go wrong they know their complaints will be dealt with swiftly and professionally," he said.

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WHO DO YOU THINK YOU ARE?

While the strength of the brand is usually helpful, it can on occasion work against the development of the individual store. Gary Folcarelli co-owner of Kwik Kopy outlets in Waterloo, Marrickville and Botany in Sydney says that, despite their capabilities, the franchise printers can sometimes be seen by customers as unable to handle sophisticated jobs.

"We do very complex work here and we are careful to make sure our customers know we can handle online job submissions, variable data printing and excellent design. But we acknowledge not every franchisee wants to be like us," said Folcarelli. "Some are happy being corner stores. So there can be a difference between the high service outlets such as us, and some of the others, which is not always discernable to a client," he says.

"In general though, I find the brand gets us through the front door where we can sell our expertise, quality and reliability, while a standalone printer might find it much harder. There's no doubt it's an important plus."

EVERYONE READING FROM THE SAME PAGE

All franchise operators give their new franchisees thorough training prior to taking over their centre. Usually this is an intensive three or four week period covering all aspects of running the business from sales and marketing through production and workflow to accounting, human resources and product and equipment knowledge. This is followed by onsite support in the first few weeks and follow up training as needed. Training courses are revised and updated when circumstances change. As the groups adopt new equipment and new services it is reflected in the training.

While the advantages seem obvious, there is of course a price. If you want to start a franchise from scratch then the start-up cost will be anything from \$160,000 upwards, depending on the printing equipment that you choose to install. To buy an existing franchise where the outlet is turning over millions of dollars will, of course, be much more.

Then there is the royalty, usually around seven to nine percent of turnover. Franchisee Gary Folcarelli says while that puts the business at an initial disadvantage it can be offset by productivity, higher quality and the technical proficiency that the franchise system

engenders.

"As a franchisee you have to make sure that you're delivering all three of those."

GOING FOR THE BIG END OF TOWN

Having a centralised corporate headquarters is also helping franchise operators stake a claim to major national accounts they could never hope to approach as a standalone printer. Snap Print's Don McLean says that the company has, for some years, had a national accounts team actively seeking out major national enterprises.

"Large companies have been quick to realise the enormous capability, through numerous geographic locations and multiplicity of services, that we can bring to bear on their behalf. Wherever their head offices and branch offices are located, we will usually have a franchisee there to take on the work. Franchisees are not forced to engage on national accounts but they usually see the rewards of doing so. It's a joint enterprise with both local and national account management."

Snap Print is the largest of the chains with more than 145 stores in Australia as well as locations overseas. McLean says that the franchise industry's ability to keep up with technological change, to monitor overseas trends and

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Stuart Baron, national sales and marketing manager Worldwide and David Bell, managing director of Kwik Kopy.

to quickly adapt to these has been crucial.

"Digital asset management, from printers to computers to software, is transforming the way printers approach the job. At Snap Printing information technology impacts on just about everything we do. The Snap Group invests more than \$1 million a year on IT. A standalone printer can't hope to compete with that and yet, this is where the market is heading."

THE WHEELS TURN AROUND THE HUBS

Another trend that has developed is the hub system, allowing smaller printers to outsource more complex work to larger printers within the same group. WorldWide, which claims to be Australia's fastest growing design and print franchise, bases much of its philosophy on this concept, with two hubs on either side of the continent employing over 70 people and operating more than \$10 million of printing and finishing equipment. National sales and marketing manager, Stuart Baron, says: "Worldwide was a leader in establishing the centralised or 'hub and spoke' offset printing model in Australia. Each of our Centres has a local digital printing capability to complement our offset production hubs where a fast turnaround or variable data request is received, but we're now looking at a digital hub as well.



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"We have analysed the economics of this setup and believe a centralised digital hub can deliver significant improvements in costs and production efficiency while still meeting the needs of our clients from a service point-of-view. We will test this model to see if it lives up to our expectations before expanding it further."

Key to the hub systems, and to the linkage of the chain stores generally is the development of secure private networks capable of transmitting large graphic files. Swapping work from location to location, even without going through the hub is a vital element of the vigour of the franchise chains.

Snap Print also has a centralised production model, already including a digital hub. Groups of franchisees rather than the head office own the hubs so that concerns about the franchisor profiting twice (from both royalties and production charges) are removed. McClean says this enables franchisees to invest less in their franchise and then outsource work to their hub, to maximise profit and reduce expenditure.

IF YOU CAN'T BEAT 'EM CAN YOU JOIN 'EM?

How do they feel about standalone printers getting on board and becoming franchisees?

While the franchise chains are keen to play down the importance of printing expertise, all the franchise companies are happy to accept standalone printers into the fold if they feel they can adapt to the franchise philosophy. Kwik Kopy's David Bell says knowledge of the industry can help them get going faster at the start because they feel more comfortable talking about the products and services.

"Kwik Kopy has a policy of actively encouraging standalone printers to join the franchise. Obviously we carefully review both the prospect and their business to make sure that they will be comfortable operating in a franchise environment,

including the payment of royalties. Not all printers fit the bill but there are definite advantages which we can clearly identify."

Where to from here? Snap Print's Don McLean sees close links with customers developing even further as more software is developed his franchisees to increase their value-added services. "That's where the future lies. Printing will be just one of a variety of services we can offer Australian business," he says.

David Bell agrees. "Kwik Kopy see good opportunities in design and further pursuing direct marketing services, including developing mailing lists and managing the mailing process on the customer's behalf. We are also pursuing wide format, which was peripheral in the past but now offers interesting opportunities."

The franchise system has proved to be a moneymaker in lots of different industries, most notably the hamburger and fried chicken market. The business model obviously works and, as more franchisees come on board, it seems set to digest ever-greater portions of the SME print market too. For instance Snap Printing has a turnover of \$150 million per annum while the comparatively young WorldWide chain has grown to have a turnover exceeding \$50 million last year.

That's good business. ●