

Network chief issues challenges to franchise groups: Drop your contracts

Trust an issue for Franchisors, Franchisees according to Griffith University.



Network Video
Managing Director
Keran Wicks

Network Video Managing Director Keran Wicks has challenged the home entertainment industry's franchise groups to drop their contracts, to prove that their business models are competitive in today's marketplace. Wicks says that the current dominance of franchises in the rental channel has more to do with the length of contracts, than any inherent benefit that they provide.

"It would be a vastly different business today if franchise contracts were 30 days like Network member agreements", Wicks says. "My challenge to the franchise groups would be drop your contracts, let's all compete equally for the business and we will soon see what business model is best. The franchise model will only be dominant to the end of contracts in place today."

When asked whether she believed that franchising would remain a dominant force in rental in years to come, Wicks said that she did not believe this would be the case.

"Network proves every day that retailers do not need to be in a franchise with the associated costs and

restrictions to be a successful rental store; so no, I do not believe franchising will dominate the rental channel in years to come."

Wicks says that franchising took hold in Australia's home entertainment market due to studio pricing policies adopted back at the very start of the rental business. "To buy effectively, stores needed to join a group and there just wasn't the strength in alternative models then", Wicks says.

In response to a Griffith University study that revealed that around 30 percent of franchisees in Australia's \$125 billion franchise sector did not trust their franchisor to be honest with them, Wicks has hit out stating that: "I think in our market 30 percent would be a gross understatement".

Wicks points to what she sees as a distortion in communication within franchise models as a reason for this mistrust. "Of course everyone will say that communication is key; the question to ask is what sort of communication is there? Some head offices have a tendency to communicate in 'edicts' - thou shalt this and thou shalt that; that's not communication, it's dictating. True communication is a two-way street where members' needs and concerns are listened to and acted upon. That is certainly the way we believe in communication."

Wicks also believes that these figures not only point to flaws in the traditional home entertainment industry franchise models, but that they explain what she sees as a trend for franchise stores to move across to 'less restrictive' business models.

"Unlike many other business sectors, in the





franchises rather than being in the rental business with their members. Network has always been and will always be in the rental business. It's that simple really."

Wicks says that her business has managed to develop this trust through micro management. "Whether they're old or new, our stores constantly receive support from over 40 staff members at Network HQ right across a wide range of areas, from buying and marketing to IT and PR. We don't just give them a handbook full of rules; we work with our members to help them get the maximum potential out of their stores. This level of support starts even before they've signed any contracts, and it doesn't let up. Network members have full confidence that we are here for them whenever they need us."

Network entered the home entertainment market when there were 38 rental groups in Australia, some of which were buying groups,



rental industry there is a choice of type of group. Network is a licensee marketing and buying group and overwhelmingly over the past few years the trend has been stores exiting franchise and the restrictive business model this represents to join Network, where they have more control and autonomy over their business", Wicks said.

While Wicks says that while buying power, the traditional strength of franchising, remains a factor, it's become less of a black and white proposition for head offices when they negotiate deals for their stores.

"Buying power is still relevant in today's market, and much of that is now in relation to the negotiated terms struck with suppliers, eg: payment and return terms etc. But buying better isn't necessarily buying better... buying smarter is buying better. Of course goods need to be at the right price, but the right mix of product will always deliver a better return at store level; the cheapest stock in the world will do you no good if it's not renting or not the right rental mix. Too much emphasis on copy depth and not enough on range of product will do little to drive business further in this market."

But Wicks believes that trust is an imperative in any business relationship, and that leadership in particular is pivotal to the success of her licensee marketing and buying group.

"Retailers need leadership they trust. After all, a leader without followers is just a man going for a walk. As importantly they need to see that the group is dedicated to the best interests and 'the bigger picture' of their business. There's a good and valid argument that, in this sector, the franchise groups are in the business of selling

with the bulk being franchises. "Franchises were taken over and bought out with stores ending up where they didn't want to be. The buying groups that offered nothing more than piggy backing of orders, with no marketing or strategy behind them, dwindled out", she says.

Seventeen years later there are just five buying groups, with Network being the second largest. □

