Digital Transformation in Global Franchising

The world of global business has been hugely disrupted by the Covid-19 crisis. Countries normally very busy with new franchise development and the opening of new franchise outlets saw many months in 2020 of almost complete shutdown, as well as many permanent closures. Travel between countries to find licensees, start up new license operations, and to support licensees stopped.

As we look ahead to a new world of global business, digital business transformation has accelerated and become the way companies will be successful in 2021 and beyond.

Franchisors have increased brand innovation and operational efficiency to meet changing customer expectations, reduced product and service costs, made supply chain changes and improved product and service quality. With all this and more in mind, we asked global franchise leaders to comment on how they see digital transformation affecting their sectors and regions in 2021.

Global franchise marketing

Technology was the driver that allowed many franchise systems to navigate their way successfully through the pandemic, making changes to the way they delivered their goods or services to the consumer. To cite an example from the franchise service sector, fitness brands we work with internationally used technology to develop a "hybrid" model to retain customers while their gyms were closed. "Member experience tools" such as streaming workouts, virtual trainer apps, and wearables allowed a 24/7/365 connection between the member and the brand. While many customers will still want the motivation gained from working out with others, the hybrid model is here to stay.

—Martin Hancock, Managing Director, World Franchise Associates, Chicago

Franchise education

Before the pandemic, would a franchisor have even thought about leading a discovery day for prospective franchisees, or teaching the brand's operational system to existing franchisees through an online portal? Or participating in a virtual franchise expo? Maybe each of these scenarios would have been a possibility, but most franchisors would have declined. There's nothing like face-to-face meetings! They allow better interaction and provide a more productive environment. But today we're all using portals to keep our businesses in motion. And once the pandemic ends and we return to "normal" we're all going to continue using portals while wondering, "How did we ever do without them?" Suddenly, like everyone else, we were forced to go online or shut down. Speakers used to be mostly local franchisors, franchisees, or suppliers. Now we can virtually bring in experts from around the world. We record the sessions and make them available online 24/7/365.

—John P. Hayes, Titus Chair for Franchise Leadership, Titus Center for Franchising, West Palm Beach, Florida

Canada

The Covid-19 pandemic in Canada has accelerated the move to more technology in all aspects of franchising, including development, retail, training, support, and marketing. Of particular note is the trend to mobile orders, digital payments, and game-structured training and onboarding.

The use of artificial intelligence in franchising is expanding in Canada at a rapid pace to track and replenish inventory and for marketing products and services with rapid and predictive data. In addition, loyalty programs can be more tailored to the customer through the use of AI and data storage and retrieval technology and are increasingly going digital in Canada.

—Ned Levitt, Partner, Dickinson Wright LLP, Toronto

United Kingdom

Covid-19 accelerated some trends in the use of technology in franchising, and changed our thinking in others. A very good example of this is franchise recruitment. Historically, great emphasis was placed on face-to-face meetings with candidates before awarding a franchise. This has not been possible over the past 12 months, and most franchisors have adapted their recruitment systems to incorporate Zoom and other videoconferencing technologies. Interestingly, many find these tools just as effective for assessing candidates and communicating the franchise opportunity—and with some significant advantages: no travel costs, more effective use of time, and environmentally friendly. While this has extended to onboarding franchisees, there are of course aspects that still require hands-on training for many franchises, and those brands have had to dovetail what can be done online with in-person training as permitted. Paper-

based operations manuals are rapidly becoming obsolete, with online manuals and video training becoming the norm for many. If franchisors wish to engage effectively with Millennials, and Gen Z, digital technology and marketing techniques are essential.

—Iain Martin, International Franchise Consultant, The Franchising Centre, York, United Kingdom

Asia/Pacific

Throughout Asia many businesses had to adjust their mode of operation not only to survive during Covid, but to thrive when the pandemic subsides as we head further into 2021 and thereafter. For example, some businesses are keen to leverage the fast-growing online ordering and delivery segment, with some looking to purchase outright the recipes of locally made popular dishes and provide royalties to the owners of the recipes. The products are then made in cloud kitchens and marketed through food delivery apps such as Grab Food and hundreds of other similar apps throughout Asia. Some franchisors are beginning to accept leading cryptocurrencies such as Bitcoin for their products. Pizza Hut's customers now have the option to pay for their orders with cryptocurrency. Coffee giant Starbucks is mulling a long-term payment solution that involves Bitcoin and possibly other cryptocurrencies. From a franchise development standpoint, digital marketing continues to be

the main focus, and many tools are employed to ensure it is cost-effective. These include but are not limited to franchise webinars, targeted email campaigns, relevant blogs, website content that focuses on keywords that produce the optimal SEO results, podcasts, and many more.

—Sean Ngo, CEO and Co-Founder, VF Franchise Consulting, Ho Chi Minh City, Vietnam

United States and Foreign Commercial Service

The United States and Foreign Commercial Service (USFCS) has witnessed significant pandemic impact to daily franchise operations around the world. With the infeasibility of organizing trade missions, pavilions at expos, and in-person matchmaking, the USFCS saw an immediate need to pivot on how we introduce prospective candidates to franchisors. Franchisor sales and development cycles simply could not stop and wait for the pandemic to cease, and we restructured our trade mission approaches for virtual delivery, enabling us to conduct more programming throughout the year. The first virtual franchise trade missions occurred in September 2020 and continue across all major regions of the world. We are seeing encouraging early outcomes leading to virtual discovery days, signed letters of intent, and even executed agreements. When the pandemic tides change, the USFCS will return to wider scale, in-person

approaches and our virtual offerings will continue.

—Eric Johnson, Global Director of Franchise Programs, United States and Foreign Commercial Service, Atlanta, Georgia, USA

The bottom line

Digital transformation is no longer an option in global franchise market research, operations, and development. It is necessary to continue to compete.

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