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How to be a Good Franchisor in the COVID-19 Era?

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In recent weeks, and especially in recent days, we have seen the serious repercussions of the spread of COVID-19 on Quebec businesses and SMEs. Government authorities are planning financial assistance measures for businesses, and some chambers of commerce have already announced that new services will soon be offered to businesses to help them deal with the crisis. We are as yet unaware of the details of this assistance and how it will be allocated.

In the meantime, what will happen to companies with a franchise business model that are required to meet certain financial undertakings and standards as part of their day-to-day operations? During these unpredictable and uncertain times, how can you be a good franchisor and support your franchisees?

Assistance and guidance from franchisors is important in a situation like this. It can take different forms, some of which are described in this bulletin.

This is an extraordinary opportunity to show franchisees that you are a caring provider that considers the survival of their businesses to be a priority.

Here are a few suggestions for supporting your franchisees over the next few weeks, if not the next few months:

1. Give them a temporary break from their financial obligations under the franchise agreement, both in terms of paying royalties and contributing to the advertising fund. In the short term, this will cause you to lose a source of income. However, it will ease the financial pressure on franchisees and allow them to get through this crisis and eventually return to normal operations.

2. If your franchisees are lessees (whether they have a storefront or shopping centre lease), join them in their negotiations with the landlord to try to obtain temporary flexibility in the terms of their leases, such as a suspension of rent payments, a reduction of payable rent or a deferral of payments that will be spread out over several months once the effects of the COVID-19 crisis have subsided, since rental costs are generally a major expense for franchisees. On the other hand, if as a franchisor you are subletting premises to your franchisee, accept the risk of negotiating payment arrangements or taking on a portion of the rent to temporarily relieve the franchisee's financial burden.

3. Work in collaboration with franchisees to modify their services (take-out food, virtual workout program for gym clients, delivery, increase in online offerings, etc.) while respecting your standards and requirements in order to maintain consistency between the franchises.

4. Allow your franchisees to temporarily cease operations or reduce business hours to minimize certain expenses such as payroll and supply (in this regard, we invite you to read The Coronavirus Guide for Employers: Everyday Measures for the Workplace).

5. Revise some of your standards and policies and provide updates to be adopted by your franchisees (particularly for

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hygiene and sanitation).

6. Take advantage of these turbulent times to develop new virtual training courses, encourage franchisees to participate in continuing training activities during this period by offering free webinars, or set up virtual brainstorming sessions to innovate and plan for after the COVID-19 pandemic.

7. Temporarily share a portion of supplier rebates with your franchisees, if your franchise concept allows you to collect rebates directly with no obligation to remit them to the franchisees.

8. Develop a marketing strategy for current services or a new temporary offering during the crisis in order to maintain brand visibility.

9. For the benefit of your franchisees, renegotiate certain agreements with suppliers to get better services or rates (e.g. telephone service, internet, inventory, percentage discount on goods useful for operating the business).

10. Facilitate your franchisees' discussions with their financial institutions, which are currently sensitive to the tense financial situation of Quebec entrepreneurs and willing to find solutions.

11. If you have an online sales platform, establish a policy that allows franchisees to benefit from it, at least temporarily, either by sharing a certain portion of revenues or, for example, delivering to the franchisee closest to the consumer.

12. For franchisees that, tragically, will not have the financial capacity to overcome the crisis, support them through the end of their operations and transition, in order to minimize their losses.

13. If necessary, offer your franchisees phone or virtual assistance and provide them with contacts who can answer their questions and support them.

14. Provide the public with a general message on the status of your network's products and services offering, and showcase your support to your franchisees in order to convey a clear and consistent message that will sustain your brand and approach.

Most of these proposals involve a greater financial commitment on the part of the franchisor. However, it is important to remember that a franchisor has an obligation to collaborate and partner with its franchisees. Of course, no one is bound to achieve the impossible. A franchisor's capacity to adequately support its franchisees during this difficult period will serve its interests and those of the network in the longer term. Assistance provided by the franchisor will allow more franchisees to survive and resume their activities when the situation improves.

The franchisor's support and, particularly, flexibility with respect to financial obligations arising from the franchise agreement will send a clear message to franchisees that they are not left to fend for themselves during this period of uncertainty, and a greater climate of trust will be established in your franchisor-franchisee relationship.

Moreover, all sectors of Quebec's economy are affected by the pandemic and a solidarity movement is being established among institutions, financial partners and businesses to implement solutions and strategies to promote trade and the resumption of economic activities. We are following developments on a daily basis.

Our franchising and distribution team and all our professionals are at your disposal and offer you their expertise in advising and supporting you in meeting the challenges that the current COVID-19 situation may create for your network.

Please do not hesitate to contact us. It will be our pleasure to collaborate to find a solution that is right for YOU. It's time to stand together!

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