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Chain Links

In hard times, many franchisers pull back on aid to franchisees. Floor Coverings International took the opposite approach.

By [JONNELLE MARTE](#)

WATERTOWN, Mass. -- You don't have to tell Dave Hogan that people have cut back on remodeling.

Prospective clients debate for months whether to buy new floors from his store here, he says, and increasingly they decide against it.

The drop in his business reflects the experience of many Floor Coverings International Ltd. franchisees, and of tough times in the flooring industry in general, where revenue fell about 20% in 2008.

But rather than hunker down and seek just to outlast the recession, Floor Coverings International, the Smyrna, Ga., franchising company behind Mr. Hogan's store, is using an aggressive marketing strategy to help its franchisees go after new customers. After adopting the strategy early last year, the company beat the industry trend and posted a 4% increase in sales for 2008.

Building Networks

Floor Coverings offers its 85 franchisees direct assistance in building networks for referral business. Under what it calls the Fast Start program, Floor Coverings will send an employee to each franchisee for a few days with the mission of helping the franchisee build relationships with other companies that can send clients its way. Typical businesses the team reaches out to include real-estate agents, restoration companies, home inspectors and kitchen remodelers.

"The local franchisee often doesn't have the time, or doesn't make the time, to make these contacts," but referrals are essential in this business, says Tom Wood, president of Floor Coverings International. The company's franchisees tend to get 90% of their jobs through at-home consultations, says Mr. Wood, whose company is majority-owned by Franchise Co., an Etobicoke, Ontario-based owner of several franchisers. Franchise Co. itself is a unit of Toronto-based FirstService Corp.

Dick Rennick, a Palm Springs, Calif., coach for franchisers, and a former chairman of the International Franchise Association, says he knows of no other franchise company that is using a team of employees to assist its franchisees directly in developing referrals. Fast Start offers a model that other service-industry franchisers could potentially use, he says.

The approach is "brilliant," he says, because it allows the company to target customers more effectively and forces franchisees to network -- a vital practice they're often too busy for, he says. "In today's economic climate, we're going to have to be extremely proactive to keep our franchisees getting leads."

Franchise experts say another benefit is that the strategy improves communication between franchisees and headquarters.

"It's important to have a strong relationship between the franchiser and the franchisee and to keep in regular contact to know what the franchisees' needs are," says Alisa Harrison, spokeswoman for the International Franchise Association, in Washington, D.C. She adds that franchisers have been doing more to help their franchisees, from providing direct funding to holding more frequent meetings and conference calls.

"Everybody is looking at ways to improve their systems," says Ms. Harrison.



FIRM BASE Tom Wood stresses referrals

Warning Signal

Mr. Wood says he began the Fast Start program after sales growth shrank to 6% in 2007 from 12% in 2006. "We needed to respond quickly or we faced the same type of declines the industry was seeing," he says.

Since the program started, sales grew to roughly \$27 million last year, and Mr. Wood projects an 8% increase for 2009. By contrast, the industry this year is widely expected to continue the sales declines it has experienced for the past two years.

The franchise owners say the help they've been getting is vital. While referral networks are not unusual in the industry, or for franchises, such face-to-face assistance from headquarters on the matter is rare, franchise and flooring associations say.

Mr. Wood, meanwhile, says two other home-improvement franchises owned by FirstService -- CertaPro Painters and Handyman Connection -- will adopt the program as well.

Some franchisee advocates argue that franchise companies should always offer this kind of support, regardless of the economy. "In any good franchise system, they should be putting people on the ground to help the franchisee immediately," says Susan P. Kezios, president of the Chicago-based American Franchisee Association.

Floor Coverings has five employees on the Fast Start team, and they have now visited about 30% of the franchisees. The company will cover as many as three visits, Mr. Wood says. First visits help the franchisee initiate relationships with other businesses, second visits usually start to generate leads. Third visits tend to be more about problem solving.

The consultants help the franchisees start their relationships, but it's up to the franchisees to keep them going. The company recommends using gifts, like sports tickets and meals, and sometimes commissions from the jobs referred.

James Brooks already had a network for referral business for his Flagstaff, Ariz., Floor Coverings store when a Fast Start consultant visited him in February 2008. He says he used to visit his contacts occasionally, dropping off company-branded boxes full of goodies like doughnuts, fruit, popcorn -- and business cards.

More Contact

When the Fast Start consultant came, he says, "we sat down and we plotted a course." Over two days, he and the consultant compiled a list of companies to target and introduced themselves to some of them. "That was the trigger," Mr. Brooks says -- increasing the frequency of his visits from once in a while to once a week.

Andrew Meyer, for example, is a real-estate agent who says he used to see Mr. Brooks about once a month. Now the two meet every Tuesday and chat several times a week. "I can't say I know any other floor-covering person on a first-name basis," says Mr. Meyer, who adds that he also depends on referrals.

So when former clients came to Mr. Meyer last spring looking for someone to install kitchen tiles in the home they bought with his help two years ago, he sent the couple to Floor Coverings.

Mr. Brooks says his sales more than doubled in 2008 to \$930,000 from \$420,000 the year before, with at least 40% of his jobs coming from business-to-business referrals, and another 40% from personal referrals.

Mr. Hogan, the Boston-area franchisee, was hoping for similar results after being paired up earlier this year with Matt Donaldson, who now manages the Fast Start program. Mr. Hogan opened his doors in January 2008.

It's Courting

The key to courting other businesses is constancy, Mr. Donaldson tells his franchisees. He uses an analogy to reinforce the point: "Remember when you were dating your wife?" he tells them. "You couldn't just call her once a week. You had to call her every day."

For his three-day visit with Mr. Hogan, Mr. Donaldson says his goal was to help the franchisee go after the "big fish": restoration companies. These are highly sought-after contacts, Mr. Donaldson says. A lot of the work they do is restoring floors. But when a floor is beyond repair, they recommend a floor-covering business to replace it.

Mr. Donaldson on his first day went alone to meet briefly with two restoration companies, and followed up the next day by sending both offices an elaborate lunch of honey-baked ham on behalf of Mr. Hogan.

After a quick phone call to one of the companies to confirm it had received the lunch, the two men dropped by for a five-minute chat. It ended with the general manager offering to give them a shot by referring someone from the company's next project.

That's as good as it gets after a first meeting, says Mr. Donaldson, who patted Mr. Hogan on the back as they walked out of the office.