



### **New Zealand franchisors consistently report that finding and keeping good franchisees is their number 1 problem.**

Now, research shows that even when they find the right people, there is increasing concern about whether they will have access to the finance they need to start or grow their franchise.

The July quarter New Zealand Franchising Confidence Index shows that even though franchisors are positive about growth prospects for their organisations, a worrying net 6% of them expect access to finance to deteriorate over the coming year.

If that happens, it makes life difficult for franchisors and franchisees alike, because establishing a new franchise is a significant investment – and most franchisees need to finance that investment through a bank.

So how can franchisors ensure that, when they find the right people, those people can access the necessary funds?

Before lending, a bank has to decide whether the new business can service the loan from expected cash flow, and in these difficult economic times, those cash flows may not be so assured.

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If the new business is a franchise, the bank also wants to know the franchisee will have a strong chance of succeeding. But, as one bank insider observes, “The franchisor is in a much better position to judge the suitability of a potential franchisee for a specific business model.”

After all, the franchisor knows their business inside out and is the one interviewing the prospective franchisee, reading their CV, checking their references and assessing how they will fit with others in the team.

### **The Importance of Fit**

How franchisors demonstrate whether prospects fit the business is crucial. Banks want to know new franchisees have been measured against defined and robust selection criteria. Criteria that benchmark them against other successful franchisees in the same system is extremely useful. (In franchising, unlike investment, past results can be an excellent indicator of future performance!).

To the bank, knowing that the franchisee has met a brand-specific selection criteria is taken into account along with criteria such as financial projections, a clean credit rating et cetera. Banks will take notice of that evidence in making their decision to lend.

### **Tools for Success**

Franchises that use proven psychometric testing tools in selecting franchisees also identify very early on what support individual franchisees need in order to succeed. Franchises that regularly use tools such as Selector Insight build an ever-more-detailed picture of what individuals need to succeed in their environment.



*Building Trust with Banks* continued

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They know, for example, whether attention to detail, conceptual thinking or a hands-on management style is important in building success in their franchise system. And they know whether a high openness to new ideas is likely to lead an otherwise promising prospect down an unprofitable path.

They know this not simply through instinct, observation or gut feel – they get actual data from every franchisee or prospect tested that, over time, builds up a very clear picture of what it takes to succeed.

Selector Ltd's psychometric testing tools, and the expert analysis we provide, have already helped franchisors recognise the key success and high fail factors for their business.

Psychometric-based assessment helps franchises ensure they select people who will fit their business model and succeed. They also help prospective franchisees know this is the right environment for them – and as well as getting the right support from the franchise, they are also in a better position to get the finance they need to build their new business.

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To learn more **go to [www.selectorfranchise.co.nz](http://www.selectorfranchise.co.nz)**

