



JIM PENMAN: Training is 90% of the value for franchisees

JIM'S PLAN FOR HAPPY CUSTOMERS

- 1** Customers set the standard: the minimum level of service is the level that the customer expects from the service provider, not what the service provider expects to give.
- 2** The right level of service is the service that shocks the customer: "Wow, that is really fantastic."
- 3** Do not focus on price. If more than 80% of customers who get quotes give a franchisee the business, then the price is too low.
- 4** Every customer complaint must be closely investigated and taken seriously.

EAMON GALLAGHER

A man and his mower

The lessons learnt in creating a home services empire will help Jim Penman in his new venture. By Jacqui Walker

Jim Penman is the creator of one of the biggest home-service franchise businesses in Australia, Jim's Corp. In 14 years, it has grown from a gardening round in Melbourne's eastern suburbs to a network of more than 2200 franchise businesses in 29 fields — from old-fashioned mowing and gardening to fencing, irrigation and fitness centres. Penman now has plans to convert a disused Swinburne University of Technology building at Mooroolbark, in Melbourne's east, into a four-star conference and business education centre, putting the seal on his evolution from mowing man to business educator.

As a university student studying history and sociology at La Trobe University in the 1970s, Penman mowed lawns to buy his first car, a second-hand Kingswood. In the late 1970s, an idealistic Penman embarked on a PhD thesis to explain the rise and fall of human civilisations. His thesis was so unorthodox that the university rejected it, dashing his hopes of an academic career. He was 30, just married and he needed a job. His brother's horror stories of life in a big corporation had turned him off working for somebody else. He felt his only option was to go into business for himself, doing what he had done in his student days — mowing lawns.

In the 1980s, he established and sold three mowing businesses. He also patched up his thesis, re-submitted it, and it was approved in 1984. He continued to start and sell mowing rounds until 1989, when the Adelaide company, VIP Home Services, emerged as a competitor.

Penman recognised the threat of a serious operator, with its 50 franchises in Victoria (350 Australia-wide), and decided it was time to franchise his own operation.

He was already operating a virtual franchise by training, advising and settling in the people who bought the mowing rounds he had established. He added information brochures, uniforms, trailers, and a logo — a bearded character in his own image. The first franchisee signed on in June 1989. By the end of the year, he had 60, and 10 years later Jim's Mowing was twice the size of VIP Home Services.

Penman says managing interstate expansion was difficult because he hates flying, but he found that personal contact with the franchisees was essential for success. To solve the problem of personal support he set up regional franchisors. He says: "It's a powerful part of the psychology of running this sort of business." Franchisee satisfaction has increased since regional franchisors were introduced, he says. Happy franchisees stay around longer and help to attract more.

Penman had several false starts when hiring someone to run a national office and it took years to find the right person, Peter Hoefler. Penman says: "You just have to keep trying people until you find the right one." He believes the most difficult stage in expanding a business is employing good managers. "The great majority of people can't achieve that. That was the obstacle that took me many years to figure out. The main thing is to provide an environment that is conducive to good people. I don't tell people how to do their job. I let them know what I want and I give them a lot of independence, try to give them respect and a sense that they are in control. I just drop into meetings but I don't run the meetings." He says the business is demanding of management: "There is a saying in our code of values:

we treat staff well, but expect them to perform superbly."

Penman says the number of Jim's Corp franchise holders is growing by about 10% a year overall. The new divisions — fencing, paving and antennas — are the fastest-growing. Mowing services grew by about 3% in 2002-03, but growth in the other services was about 50%. "In three or four years, more than half will be non-mowing."

Franchisees pay from \$10,000 for a dog-wash franchise to more than \$20,000 for a successful mowing franchise with an established client base. Monthly franchise fees vary according to the business and the area, but typically are \$360 a month plus \$5 for each business lead. Combined turnover for the franchisees is about \$120 million a year. With three tiers of ownership (franchisees, franchisors and the national office), Jim's Corp's pre-tax earnings were \$1.1 million on revenue of \$4.3 million in 2001-02. In 2002-03, pre-tax earnings rose to \$1.2 million on revenue of \$4.2 million. Further growth is forecast: Jim's estimates revenue of \$5.4 million and pre-tax earnings of \$2.1 million in 2003-04.

Penman says the business's biggest challenge is facilitating growth. "It's almost like we are expanding into a vacuum. In terms of clients, there is virtually no limit to how fast we can grow. The only limit is how fast we can recruit suitable franchisees." He has tough selection criteria for franchisees and says that experience in the trades is not necessarily an advantage because the skills involved are easily defined

and learnt. The important requirements, usually demonstrated through earlier work experience, are harder to teach: communication skills, persistence, self-discipline and motivation.

Penman believes that 90% of the value for franchisees of being part of Jim's Corp is not the Jim's brand but training in how to run a successful business. Penman is interested in providing training to a wider range of people than the franchise holders. "We have a lot of skills and knowledge in the group. When you are a franchisor your main business is helping other businesses to succeed, so we understand that very well." Business training could cover subjects such as dispute resolution and customer service.

Penman paid \$2.5 million for the Mooroolbark property. The conference centre will be able to accommodate 100 people, and will have a restaurant and meeting rooms. It will be completed by May 2004, at a total cost of about \$9 million.

Despite the fame of the business, funding the project has been tough. Penman prepared a prospectus in January this year and offered suppliers, staff, franchisees and franchisors shares at \$1 each, aiming to raise \$1 million. The plan failed. Penman speculates it could have been because he was offering only 8% of equity in the project. He is negotiating with the same potential investors but this time, reluctantly, he will be selling about half the equity. "I think it will be worth a lot more one day." ●