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Sunshine Coast Daily

Jim mows 'em down  
April 2, 2008



Jim's owner Jim Penman started his business to try to survive as a struggling uni student. It's now thriving on three continents.

When flat-broke serial university student Jim Penman decided mowing lawns around his Melbourne neighbourhood offered his best chance of survival, never in his wildest dreams did he imagine his business would go on to mow 30 million lawns, clean 2.5 million houses, build 200,000 backyard fences, install 300,000 antennas and wash 100,000 dogs over the next 25 years.

From delivering 1000 pamphlets to letter boxes in his local area to find his first customer, the Jim's Group now has almost 2700 franchisees across 20 divisions in three continents, providing services from bookkeeping to computing, paving, building maintenance ... and of course, lawn mowing.

Jim's Mowing remains the largest division.

Last year, the Financial Review's Smart Investor voted it the number one franchise in Australia under \$50,000 after examining 600 franchises across the country.

Mr Penman, who still controls 100% of the national franchisor, said he believed the extraordinary growth of the company had come from five key factors – franchisee satisfaction, careful selection of franchisees, customer service, continual efforts to improve, and investing in IT.

He said a testament to the success was the fact there were at least 20 Jim's millionaires who started out as franchisees, with the top Jim's franchisee last year turning over \$2.5 million.

And after a particularly rocky start, the Sunshine Coast is now one of the company's top performing regions in Australia.

"The Sunshine Coast was the only area in the country that failed twice. Eventually we got the right person in and now it and Geelong are our two best regions in Australia," Mr Penman said.

John Hasaballah is one local franchisee who said he agreed completely with the assessment of Jim's Mowing franchises by Smart Investor.

After owning Collins Bookstore and Australia Post franchises in Melbourne, Mr Hasaballah moved to the Coast with his family in May 2004.

He initially had a look at various retail options, but said the high rents in many shopping centres turned him off, eventually buying the southern half of an existing Jim's Mowing franchise in Sunshine Beach.

"I just wanted to dip my toe in the water really. I thought Jim's was a good brand name and they seemed to be doing a lot of advertising," Mr Hasaballah said.

Less than four years on, he has bought the other half of the Sunshine Beach franchise, as well as others in Sunrise Beach and Noosaville, and recently, "a large area in Hervey Bay".

He said the level of support with Jim's was better than his previous ones, and the systems were "definitely superior".

"Jim's supplies a package that allows you to do your own bookkeeping, and also has very good training systems," he said.

"But one of the biggest attractions was the fact that franchise fees are set ... not a percentage of turnover like most systems."

Mr Penman said John was typical of many franchisees, having come from a business background.

"We don't necessarily need gardeners. We need people with self discipline, business skills and communication skills," he said.

"You need to be able to control costs, keep machinery in good condition, maintain relationships with your customers to ensure repeat business and follow up leads quickly and effectively.

"You might think a lawn mowing franchise is quite simple ... in fact it's more like running a McDonald's store. It's business, not gardening."

With the booming Australian economy making people with those skills in high demand, Mr Penman said the company had been forced to look overseas to find potential franchisees.

"We've been advertising in South Africa for people to come to areas like the Sunshine Coast and run franchises because they're getting harder to find in Australia," he said.

Despite being 55, Mr Penman said there was every chance he would still be at the helm in another 25 years.

"My dad worked until he was 75. I think I'm just starting to learn about business," he said.

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### Jim's Mowing is a growing concern

Last Updated: Monday, 31 March 2008

By Jacqui Walker

Jim's Group founder Jim Penman says the secret to successful franchising is good recruiting, tough leadership, developing a strong brand and keeping franchisees happy.

In the 25 years since Jim Penman turned his mowing round into Jim's Mowing, and started expanding, he has created a network of 20 divisions and 2700 franchisees in Australia, New Zealand, Canada and Britain, and now has a turnover of \$200 million.

The four tier business model is unique. Franchisees provide the services, master franchisees recruit, support and provide leads to the franchisees, divisional franchisors support them, and Jim Penman's company sits above them all.

Penman earns a tiny cut of franchisees' revenue (less than \$1 million a year) and extra revenue from running the call centres, the phone system and doing the administration.

But 25 years of franchising has taught him a lot. Penman shares with Jacqui Walker some of his franchising secrets: How to recruit good franchisees, keep them happy, develop a strong brand, and what to focus on to expand the franchise network.

He is happy to answer your questions. Send them to [feedback@smartcompany.com.au](mailto:feedback@smartcompany.com.au)

**Jacqui Walker: Which are the biggest divisions in the Jim's group?**

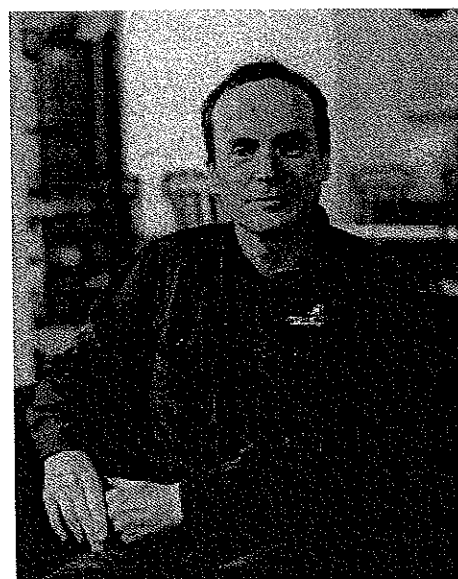
Jim Penman: Mowing is the biggest. That's by far the biggest. That's still more than half, about 1600 franchisees. The next would be cleaning, which has over 200, then fencing at about 150.

**Which have been the fastest growing in the past year or so? And why?**

Test and tag (electrical compliance service) is probably our fastest growing division. That's about doubled in the last 18 months. That's doing very very well.

The main thing that affects it, I mean certainly test and tag's a good division, you can make very good money, but the main thing affecting it is you've just got fantastic leadership. You've got great master franchisees.

But that applies within any division. We survey our franchisees every year to find out how satisfied they are with the service they're getting, how happy they are with their business.



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What you find is that when the franchisees are very happy the region tends to be growing. And if they're unhappy it will be flat or even declining.

And that depends on having a good franchisor who is supportive, that they like, and who can provide some tough leadership.

## **What do you mean by tough leadership?**

Well they've got to be a leader in the way that they support people and answer their questions.

But they've also got to be the sort of person that says 'you know, you didn't bring that customer back. To be successful you need to do this' or 'OK, you're running short of revenue and you're claiming it's the drought, so will you accept a challenge that you need to suggest extras to your client?'. Like say rubbish removal or whatever.

They've got to be supportive but they've got to be also prepared to be a leader. Take a tough line. The best franchisors combine those two.

## **And do you think that that's a greater determinant of success than actual demand for the service?**

Yes. Because demand for the service is almost a given. We had 67,000 unserved leads last year. So far this year it's about 25,000. It's getting worse.

To give you an idea just how much work that is, when we spoke to service central towards the end of last year (we were doing a deal with them) they spent \$4.5 million in advertising to pick up 60,000 leads. Our total advertising budget is about \$3 million and we knock back more leads than they got.

## **And why is that?**

Because the demand for services is fantastic. If you offer a half way decent service, then the world just comes rushing to you. The demand for good people in the present day economy is extraordinary. Generally most of our franchisees are completely flat out. Even through the drought most franchisees are completely flat out. They haven't got time to scratch themselves.

## **That raises an interesting question. Why aren't you growing even faster and why aren't you recruiting more franchisees?**

Well, just for that reason – there's not enough of the right kind of people around. I mean the economy is too good. That's our biggest problem.

There's just a real problem. I mean we did far better during the 1990s in the Keating recession. That was our golden time, because if we weren't as good at what we were doing, our support wasn't as good, our customer service wasn't as good.

I mean just as an example, we halved the level of complaints in the last two years just by putting better procedures into place, but there was more franchisees around.

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The best franchisee is not going to be a gardener, it is a business person. The ideal franchisee is someone like a bank manager. A successful salesperson. Somebody who's got the discipline, the administration, the salesmanship. Who wants to have a lifestyle as well, and doesn't want to work 60/70 hours a week and go into the city every day. That's the kind of person we want.

**You've obviously recruited some people. How have you been doing that?**

Oh there are people that want to do it.

**Do they come to you or are you going out actively looking for people?**

We advertise for them, we run expos and stuff like that. But I mean if it was something like mowing, that you were thinking of that kind of career, you'd probably think of us anyway.

We're also working overseas actually. We're recruiting in South Africa at the moment. There's tremendous people from there who've got very good management business skills and that's a very promising avenue.

**So as the economy slows down this year is this good or bad for your business. Do you anticipate it will make it easier for you to recruit?**

Yes of course. If the economy does slow down. I don't want the economy to slow down, but from my own selfish point of view, with my business we'll certainly do better if it does. No question at all.

Although there is a capital cost in getting involved in a franchise — although buying into a Jim's franchise is relatively inexpensive because it's a service business rather than retail.

It could be anything from \$20 to \$40,000. The kind of people that we want normally have far more equity in their house. It's not usually the issue. We're not talking about spending a quarter of a million dollars.

If we were it would be different, but at this level most people can have it. We can organise unsecured loans for people have got a decent credit history and so forth.

It's just not difficult because the earnings potential of the business is so far above the cost. A normal business you pay what, like three year's earnings or something like that. So if you're making \$50,000 you pay \$150,000.

Well for a Jim's business that's making say \$75,000 a year, you might pay \$20,000. The size of the loan is tiny by comparison with the actual income that you can produce, or you should produce.

**And what is the average earnings of a franchisee?**

I don't know actually. We're going to do some surveys this year. But put it this way; most of our businesses have what we call a work availability guarantee of \$1500 per week.

This means if they don't make that much money then they can go and offer free services to whoever they like and get paid for it by the franchisor, which I might say hardly ever happens.

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From my point of view, if you can't make \$1500 a week then you're wasting your time. Having said that, I know people do make less than that but I find it hard to understand why.

Just as an example, I was making, in modern terms back in the 1980s, I was making well over \$2000 a week and I was only working just during the day. I had another business in the evenings.

**You attribute some of your success to careful selection of franchisees. How do you go about that?**

Well first of all, interview. You look for a person who can communicate because it's the same thing talking to you talking to a client – can they express themselves clearly? Do they sound intelligent? And competent?

You look at business background. The more responsible job they've had, the better. Obviously if you've got somebody who's been working for the local council for 20 years as a gardener you might employ them, but you probably wouldn't put them on as a franchisee. Unless you're very careful about it because why aren't they the head gardener, why aren't they the supervisor.

On the road is a good thing. You put a person on the road and it tells you probably more than anything. For example how hard do they work? Do they take initiative? By the second or third time they should be getting out there and taking the stuff off the trailer.

If you tell them to mow straight lines they listen to you. If you tell them move the hose they listen to you and do it right next time without being reminded. They turn up on time. If they're late they apologise. Just look at the way they perform. The selection is normally done by our current franchisees too, so we try to be as rigorous as possible.

One of the great successes for test and tag is they're the most selective division. They knock back about half of their applicants. Now those people are willing to pay. So of people who come forward and they're prepared to pay all the money, they take about half of them. That's about the best, and they're the fastest growing division.

Obviously people like Dominos and McDonald's are highly selective. For the industry level we're at, we're actually extremely tough on the selection process. Always have been.

**And can you spell out why that's important.**

Lots of reasons. If you take on poor franchisees it lowers your levels of customer service, which means it turns off clients, which means it's harder to find work.

You tend to find that poor quality franchisees are high maintenance. They tend to infect other franchisees with negativity instead of focusing on how they can improve their business. Just takes all the emotional energy from the franchisor.

Good people want to be in a selective system, so it attracts the good people. We've always given a list of current franchisees, that's how I used to sell franchises – 'ring any of my current franchisees'.

So if you give them a list and people ring up and there's people who are really unhappy and doing badly, it's telling you're not a very good system.

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It's harder to recruit more good people. There's a whole stack of reasons. The long and short of it is within reason; the tougher you are in selection, the faster you tend to grow.

**And you've also said that focusing on franchisee satisfaction and success has been critical to your business's success. What does that mean in a practical sense?**

What grows franchising systems is happy franchisees. It's as simple as that. There's no way around it and you can look at it very clearly. Just as an example of the [master] franchisees who had 100% franchisee satisfaction on average, last year they grew by 10%.

And the ones who scored below 60% on franchisee satisfaction on average, they declined by 10%. Fortunately we had more of the first than the second.

By franchisee satisfaction I mean agreeing with statements like the reality meets the promise. I'm positive about the future of my business. If you agree to that then you're satisfied, so if you've got 100% of people, all your franchisees say yes, 'whatever you sold me I got'.

**How do you get that? How do you keep those franchisees satisfied?**

It's very much to do with the franchisor. I mean work is usually a given in Jim's.

Some divisions are a little bit harder, like bookkeeping, and you've got to go out and get it. But work is usually a given so really the franchisors that are best are ones that have got the best personal relationship with their franchisees.

The franchisor's always there to say 'look do this. This is the way to do it'. And listen to what the franchisees want. They're not autocratic. If the franchisee comes up and says look we think this kind of advertising... 'yeah, OK, let's give it a try' or you know, 'we'd like to do things this way'. They'd listen to them but they also exercise leadership.

**And you've also mentioned heavy investment in IT has helped you and you spent \$2 million on technology. What have you spent that on and how has that helped?**

Everything in Jim's is run by a computer program. Every time a job comes in there's a very elaborate process to make sure it goes to exactly the right person. Franchisees can log in from home. They can actually book in how much work they want. How many jobs per day they want. What suburbs they want to work in. What particular service do they want to offer. And they can change that for different suburbs. We like to localise people so they have first right of refusal for their territory. They have also a priority in certain inner post codes which are close to home.

**That sounds very targeted for your business. Have you developed that in house?**

Yes of course.

**How do you ensure high standards of customer service?**

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We monitor the complaints. We have done surveys in the past. We measure it as complaints per 100 leads. Before I was franchising I would get roughly one complaint for one lead, which was pretty shocking, you can imagine.

But still the business was doing OK. A few years back it was back down to about five complaints per 100 leads. Two years back it was 2.7. This year so far it is about 1.4.

We probably serve about 50,000 clients a week. We probably get about something like 3000 or 4000 complaints a year, so it's about 60 a week.

## **And what do you do with those complaints?**

Most of them are time related. Failure to call back. If a franchisee gets too many complaints and we do strict guidelines with that, then again a warning letter.

If they fail to fix their problem then they are told they need to come in and do a one day retraining course, which could be in any city in Australia or New Zealand so it's fairly tough.

If they continue with that they get basically restricted. They wouldn't be able to take any more work and they'd normally leave. We try and warn them first. Mostly it's pretty effective.

The letter's pretty frightening when it comes out. That letter and that process is what's halved our complaint rate in the last two years.

We're still looking at ways to improve on it. Better system. Induction training is a big thing with us. We've really increased all our induction training lately. Got a very intensive course. For example mowing has about a 60 hour induction course now, very heavily focused on things like customer service and business procedures. Also extras, how to do different kinds of jobs and how to do them safely.

If a client has a problem with a job not being done right, obviously the first thing they do is ring the admin centre which goes back to the franchisee. Also the franchisor is copied on complaints so they liaise with the franchisee and they'll ring him up and say 'what's happened?' 'What went wrong? How can we fix it?'. But if that doesn't work, the clients are invited to contact me personally.

## **You've got 20 divisions. Is there a risk that your business could get too diversified?**

There's no risk we could get too diversified because as Jim's Group we don't diversify. We only do one thing, which is service franchising.

And with servicing franchising, the issues that I deal with personally and my company, the legal, the administrative, IT, all that kind of stuff, it doesn't matter whether it's antennas, mowing or cleaning, they're all the same.

When it comes to the specific needs of the division you have a divisional franchisor. And no division works without a dedicated experienced divisional franchisor. You've got to have somebody who understands antennas. They've got to be somebody who has it in their blood. So it won't happen for that reason.

## **Are there areas where the Jim's brand hasn't worked?**



# Mower man Jim cuts loose to become a master in franchise

RACHEL DONKIN

Jim Penman's empire turns 25 this year.

But the Jim's Group enterprise, which started out as Jim's Mowing and has managed to secure its foothold among more than 1000 franchise systems operating in Australia, began from what its founder admits were pretty dire beginnings.

"It started off with me flat broke — in fact \$20,000 in debt — with a broken-down mower and a brush-cutter," Mr Penman said yesterday.

"Twenty-five years is not quite the overnight success people perceive it to be."

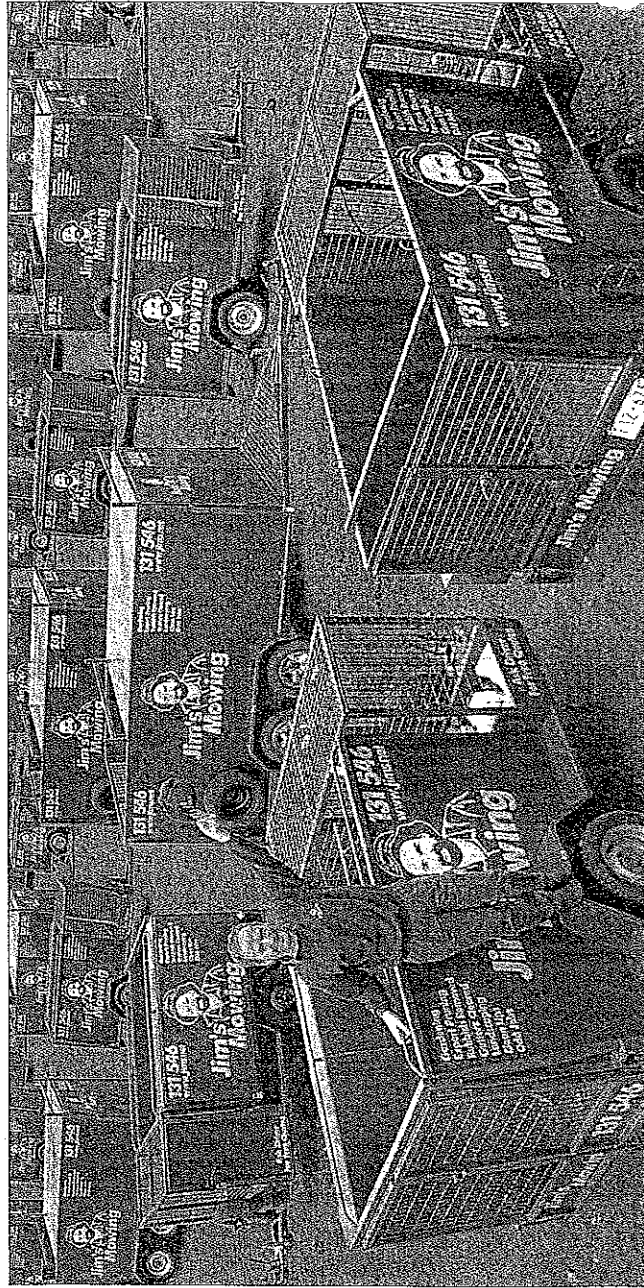
A makeshift lawnmowing business in the Melbourne suburb of Balwyn evolved from a bid to earn some cash after a failed attempt at completing a postgraduate history degree.

"I did a letterbox drop and started mowing some lawns, then a couple of weeks after I started there was a drought," he recalled. "You weren't allowed to water your lawns and every lawn in Melbourne died. It was not a great time to start, really. It's amazing what you do when you're motivated."

But he persisted, and after a few false starts — he tried subcontracting his service "but that gave me a lot of problems with the quality of work, they kept on losing clients as fast as you could build them up" — he managed to make more than a meagre living out of the venture, finding success in building up and selling lawnmowing rounds.

"To sell the rounds I was effectively giving these guys a lot of support, help and advice, to get them up and running," he said.

This, Mr Penman says, was his light-bulb moment: while quality control was no longer an issue



Ready to roll: Franchise king Jim Penman fought drought and debt in the early years before taking his business beyond the lawnmower.

because the new owners were not operating under his name, he identified the positive effects of individually focused, regular involvement with the operators.

A few years later, the expansion of South Australian-based rival VIP Home Services into Melbourne was the catalyst for the launch of Jim's Mowing as a franchise, and later the brand was put to use for other services.

After a few failed experiments ("I assumed the guy with the beard and the hat wouldn't be a great image for a cleaning business so we started one up with the name Sunlite — it completely failed"), Mr Penman's bid

to use the group's franchising expertise to branch out into other divisions paid off, with the success first of Jim's Cleaning in 1996 and later several other services.

Today the Jim's Group encompasses 20 separate divisions which began as in-house services but are now managed as joint venture-type operations. While mowing is still the largest, others such as fencing, paving and antennas are growing at a much higher rate.

Mr Penman says his business model still focuses on franchisee satisfaction: they come first, followed by customers.

"If you've got great franchisees,

you can give great customer service," he says.

Mr Penman says his biggest immediate challenge is coping with demand.

In line with all industries profiting from the boom, Mr Penman says unprecedented growth is a double-edged sword.

The group reported 67,000 unserviced leads (jobs turned away) last year, and has already turned away 25,000 this year.

Most of the unmet demand, of course, is in WA — where the Jim's Group holds the title of the biggest franchise in WA by number of outlets.

## GROWTH STORY

- Began as Balwyn Mowing in 1983; name changed to Jim's Mowing as customer base spread beyond Balwyn, Melbourne.
- 20 divisions, including mowing, fencing, building maintenance, cleaning, dog washing.
- 2300 franchisees, 180 master franchisees, 4000 employees across Australia.
- 217 franchisees, 16 master franchisees in WA.
- 394 franchisees across NZ, Canada and UK.

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# Lillydale & Yarra Valley Leader

## Mooroolbark business king a 'bushy'

Adrian Bernecich

07Apr08

FRANCHISE king Jim Penman has been mowing down the competition for more than 25 years, preaching "customer service" as the keys to success ... and he's not slowing down.

The Mooroolbark man behind the iconic bearded (now clean shaven) brand, Jim's Group, has a passion for living, his 1983 Volvo, mowing lawns and keeping his franchisees happy.

In 1982 and near the end of his doctorate in history, Mr Penman was left with only \$24, more than \$30,000 with no academic prospects. He started mowing business Balwyn Gardens.

A year later, he had a list of clients across Melbourne, changed the company name to Jim's Mowing, and reaped rewards.

"You have to enjoy your job. I started doing it when I was eight and I've now mowed more lawns than most franchisees, even though I stopped mowing professionally in 1988," Mr Penman said.

"I never planned on expansion. I believe that if your system is good enough people will come to you."

Since its creation in 1989, Jim's Group has mowed 30 million lawns, cleaned 2.5 million houses, washed 10 and boasts more than 20 specialty businesses and 2600 franchises across Australia, New Zealand, Canada and UK.

Mr Penman is always in pursuit of perfection and attributes his success to ongoing customer service, franchisee satisfaction and being open to new ideas.

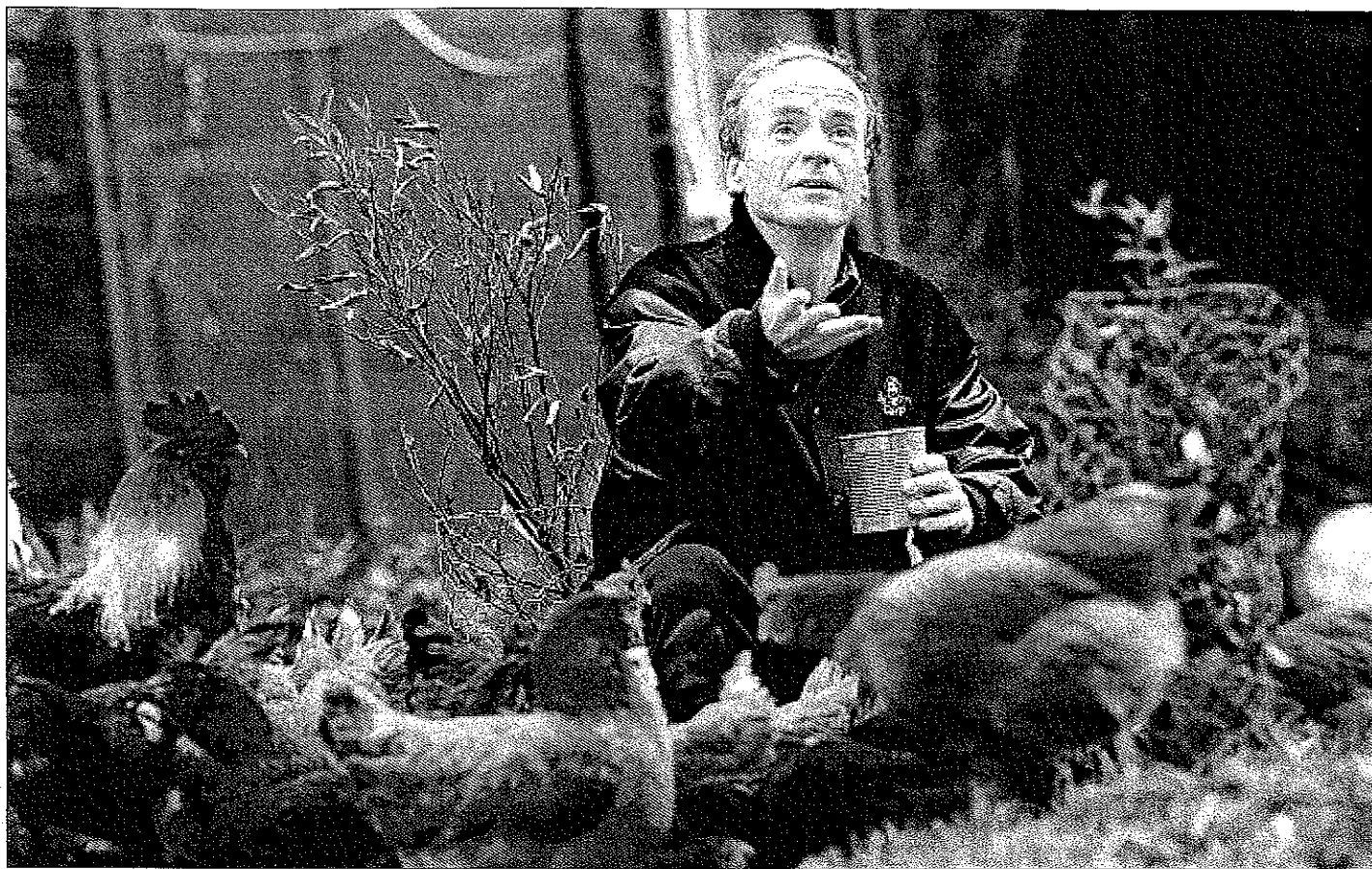
"I spend my efforts trying to improve my franchisees and make them happier. They can call me whenever they if clients are unhappy I ask them to call me personally too," he said.

Mr Penman, 55, is a father of nine, married to Li, and now lives and works on his property in Mooroolbark with chooks and his car that was made the year after Jim's Mowing was born.

"I'm a bushy. I love gum trees and the outdoors. I live on five acres with chooks in the back yard and I still mow lawn."

He also spends a couple hours a week, building on his PhD work, which focuses on the neuroendocrine system and social behaviour through La Trobe University and St Vincent's Hospital.

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Business magnate Jim Penman still mows his own lawn and tends to his chooks at his Mooroolbark property despite having 20 businesses and 2600 franchises across Australia, New Zealand, Canada and the UK.

Picture: DETLEV RUEFF N411

# Business king a 'bushy'

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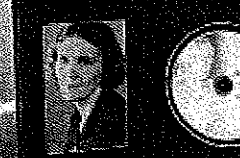
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# THE Daily Telegraph

Monday, April 14, 2008

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### bizbites

#### Super payment changes

FROM July 1 employers must use ordinary-time earnings to calculate employees' super guarantee contributions.

The tax office says while most employers are already doing this, some are using other methods, such as earnings outlined in industrial awards or existing employment agreements. The changes will make sure all employees are treated the same for super guarantee purposes.

"I strongly encourage all employers to make sure they have planned for the changes and have the correct systems in place, such as updating their payroll systems," ATO deputy commissioner Neil Olesen says.

#### Staff costs soar

EIGHT out of 10 businesses have seen staff costs skyrocket in the past year, according to a report by accounting house Grant Thornton International.

The report found significant hikes in staff costs in almost three-quarters of Australian businesses, well up on the US (48 per cent) and the UK (47 per cent).

Privately owned businesses are stuck between a rock and a hard place, Grant Thornton Australia's Tony Markwell says. "In such a tight labour market they need to offer competitive packages to recruit and retain staff but at the same time they need to keep costs down."

#### Making the cut

MOTIVATIONAL speaker and friend to the stars Kurek Ashley on a tour of Australia to promote his book *How Would Love Respond?* has warned aspiring entrepreneurs about branching out on their own.

"Hairdressers are the worst," he said. "They have a loyal client base so they leave an employer and start their own salon, but then they've got nobody to run the business. If they stop cutting hair to do the administration and marketing, they've got nobody to cut hair. It sounds stupid but it's such a common mistake." Be warned.

#### Consumers glum

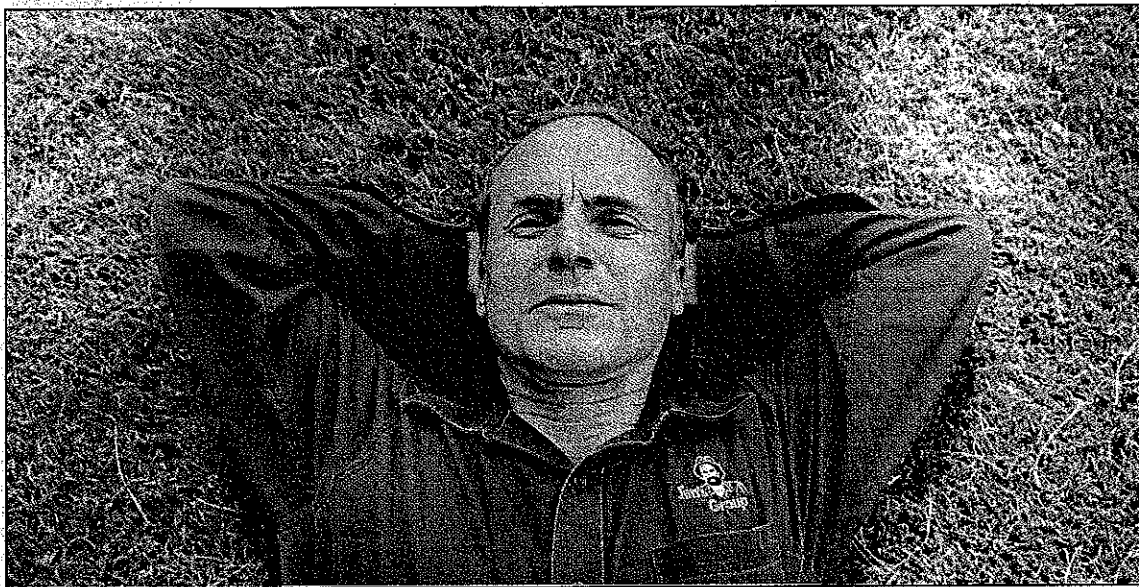
Rising petrol and food costs, along with the steady rise in interest rates are putting a dampener on spending.

After more than a decade of shoppers shopping for the sake of shopping, people are now developing deeper pockets and staying at home, according to the latest Westpac/Melbourne Institute index of consumer confidence.

The index hit its lowest point since 1993, falling 1.3 per cent to 87.4. This suggested that the interest rate hikes of the Reserve Bank and the independent moves by the banks were having an effect. As well, the average monthly fuel bill for Australian drivers is estimated to have gone up 12 per cent over the past year. As the national average price for petrol stands at \$1.40 a litre, the monthly bill is

### FRANCHISING

## Put out to grass



Green power... the founder of the hugely successful Jim's Mowing franchise Jim Penman.

Picture: Ross Schultz

By ANDREW CARSWELL  
Small Business Reporter

**M**OST company directors are intensely protective when it comes to their personal mobile phone number. But Jim Penman is passionately different.

He gives his personal details away at will, combined with the staunch promise that his cherished franchisees can contact him at any time, about any subject.

That's a big call, if you consider that Jim — of Jim's Mowing fame — has more than 2700 franchisees under his wing.

Now that he is incognito after shaving off his renowned beard, Mr Penman sat down with *The Daily Telegraph* recently to explain just why he remains unguarded and entirely approachable.

He says it is the sole responsibility of any franchiser.

If you look after the franchisees well they will look after the customers with the same sentiment.

It is a commonsense model, the Melbourne-born entrepreneur believes, that many business overlook for driving the bottom line.

"I'm very passionate about customers and I hate letting customers down," he said.

### Jim's tips for a successful franchise

- Be passionate about customers, not just their money. Look after them so they are raving fans
- Constantly improve what you do
- Have good accounts
- Charge what you are worth. Don't undercharge
- Look for extras, or additions to your business

"We do about 20,000 jobs a day and on average we get about 20 complaints."

"That is a big driver for me because any Jim's client is my client."

"The other big driver for me is franchisee service. The only way you can succeed is to give people a team that people want to join. The system has to be attractive for franchisees."

"I aim to work at making franchisees more satisfied. We ring all of our franchisees to see how satisfied they are with the system and whether the reality has lived up to the promise. They can ring me any time," he said.

Refreshingly, Mr Penman is not your ordinary multi-millionaire businessman.

He still mows his own lawn and

digs his own weeds, travels sparingly and prefers workman-style shirts with the sewn-in company logo over business attire, and he drives a battered 1983 Volvo.

But in reality, this self-styled success story has built an astonishing franchise empire in 25 years.

The Jim's Group he founded in 1982 while \$30,000 in debt and with just \$24 in the bank, has mowed 30 million lawns for one in five Australian households, cleaned two and a half million houses, built 200,000 fences, installed 300,000 antennas and washed 100,000 dogs.

The group now has 20 divisions, employing more than 4000 people in Australia, New Zealand, Canada and the UK and boasts an annual turnover about \$200 million.

"Not bad for a man once hell bent

on becoming a history and cross-cultural anthropology academic.

"I ended up at the age of 29 having not got myself a PhD in history and with no skills other than mowing lawns which I had done to pay my way through university," he said.

"I had pretty crappy, broken-down [mowing] equipment, but I just started mowing lawns and gardening around some of the houses where I lived and dropping leaflets in letter boxes."

"I got very busy myself, very quickly, so I started employing sub-contractors then moved on to selling lawn-mowing rounds."

"To make that as effective as possible, I would play more of a support role for these people, give them training and virtually help them start their business."

The impetus to launch a franchising model came when rival mowers VIP crossed into Victoria.

It freaked him out, so he formulated a system which he believed would benefit all parties involved.

"I wanted to have a franchising system that I would want to buy if I was on the other side of the desk."

"I thought I would be lucky to get 100 franchisees, but I had 60 after the first year and now we have 2700-odd," he said.



- SMEs
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# Mower king eyes fresh fields

Jim Penman is looking for a business partner to help him turn Jim's Group into a global powerhouse. **Damien Lynch reports.**

For the first time in a business career that spans 25 years, Jim Penman is ready to relinquish some control of Jim's Group, the largest franchise chain in Australia.

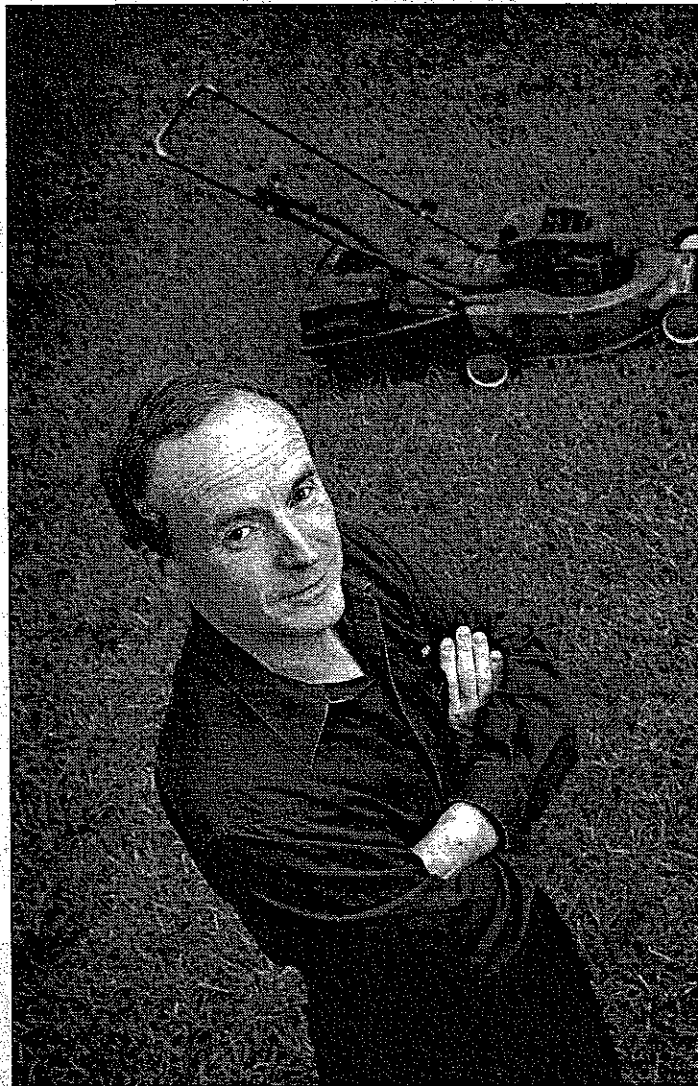
But don't try to read between the lines and come to the conclusion that he is preparing for retirement. That is anything but his plan. "I'm not going anywhere, I'm going everywhere," Penman says.

Penman's grand plan is to sell 20 per cent to 25 per cent of the franchise giant to fund his ambitious growth plans for it, particularly in South Africa and possibly in Spain. He sees no reason why Jim's Group, which already has operations in three countries outside Australia, shouldn't be a global powerhouse.

Penman admits the way his company has gone about expanding overseas has been haphazard in the extreme to date. For example, Jim's Mowing Canada was born out of a chance meeting between an Australian — who wasn't associated with Jim's Group — and a Canadian business person in a pub in Vancouver. Penman says he needs a business partner beside him to organise a more structured expansion of the diversified business anywhere in the world.

But Penman will sell a stake in his business only if the circumstances are right. He has already knocked back a lowball and unsolicited offer of \$20 million for the whole business and is looking for a partner with strong business experience and contacts, a positive attitude, plenty of money and similar business ethics to his own.

Penman, who takes a modest wage and reinvests the majority of profits back into the company, wants to make sure that franchisees' interests are protected. "I'm a poor net-



Cutting through . . . Jim's Group founder Jim Penman. Photo: JAMES DAVIES

worker," he says. "I don't like travel. I have financial weaknesses. What I'm looking for is someone who can complement my skills."

Penman was flat broke and unable to launch a career in academia when he started a lawnmowing business in 1982. Now he controls a business that achieves annual turnover of about \$200 million from a network of more than 25 divisions and 2700 franchisees in Australia, New Zealand, Canada and the UK. The average turnover per franchisee is between \$70,000 and \$80,000 a year.

Divisions range from Jim's Antennas to the fast-growing Jim's Test and Tag, an electrical testing and tagging service. The

original Jim's Mowing remains the biggest, and probably best known, division.

Last year, Jim's Group started to offer existing and prospective franchisees training on how they can make a living from permaculture, a system of sustainable agriculture that can be used to grow organic fruit and vegetables in a typical Aussie backyard with minimal labour. He is disappointed that more members haven't taken up the offer.

Undeterred, Penman has now set his sights on possibly starting an insurance arm, with the aim of boosting the company's own coffers and substantially reducing the insurance premiums paid by

franchisees. He says Jim's Group has already cut franchisee telecommunications bills by 40 per cent through collective bargaining and bulk billing.

Jim's Group doubled its profit and spent \$2 million on technology to greatly improve its operating efficiencies in recent years.

Still, Penman believes he has as yet only scratched the surface in terms of the firm's potential, not least in Australia.

"Sometimes I feel I'm in a vacuum," he says, referring to the 67,000 unserved leads his company had in Australia last year.

While there is a huge demand for the kinds of services Jim's Group offers, Penman says existing franchisees are flat out and it's difficult to find not only new, but also good, franchisees in the current economic climate.

Penman says that is because the Australian economy is too strong. He says people with strong business acumen, like bank managers and sales people, are already employed elsewhere. It's only when the economy is struggling or in recession and companies are downsizing that the best potential franchisees become available.

Potential is something that Penman sees a lot of in South Africans. He says they have better entrepreneurial skills than Australians and are pragmatic. "I like them, they are a good bunch of people," he says.

Penman believes a lot of South Africans will join Jim's Group as master franchisors and franchisees in the next few years. Two of his senior management team travelled to South Africa recently and took part in more than 50 meetings with possible master franchisors and joint venture partners.

Penman is also looking at bringing skilled South African migrants to Australia on 457 visas. He only started to consider this option about a month ago, but already 40 to 50 potential candidates have been chosen.

He says Jim's Group is bringing in reinforcements because it's "getting ready for the boom times ahead".

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## MOWER MAN

How franchising made Jim Penman P6,7





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Presented by Michael Schildberger

MAY 2008

## GLOBAL SUCCESS WITH TOY ANIMALS

Louise Scott,  
Anamalz

• 25 years on: Lessons  
from Jim's Mowing

• Bad service costs money

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# THIS MONTH'S ESSENTIALS

## Track 2

### 25 YEARS ON: LESSONS FROM JIM'S MOWING

Jim Penman, Jim's Group

- We can't keep up with the demand despite the fact we charge significantly more than the competition
- Even the drought has made no difference to the mowing division
- Most of our franchisors have been franchisees because they need to know the business thoroughly
- I invite clients with a problem to contact me personally and I follow it up
- I focus on two things: Franchisee service and customer service
- After 25 years I feel like we're just starting

## Track 3

### ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- Further adverse assessments about losses from the US "sub-prime" crisis
- The May 13 Budget will be a tricky test for the new Rudd Government
- So far, the Australian consequences are finance sector and confined - and likely to stay that way
- The IMF assesses that \$1 trillion will be taken as losses in the next two years, more than half from failed loans in the US housing sector. Banks and other lenders will bear the brunt
- The effects are already working through paper wealth reduction, actual losses for some and our own home-grown margin lending developments
- Purchasing power affecting business and government tax revenue will be affected
- US recession is not the most likely outcome but activity growth slow-downs are certain, intensified here deliberately by the spate of interest rate rises
- All this will impact on the May 13 Federal Budget
- Neville's predictions: Subdued growth and inflation numbers; first budget in 5 years NOT to carry further personal income tax cuts; a range of deep and embracing expenditure cuts; the first to reveal in many years that official revenue and surplus forecasts are high rather than low. Outlook: By later this year restraint will be working; interest rates will start to fall

Quiz: 30 years ago the top personal marginal tax rate cut in at \$32,000. Wages growth since then puts a similar number at \$175,000 - with a scheduled rate of 41.5% from July 2008, including Medicare levy. What was the top rate back in 1977/8? Answer: 67%