



Talking Law

Episode 116 – A case study into building, licensing, franchising and then exiting a business: The inside story

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Transcript

Joanna: Hi, Joanna Oakey here and welcome back to Talking Law, a podcast proudly brought to you by our commercial legal practice, Aspect Legal. Now today we have on the show the absolutely amazing ball of energy Tina tower and in this episode today Tina and I are talking about the business that she built and then ultimately sold that she built from the ground up that she then turned into a licensed business and then moved to a franchised business.

So we talk here all about the differences between licensing and franchising, we talk about the myths versus the realities. It's really a wart and all perspective. And whilst we reflect on many of the positives, we also look at some of the realities and some of the issues that if you're looking at franchising or licensing, you need to go in with understanding so that your eyes are wide open to the realities of running each of these different types of approaches to business. And if you really love this episode, just as much as I did, then you'll want to also hear the second part of the episode where Tina

The inside story talks about how she ultimately exited the business and all of the lessons that she learned along the way in the exit.

Now for that, you will have to head over to Talking Law's sister podcast, The Deal Room, you'll find a link in the show notes to this podcast across to The Deal Room, and this episode with Tina tower, where you'll hear all about the second part of the story where Tina exited the business and all of the things that she learned along the way in that exit. But for now, we are talking particularly about how she grew the business through licensing and then through franchising. So buckle in, here we go with our discussion with Tina.

Joanna: Tina, I just want to say a massive thank you for joining us on the podcast today.

Tina: Thanks, Joanna. It's fantastic to be here.

Joanna: fantastic to have you. All right. I just love your energy. I'm a really high energy person. So well. I'm not sure exactly what's going to happen with two high energy people on both sides

Tina: It's going to be fun.

Joanna: Yeah, I hope it just ends up being some massive explosion of ideas and excitement. But anyway, let's see where it goes. So, Tina, I guess there's a number of things that I really wanted to talk to you about today. And I heard you talking about the story of how you started and then grew your business and then franchised it and then ultimately sold it and then moved on to a new career now. I just thought there are so many relevant aspects for our listeners. And so maybe if we start right at the beginning, Tina, what was your very first business,

Tina: My first business was pretty much the one that I ended up I mean, different iteration. But the one that I ended up selling, it was I started in my second year of primary teaching, doing a tutoring centre. And so I did tutoring centre educational toy store birthday party place, and it kind of grew from there. I had no grand plans when I started it was just to pay my way through Uni.

Joanna: I love it. So it started as a tutoring centre. Interesting. Okay. And this is something in fact, I'm seeing lots of new tutoring businesses pop up everywhere now and then. Because, you know, just in the middle of coming out of COVID there's a lot of interesting virtual approaches to tutoring. So you started from the tutoring centre, and when it up to move to from there.

Tina: Yes, I mean it was 16 years ago, I was in that business for a very long time. I started when I was 20. I thought I knew everything and knew nothing, obviously. Actually, I shouldn't say that. I was a pretty switched on girl. You know, I'd been to Tony Robbins. I was all prepped up and ready to go. So I started that and initially when I went to rent my first place so I didn't start like a lot of people start tutoring businesses and go and, you know, trial it out and people's homes and that sort of thing. I went the full hog straight up and rented 120 square meter premises, why I figured I couldn't make enough money just with the tutoring straightaway. I have didn't did the front half as an educational toy store. And that was just supposed to be a little bit and that ended

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up being quite a large part of the business. But then I had I did everything quite young like I got married when I was 21. I had my first baby when I was 24 and another one at 25 and then obviously couldn't run the business in the same way. So it morphed and grew from there. Yeah.

Joanna: Wow, okay. All right. And so then at some point, you decided that you would look at franchising. Is that right?

Tina: Yeah. So there was a step in between of licensing. So I'm licensed first for a couple of years. So I opened multiple locations myself. So I had three different locations going. And then I had other people wanting to do it. And I didn't want to keep all three locations going myself, but I found I was being split, like spread so thin. And I couldn't find people that would have that same level of love and care as a manager. And then someone told me about franchising, and I was like, I'm not ready for that. It just seems so all in. And so I need a license first. We sold the licenses all around the country, and then a couple of years, and a lot of because everyone that bought my licenses was teachers, and they were so good at the educational side but a lot of them had no experience in the business. And so they were looking at my centres and going okay, you need to show me the business side. So that's why in 2011, we converted from a license to a franchise.

Joanna: And can you talk about that process? Because I think this is the concept of licensing and the concept of franchising is something that many business owners think about. And actually, I know quite a few business owners that have tried both. One, obviously, the franchising side involves a lot more legal. A lot of a lot more attention a lot more. Yes. You know, then then the licensing side, but let's just talk just briefly about the two sides. Why is it that you move from licensing? You talked about the need of your licensees. Yeah. And but what, what else? What were the main differences for you? I know the answer but just for our listeners.

Tina: I was trying to do the license, first up, because I was looking for a way to scale and expand the easy way. So I didn't want to go through all of the hard stuff of franchising, which is, you know, it's a tough game to play. But there's so there are massive upsides in it. But there was also big downsides in that. We wrote the curriculum, and then I could license the curriculum so that everyone could use that. But it could be Joanna's tutoring using the beginner program, which is what it was. And so the brand was just diluted everywhere. And so by changing to a franchise, instead of it being people's independent companies, just using our curriculum, they then became all-encompassing became brand centres, which meant we really had the power of the brand, and the marketing and the business processes and the training and the uniforms and all of the materials and everything that comes with that. So the positives definitely were there in terms of growth, and in terms of being able to harness that collective power to grow. But then obviously, you've got all the downsides of legal compliance and costs and locking people into contracts that they just can't get out of, or that you can't get out of. If you don't want to keep them either. And so yeah, it's a minefield.

Joanna: Hmm. And so reflecting back and how long did you run the business as a franchise?

Tina: As a franchise? I lasted, how long did I last? And I say last because...

Joanna: I was gonna ask you about that. That was an interesting choice of terminology.

Tina: Because when I decided and I've always been very well researched, like, I make decisions quick and fast, but I still am pretty thorough with how I do it. So when I decided I wanted to franchise, I looked up the Franchise Council of Australia, and I called every single franchisor in the country, of which is about 1100 of them. And so I got on to about 200 of them returned my call. And I went and met with like, 30 of them. And one guy who was awesome sauce, pretty much like, stood up at his desk and leaned over and was like, Tina, from what I know of you, this is not for you. You are so lovely. And you do not have the conviction or the backbone to make this happen. They will crush you. And he gave me like this big speech and I was like - dude, do not be fooled by the happy bubbly exterior, the backbone of frickin steel. Anyway, it turns out he was a bit right. Because it did. It really crushed me. And in the end, it was kind of I had these grand plans and visions for the franchise that we wanted to get to 100 centres all over Australia. And then we were going to start franchising throughout the world. And it was going to be global domination and it was just going to be the most amazing thing ever. But the bigger it got and for the first like 10 to 15 sites. It was a dream. It was just the most fun I have ever had. And then once we got kind of over 20, and different silos started breaking off and different issues started coming in that we hadn't experienced before. And then I got a couple of people that were just awful. And we really screened everyone so thoroughly, but you just don't know. And they killed my life, like totally sucked the joy out of the day, constantly, and nothing I could do could kind of change that to the point where I got to it. And I went, you know, what I've got 35 was what I got to.

I was like, I get my dream, my dream does come true. And I have 100 franchises. Oh, my God, I might die. Like, this is not the life I wanted to lead. And so it was a big shift for me because I'm very goal orientated and very driven and very, like crystal clear, and the vision that I have for things. And so for me, one of the biggest adjustments was actually admitting defeat and going, you know, quitting is actually the best decision that I can make right now. And so we sold it in 2016.

Joanna: Isn't that interesting? That's an interesting comment. Because I think, you know, I recognize this in entrepreneurs, these never say never, you know, never give up, you know, and, in many instances, the most powerful call is to work out what really works for you and what to be able to let go. Yeah. Which is is fascinating, isn't it? You know,

Tina: We're going to size in franchising. What was it all together, it was, like six years? And, yeah, so it's the 13th year of the business and six years of franchising. And I think franchising taught me more about human psychology and my own psychology than anything I could ever do.

Joanna: Wow. And so let's just really quickly Have a look at those myths versus realities of franchising. So can you throw to me some myths that you had about franchising and some of those ideas, you had a bet for franchising that turned out not to meet reality?

Tina: Yeah, I think probably one of my biggest ones was, you know, that people were all coming together and that we could harness that collective And together, we all rise.

And there was one conference in particular, that was only like, I think it was the third year that we had it. We did a marketing fund so in the marketing fund in franchising, everyone contributed and our contribution was low, it was like \$200 a month. But everyone put it in, and then we could pull the money, and then market on that, so you had better reach kind of thing. So I was so psyched for this conference, and what I was going to present and we'd like to arrange it all.

And I was I actually was so crazily naive that I never even entertained the idea that everyone wouldn't be as excited as me, which just goes to show how to like, you know, the unicorns and rainbows that I live in. But we went in there and I was like, Okay, so this is the budget, this is what we've got, this is coming in. These are going to be the materials that are going to be sent to you. Every month, we're going to have these flyers we're going to have these promotions. We're going to this was before social media, obviously. I'm super psyched about it. I had one ladylike stand up and go, Missy because I was 27 I was the youngest female franchisor in Australia, so I was very young. I was younger than everybody that had bought franchises from me. And so there was one lady that obviously took a bit of an issue. I mean, she paid me a lot of money for the franchise and knew how old I was at the time. Anyway, she called me Missy and was like, What right?

Do you have to take my money and decide how I'm going to spend it and like yelled and painted, and when I have the right blah blah blah and said are you with me, ladies? and she was just like -crazy town. So I'm standing at the front of the room, trying not to cry. As she was like arguing the merits of why we should spend the money on cereal box advertising. And so that was kind of where it started turning for me. And I was like, okay, so not everyone's going to agree with me. And when they disagree, they're going to have really strong opinions on that. And I've got to try and argue my side of things we that have arguing because you can't ever piss someone off as a Franchisor or it's like all out. So that was kind of one of my biggest ones. The other myth that I will bust is everybody assumes you're making a fortune. Like everyone. I would go to conferences and be like, you know, got 120 staff and we've got 30 franchises and people will be like, Holy moly! Hey there. And oh my gosh, most of the time we were broke. Like, it costs so much money to run. And I put so much money into development because I had such big plans.

So we put so much money into infrastructure and the internal websites and systems and the external website, like everything costs so much. And we had really good training managers, and the wage bill was just like, insane. And so it was, like a massive revelation to me that I because I worked 12 hour days for years, you know, getting that done. And now the job I have, and I work a lot less than that and earn so much more. But people think oh, you know, she just has this little like side job at home. Cute.

Joanna: The perception is so different from reality in both those situations. Wow. And so you made a comment before I decided to give up and sell. And I thought, well, that's a really interesting way of viewing it, isn't it? But that clearly that how you felt about it at the time.

Tina: Yeah because at the end, I really struggled mentally. And so I had adrenal fatigue, I got really, I gained a lot of weight. And I was just I started drinking, and I was just really struggling with how to cope. When because like a lot of women I'm a classic people pleaser, and even having a couple of people mad at me perpetually, just

broke my heart over and over again.

And so I went to see a really good psychologist. And he gave me this analogy that was kind of the catalyst for me going, you know, what I'm going to just part ways with this was, you know, so often, it's like, we're on a tennis court, and we're hitting the ball back, and they're hitting it back and hitting it back and then hitting it back and you getting harder and harder and harder until someone gets the ball out. And then it's like, next game and another next game, because at any time, though, you don't have to get the ball back.

You can get the racket down and walk off the f--- oh Sorry, I nearly swore. I was saying and then walk off the court and up until that moment. I don't think I'd ever been brave enough to actually consider that I could just walk off the court.

Joanna: Yeah.

Tina: That was such a revelation for me to go. I actually don't have to keep slogging the ball back. Yeah, I can just go. it's Okay.

Joanna: Yep. So selling for you was like this lifeline of getting your life back? That was the idea. Was it? Yes. Okay. All right. We're going to come back to that in just one second. But before we do, I just want to finish rounding off this discussion about licensing and franchise, because I'm very interested in this experience, because in fact, three worlds running the business itself, running a licensed business and then running a franchise. When you reflect back onto that time, do you have any? Do you feel like you would have been better staying as a licensee? I'm sorry, licensor, actually,

Tina: The journey was going to end. So I had to change directions with that. If it was nowadays, I would have just done. I would have gone online and what other people how to run tutoring businesses online, was what I would have done then. But 12 years ago, that wasn't really a thing. But that's what I wish I had pioneered online learning and taught teachers around the world how to run their own tutoring businesses. Yeah, that would have been like, in hindsight, the smart move to do. But it was back in the day like we're the only options a traditional business now we have so many different options with so much to do with technology and social media and the reach that we can get from our little rooms, no matter where we are in the world. Yeah. But yeah, that wasn't really an option.

Joanna: Okay, so do you have any advice then for our listeners who might be considering, you know, perhaps franchising their business or licensing their business? Yeah,

Tina: Look, I don't want to turn people off. Hahaha

Joanna: Haha what are the positives?

Tina: Oh the positives? Like it was still the greatest way to scale a business. It was a great decision to try licensing before franchising, because I had a lot of kinks out of the back end, and gave me a total indication as to what people were looking for, for the business side. So when we did start franchising, I knew exactly what to package and how to offer that. And franchising was a great way to scale the business. I mean, we

The inside story were in, you know, five different states around Australia. And we tutored so many different kinds. I think we got up to like five and a half thousand kids a week that was coming through our centres, and it was just it felt beautiful.

But I would say you've got to be okay with not being liked. Hmm. Yeah, that's the biggest thing like franchising is even the franchise relationships Institute based out in Melbourne. And it's so easy because so many people struggle with not being liked. And the franchisors that I know that have been around for a long time and running the companies are okay with that or know when to step aside. So that was I got aboard in the last year as well. And that was really, we were looking at me to stepping aside or selling. So it came to a point where it goes, it's rare that a founder will grow a franchise past 50 sites by themselves, usually, in a more experienced CEO that is good at scale, but also doesn't take it so personally, as well. So I think as a founder, you know, no one will do the startup better than a founder. Because the heart in it is so good and so necessary to get it off the ground. But then you've got to know when your Time's up.

Joanna: Yeah, yeah. Which is back to that discussion we were having before. So then you said you had an option between having someone else running the business and exiting the business? Maybe. Can you talk about that thought process for you at that time?

Tina: Yeah. So we seriously went down that road, we looked at getting investment and getting a CEO and a management team in and doing all of that. And it came down to would I disconnect from it? Would I be able to let go a bit of that control and just let someone do their thing. And step aside. And I, in the end, the decision was, if I'm going to step aside, I may as well cash out and get that now rather than risk someone taking it in a direction that I don't want to. And I knew I would be like a classic micromanager because even, you know like I used to have this pet peeve off. So it's pet peeve if anyone ever sends me an email with like, Kind Regards on it. And I'm like, there's no regard or kind regards, like, just thank you or...

Joanna: Oh! I think that's on my email signup. So I apologize right now, Tina.

Tina: I mean, you are in law so you're forgiven for that because it's such a lawyer thing to do. Like I used to back in begin my days, I would sign off my emails with sparkles and sunshine. Like I was really picky about everything because everything carried across the brand and the perception. And so I knew that if I was going to let go of that, I had to not look, there was no like one foot in one foot out for me. I either had to be all in or move on and so that's why we thought we'll see what happens if we put it on the market. And we put it on the market. And so really, really quickly. And so it was kind of just done.

Joanna: So let's talk about that process then. So you sounded like not even entirely sure that this was the right way to go. Just throw it on the market. And we'll give it a run and how did you spend any time preparing the business for sale before you placed it in the market?

Tina: I should caveat with that the business was always Built to Sell. So right from the very beginning, I knew I wasn't going to do it forever. I wanted to do it to 100 sites. That was the goal that I had stuck in my mind. And then I was going to reassess them. So we had kind of set everything and that was why it was so expensive to like we had

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Price Waterhouse Coopers as accountants and like everything was so fancy-schmancy hunky-dory in the back end. So that when it did come time to sell that it looked respectable for a big company to acquire us. Because it was always done. It wasn't done like a backyard small business kind of thing.

Joanna: Which is very, very clever. Very clever. Yeah. And when you say the business was always built to sell Can you tell us what you mean by that? So we talked about the accountants but what else? What did that look like?

Tina: Everything in terms of like everything was top quality. Everything was very conscious to I built the brand with the personal brand using a lot of it, but always under the business brand name if that makes sense. So I would promote the business and do all of that but it was always standing alone on its own. So I did that a lot. What else made the big difference in doing that? The way we structured it in terms of the company set up the way I paid myself as an employee, I had a board we had minutes we had records of everything I systemized the crap out of everything.

Joanna: I was gonna say that must have been an element and of course you would have required that for franchising.

Tina: Yeah, even down to everything that I did. So my thing always was I think when we got up to like five or six franchises on like sale for me was such a pie in the sky sort of thing. But why I started getting into like being a systems nut was people were giving me their life savings to start a franchise and I thought this whole business relies on me if something happens tomorrow and I get hit by a bus or something happens to my kids. I had a friend who son got brain cancer, and she has left life, which is totally I'm like, I would literally just do the same, you wouldn't see me until my child was well again, and I'm going, that can't afford to run a company like this and do that. And so the whole purpose of creating all of our systems was that so I could disappear tomorrow, and everyone would know what to do,

Joanna: Brilliant.

Joanna: Well, that's it for this episode of Talking Law, where we, of course, talked with Tina tower all about her experience in starting, growing, licensing, and then finally franchising her business. And of course, we really busted some myths today and looked at franchising and licensing, with some very clear lenses rather than just the rose coloured glasses that many people who launched into this approach to business can often be wearing. I just love Tina's warts and all approach to looking at all of these. But ultimately, all of Tina's work and sacrifice in building and growing this business led to her outcome of being able to make a fabulous exit. And while that had some of its own lessons along the way, which we cover in our sister, podcast, The Deal Room and hint, you'll find a link to The Deal Room podcast and Tina Tower's episode on that podcast in your show notes. So Tina got to the point where she felt that she was really needing to exit the business.

I think it's such a great story of what she built along the way prior to that exit, and a really great point that Tina made, and in our discussion, which you may recall, was that the business was always built to sell. And I think that's a really important takeaway from today's podcast episode with Tina Tower. So as I said, if you want to hear more of my discussion with Tina in relation to how the insert took place, and what that looked

The inside story like, then head over to The Deal Room podcast. But otherwise, if you'd like to find out how you can contact Tina tower herself, then just head down to our show notes where you'll be able to link through straight to her, or head over to our website, where you'll be able to download a transcript of this podcast episode if you'd like to read it in more detail. And of course, on our website, you will also be able to find details of how to contact our lawyers at Aspect Legal if you'd like help with any of the items we covered today. Or if indeed, you're thinking about licensing or franchising into the future. And you want to make sure those foundations of your business are set up correctly and in particular, some of the brand protection elements that are just so important in this licensing and franchising environment. Well, that's it, I just want to say a massive thank you to you for listening in today and of course to Tina Tower for being so gracious as to give us her time talking all about her experience in building growing and selling her businesses.

If you would like to hear more of this style of the podcast then all you have to do is head to your favourite podcast player and hit subscribe and maybe if you also feel so inclined, you might consider leaving us a review well that's it thanks again for listening in. You've been listening to Joanna Oakey and Talkin a podcast proudly brought to you by a commercial legal practice Aspect Legal. See you next time.