



## Transcript for *Eden Exchanges* Podcast

Ep#1 Franchise Bites: Successful Franchising (ft. James Jacka from Jim's Test and Tag and Jim's Fire Safety)

### Raghu from Eden Exchange

Welcome, welcome, welcome! My name is Raghu. I'm joined here today by Frank Tzimas from Eden Exchange. As part of our series on franchise and investment in Australia we're talking to leading experts in the franchising world. Today we have James Jacka in the studio. He's one of the pioneers of the Jim's Group and currently heads up the Jim's Test & Tag and Fire Safety Group, perhaps one of the most successful franchise outfits going around. Big welcome to James Jacka.

### James Jacka from Jim's Test & Tag

Good morning guys.

### Raghu from Eden Exchange

Well thanks for coming in. First, we get a lot of interest from people wanting to be their own boss, get into franchising. Can you tell us a little bit about your background, how you got into business? Did you always gravitate towards franchising? Were you always entrepreneurial by nature?

### James Jacka from Jim's Test & Tag

Good question Raghu. I can only speak from my personal experience and what I see in the field. I'm personally a remedial masseur. So nothing to do with electrical testing and tagging and or fire. I worked for a spa resort at one point, and worked for myself one point. So I was an employee. Then unfortunately, as life has its twists and turns, my father actually developed cancer. For many years he was running a Holden dealership. Unfortunately he passed away. The family wanted to carry on with the business so I jumped in there for about six years or so and I was Australia's youngest Holden dealer which, was a bit of a different turn of events.

### Frank from Eden Exchange

How did you go from running a dealership to actually getting into Jim's?

### James Jacka from Jim's Test & Tag

It's a small world. My next-door neighbour I used to sell some cars to, who is now my current business partner. He was part of a local Shire Council. The best part of that relationship was he used to put on a fantastic spread of his house on a Thursday night when the footy show was on. If he was putting the drinks on, I was there. The friendship developed. Neil actually looked into Jim's Test & Tag at that time, in its very early days, and asked me for some advice on it, and I said "look you haven't got enough information" or "it's too good to be true", probably a combination of the two.

I was always looking for investment opportunities outside of the Holden dealership, it wasn't where I saw myself landing, and there wasn't enough money there to support everyone. An opportunity came up to buy in at a high level, so at a regional franchisor level.

#### [Raghu from Eden Exchange](#)

It's interesting how you got to that place where you're running the company. Since 2006 you and Neil have really helped turn Jim's Test & Tags and Fire Safety into a star performing Australian franchise. What have been some of the triggers behind the growth here?

#### [James Jacka from Jim's Test & Tag](#)

There are different growth strategies for lots of different Franchises. The classic one is to throw a whole lot of money at it to get it into the market place. We thought we'd work on the building blocks first. We knew if our franchisees were successful in the marketplace, that they'll tell a good story about who we are, what was going on in their personal business to any of the potential guys that were actually ringing us up and asking the about business, willing to take that leap of faith. So, we thought to look after those guys.

We did that by investing in our documentation and process, so the mechanics of it. One of the big things that we felt and we noticed early on was that the culture of the business was actually a bigger player than the mechanics of it. We focused on culture very much so we had we had a guy that would bring us up on 4:30 in the afternoon and just talk about things in his business that had happened that day. Not for help, not to whinge, not to high five, just to go through that process. We quickly identified the guy was a little bit lonely. The man with the van had been taken into the office. So, we had to work on the culture. We had to work on who the guys were, what we stood for and how we were going to interact with each other as independent business owners moving in a common direction. I think some of those cornerstones were the key to getting Jim's Test & Tag to almost 200 franchises that we have across Australia and New Zealand today. I think that those key parts that take a little bit more time, and effort, are sometimes missed in that growth strategy.

#### [Frank from Eden Exchange](#)

I've heard you speak about before about wearing the jumper, wearing the shirt and how important that is for everyone involved in the business. You're basically saying that the culture is something that's got to be foremost in that organisation.

#### [James Jacka from Jim's Test & Tag](#)

We weren't overly skilled in this area, so again when we don't have skills in that area we outsource, we're going to find the best people in the marketplace. We pay them good money to help us with that process. We employed a group called Leading Teams. They help out many different organisations. They're in the papers for helping out the AFL and the NRL teams in the Australian cricket team. We are different players with different prerogatives but are all trying to achieve the same thing. We employed these guys to come in and we soon developed these trademarks and behaviours. How we wanted to be seen, and the behaviours that would dictate that in the field. It became sort evident in that process that we were happy to do those things when we're representing business. But under all of that, we were just a bunch of blokes and a few girls at the time as well.

So, we came up with this shirts on, shirts off policy, which is what you were talking about Frank. When the shirt is on, this is how we look, this is how we behave and how we represent the business. When we're out of uniform and not representing the business, we are the first blokes to the bar, we like to enjoy ourselves and we think that's actually one of the by-products of being in business for yourself. It was a bit of a journey for us as well.

#### [Raghu from Eden Exchange](#)

Yeah, it is really evident. We've been to some of the Jim's Test & Tag events that there's a lot of friendship with the guys who have been there for a while. From that, what do you think is more important, the people or the procedures in terms of making this business run?

#### [James Jacka from Jim's Test & Tag](#)

I think that's a good question. Most people will look at mechanics and look at procedures. The problem with that is it sometimes comes across as the stick, you will do it this way. There's obviously reasons to do in certain ways. But if you haven't got the culture right and the buy in from the stakeholders, and our franchisees are absolutely stakeholders, we don't think it works as well. So, it's a bit of that stick and carrot as well. Yes we need some rules and regulations on how we look, but the most important part is actually getting the culture right with the stakeholders and getting that buy in.

#### [Frank from Eden Exchange](#)

You guys are pretty big on planning, on making sure that every franchisee's got a good plan for the week or month etc. What are some of the quirks of a really good plan?

#### [James Jacka from Jim's Test & Tag](#)

Yeah, we found early on Frank, and I think this is of a long way of answering that question, that some guys are really good at that now. Let's call those guys the typical tradey, and they knew what to do today to earn a dollar. But they had no idea what that would look like in five years. We had some other guys that were really great at seeing what they wanted in five years, but had no idea what that meant today, that action right now at 11:15, whatever it was on Monday afternoon, whatever that was for them.

For us it was about building a plan that would represent all of those guys. What we did was we made sure that we had that long-term plan. We broke that down to a three year and one year format. We further broke that down into what we call a 10-point plan or weekly planner. And that's literally a list of activities required to achieve that longer-term goal that they're ticking off themselves, they're not reporting back to us, although we are interested. It's simply a plan for them to achieve what they want because we know if we can help them short term, medium term and long term achieve what they want, they're going to be happy, and we're going to get what we need from this as well. Happy franchisees breed happy franchisees.

#### [Frank from Eden Exchange](#)

Which probably leads to the next question about what makes a great Franchisee. So what's a great operator and can you pick them right at the start, is it something that you've been wrong about in the past?

#### [James Jacka from Jim's Test & Tag](#)

Yeah. We're absolutely far from perfect Frank so that's a great question. I think anyone that says we haven't made a mistake, it probably means they haven't made a decision. I think two keywords pop into my mind when you talk about what a good franchisee looks like. It's the attitude and the activity. We can build the activity through our planning process. To turn up with a smile on and be that person that people generally like to deal with is sometimes a little bit harder. Sometimes it's about getting the guys to step out of the funk. Remind them what this is all about for them, what their long-term goal is, what their reward is, and then just going back out and doing something in the field that's got the right attitude to go with it. It's about the right attitude and that activity. Ultimately, it's not about the skill set. What we do in the field is we can teach most people, and that's hard for someone that's not in our industry but we teach that. It's the attitude and activity that really make or break it.

I'll give you an example. I had a guy in Queensland, and with all due respect I believe that commercially if the guy was employed he'd probably have a wage of somewhere between \$40,000 and \$60,000. But because he's got a good attitude, he follows the system and that activity, he's going to turn over \$200,000 a year in his franchise business. He has no employees, he has his whole vehicle in his hand and he drives and runs that business and prices and invoices as we wants. The franchise can deliver in multiples when you do the right thing and follow that system with the right attitude.

#### [Raghu from Eden Exchange](#)

Yeah and how important is resilience as well, just willing to take those next steps? I mean we talk to a lot of people coming in wanting to buy Franchises. They may think it's a job, they don't want to go after clients they just want to, it's because there's a bit of a misconception. That screening process of getting to the right person can be a bit tricky. But in terms of that how important you think is that resilience of taking everything as it comes and learning and moving forward for the business as well.

#### [James Jacka from Jim's Test & Tag](#)

Yeah resilience is a good word. I like that one. You do need something. Ultimately there's probably two ends of this. You've got a pure employee who will not only do what they're told to do and let's not put all employees into that bracket but let's call that one end of the spectrum. Then we've got the other guy who's the pure entrepreneur. We're probably looking for someone about three-quarters of the way down that road. The pure entrepreneur would find the franchise too confining. But you need that little bit of resilience, that get up and go and that little bit of roll out of bed "I'm doing this for myself today" to get a real great return from this business. Whereas a typical employee as I say at the lower end of the spectrum is probably sitting there wanting someone else to tell him what to do, smack them with a stick. But you want that resilience - we've all been out there and sometimes we probably don't do everything that we know we should have – but it is about consistency in that.

#### [Frank from Eden Exchange](#)

I guess support is quite important so when you look at some franchising prospects you're looking at what their motivation is to get into the franchise? But also, the sort of immediate family behind them, especially the wife, is that something you look at?

#### [James Jacka from Jim's Test & Tag](#)

Yeah. It's one of the most important things. There's a couple of factors there as gentlemen in the world 70% of the major decisions that happen in our lives involve our partner. 70% of the decisions they do have a partner involved. But the reality is we've got a practical application here as well. You're going to have good days and bad days. On the bad days you want the support. On the good days you want someone to give you a high five. Yes you will always have a local franchise, that's fantastic and they'll be there as much as you want them to. But that's nothing like having your partner involved and we've had franchisees that went the other way, where we've had the wife in the relationship as the franchisee and the husband at home. Same deal. Without that support at home I think going into any business is really tough. A lot of the resilience we spoke about comes from that support.

#### [Raghu from Eden Exchange](#)

Yes and that's something people might not think about before they go into these type of things. But that experience comes through when they deal with like a master franchisor. I mean a lot of these franchise-franchisees, is very much a mentorship relationship isn't it? Is that something you push through at your organisation as well?

#### [James Jacka from Jim's Test & Tag](#)

Yeah absolutely. Again, I probably would answer this question through experience. When we first came in and we took the divisional rights on which means that we were looking after all of Australia, the middle guys and the franchisees. There were a few orphan franchisees without that direct support person, in South Australia and in Queensland. They either made it, it's like jumping in at the deep-end, or they didn't. Sitting here and taking a bet on someone who's either one of those two outcomes we weren't comfortable with, so what we said was we want to absorb any of those franchises in those areas and inherited those guys until we've got a master franchisor at a local level.

It made such a difference and the funny thing is it didn't really matter the skill set of that regional franchisor, it was about having that real person just down the road. Just to say give me a hand with the job, I'm stuck on something, I've forgotten to buy some tags this week can I pop around? It's even more of a comfort level of having someone close by that really helped out. Of course they had lots of great skill sets and they probably dealt with everything that needed to be dealt with as well.

#### [Frank from Eden Exchange](#)

Yeah, we've got some data from the Franchise Council from Australia and basically in Australia there are more franchise systems per capita than any other country in the world. What are your thoughts on why franchises in Australia are so popular, and there's such growth?

#### [Raghu from Eden Exchange](#)

I mean is franchising a particularly Aussie thing or is anything behind it?

#### [James Jacka from Jim's Test & Tag](#)

I thought about this a few times exactly. I've heard some of those stats, the Sunshine Coast actually has the greatest population of Australia of franchise penetration. There are newer

areas and we're a newer country, if you think traditionally in the rest of the world, we embrace newer things more readily. So, I think that's why we have better franchising because we don't have so much history in Australia. We're more likely to take on something that's brand new because we're sort of a new bunch of people.

Australia is full of people, most people are from somewhere else originally. We are embracing cultures together. We embrace new things more readily and so that's a great thing. I think that's what makes Australia and New Zealand fantastic places for anyone to live, that it is groups of different people. They are very accepting of the new, very accepting of change. I think that that's one of the reasons that franchising is popular.

Because look franchising is not a perfect world either, if you look hard enough there are some awful stories on franchising and at the end of the day it's all about those sorts of things. The other part to it is I believe is that the Australian dream is about home ownership and the Aussie battle of doing it for himself. This becomes a platform for an Aussie battler to take control of that destiny. I know some guys will say "I want to do that, I know I don't have everything I need to do that, what's a platform that will get me to where I need to be", maybe that's part of it as well.

#### [Frank from Eden Exchange](#)

Also in Australia we've had good economic growth I guess for a number of quarters now. There's a bit of sort of doom of gloom in the air. How do you think Franchising is placed to face that sort of economic hardship?

#### [Raghu from Eden Exchange](#)

And even then in particular types of Franchises like the testing and tagging, fire safety franchises. I mean there are certain types of franchises that could be more resilient to potential downturn that a lot of people think are coming. Is that something you're factoring in there as well?

#### [James Jacka from Jim's Test & Tag](#)

Yeah absolutely. I think we spoke about this at the last information workshop we had. We have just tipped over and set a record in the world on non-recession, no technical recession, which is two-quarters of downturn in the economy. So we've just had 26 years of a really good run. It's good for any business to try and understand what it's going to look like in times that are more challenging today.

Safety is one of those things that doesn't go away. It's not a discretionary spend. Safety, the fire word, testing and tagging, safety switches, those sorts of things, they tend to be more of a safety place which carries through because legislation dictates it in the field. We've seen this a couple of times. New Zealand was probably hit worse than Australia as a whole nation back in 2008 and we actually grew through that period. More importantly our customer base stuck with us. There was a couple of our customers across the whole 25 franchisees at the time they dropped off that were notable. Outside of that, we didn't see a drop in our customer base in any sense.

We think our business is well geared for good times, which we all know most places are in good times, but also those challenging times in which we believe is probably likely in the next few years.

#### [Raghu from Eden Exchange](#)

And it's also the case that there could be a lot of people forced to transition out of work. It could be the mining industry, it could be manufacturing. Are you finding that franchising has been seen in your field as a viable option there?

#### [James Jacka from Jim's Test & Tag](#)

Yeah absolutely. So we've seen some downturn in the WA and Queensland mining sectors. We've seen franchising inquiries directly from that. You know, guys that were used to a good wage, but then some of the work dried up and they want to maintain that lifestyle and still have something at a local level. A lot of those guys that work in the mine actually want more of the lifestyle as well. They want to get back in touch with the family, get out on the boat etc. So yeah, we've seen those. Manufacturing is obviously a massive area that's had a downturn already and we've seen guys from that sector as well coming in as franchisees and they've come from very very different places, from upper level management to guys from the floor. And those guys have made a run of this business which has been cool.

#### [Raghu from Eden Exchange](#)

Yeah great. Now in terms of Jim's Test & Tag and Fire Safety itself, do you guys have a goal coming up next year in terms of recruitment or what you're trying to achieve over the year coming up?

#### [James Jacka from Jim's Test & Tag](#)

Going back to the last recession, which was actually a long time ago and some young guys in this country haven't actually seen one at all, but in the last one Jim's was actually around, and the Jim's Group grew by 40% in one year. It was pretty phenomenal.

And to answer your question Raghu, Jim's Test and Tag are looking to build our franchise network by 50 franchisees across Australia and New Zealand, and we're starting to see some nice prospective franchisees come to the table. We're getting a little bit smarter in cutting through to our prospective franchises better these days. We're starting to see more of the guys that we like to see that we know were going to be successful in contacting us and starting that initial conversation.

#### [Raghu from Eden Exchange](#)

Yeah and what type of influence has technology has had on now, in terms of marketing or even just connecting with people?

#### [James Jacka from Jim's Test & Tag](#)

Yes. The world has changed and it continues to change. I think that's the only consistency in the outside world. In the old days we would put a generic ad in the paper, or if you had the budget you'd put an ad on TV. But we were getting to a mass audience, mass media. In today's society where we provide information to various different online mediums to say that we're interested in sport, we're interested in this, we're interested in that, whatever it



may be, helps to cut through that market. It makes it easier for guys with small budgets like ourselves to cut through to our direct audience on a regular basis. Times have changed and they'll continue to change.

#### Raghu from Eden Exchange

Absolutely I mean that's probably why we exist as well. But in terms of the franchising sector, we really wanted to ask for anyone interested in exploring opportunities in Jim's Test and Tag, what will be the next step for them?

#### James Jacka from Jim's Test & Tag

Yeah. Most guys that look at our franchise, they are concerned that the first call is going to be someone getting them to sign up or give them some money. We're very different. Franchising dictates that everyone that's looking at franchising should be provided with enough information without any money or any commitment to move forward and we're happy to do that. So what our process is, we have a chat with the local regional Franchisor who also runs a local Franchisee business. So they're speaking from experience. They're not telling you to do something that they haven't done before. They built businesses, they run successful businesses today. You have a chat with those guys, we open up our entire database, phone numbers, contact details of other franchisees with no remuneration if those guys are coming or not, and we encourage the prospect to call other franchisees and ask about good stuff. We also ask them about the challenging stuff because if it was all just about beer and skittles, it would be simple.

The question is, when I'm having a rough day, when I'm having a challenging time, what does the franchise do for me? And they're great questions to ask. I challenge the prospects to tell me the hardest time in business they've had, and other guys will talk about all of the down stuff because that might be the position they're in today and you might adversely ask that question as well. All of this is very good about franchises. So we also put information workshops together. When you get to the next step and you've got enough information and you want more information, we put a two-day information workshop together.

We hold all of those in Melbourne for Australia and New Zealand, and what that allows you to do is to get in the room with other guys looking at the business who are going to ask all of those hard questions. There's absolutely no commitment for the prospect to move forward at that stage. In fact, we're not prepared to move forward at all with them at that stage. What we want to do is with all of that knowledge is go and put a business plan and cash flow together. We have some templates for that. But what we want you to understand is what does the prospect want out of this, and can genuinely put our hand on our heart and say yes we can help you achieve, or do we need to give you some more information. It's only after everybody's happy that we've got a platform or some goals that we genuinely can achieve based on their prospects, skills set, their motivations, and their goals that we start talking about signing contracts or giving any money.

Basically we'll tell you everything about our business. We give you exposure to it before anyone makes a commitment, because we know that there are things that people can't replicate out there, whether it's Jim's Test & Tag or Jim's Fire Safety that the Jim's group



have. We we're absolutely happy with everything we've got on the table, show you, talk to you about it, put you in contact with the people on the ground.

#### [Frank from Eden Exchange](#)

Yeah it's a fantastic process. It really really opens up the business to prospects. Raghu and I have sat in the prospect workshop for Jim's Test & Tag it was, we were really impressed by the transparency of the whole process.

#### [Raghu from Eden Exchange](#)

Yeah and I did understand you're also want to get someone who you want to give that uniform to as well and especially with the testing and tagging you don't want somebody who's going to miss something and the ramifications could be terrible if we get the wrong type of person. So it's also a two-way screening process.

#### [James Jacka from Jim's Test & Tag](#)

One of the things we speak about there is actually protecting the stakeholders. Our job as the divisional franchise holders and the other franchise holders who turn up to actually protect the current guys that are in the group. They might build great business but if it's at the detriment of the next franchisee down the road, down next suburb, we need to do the right thing by that guy whose part of the team already. It is a two-way street, it's genuinely a two-way street and we don't have enough information until we get to know someone and it's only when it works both ways and we're all happy that we can then talk about our commitment to move forward. There's a lot that goes on, a lot of information, a lot of questions that people need answered before anyone makes any decisions.

#### [Raghu from Eden Exchange](#)

Yes, absolutely. James, we spoke to a lot of people coming in here asking questions about franchises. A lot of the questions we get things like can you guarantee the income, do I have get the clients in myself. What do I get in terms if I put down a fairly significant investment, we're looking at \$89,000 plus and also things like help with financing so there are some of these initial questions we're getting. How do you often answer these? How do you display the value of the franchise to people coming into the system?

#### [James Jacka from Jim's Test & Tag](#)

Yeah that's a great question and it is quite common from our prospects, and I suppose we can talk a little bit generally as well. Any business that's worth it's salt is going to have a system in place to help them with the mechanics to build the business. In the initial period and the other part to our investment is a return. If we spoke about buying a stock on the stock market, you're buying at a figure and you want to sell it for a greater figure. From our point of view again is there of that out of \$89,000, that sort of money is about sort of \$30,000 of equipment and the bits and pieces you need to run the business. It's probably, if you break it down, \$50,000 is the investment in the system. We're looking for a return on that. Typically our franchisees are turning over anywhere from \$100,000 to \$120,000 depending on their needs, post 18 months to 2 1/2 years. Now guys tend to go up from there, or they choose a lifestyle from that point of view.

Now that business in the marketplace, because it's not reliant purely on leads and we know that's part of business and that's part of that process to help you along the journey, those businesses are typically selling for \$150,000 to \$200,000. So the clients and the territory value. We've had businesses sell in excess of \$250,000 at franchisee level in two halves. You can sell bits of your business along the journey. What those guys do is they tend to build the business and they'll sell off locationally \$30,000 to \$40,000 with the clients put them in their pocket and then likewise some more of those plots because they've got to that point to earn that right. It's a long journey and then ultimately have an exit strategy with any business that you're looking at the exit strategy should be part of that business plan.

We've got some score on the board we're happy to talk to you about that and we're happy to put you in contact with guys that were in the building process of how to get those customers and how they helped the guys and split and the guys that have actually sold their business as well. So having to put all of that on the table there's no secrets there either.

#### [Raghu from Eden Exchange](#)

Fantastic! Thanks a lot for that James. I think the key message is the franchise can also provide a lot of support but ultimately it's also the individual that needs to push it and grow the business itself. It's a relationship that needs to be continuously worked on and improved. I think anyone else who's interested in learning more about Jim's Test & Tag group should hit the <https://www.jimstandtag.com.au/> . We also encourage you go to <http://www.edenexchange.com/> and <http://www.businessbuyinvest.com/> to check out a range of Australian business opportunities in the market and a big thank you again to James Jacka from Jim's Test & Tag and Fire Safety.

#### [James Jacka from Jim's Test & Tag](#)

All right guys.

#### [Frank from Eden Exchange](#)

Thanks James.