QuantSpark

Effective Data Integration: the $100m opportunity

Creating a business case to drive revenue uplifts through increased data visibility

Executive Summary

This White Paper gives an overview of how QuantSpark partnered with a $3bn franchisor to identify and solve data pain points.

We identified revenue leakage amounting to 10% of annual sales and proposed solutions to capture the $100m opportunity.

With our expertise and methodologies, we presented a roadmap for improvement, detailing a compelling business case for a new data strategy and approach.

Introduction

For corporate franchisors, maintaining visibility into franchisees' operations is mission critical but often challenging - franchisees are after all independent business owners. While adherence to brand standards and reporting metrics guarantees a degree of harmonised insight, when it comes to franchise data and how it can be used to drive strategic business decisions, the picture is much more fragmented.

In QuantSpark's experience, franchises typically employ disparate systems and processes that limits a franchisor's ability to derive strategic value rooted in empirical performance data.

How can you direct regional or national marketing efforts if you don't know which business lines perform best in different states?

How can you prioritise head office support without knowledge of which franchise needs it the most?

Companies often try to build their own 'perfect' tool, but rather than integrate features – a costly and time-consuming process – the solution is to invest in a centralised data platform that can seamlessly integrate data from all franchises source systems, creating end-to-end line of sight through the job process.

QuantSpark partnered with a $3bn market cap restoration services franchisor, assessing current systems and interviewing over 50 franchise owners to scope out just such a solution, discovering that improving performance visibility didn't just fix a reporting pain point, it represented a $100m opportunity.

However, since passing into institutional ownership, the previous light touch data strategy presented issues both for the board and senior management.

The Business Priority: A New Data Strategy to Prevent Franchise Data Leakage

The challenges encountered by the client were typical of large-scale franchisors:

1. An estimated 60% of job level data was not recognised in company systems

Having struggled to find off-the-shelf job management software to suit its needs, the company had invested in in-house tools, but franchise uptake was inconsistent, meaning vital financial information was lost or inaccessible to head office.

2. Without clear direction, an ecosystem of software solutions had grown

As it was not previously mandated, many franchises had found their own tech solutions ranging from industry standard job management software to legacy systems to Google Sheets or Excel.

3. The lack of visibility was compounded by current business processes…

The nature of the client's industry, unlike say fast food, is that there is no single point of sale to log transaction data. Some jobs were logged via the company's mobile app while others were written by hand. Consequently, it was not altogether easy to define what constituted a 'job', and how that was converted from a lead.

4. … and consequently impacted central marketing strategy

That lack of visibility into franchise capacity meant head office couldn't be certain they were deploying marketing spend to the regions that needed it most.

Altogether, head office management strongly suspected that money was being left on the table at the franchise level: difference data sources and myriad reporting processes were a recipe for lost revenue. A new data strategy that could take an end-to-end view was essential to prevent further revenue leakage and give management the insight they needed.

Securing Sustainability at a Successful American Franchise Business

As a formerly family run business, the company had grown into an American success story with **over 2000 franchises operated by 900 owners**, ranging from mom and pop shops **turning over less than $1m per yea**r to multi-state operations with annual revenues exceeding $100m.

The family took a hands-off approach to their franchises' data and tech, focussing instead on establishing standardised business processes that would shepherd an owner from their first franchise to their third or fourth state. The Millionaire's Club corridor in head office covered with the names of every franchise owner who made their first million stood as testament to that successful formula.

However, since passing into institutional ownership, the previous light touch data strategy presented issues both for the board and senior management.

The client's objective was clear: to develop granular visibility into franchise performance at a job level to enable accurate reporting and insight across the company. However, strategic analytics projects are as much about business culture as they are data, and as with all large-scale transformation projects at scale, require stakeholder buy-in from investors to the board to the franchise owners themselves.

QuantSpark's approach is straightforward

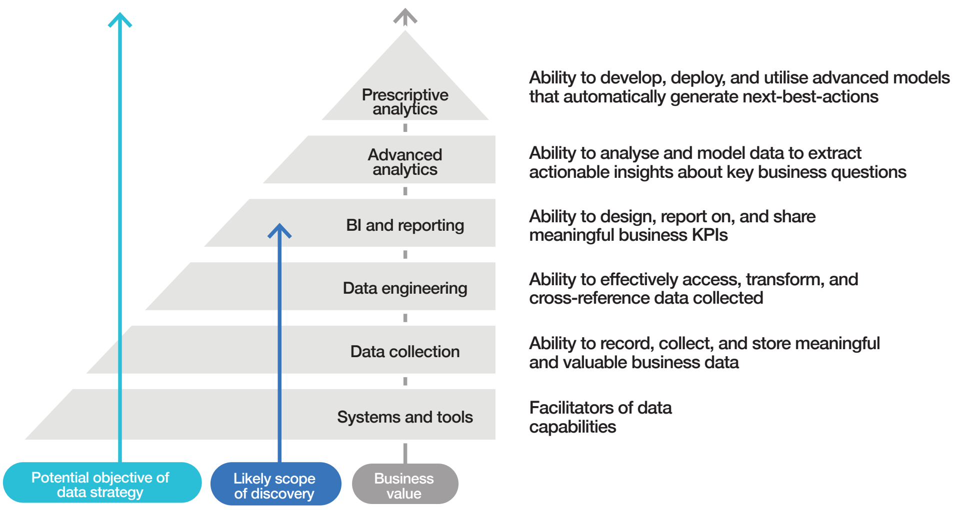
1. Assess current systems and capabilities, in particular how franchises and head office use data to drive decision making.
   (see Diagram 1)
2. Identify quick wins and develop a roadmap to deliver desired visibility.
3. Crucially, size the prize: what is the investment worth to the business?

Partnering with the client to facilitate access to a cross section of 52 franchise owners, QuantSpark set out a first stage Discovery project designed to provide just that: comprehensively assess franchise data and infrastructure to identify the opportunities for improvement and present a compelling business case for sign-off.

The Discovery project would also deliver a data dictionary – a key requirement for standardisation and enable future revenue recognition, resolving the long-standing confusion of what constituted a job vs a lead.

Data maturity and capabilities framework

Diagram 1



By the numbers: QuantSpark's Discovery Project

52
Franchises

$350m
Combined revenue

10
Single unit owners

20
Multi-unit owners

20
Cross-state operators

48
Cities

27
States

The Results: Segmenting Franchises by Data Maturity

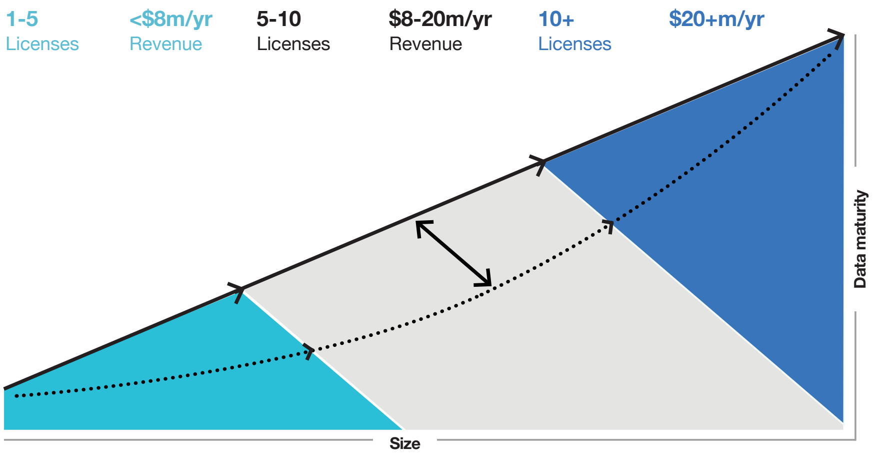
In the same way the client had developed an operational framework to guide franchise owners through business growth, it became clear a similar pattern applied to data maturity. Grouping franchises into distinct archetypes based on their size often determined their data processes and systems usage and identified common pain points.

To do this, the project team started by understanding how franchises interacted with current tools including the client's in-house tech platform, alongside 3rd party and off the shelf solutions. There is an easy tendency to assume it should be one versus the other: in-house vs off the shelf. In QuantSpark's experience, it's about identifying the right tool for each purpose, and moving towards a centralized data platform where each source or solution can be easily connected for reporting and analysis.

Findings: By looking at the relationship between the SIZE and DATA MATURITY, franchises can be clustered into three distinct archetypes

Archetype definitions

Diagram 2



Small, early data maturity

Characteristics
Full reliance on in-house tool and Tableau
Less need for visibility through data

Pain points
Transparency/understanding of KPIs
Collection of complete and accurate data

Medium-large, growing data maturity

Characteristics
Recent or impending growth through acquisitions or expansion into construction
Work-arounds needed to supplement in-house tool use

Pain points
In-house tool not flexible enough for growing needs

Large data maturity

Characteristics
In-house tool used for compliance only
Job-level data collated independently

Pain points
High volume data handling burden
Lacking visibility of some business areas

Leaving money on the table: Poor job level visibility contributed to ~10% revenue leakage per franchise

Analysis of accessible financial and royalties' data alongside franchise-commissioned audits revealed the scale of the opportunity in play. Disparate processes for capturing leads, varying tool usage and a lack of job-level visibility regularly contributed to revenue leakage worth between 10-20% of a franchise's annual sales.

This was caused by:

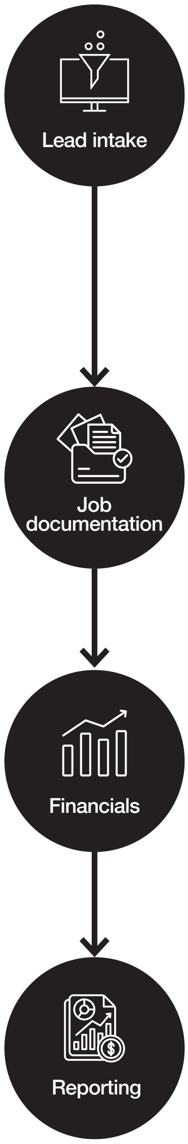
- Leads that are not formally recorded unless they convert, missing opportunities for new business
- Leads that are recorded are done so in spreadsheets, not a central CRM, meaning they often don't appear in head office records until they are invoiced, increasing the risk that fees are overlooked
- Lack of training meant teams often didn't use the software tools designed to capture job sales data, in many cases using pen and paper instead
- Quickbooks, the standard accounting software, limited visibility to the franchise level, losing job-level granularity.

QuantSpark also identified two further revenue growth opportunities that can be applied to other franchise businesses:

- Payment processing interchange fees: 36% franchises currently absorb credit card fees, largely due to uncertainty about how to pass this on to customers
- Price elasticity: With pricing historically based on estimates and rarely questioned, implementing systematic price variation presents a major opportunity to test elasticity, optimizing both profit margins and customer satisfaction through data-driven rate setting.

Designing for end to end: Key considerations when planning the client's data strategy:

Findings: Using our observations from the franchise study phase, we have defined 6 key findings regarding current and future data visibility



71% of franchises consider their single source of truth for job data to be a 3rd party system: Integrate external tools with in-house systems to create a universal job level view

A lead is defined consistently but the method of recording & tracking varies widely: Encourage successful job management software adoption to ensure leads are not lost

64% of franchises, particularly small-medium sized, use in-house tools for particular business lines: Double down on this usage with simple UI/UX improvements to remove end user friction and promote retention

100% of interviewed franchises use QuickBooks for accounting, revealing this to be the closest the franchisor currently has to consistent source of job-level data: Create job-level views in reporting tools such as Tableau to reinforce standardised KPIs

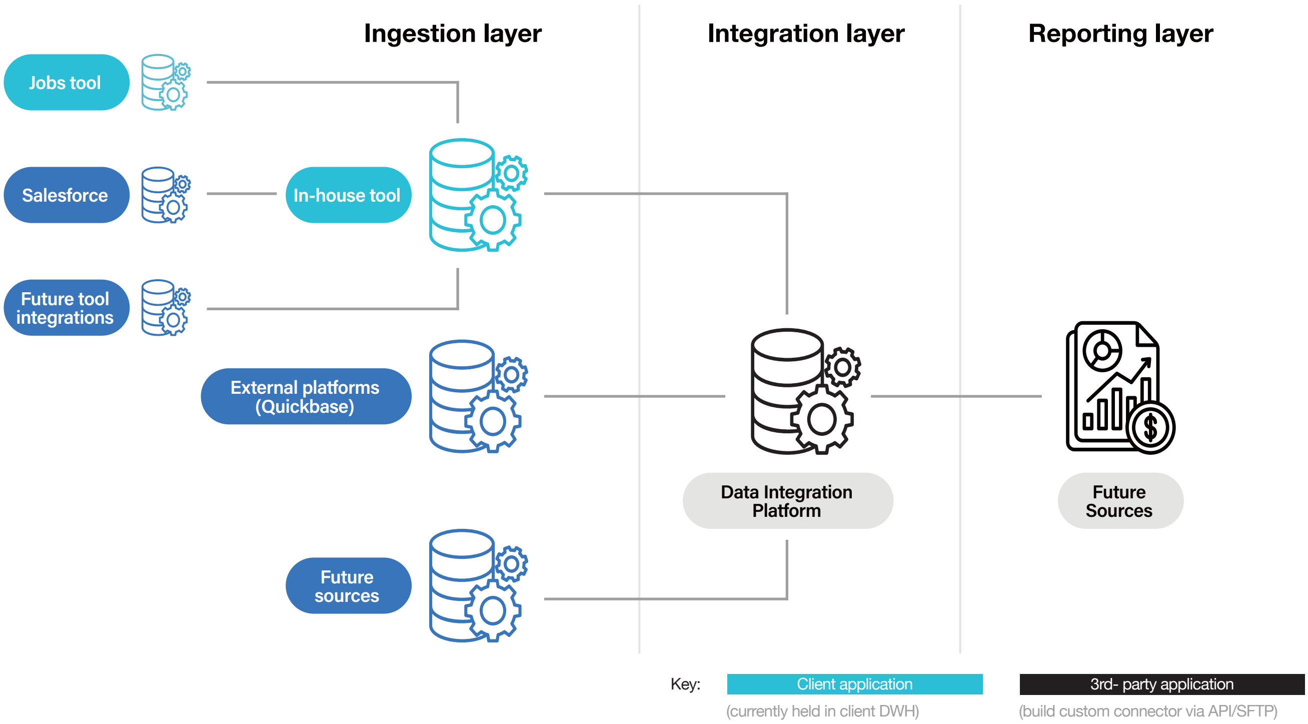
With 80% of interviewed franchises reporting eagerness to adopt more data-driven strategies, there's clear appetite for change: Provide training and support to ensure franchises see the value add in providing data, creating a virtuous circle

Hub & Spoke Models: Key Recommendations to Providing End to End Data Visibility

Where it is tempting to try to make an in-house tool the hub at the centre of data integration, the reality is they are often much more valuable as an additional spoke feeding into a purpose-built integration platform. While 3rd party software providers are rightly guarded about combining proprietary functionality with their customers' systems, it is commonplace to provide customer data for their own analysis, for example how financial services firms will pull daily insight from Bloomberg data. Combined with a preferred visualisation tool, this can become a powerful driver for strategic change, placing data at the heart of business decision making.

Data Platform Architecture: Using Amazon Redshift, the Integration Platform will augment existing systems

Diagram 3



For other franchisors faced with similar problems, QuantSpark identified key takeaways from this project

Systems Transformation

Quick wins

Create a data dictionary to standardise financial definitions regardless of the system being used, a vital step in future revenue recognition and analysis

Identify where in-house tools provide the biggest benefit to franchises and focus investment in those areas

See 3rd party providers as complimentary, not in competition

Strategic roadmap

Integrate data (straightforward and uncontroversial), not functionality (expensive, political)

Identify the most commonly used software tools to prioritise platform integration efforts

Cultural Transformation

Quick wins

Educate franchises on the benefits from data reporting – connect KPIs and benchmarks to business improvement

Strategic roadmap

Agree a preferred suite of software tools and incorporate training into franchise on-boarding and continual development programs

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