



YVES ROCHER

WORKSHOP 3 : REBRANDING AND CHANGING KNOW-HOW IN FRANCHISING.

Feedback of Yves Rocher about the evolution of its concept store.



ABOUT THE YVES ROCHER BRAND

A French cosmetics brand, created in 1959, with a turnover today of 2.2 billion euros.

Present in 80 countries, but with 60 % of the turnover in the European Union.

Several distribution channels: retail shops (2,800 outlets), mainly through a franchising system selling products (cosmetics), and services (cosmetic care) / Internet / Direct Selling and Mail Order system.

Franchisor since 1986 following the Individual Exemption Decision of December 17th 1986 (n°87/14/CEE), which confirmed the legal validity of the Yves Rocher franchising system.



ADAPTATION OF THE FRANCHISOR KNOW-HOW TO THE CONSTANT CHANGE OF THE MARKET A BUSINESS REALITY

1) The need for a franchisor to constantly adapt and develop its know-how.

With such fierce competition on the markets, this know-how is becoming **more and more complicated, expensive for the franchisor**, and covers a large scope of different kinds of expertise (marketing, IT systems, communication, store concept...).

This know-how must be **regularly tested and improved** by the franchisor and **adapted to the change of the market**.

⇒ See **Pronuptia Case** 1988.

⇒ See **European Code of Ethics for Franchising** “*the franchisor shall... engage in the research and innovation that will ensure the long-term development and continuity of its concept*” (Clause 2.2 Guiding principles).



2) But with difficulties to make these modifications acceptable for its franchisees.

- Even if a specific provision exists in the franchise contract!

Extract from Yves Rocher franchise contract:

- “ Given the naturally evolving nature of our know-how, YVES ROCHER strives to **adapt its know-how to preserve the competitive advantage of the network** by responding to new customer requirements...
- **The FRANCHISEE is committed to respecting the evolution of know-how** and to modify accordingly the presentation and / or conditions of the activity of the Beauty Center according to the instructions that will be communicated to it by YVES ROCHER.
- YVES ROCHER will modify the elements of its franchise necessary to preserve the competitive advantage **provided that the efficacy of such modifications has been previously verified in particular in its Pilot Beauty Center**”



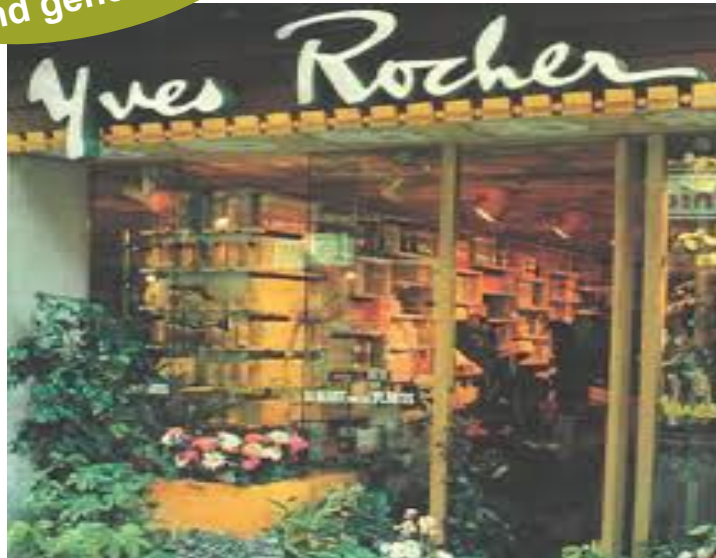
The successive evolutions of the concept store within a franchise network and the approval of the franchisees to implement these evolutions is a perfect example of the potential issues that may arise from the necessary adaptation of the know-how.



CHANGES OF CONCEPT STORE : AN OBLIGATION FOR A FRANCHISOR

Yves Rocher needs to change and adapt its concept store each 7/8 years to remain attractive for consumers of cosmetic products.

1985/86
2nd generation



1994/96
3rd generation





2002/2004
4th generation



2010/12
5th generation



2016/17
6th generation



Four key rules to observe in order to avoid major issues with franchisees:

1) A flexible concept store : Need to be adaptable to the location and size of the franchisees' stores (shopping mall, standalone, kiosk, ...).

2) An affordable concept store for a franchisee: The cost of the implementation of the concept must be reasonable (price/square meter, comparaison with the last version of the concept).

3) A duration of the franchise contracts enabling the amortization of 100% of the franchisee's investments in his store.

4) Observance of 4 principles in the management of the change with very practical consequences for the franchisees.



Rule n°1 – BE ABLE TO JUSTIFY YOUR POSITION

- **Be able to justify the rationale of your decision:**
 - **On a commercial point of view:** Evolution of your competitors / news consumers needs...
 - **On a financial point of view (profitability for franchisees):** attractiveness of the new concept (increasing of visitors in store and average shopping basket compared with the last concept),

And for that you need to make an actual test in stores (in different context) during a minimum period of 18 months (in any case more than one year, 2 years being better).



Rule n°2 - ACCEPT TO EXPLAIN IT TO YOUR FRANCHISEE

Accept to spend the time needed to explain your decision (no more than 6 months):

Collectively, to your “franchisees committee” – if this kind of committee exists within your network.

In meetings with your franchisees (dinners with no more than a dozen of franchisees).

Individually to each franchisee by means of an individual letter.



**And for that you need to proceed in a certain manner:
Beginning by a communication to groups of
franchisees and ending by a one-to-one
communication**



Rule n°3 – BE READY TO ASSIST YOUR FRANCHISEES

- **Be ready to financially support your franchisees when adopting your new concept: (some examples)**

- By indemnifying franchisees of the part of their non-amortized works on the previous concept,
- By making available free of charge to franchisees, whole or part of their furniture,
- By paying the architect's fees...

And for that you need to define and communicate to your franchisees the conditions to fulfill in order to benefit of your financial support (all franchisees in the same situation must benefit of the same support)



Rule n°4 – BE COHERENT WITH YOUR FRANCHISEES

Be coherent with your franchisees by defining a clear commercial position and in any case, stick to your position:

Two main cases:

CASE 1 : Your franchisee trusts you and accepts to implement the new concept in its store:

- You must accept to conclude a new franchise contract with **him**,
- You must grant to your franchisee the financial support according to his situation (see rule n°3).



Rule n°4 - BE COHERENT WITH YOUR FRANCHISEES

CASE 2 : Your franchisee doesn't accept to implement the new concept in its store:

You have two possibilities:

- You do not renew his contract at its expiry AND **the contract will terminate at its end date.**

OR

- You do not renew his contract at its expiry BUT **you accept to continue the contract for a limited period of time** (for a justified reason).



Rule n°4 - BE COHERENT WITH YOUR FRANCHISEES

CASE 2 : Your franchisee doesn't accept to implement the new concept in its store:

BUT:

- In any case, you can't conclude a new franchise contract with the franchisee,

- Taking the decision to terminate in advance a running franchise contract solely motivated by a refusal of the franchisee to implement a new concept can be tricky ... even with the existence of a contractual clause in the franchise contract.