



## Case Study #103

### National Fast Food Franchisor

**Challenge:** Move from a paper-based system of sales reporting and paying franchise fees to a secure, electronic solution.

With more than 800 franchisees nationwide, and projections of twice that number within a year, it was becoming increasingly difficult and expensive for this national fast food franchisor to deal with the paperwork generated as each franchisee reported sales information and paid sales-based franchise fees. There were more than 100,000 annual transactions, representing more than \$15 million in sales. Each transaction was being manually processed, and the associated costs were increasing rapidly.

Prior to deploying the Data Impact solution, franchisees were remitting only once a month, by check, and the company often had in excess of \$500,000 in outstanding fees.

**Solution:** Implementation of an online payment calculator and remittance system.

Data Impact provides a fully electronic solution that permits each franchisee to quickly and easily compute and remit fees due on a *weekly* basis. The franchisee goes to a secure website, enters sales information, and immediately sees a computation of amounts due to the franchisor. A funds transfer is then initiated immediately, with a single click.

Corporate receives an electronic payment record that interfaces seamlessly with their existing accounting system, eliminating the need for paper processing and speeding the posting process, thus further reducing expenses.

The franchisee has an electronic receipt and on-line access to his/her full payment history. Franchisees also *receive* all payments due them for marketing or other corporate support as electronic transactions, putting money in their hands more quickly as well.

## **Benefits**

- Significant cost reductions through the elimination of paperwork, helping make the franchisor more competitive in the marketplace
- Greatly enhanced cash flow – 75% reduction in receivables cycle
- Elimination of errors due to reports being lost in the mail, misplaced in processing, or keyed incorrectly
- Franchisees benefit from reduced paperwork and quicker outbound payments when they are due money for corporate support such as marketing
- Highly secure transactions with full audit trail history to satisfy both internal and external accounting controls.

## **Analysis**

The transition from a paper-based system to an electronic system of information and payment transfer is one of the most certain high-ROI efforts a company can make. The cost of processing a transaction manually, versus doing it electronically, differs by orders of magnitude. Switching to electronic remittance provides companies a rare opportunity to significantly reduce a major cost.

For this franchisor, the impact was substantial. The solution allowed them to put over \$500,000 of cash to work for them each month rather than having it caught up in the receivables cycle. Creating an electronic reporting link to and from their franchisees has also enabled them to move forward with a plan of growth that would otherwise have been hampered by the increasing difficulty associated with collecting and reconciling franchise fees.