Beratung

Franchise Grows 35 Percent in 5 Months with Custom Solution Designed by IT Firm

Overview

Country or Region: United States
Industry: Professional services—
IT services

Partner Profile
Based in Phoenix, Arizona, Beratung is a Microsoft® Certified Partner specializing in strategies, solutions, and systems for the franchise industry and other high-growth companies throughout the U.S.

Business Situation
Beratung is intimately familiar with the primary challenge faced by franchisors and other fast-growing companies: ineffective and costly manual processes that impede sustainable business expansion.

Solution
As a Microsoft Certified Small Business Specialist, Beratung develops short- and long-term solutions that automate processes and lay the foundation for integrated, cost-effective, scalable growth.

Benefits
- Reduced royalties processing from 30 hours to 30 minutes per week
- Increased transaction processing to one million per day
- Increased franchise base by 35 percent in 5 months
- Saved over U.S.$300,000 in headcount

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Darin Pauls, President and Founder, Beratung

Beratung designs sophisticated, integrated IT solutions for its customers, and prides itself on cultivating long-term relationships based on trust and integrity. Beratung specializes in crafting customized solutions for franchisors and other high-growth businesses, and as a Microsoft® Certified Partner, often draws upon the latest innovations in Microsoft technologies. Beratung recently used Microsoft Dynamics™ GL 9.0, Microsoft Dynamics CRM 3.0, Windows® Small Business Server 2003, Microsoft SQL Server® 2005, and other technologies to develop an integrated, automated solution for a rapidly growing franchise. The solution automatically manages project workflows for selling franchise licenses and opening new stores, and can process over one million royalties transactions daily. Using this solution, Beratung's customer grew its franchise base by 35 percent in five months.

Microsoft®

Situation

According to the International Franchise Association, the franchise industry generated U.S.$800 billion in 2005. Employment was three times higher for franchised businesses than for the economy as a whole, and franchise payrolls increased to nearly U.S.$279 billion. Currently over 900,000 franchised businesses operate throughout the United States, and the industry is expected to continue expanding at a rate of 18 percent over the next four years.

Franchisors, and other high-growth businesses, often encounter a unique set of process and technology challenges. On the one hand, most of these companies are small businesses with small business needs and budgets. On the other, they can experience exponential growth within an extremely short period of time.

"I was the Chief Information Officer of an Internet retailer in Chicago that grew from a $300,000 company to a $26 million company in a matter of six months," explains Darin Pauls, President and Founder, Beratung. "We had 25 employees and the only way we could survive was to automate everything. Based on this experience, I decided to launch my own consulting agency and focus exclusively on total solutions for hyper-growth companies."

Pauls, a Certified Public Accountant (CPA), turned his passion for efficiency, accuracy, and relationship-driven solutions into a dynamic business consultancy. Beratung, a Microsoft® Certified Partner and Microsoft Small Business Specialist, is uniquely skilled in developing long-term customer relationships that form the basis for deep insight into the current and future needs of each business. "We don't just sell software; we provide solutions," says Pauls. "When we work with a customer, we watch every aspect of the project, every little bump or obstacle in the road. We make sure we develop a solution that takes everything into consideration so that the final implementation works to a high level of accuracy. We don't settle for anything less than perfection."

Beratung's business and technology advisors are also intimately familiar with the key components of building a successful franchise: increase the franchise network by selling licenses, open the new stores quickly and efficiently, and manage the ongoing financial and technical needs of each franchisee. They also understand the challenges that franchisors can experience due to inefficient, manual processes that can't scale to meet growth requirements: inaccurate and time-consuming royalties and Automated Clearing House (ACH) transaction processing, increased headcount and payroll expenses, and fewer opportunities to generate revenue.

"There are a lot of pieces that need to fit seamlessly together to create a complete solution," Pauls says. "Franchisors often think, 'Hey, we can do everything ourselves, we're small.' But our message is, 'You can't do it all yourself. You need outside help to get on the right track, head in the right direction, and move at the right pace.' Franchisors need the kind of support that we offer—short-term solutions and long-term road maps—so they're not derailed by inefficiencies."

One such company was Massage Envy, a wellness franchise headquartered in Scottsdale, Arizona. This membership-based company is committed to providing professional, convenient, and affordable massage services to customers across the United States. Due to enormous demand for its services, Massage Envy expanded from a single location to 70 clinics, but hadn't put the infrastructure in place to support continued growth. "We reached the point

where our clinic management system was failing and we were encountering true scalability issues," says Doug Payne, Chief Information Officer, Massage Envy. "Our ability to open new clinics in an efficient way was severely impacted and our royalties process was time-consuming and not scalable."

Massage Envy's manual royalties reconciliation process took a full-time accountant over three days each week to complete and was prone to mistakes. "Franchising is all about royalties," says Payne. "If your franchisees stop trusting you because you pull the wrong amount of money from their accounts and can't explain why, the game is over." Pauls adds, "These kinds of errors also impact the cost of customer support—every mistake triggers a phone call to finance or customer service."

Solution

Massage Envy realized that if it wanted to implement its nationwide expansion plan, the company first needed to substantially overhaul its business processes and IT infrastructure. In 2006, Massage Envy turned to Beratung for a customized solution that included an Enterprise Resource Management (ERP) system, a Customer Relationship Management (CRM) system, and an automated Royalties Processing Application with built-in ACH transaction functionality.

"Beratung insisted on understanding exactly who we were as a company," Payne explains. "We talked about a road map—first the ERP, then the CRM, after which we'd tackle the clinic management situation and royalties processing. But it was that early insight into our business that allowed them to develop a road map that made sense. Everything tied together, and that was huge. The in-depth

approach that Beratung takes really makes the difference."

The solution Beratung developed for Massage Envy is based on a handful of Microsoft technologies. "Beratung is a Microsoft Partner because we strongly believe in Microsoft products," says Pauls. "We develop solutions that address our customers' existing needs as well as future requirements. We choose Microsoft products to fulfill this strategy because they're innovative, scalable, extensible, and secure. Microsoft is constantly enhancing its products and that's extremely important to us. We work with high-growth, fast-changing companies and we need products that will grow along with them."

Beratung began by implementing Microsoft Dynamics™ GP 9.0 business management software as the core ERP system and developed an interim solution to handle Massage Envy's royalties reconciliation process. "Using Microsoft Dynamics GP and creating integrations with the company's existing systems, we were able to automate the process and trim it from 30 hours to less than 30 minutes," Pauls says. "This integration included the creation of automated ACH transactions to facilitate the transfer of funds between 400 bank accounts on a weekly basis."

After Beratung launched the ERP system, Massage Envy requested help with a CRM system. "After listening to their needs and identifying some possible areas of automation and integration, we recommended Microsoft Dynamics CRM 3.0 and its workflow capabilities," says Pauls. "In the franchise process, the first step is to sell franchise licenses; the second step is to open the new locations. Massage Envy used Microsoft Dynamics CRM to automate both of these processes. The company uses the

workflow functionality of Microsoft Dynamics CRM to manage the entire process—what needs to be done and in what order—from the time that a contract is signed and the money is paid, to the day that the doors open and the first customer enters the clinic."

Massage Envy called on Beratung again when it was ready to replace its existing clinic management software. Beratung recommended the Windows® Small Business Server 2003 R2 operating system. "The clinics require a network that is secure and stable," Pauls says. "The franchisor needs to know that their sales data is being accurately transmitted to the corporate network. We identified Windows Small Business Server 2003 as not only the most cost-effective solution, but the one that would give Massage Envy increased functionality in the future. We also provided Massage Envy with incentives through our partnership with Microsoft that saved them tens of thousands of dollars above and beyond the licensing savings."

Once these systems were in place, it was time for Massage Envy to replace its temporary royalties reconciliation process with a permanent solution that would maintain the efficiencies as the company expanded. The company asked Beratung to design a revenue reporting and royalties calculation application that would tabulate and collect royalties and also act as a banking application to collect and transfer monies between clinics who conduct business with one another.

Beratung's application architects developed the Royalties Processing Application using the Microsoft Visual C#® programming language and the Microsoft Visual Studio® 2008 Professional Edition development system, in conjunction with the Windows Workflow Foundation and Windows Communication Foundation programming

interfaces (both of which are part of the Microsoft .NET Framework 3.5 managed code programming model). Beratung also used Microsoft SQL Server® 2005 Standard Edition (64-bit) database software, Microsoft SQL Server 2005 Reporting Services, Microsoft Dynamics GP Web Services, Microsoft Dynamics CRM Web Services, and the Millennium Professional application from Microsoft Gold Certified Partner Harms Software.

To meet Beratung's high standards for accuracy, developers enhanced the Royalties Processing Application so that it cross-checks all incoming data for errors. "We built the solution to automatically validate that every piece of data is accurate before it's even introduced to the system," says Pauls. "Any inconsistencies are automatically flagged, reviewed, and reprocessed. The end result is a simple 'push the button' application that takes minutes for the user to initiate and complete."

Benefits

Beratung's consultative, tailored approach ensures that its customers are positioned to sustain rapid growth. Beratung uses Microsoft technologies to create process and workflow automation, scalable and extensible infrastructure, and systems that reduce operational costs.

Automating Success

Beratung understands that the only way to survive as a high-growth business is to automate as many processes as possible. "Once a business reaches critical mass with a process, simply adding more headcount isn't going to help," Pauls says. "Massage Envy spent 30 hours per week reconciling royalties for 70 clinics. Now it spends 30 minutes to process over one million transactions from 410 clinics, thanks to the automated Royalties Processing Application." Massage

Envy estimates that this solution will save them a minimum of U.S.$300,000 per year in payroll costs.

Beratung designed the Royalties Processing Application with generic components to make customization simple. "We can easily customize the Royalties Processing Application—including the automated calculations and reports, automated collection of funds, and automated banking functionality—for any royalty- or commission-based process," says Pauls.

Laying the Foundation
Beratung relies upon the latest innovations in Microsoft technologies to develop integrated solutions for its customers. "We're opening 15 stores per month, so it's important that we've built our company on an IT foundation that's stable, secure, and extensible," says Payne. "Microsoft provides us with all of that."

Beratung also uses cutting-edge Microsoft technologies to develop custom applications for customers, including the Royalties Processing Application. "We used Windows Communication Foundation along with SQL Server 2005 to create a very flexible, powerful application," says Pauls. "It's somewhat Web-based, somewhat application-based, and almost 100 percent server-based. Messages appear on a desktop saying that transactions have been processed or reports have gone out. Everything else resides on servers."

The custom application reduces storage requirements and software maintenance on user computers and keeps costs down. In the future, Pauls notes that the Royalties Processing Application could reside on Windows Server® operating system–based computers located onsite at customer locations or hosted offsite through a subscription service or software-plus-services

model, depending on the needs of each individual business. This is similar to the software-plus-services solution Beratung suggested for Massage Envy with Windows SharePoint® Services 3.0, a hosted version of Microsoft Office SharePoint Server 2007. "Message Envy uses SharePoint Services as a repository for franchise-wide information," says Pauls. "It's an affordable way to make this data accessible by everyone in the company."

Adding Value
Beratung is committed to designing short- and long-term solutions that are affordable, extensible, and seamlessly integrated. "After all, most small business owners don't have tens of thousands to spend on software and consulting services that turn out to be obsolete in three years," says Pauls. "We want to help them make the right decisions and choose the right solutions the first time. That's what we're all about—cultivating trust, working with integrity, and valuing long-term relationships with our customers."

Payne adds, "From a franchisor perspective, we are now free to undertake the explosive growth that we envisioned because the automated processes and extensible technologies are securely in place. We've launched 410 clinics and are opening 15 new stores every month. There's no way we'd be on this trajectory had we not executed every single milestone on the road map that Beratung devised for us."

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