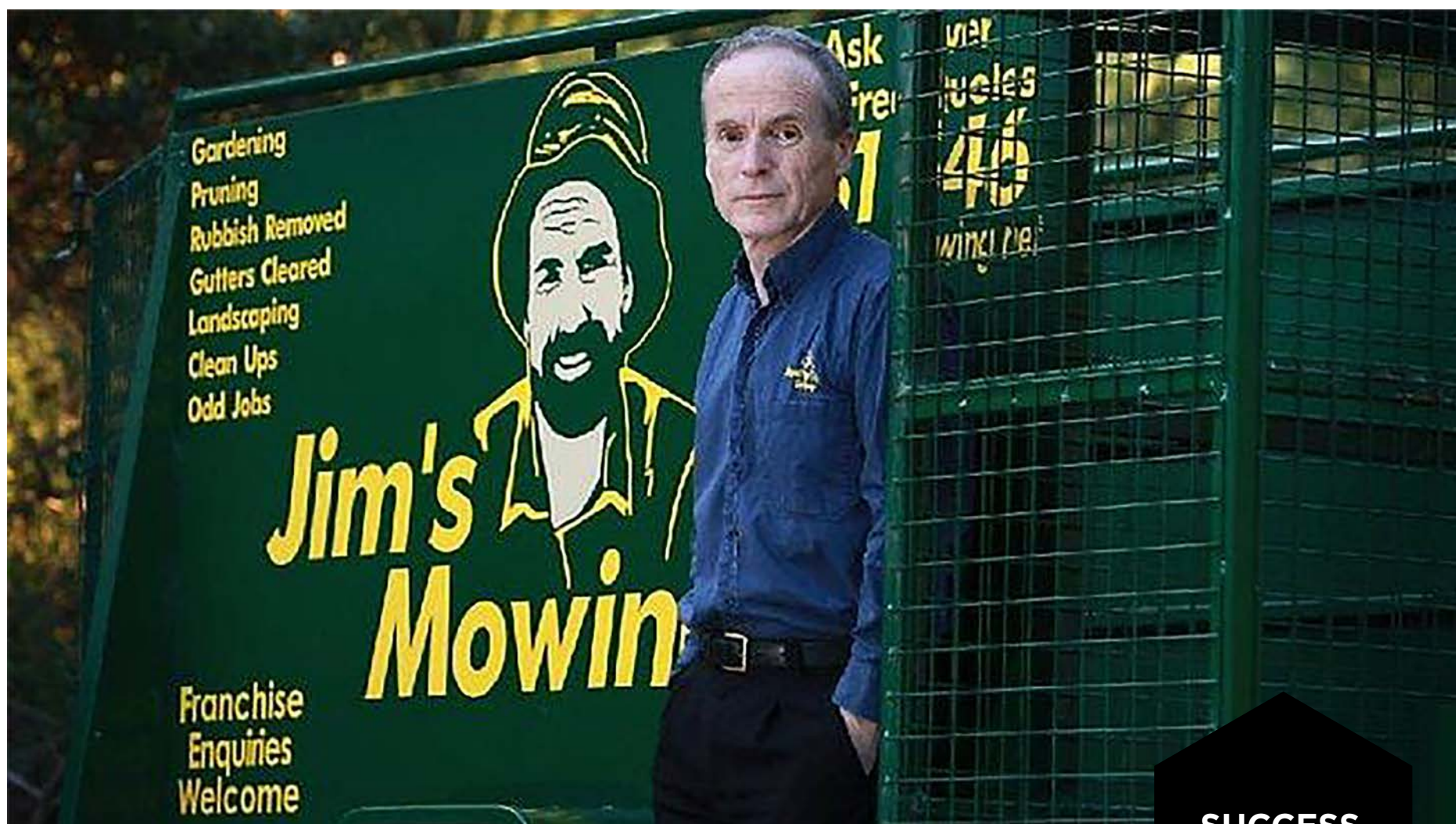


**SUCCESS
STORY**



REVOLUTIONIZING FRANCHISING

**HOW JIM PENMAN
BUILT AUSTRALIAN
HOUSEHOLD
NAME BRAND
JIM'S GROUP,
BY CHANGING
THE RULES OF
FRANCHISING
AND PUTTING HIS
PEOPLE FIRST.**



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reat service is hard to come by. This eternal problem is what Jim Penman set out to solve when he started his part-time lawn-mowing business—and even though his business has since grown into a multimillion-dollar enterprise known as Jim's Group, it's still the core focus.

Jim's Group was an unintentional empire, started by an aspiring academic back in the 1980s. Today, Penman's company has almost 4,000 franchisees that provide over 50 services around the world. As a result, Jim's Group has become a household name in Australia for all things home services.

Here's how Penman grew his business from a humble mowing service to the largest franchise in Australia.

The Unintentional Founding of Jim's Group

In the 1970s, Jim Penman was pursuing his Ph.D. in history at Latrobe University in hopes of joining academia. His plans changed, however, when he graduated in 1982 and realized he had little to no chance of working in academia: "My ideas were far too wild."

At the time, Penman also happened to be operating a part-time lawn-mowing business, as he made his way through the grueling grad school years. This turned into a full-time gig upon graduation. "It was something to do until my real business came along."

Or so he thought. While he waited for his real life to kick in, Penman was excelling at his temporary one. He had a passion for making customers happy, which made it easy for him to attract and keep regular clients.

"It was the biggest thing I had going for me," he says. He also found success building and selling ramps (for transporting mowing equipment onto raised beds or platforms) to his customers.

As his business grew, he tried employing subcontractors, but he couldn't find people who matched his quality of service. Then in 1986, necessity forced him to evolve.

Major competitor V.I.P. Home Services came to town. This was a turning point for Penman. "I simply franchised in self-defense," he says. "Otherwise, they'd swallow me whole."

or those unfamiliar, franchising allows other entities to use your company's name, trademark, business strategies, and so on in order to share essentially the same products and/or services offered by the franchisor.

Franchisees typically pay a licensing fee and a percentage of sales revenue to their franchisors. It's an effective way to quickly expand a business without massive financial investment.

Penman started with about a dozen franchisees, most of whom were previous customers. But even as Penman expanded his business, his focus still remained on the short

term. He truly had no idea his business would grow to where it is today.

"When people asked me how I thought [my business] might go, I said, 'If it's really successful, one day I could have as many as 100 franchisees,'" Penman says, laughing. "That was my reach goal. Now, I have just under 4,000."

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Franchising Jim's Group to 4,000 Strong

When Penman was a contractor, he had one simple idea: He wanted to make customers into raving fans. "I wanted customers to be so delighted that they'd recommend me and use me forever."

That was the core concept of Penman's business, and when he franchised, he had the same concept for his franchisees.

With that in mind, he developed a contract that would catch the eye of any prospective franchisee. His goal was to make it so enticing that potential owners would be "mad not to join the system." Penman even got ahold of a competitor's contract to better understand how he could make his more favorable.

For example, he promised his franchisees that he wouldn't take regular clients from his franchisees without their consent (unless a customer complained). He promised territory rights—meaning he couldn't give any client in their area to anyone else, but they could take work wherever they wanted. Penman also promised an automatic right to renew.

"This was all really strange stuff," Penman says. "One reason it took nine months to get the contract done was because the lawyers kept arguing with me."

They thought he was being way too nice and that the contract was unreasonable and extreme. They encouraged him to "soften it down," but over time, he actually provided his franchisees more rights. These included the right to move to another regional franchisor, to walk away from the franchise for a small exit fee, and to vote out their franchisor.

At every stage, Penman put his franchisees first. In his opinion, the secret to looking after your customers is having a great staff. The same thing applies to great franchisees—you make them the actual first priority.

"There's nothing particularly clever about what [Jim's Group] has done," he says. "It's more how we do it that matters. The way we treat our franchisees, how we maintain quality, how we make sure they're looked after, that they're happy...that's the innovative part of the system."

As you can imagine, Penman's franchisee selection process is quite rigorous. With such a favorable franchising package, many people apply, but few are chosen.

"We are very selective," he said. "Unless I'm convinced they'll succeed, I don't accept them."

When interviewing franchisees, Penman looks for a handful of key attributes: Good character, a concern for customers, reliability, and basic decency. He takes each interviewee on test drives to watch them perform their service. He also never accepts anyone who is not putting up their investment money themselves.

"To run a successful cleaning or mowing business, you don't have to be a genius," Penman said. "You have to be somebody with good character."

Expanding the Jim's Group Services

In the first few years of his business, Penman didn't just expand through franchising. He also began adding different service divisions.

With a successful mowing system in place, Penman considered how he might apply his approach to other services, such as cleaning. He created a separate cleaning brand called SunLite and sold a couple of franchises. That avenue failed completely.

Penman liked the idea of expanding under the Jim's Group name, but he didn't think it'd be successful, because the brand image was so vastly different. Who'd hire a cleaning service with a brand image of gardening and mowing?

Well, a lot of people did. Penman added a cleaning division to Jim's Group and found that the familiar brand name actually helped grow his new business.

Penman continued expanding under the Jim's Group brand to include services such as dog washing, computer services, bookkeeping, and roof repair. Today's Jim's Group has 52 divisions, and the company cross-sells through a client newsletter with about 500,000 recipients.

"The brand just works far beyond what you think it would," Penman says.

When asked about how he manages such a wide variety of services, he says, "There's no real difference between mowing and cleaning and dog washing. The basic issue is the same: Follow up on a lead, respond quickly, turn up on time, provide a reasonable quote, and satisfy the customer."

To Penman, it doesn't matter what the service is. His goal is getting everyone to provide consistent, high-quality service.

Still, Penman is always making tweaks to Jim's Group to constantly improve that service. For example, Jim's initially offered a flat rate fee system to its franchisees.

Over time, Penman learned that franchisees weren't always following up on leads. In fact, a survey found that 25 percent of client leads never received a follow up. Penman changed the fee system to reflect a lower base fee and a separate charge per lead. After that, the number of leads not being followed up on dropped to just 3 percent.

Penman also made recent changes to the Jim's Group complaint system. In the pre-franchise days, Penman would see approximately 10 complaints for every 100 leads. After franchising, that number dropped to about five complaints.

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However, Penman wasn't satisfied with 5 percent. To fix the issue, he went to his regional franchisors, who manually receive these complaints. The team decided that every time a complaint comes in, the franchisor would alert Penman and the respective franchisee. Then, the franchisor would call the franchisee to better understand what happened and how to solve it.

Today, Jim's Group has an automated complaint system. If a franchisee gets six complaints within six months, they receive a warning letter. Another six, and the franchisee has to attend retraining. They're now down to just 1 percent, and working to cut that at least in half.

In a world full of new ideas, how does Penman stay focused on Jim's Group? "You might think we do 50 different things, but as a national franchisor, I do one thing: I provide a service. Jim's Group is a very focused and limited company."

With almost 4,000 franchisees, it's even easier to provide global services. Today, the company also benefits from much more sophisticated software and a wide variety of resources for franchisees.

Beyond Jim's Group

While Penman continues to expand Jim's Group, he never forgot his original passion: research. The only difference now is that he can afford to really pursue it.

Until his academic career stalled, Penman never considered becoming wealthy. "I've never been that interested in money," he laughed. "I'm notoriously stingy. I go around

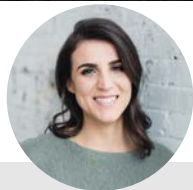
the house and office turning lights off.

But now he's able to use the success of his company as a vehicle for funding, so he can dedicate more time and resources into continuing his research on the epigenetics of social behavior. He believes this could help in the treatment of mental illness and addictive disorders.

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Foundr's Nathan Chan and Jim Penman



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Valuable Advice to Franchisors

In Penman's opinion, many people have a misleading idea of business. They think they must have a breakthrough or a big idea to be successful.

"It's not the brilliant ideas," he said. "It's thousands of little ideas. Every day I say, 'How can I do this better?'"

Penman encourages anyone who wants to grow to focus on yourself before considering franchising. "If you don't do it well, there's no point in franchising, because you don't have anything to teach anyone else."

He encourages entrepreneurs to build a brilliant business, then, master a working model that you constantly change to make better.

Penman also believes in a people-first mindset, instead of money first. He encourages people to ask themselves: What's the long-term interest of the people I'm dealing with? How can I make my customers and franchisees into raving fans?

"Every day, I'm asking myself the same question," Penman says.

Finally, he recommends keeping in touch with the grassroots. Every single franchisee has Penman's personal number and email. "I get multiple contacts a day," he says. "I'm always listening to what's going on. I also read through most complaints."

After all, it's the thousands of little things that count.