



Providing the Tools for Franchise Expansion

FOCUS Brands
Case Study



Lawson Franchise Management and Financial Tools Consolidate Multiple Brands, Provide a Template for Five-Year Growth

ORGANIZATION PROFILE

Atlanta-based FOCUS Brands Inc. is the franchisor and operator of nearly 1,400 ice cream stores, bakeries, and cafes in the United States, the District of Columbia, Puerto Rico, and 31 foreign countries under the brand names Carvel® and Cinnabon®. It is also the franchisor of Seattle's Best Coffee® on military bases, and in certain international markets. The company was formed in 2001 when the private equity firm Roark Capital Group purchased Carvel, and it continues to grow by the acquisition of new brands and the expansion of existing ones. It has concentrated strategic resources on its FOCUS-5 blueprint, in which it plans to grow to five brands, with 5000 stores, bakeries, cafes and other outlets in the next five years.



WHAT DO ICE CREAM AND CINNAMON ROLLS HAVE IN COMMON?

A need for consolidated information and franchise management

FOCUS Brands' major holdings, Carvel and Cinnabon, both work on the franchise model, which requires sophisticated accounting, financial, and reporting systems. Carvel and Cinnabon had their own separate financial systems in place when the companies were brought together in 2004. When FOCUS Brands combined the two organizations, the decision was quickly made to move to a single system. This would allow FOCUS Brands' to keep in sync with its overall business strategy to apply economies of scale and best practices to all of its holdings, and centralize management and financial tools to "FOCUS on making people happy."

Before the single-system decision could be executed, the two systems ran concurrent, making it quite costly to maintain the separate systems. In addition, the systems did not communicate with one another, making it difficult for FOCUS Brand managers and executives to get an overview of how the company as a whole was performing.

Because the two systems did not communicate with one another, FOCUS Brands' staff did not have adequate tools for company-wide data analysis and reporting. FOCUS Brands' managers and executives had to rely on manually generated spreadsheets for consolidated views of the business. Not only being time-consuming, spreadsheets simply weren't up to the task.

It also was difficult for the company to perform cross-brand reporting for visibility into overall trends for the company as a whole, a single balance sheet for the entire enterprise. Information was manually compiled from separate financial systems, FOCUS Brands executives and managers had difficulty getting information in a timely manner. It took too long to close a period and days to compile and distribute departmental reports.

The financial staff had to maintain two systems. Many tasks were done manually. It took two resources two days to create departmental overhead reports. Creating a single journal entry relating to payroll took six hours. The additional headcount required to maintain two systems would eventually be redirected to reporting and analysis.

On top of the lack of consolidated information, FOCUS Brands' existing financial systems did not have all of the features or modules to meet the unique accounting, financial and management challenges faced by franchise holders. For example, ineffective functionality was unable to generate sales-based billings, in which franchises are charged fees based on the amount of their sales or their consumption of goods.

REALIZED VALUE PROOF POINTS

Since implementing Lawson Financials, including the Franchise Management module, and the Lawson Reporting Suite, FOCUS Brands has documented several specific benefits, including:

- **Continued reduction in the amount of time it takes for the financial department to close out a period.**
- **Made departmental overhead reports available real time via user specific dashboards; previous to the Lawson implementation, it would take two days to create and distribute them.**
- **Eliminated hours of work to generate and distribute departmental reports.**
- **Reduced the amount of time it takes to enter payroll journal entries into the General Ledger from six hours to fifteen minutes.**

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Robert Hough
FOCUS Brands CIO

THE PERFECT RECIPE

FOCUS Brands implements the Lawson solution

Cinnabon was already using Lawson Financials. It owned the software, but outsourced the application management and maintenance. It also outsourced financial business processes. Carvel, on the other hand, used a different financial system, and had an in-house accounting and IT department.

FOCUS Brands faced the difficult task of consolidating the companies onto a single financial system and combining the various outsourced and in-house departments into a single unit. After an analysis of the two different financial systems, it became apparent that Lawson Financials was far better suited to supporting the FOCUS 5 vision. It was much more flexible, offered more sophisticated analysis and reporting tools, could more easily integrate data from different departments and systems, and had a Franchise Management component suited for handling the kind of billing, analysis, and reporting needed by FOCUS Brands.

FOCUS Brands implemented the Lawson Financials Suite of Applications, including the Franchise Management module, Lawson Business Intelligence products, including the Reporting Suite, Process Flow and Framework Services, as well as a number of other smaller components.

“The Lawson software better met our needs and strategic goals than did the solution being used by Carvel,” says Robert Hough, in charge of FOCUS Brands IT. “It was more sophisticated in terms of the financial analysis and reporting it could do, and offered us more flexibility as well. The integration across modules was important to us, and so was the ability to build dashboards for managers and executives. We also anticipated that its Franchise Management component would pay dividends.”

Once the decision was made to move the entire company to the Lawson system, FOCUS Brands set itself a four-month goal to complete the implementation. This was an aggressive goal, not only because of the technical hurdles, but because FOCUS Brands was also literally building a corporate finance and accounting department from the ground up.



“Within four months, we had the system set up, we had written conversion programs and interfaces into Lawson, we had everyone trained, and we went live processing transactions.”

Robert Hough
FOCUS Brands CIO

This is where Lawson flexibility, integration tools, and ability to define brands with a consistent reporting structure and shared chart of accounts paid off. Using those capabilities, FOCUS Brands, and their implementation partner, Technisource Management Services, concentrated on building a financial, reporting, and business process template which it could apply not only to Carvel and Cinnabon, but ultimately to other brands when it acquired them. The simplicity of the Lawson web portal and integrated interfaces allowed users to be quickly trained, enabling them to be productive right from the start.

“Within four months, we had the system set up, we had written conversion programs and interfaces into Lawson, we had everyone trained, and we went live processing transactions,” Hough says.

FOCUS Brands had quickly consolidated two complex franchising operations into a single organization, with the added value of a template for consolidating future acquisitions.

SWEET REWARDS

Realized value supported by Lawson

By deploying the Lawson applications, FOCUS Brands has increased flexibility, sped up its decision-making processes, quickly consolidated two companies into a unified whole, and gained better visibility into budgeting, finances, and consumer trends. System consolidation and automation have streamlined many of FOCUS Brands' core business processes.

This system consolidation also eliminates redundant or unnecessary processes, and the Franchise Management module gives the organization powerful tools for performing the kind of data analysis vital to the happiness and success of its franchises. Happy and successful franchises are a vital part of FOCUS Brands' success. In addition, FOCUS Brands now has a template it can use to quickly integrate new brands into its holdings.

Consolidation saves time and money

The consolidated brands running on one Lawson financials system allows FOCUS Brands to use one accounting staff rather than two to help manage the company's business. In addition, because only one system needs to be maintained, IT staff time has been saved as well.

Overall, FOCUS Brands has been able to increase the efficiency of its finance and accounting department. The company has been able to accomplish more work and provide greater analysis without adding staff.

Core Business Processes are Sped Up

The Lawson finance application has significantly sped up FOCUS Brands' core processes in several key financial areas. FOCUS Brands has significantly reduced their reliance on spreadsheets for financial accounting, reporting, and analysis. Using the Lawson financial application, FOCUS Brands can now close periods within a reasonable timeframe.

Compiling and distributing departmental overhead reports used to be a manual process that took two resources two days to complete. Now those reports are available in real-time; all a FOCUS Brands employee has to do is access their dashboard, and they're available online. The resource hours required to accomplish this work have been eliminated.



Automation eases HR administration

FOCUS Brands contracts with ADP for its payroll functions, but there was no automated way to create journal entries in FOCUS Brands' systems using ADP information. FOCUS Brands employees had to take reports from ADP and manually re-enter the information to create journal entries, a process that took six hours of accounting time for each entry.

With help from their implementation partner, the process has now been automated; the Lawson upload wizard does it automatically, and a job that previously took six hours now only takes fifteen minutes. In addition, because the system is automated, input errors have been eliminated.

Better Information Provides a Competitive Advantage

Previously, conducting data analysis and generating reports was a manually intense process that relied on spreadsheets, which meant that decision-makers did not have access to real-time information. In addition, decision-makers had only rudimentary tools for mining data, creating reports, and performing data analysis.

Lawson financial applications now give managers and executives real-time access to data, along with a sophisticated suite of reporting and analysis tools. FOCUS Brands can now perform detailed, cross-brand analysis to uncover macro-trends in the business, something that wasn't previously possible. This allows decision-makers to make quicker, more informed strategic decisions.

"Ultimately, the IT goal at FOCUS Brands is getting the right information to the right person at the right time so that they can act quickly and make informed decisions," said Jimmy Haddad, Senior Consultant with Technisource. "That's exactly what Lawson and Technisource have done for us; using dashboards, executives can quickly drill down and get whatever information they need." Hough explains.

Franchise Management Offers Sales-Based Billing

A franchisor has a variety of unique accounting and management needs, and FOCUS Brands has been able to meet them using the Lawson Franchise Management module. The accounting between FOCUS Brands and its franchisees can be complex; Carvel and Cinnabon use different franchise billing methods, and even within those brands, billing may vary from region to region or franchisee to franchisee.

The Franchise Management module allows FOCUS Brands to perform sales-based franchise billing. It can customize billing methods on a franchisee-by-franchisee basis. The Franchise Management module in coordination with other Lawson modules allows for sophisticated sales and trends analysis for franchises across brands. Lawson can, for example, track how seasonality affects sales by franchisee within each brand, and can also help uncover trends, which helps guide marketing and advertising strategies.



The Future: Five Different Brands with 5,000 Stores

“We see the Lawson applications as a key component of the FOCUS-5 plan. It gives us the flexibility and financial tools we need to make sure that we meet our goals.”

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FOCUS Brands CIO

WITH A CHERRY ON TOP

Looking ahead — FOCUS-5 five-year plan

FOCUS Brands has set itself an aggressive goal for the next five years: Have five different brands with 5,000 stores. Key to its ability to meet this FOCUS-5 five-year plan are the Lawson applications. More sophisticated, real-time data analysis will help FOCUS Brands make better choices about where to open franchises.

As FOCUS Brands acquire new brands, it will be able to easily integrate them into its financial system. The standardized reporting structure in place for Cinnabon and Carvel will make it easy for FOCUS Brands to add new businesses.

“We see the Lawson applications as a key component of the FOCUS-5 plan,” Hough concludes. “It gives us the flexibility and financial tools we need to make sure that we meet our goals.”



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