The change in the franchise chain package is a historical turning point toward growth.

In FY2024, the AUTOBACS SEVEN Group implemented major revisions to the franchise chain package, taking a significant step toward reforming the foundation of its business model.

In this interview, we are joined by the Chief Executive Officers of two of our franchisees, who spoke candidly about their assessment of the reforms, challenges faced, and future prospects.

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Yuji Sakamoto
BUFFALO CO., LTD.
Representative
Director & President

Takeshi Yamaguchi
WAKI CO., LTD.
Representative
Director & President

Q What is your assessment of the recent changes to the franchise chain package?

Sakamoto I see the recent changes to the franchise chain package as a very significant reform that clearly demonstrated the headquarters' stance of breaking away from the conventional wholesale-centered business model and working together with franchisees to increase sales. I feel that this has laid to groundwork for the headquarters and franchisees to grow together, moving in step toward expanding retail sales.

Store management has completely changed over the past twenty years. As the Company expands its business from one centered on automotive goods to one that includes statutory safety inspections, body work, and maintenance such as car washing and coating, I see the royalty rate revision as a "challenge for survival" for the headquarters. The change from 1% to 9% is not only a simple rate adjustment. It means developing new services and otherwise reforming AUTOBACS stores. I believe that it will bring about opportunities for revision of the revenue structure and growth for franchisees.

Yamaguchi The recent reforms are indeed a historical turning point in which the headquarters tackled long-standing issues head-on. Mr. Horii's bold step of revising the royalty structure is a decision that I hold in high regard. While opposition to the reforms is inevitable, I feel that the rapid and simultaneous implementation was extremely effective.

As franchisees, we see these reforms as an opportunity. Improving the gross profit margin by reducing the cost of products and aligning our perspectives with the headquarters allows us to be hopeful about the potential for sales growth. Particularly in the previous fiscal year, we have made proactive capital investments, increased wages, and revised our sales promotion methods in line with the reforms, and these decisive actions have led to results.

These reforms have laid a new foundation for franchisees and the headquarters to grow together, and I am certain that they will serve as an opportunity for further development going forward.

Q Are there any issues with the reforms or areas for future improvement?

Sakamoto I think that expanding the service business into areas such as maintenance and statutory safety inspections is essential for further growth. With the shift to a service-centered business model, all franchisees must establish a solid service-based revenue base.

In addition, there are currently inconsistencies in the facilities and service menus at each store, so it is important to unify and standardize this as soon as possible. I believe that we can improve brand value by developing a system through which all stores can provide the same quality of services.

Yamaguchi As Mr. Sakamoto says, strengthening our service areas is very important for sustainable future growth. Furthermore, it is essential to invest in "human resources" that support this. Going forward, as education and training is incorporated into the franchise chain package, there will be a need for more practical human resource development mechanisms with more visible results. For example, rather than simply counting the number of participants, such as the number of employees who can contribute to statutory safety inspections, a mechanism will need to be established for quantitatively evaluating and visualizing the results of education.

Furthermore, we expect the headquarters to strengthen the system so that it carefully determines the state of each corporation, assesses whether appropriate employee placement and education investments have been made, and offers support. If sales decline, such investments will be postponed, resulting in a reduction in service quality. It is precisely for this reason that I wish for the headquarters to be able to accurately assess the situation at stores and provide prompt support when necessary.

Q What are your future prospects?

Sakamoto The recent changes to the franchise chain package are not simply revisions to the system, but a redefining of the values and direction of the Group as a whole. They have brought about a new relationship in which the headquarters and franchisees can see the business from the same perspective and expand sales together, which is a major step forward.

However, the reforms still have a long way to go. There are a mountain of issues to address and changes to make going forward, such as strengthening maintenance and service areas, unifying stores, and further revising revenue structure. One specific example is the sales promotion activities conducted by the headquarters. The content of products and services included in flyers and direct mail has, in fact, barely changed from the past. Given that the headquarters changed the business model from wholesale to retail, this is something that should also be promptly changed from a retail perspective. It feels as though we have not yet managed to completely break free from the past. We are also approaching the implementation phase of reforms with resolve, and hope that the headquarters will continue demonstrating strong leadership.

There are still many things that must be done for the AUTOBACS Group to become a worthy industry leader. I believe that this is the time to move forward together in earnest.

Yamaguchi Mr. Sakamoto called these reforms a "challenge for survival" for the headquarters, and I think they are for franchisees as well. Now that the headquarters has made a major decision, we must also undergo real changes. If there are franchisees that are complacent with the status quo, they should use these reforms as an opportunity to change their awareness.

By viewing the reforms as an opportunity to actively engage in capital investment, human resources development, and sales promotion activities, I wish to enhance our value as franchisees and create stores that can contribute to local communities. As holders of a true shared destiny, the headquarters and franchisees will support each other and build a stronger AUTOBACS Group. In order to do so, I would like to continue sharing feedback from the field with Mr. Horii and promote the reforms together.