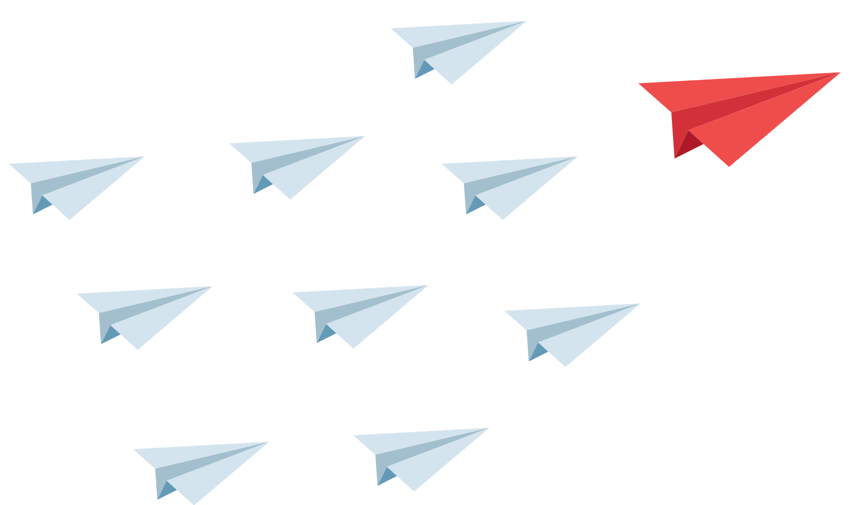
Franchise Your Business

The Guide To Employing The Greatest Growth Strategy Ever



Mark Siebert, CEO of iFranchise Group

Foreword by John Leonesio, Founder of Massage Envy

Entrepreneur Press, Publisher
Cover Design: Andrew Welyczko
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Chapter 10

Franchise Lead Generation

"You don't get what you expect unless you inspect."

—Tom Monaghan, Founder, Domino's Pizza

While having a strong message is important, it is meaningless unless you have an audience to whom you can deliver the message.

Let's start with a basic premise. Franchise sales rarely happen by accident. And while an occasional serious prospect may just wander in your door, most franchises are sold because a franchisor executes against a marketing plan designed to attract that prospect.

Our affiliate, Franchise Dynamics, sells literally hundreds of franchises a year, year after year, for concepts that have included restaurants (Newk's Eatery), weight loss (Medifast), shelving retrofits (ShelfGenie), home renovation (101 Mobility), and even indoor trampoline parks (Sky Zone). In each case, the success of their sales efforts was directly related to their marketing plans. In selling some 1,500 franchises over the past few years, Franchise Dynamics had to process more than 100,000 franchise leads—and those leads did not just happen by accident.

Budget: Let Speed of Growth Be Your Guide

The first step in creating your franchise marketing plan involves setting a budget. And defining an appropriate budget is almost always a balancing act between goals and available resources.

When I ask my clients about goals, however, I find that many business owners simply haven't given the subject much thought. They often respond with vague platitudes about "aggressive growth without sacrificing quality" or suggest they would like to open a stated number of units without having considered all the factors that go into making that decision.

As discussed earlier in this book, the best way to develop your growth strategy is to set a long-term goal (exit, business value, cash flow, etc.) and time frame (five years), translate that goal into a hypothetical business that can achieve it (100 franchises paying $30,000 a year in royalties, for example), and work backward to a more specific short-term objective (selling 12 franchises in the first year).

After creating growth goals using these kinds of measures, the franchise marketing budget can be developed based on industry averages. The annual franchise marketing budget can be arrived at simply by multiplying the desired number of franchises to be sold by the assumed marketing cost per franchise.

So, using the figure of 12 franchises to be sold in the first year, you would multiply the average cost of marketing a single franchise by the number of sales to be made ($8,000 x 12) to determine that you will need a $96,000 franchise marketing budget for the year.

Those Numbers Can Change

The 2014 Annual Franchise Development Report published by Franchise Update Media indicates that the median marketing cost per franchise sale in 2013 was $8,000 and the average cost per franchise sale was $7,503. More detailed analysis of their data (and of data compiled by iFranchise Group and Franchise Dynamics) indicates that certain factors (such as lower total investment costs, good PR, and strong validation) can reduce those numbers to below $3,000 per sale, while higher investments and/or poor validation can increase those numbers.

Since the franchise sales cycle lasts about 12 to 14 weeks (and it takes some time to fill the salesperson's pipeline with leads), the new franchisor can expect to begin recapturing that budget in 12 to 26 weeks through franchise fees. (For higher-investment franchise opportunities, the sales cycle can be substantially longer.) Still, the new franchisor trying to sell 12 franchises in the first year would be well-advised to budget at least half that amount ($48,000) in working capital for franchise lead generation, spent at a rate of about $8,000 per month.

If, after completing this analysis, the franchisor determines the plan is too aggressive or the required capital is not available, there are several choices:

- Reduce the short-term goals (e.g., try to sell six franchises in the first year and more in later years)
- Lengthen the time frame for achieving the goals
- Bring in outside capital (and increase goals to offset the effect of equity dilution)
- Alter the strategic approach to incorporate more aggressive tactics (e.g., plan simultaneous development of company-owned units, include an area development or area representative option)

Your other option is to decide how much you can afford to spend on marketing and let your budget dictate your growth. So, for example, if you can only afford to spend $2,000 a month on franchise marketing, you would plan on selling about three franchises in your first year ($24,000 divided by $8,000).

But regardless of how you get to the budget number, you need to know how much you will spend before starting the planning process, since knowing your budget will help you prioritize your ad spend. For example, if you have a very limited budget, you might want to focus on PPC advertising to the exclusion of other media, as it is easily controlled and a reliable lead generator. And while other lead generation expenditures (such as public relations) have higher close rates, they are less predictable.

Geographic Markets for Expansion

One mistake we see again and again involves new franchisors starting their process with a national franchise rollout. Often, their initial expansion is

serendipitous: they get a hot lead from Timbuktu and decide they should pursue it. Frankly, it is easy to spot a franchisor that has not benefited from professional advice just by looking at their location strategy. If they have locations all over the map, chances are they are being opportunistic and unfocused in their marketing efforts.

Many of these franchisors suffer from the misconception that there are a limited number of franchisees in any given market, and if they do not take advantage of every opportunity, it will never happen again. Unfortunately, that strategy is very likely to come back to haunt them.

The truth is that franchisee prospects are not in short supply. When you are ready to go into a new market, they will be there—as long as you know how to find them. If a franchisor adopts a reactive approach to isolated candidate leads in remote markets, it's also unlikely that they're pursuing the best candidates in that market. Focused lead generation within targeted markets will generate more leads that the franchisor can qualify to determine the candidates who will best represent its brand.

For most startup franchisors, a regionalized approach to their initial franchise development efforts has several distinct advantages while avoiding some major pitfalls:

- Initial training costs associated with franchisees are reduced when on-site training can be done locally, and corporate staff can be leveraged more effectively.
- The franchisor can minimize support costs by clustering units. Clustered units improve the efficiency of your support team by minimizing travel times between locations, thus reducing your staffing needs. And, of course, travel costs are reduced, as the franchisor does not need to pay for a plane ticket and hotel room every month (or every time a problem arises).
- Clustering locations will also provide for closer monitoring and increased support of the franchisee, increasing the likelihood of success. And the franchisor can respond more quickly (and perhaps with more people) if an issue arises requiring franchisor support.
- A local or regional strategy will provide your franchisees with consumer marketing economies of scale—again improving their business economics. And, in larger media markets, the regional group of

franchisees can afford media purchases that might otherwise be out of reach.

- In many businesses, having multiple locations in a single market will improve brand presence. The increased number of signs on the street (and the amplified word of mouth) will improve franchisee performance. In service-based businesses, multiple locations may also decrease service times and improve availability.
- At the same time, franchise marketing can be more effectively focused, reducing overall costs per sale.

The truth of the matter is that the failure to focus geographically puts most new franchisors in an untenable position. If they have a franchisee who needs additional support in a distant market, they can get on a plane, stay in a hotel, and work with that franchisee to make him successful—but they will conceivably lose money (and certainly a great deal of time) in the process. Or they can refuse the necessary support and run the risk of poor validation, decreased franchise close rates as a result, and even the risk of litigation.

With that in mind, our standard recommendation is that an early-stage franchisor should restrict its initial franchise sales to a three-hour drive radius. That way, if a franchisee needs assistance, the franchisor can get up in the morning, drive to the franchisee, provide support, and drive home in time to sleep in her own bed.

There are occasional exceptions to the rule. If a franchisor plans to expand using subfranchise, area representative, or area development strategies, the larger territories and more sophisticated nature of the targeted franchisee may argue against the more localized approach. If the franchisor is looking to do a very aggressive national rollout *and has the resources necessary to sell and support locations in multiple markets,* there is an argument to be made as well (although increased risk would still factor into that discussion). If the concept being franchised only works in a limited number of sites (such as a mall-based franchisor that requires "Class A" malls), the franchisor may need to adopt a strategy of locating sites first and later finding franchisees to fill them. Similarly, if the franchisor plans to offer only a limited number of franchises in any particular market (as might be the case for a staffing company, for example), a national approach may be more appropriate.

But with these few exceptions, the new franchisor is well-advised to take care of business in nearby markets before venturing too far from home.

Mix and Distribution of Corporate Locations

Another factor you will need to take into account will be your mix of franchise to corporate locations. For many new franchisors, the best course of action is to put the further development of corporate locations on hold as they get established as a franchisor. This approach allows you to learn the business of franchising and concentrate all your resources and efforts on this new business. Of course, if your short-term plans involve both franchise and corporate expansion, you should account for that in your marketing planning—especially when it comes to your location strategy.

There are several location strategies you can employ if you go this route:

- *The Home-Sweet-Home Strategy.* One would be to reserve markets that are "close to home" for corporate locations while franchising in more distant markets. This allows the franchisor to manage corporate locations more economically while minimizing market conflict with franchisees. On the downside, as the home market becomes fully saturated, you will be forced to open new operations in local secondary and tertiary locations, affording you a lower per-unit ROI and potentially cannibalizing sales from your existing corporate stores. This strategy also has the disadvantages of more distant franchising discussed in the previous section, so a close examination of costs is imperative.
- *The Spiking Strategy.* A spiking strategy involves opening locations in distant markets that will serve as a showcase for future franchise efforts and a hub for support. For example, a New York franchisor might open a location in Philadelphia where no franchise locations existed. That unit itself might attract franchisees and help them get local publicity. It could be used for hosting Discovery Days or other franchise lead generation efforts. And once the franchises are sold, the Philadelphia store could be used for training and support. This strategy might be accompanied by the sale of the "spiked" store as a

franchise once the Philadelphia market is saturated. That sale would then provide the franchisor with enough capital to open a new spike in Baltimore. While good from the standpoint of lead generation and support, this strategy is both slow and expensive. If you're only opening a single corporate location at a distance from your home base, it is also risky because one location is unlikely to support the infrastructure needed to oversee a remote operation. Clustering remote locations is often most efficient, as it enables you to locate stronger field management in the market.

- *The "Cherry-Picking" Strategy*. If you were to opt for a cherry-picking strategy, you would reserve either the prime markets or the prime locations within those markets for yourself. The advantages of this strategy are self-evident—you will be reserving the best returns for yourself and providing your franchisees with access to secondary and tertiary locations. This is often driven by a short-term exit strategy or the availability of assets for corporate expansion. Franchisors with limited capital may want to reserve fewer markets for corporate growth. Moreover, a franchisor with a short-term exit plan will often choose not to reinvest in additional hard assets, making it likely that it will choose cherry-picking to obtain the most return on its locations. The disadvantages to this strategy, of course, are that franchisees may be less successful, resent the franchisor, and validate poorly.
- *The "Reverse Cherry-Picking" Strategy*. While we have not seen this often, the reverse cherry-picking strategy is employed when a franchisor is asked to take subprime locations as part of a package that includes prime locations. This is occasionally practiced by mall developers—or it would be the natural result if you were to acquire a group of corporate stores with the plan to sell them as franchises. While she may not have invented the strategy, I need to give credit to Anne Beiler, the founder of Auntie Anne's, for this one. When she was forced to take subprime locations, she would often take the lesser locations for corporate stores and franchise the prime locations. While the strategy seemed illogical to many, it paid off in spades when her franchisees became super-promoters of the brand, provided great validation, and bought additional locations.

To the extent that you will be developing corporate locations simultaneously with your franchise efforts, these factors will need to be taken into account in developing your franchise marketing plan.

Narrowing Your Market

One of the most effective ways to improve your franchise marketing is to narrow your prospect profile. If your target franchise audience comprises the entire universe of franchise buyers, you will be forced to use a very general message to attract them. More important, you will likely need to advertise in general business or franchise publications, where you will be competing with many additional franchise opportunities.

Competing with other franchisors head to head is part of the business, of course. But unless you have a very compelling, very short message that will attract prospects' attention quickly, a startup franchise will find lead generation more difficult in this environment. Far better to narrow the scope of your franchise prospects, narrow the focus of your message, and advertise in media that are less saturated with franchise competitors.

Armed with this knowledge, the franchisor should actively work to narrow the buyer profile as much as possible. While intuition alone can provide you with a starting point, the best marketers supplement their intuition with primary research.

In franchising, this research can be surprisingly simple. In addition to working with consultants who have access to this research, you can do your own by speaking to franchisees of similar brands or by going to industry trade associations and speaking to other franchisors. Franchisees are often happy to tell you about themselves and their buying decisions if you know how to ask the questions, as they are accustomed to fielding phone calls from potential franchisees on the same subjects.

The Marketing Funnel

While it is almost a cliché, it is worth restating here. Sales, and in this case franchise sales, is a numbers game. The more money you spend on franchise marketing, the more franchises you will sell. Franchise marketing dollars generate leads. A percentage of those leads fill out applications. A

percentage of those will come in for meetings. And a percentage of those meetings will turn into franchise sales.

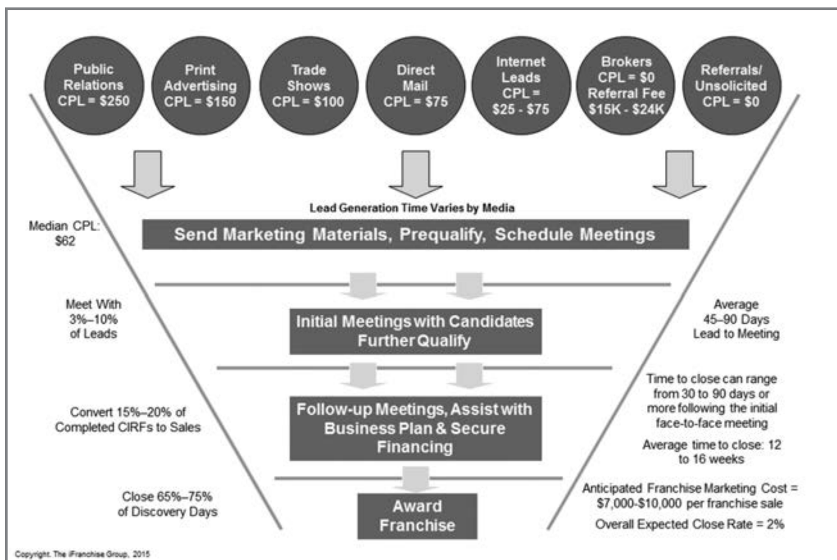
Of course, it is a little more complex than that. There are numerous sources of potential leads, and each of those sources has different associated costs and close rates.

To understand the process better, the iFranchise Group has developed a paradigm called the Franchise Sales Funnel. The Franchise Sales Funnel can help the franchisor analyze the effectiveness of current marketing efforts as well as identify areas for potential improvement. Figure 10.1 provides a visual representation.

The numbers in this diagram, which come from a combination of our own internal analysis and the previously cited annual survey conducted by Franchise Update Media, illustrate how the franchise sales and marketing process works at a general level.

From left to right (highest cost-per-lead to lowest), you will generate franchise sales leads from public relations, print media, trade shows, direct mail, the internet, brokers (who provide leads for "free" but take referral fees when the franchise sells), and referrals.

Figure 10.1: **The Franchise Sales Funnel**



Not only do each of these lead sources have different associated costs for a lead, but each will have their own associated close rates.

- Leads from brokers, which are pre-qualified, will close at the highest rates.
- Public relations and referral leads will close at the next highest rates.
- Print media and trade show leads will close at about an average rate.
- Leads from the internet will generally have the lowest close rates.

But this only tells part of the story.

Each of the lead sources has its own anticipated cost-per-lead, and each has a varying level of effectiveness. Public relations, for example, while providing extremely valuable leads, supplies them at a lower level of consistency than will the internet—which can deliver numerous lower-quality leads with great regularity.

So as much as you would like to get all your leads from public relations, referrals, and brokers, you will likely need a mix of most of the above if you hope to sell franchises with any degree of predictability.

Moreover, this is made much more complicated by the fact that the media mix that is best for some franchisors will be the absolute worst choice for others. If, for example, you are trying to sell a restaurant franchise to an experienced area development franchisee, the internet would be an extremely ineffective tool, as these prospects do not shop for franchises online. Even the best franchise-oriented trade shows will not be effective, as only about 6 percent (at last count) of their attendees had more than $1 million to invest (and most of these were not restaurant operators). At the same time, restaurant-oriented or multi-unit, food-service–oriented trade shows might be some of the best vehicles for your lead-generation efforts.

And if you were looking to sell a lawn care franchise, you might take a very different strategy.

So the Franchise Sales Funnel, in isolation, is an excellent tool for analysis, but absent either your own historical data or (ideally) the data compiled for your industry by consultants such as the iFranchise Group, it will not be instructive in and of itself. That said, in general, you can anticipate:

- Lead costs of between $50 and $150
- About 13.5 percent of those filling out your confidential information request form (CIRF) to convert to a sale
- Overall close rates of about 2 percent of all inquiries
- A time-to-close of about 12 to 14 weeks (longer when you first get started to account for the need to fill your sales pipeline)

The good news is, the more money you pour down the top of the funnel, the more franchises will come out the bottom. The bad news, of course, is that it is somewhat expensive (estimated at about $8,000 in 2014) to generate enough leads to sell a single franchise.

While we will continue to refer back to the Franchise Sales Funnel throughout the next several chapters, the important takeaways at this point are just two:

1. Franchise sales are relatively predictable, assuming a strong value proposition exists.
2. You need to track everything if you want to optimize your franchise marketing and sales efforts.

Timing

In developing your franchise marketing plan, you should be aware that timing will play a major role.

For franchisors that do not have major issues with seasonality, the franchise marketing budget can be optimized by spending advertising dollars more aggressively at certain times of the year.

Generally speaking, franchise buyers go into hibernation in November and December. At that time of year, most of us are preoccupied with the holidays and are less concerned with making life-altering decisions. Likewise, there is a period of doldrums in the heart of summer, when prospective franchisees are more focused on family time and vacations than they are with buying a business.

By contrast, January through March is prime lead-generation season for most franchisors. When January comes, it is time for New Year's resolutions and reflecting on where our lives have taken us. Moreover, the

franchise buying process always starts with something—a bonus, the lack of a bonus, the lack of a raise, a bad review, a layoff—and the beginning of the year is often filled with those special "somethings."

The spring and fall tend to bring relatively average franchise buying activity. But bear in mind that it takes about 12 weeks to close the average franchise sale, so factor that in when determining the timing of your ad spend.

That said, there are certain instances in which seasonality is irrelevant. If, for example, you are targeting multi-unit operators and area developers, chances are that they will be far less impacted by the time of year. Larger operators will have staffs dedicated to development—and it is their job to keep the business growing regardless of season.

The more complicated situation, of course, occurs when you are selling a franchise that is itself highly seasonal. Some businesses (lawn care, tax preparation, mall-based retail, Christmas lighting, driveway refinishing, mosquito abatement, to name just a few) have their own busy seasons. The seasonal franchisor is thus well-advised to account for this timing when developing its franchise marketing plan.

If the seasonality of a business is profound, the savvy franchisor will probably not want to have its franchisees opening their doors in the beginning or the middle of the season (when they might be overwhelmed) or at the end of the season (when they might struggle until the following season). Instead, that franchisor would be well-advised to have its franchisees open at a strategic interval prior to the opening of the season.

To accomplish this, the seasonal franchisor should start with the ideal opening time and work backwards into its franchise advertising "high season." In a retail environment, that might mean working backwards from the grand opening through build-out through site selection through training through the sales process. So if a mall-based retailer wanted to open in September or October to allow their franchisee some time to work out the bugs before the holiday rush, it might schedule its franchise marketing as shown in Figure 10.2 on page 215.

So in a situation such as this, the franchisor should start its franchise marketing efforts in January (which is coincidentally a good time) but

Figure 10.2: **Franchise Development Timetable**

Activity	Time Required	Earliest Date	Latest Date
Grand Opening	One Week	September 1	October 30
Build-Out and Hiring	One Month	August 1	September 30
Vet Contractors	Two Weeks	July 15	September 15
Negotiate Lease	One Week	July 7	September 7
Find Site and Site Approval	One Month	June 7	August 7
Train Franchisee	Five Weeks	May 1	July 1
Franchise Sales Process	Twelve Weeks	March 1	May 1
Fill Sales Pipeline	Two Months	January 1	March 1

complete most of its marketing activities by March 1. While there might be some minimal advertising allotted for the remainder of the year, if a fall opening is important to franchisee success, the franchise marketing budget may be highly concentrated in just those two months.

The implications for seasonal businesses are significant. Working capital requirements at the beginning of the process will be increased, as the franchisor cannot offset them with franchise fees until after it has spent most of the year's franchise marketing budget. Moreover, from a fulfillment standpoint, the organization will need to be built in a multifunctional way (or outsource certain functions) to accommodate different organizational needs throughout the year.

Of course, none of these are hard-and-fast rules. Franchisees for most systems can be recruited throughout the year, and openings for almost any

business can be accommodated out of season—as long as the franchisee is adequately prepared (financially or operationally) for the implications of this counter-seasonal opening.

But from a marketing perspective, seasonal franchises have to account for increased working capital needs (or otherwise modify their growth plans) to accommodate this need for seasonal openings.

Media Mix and the Allocation of Scarce Resources

Marketing planning is, more than anything, the art of allocating scarce resources effectively across unlimited uses for those resources. And as you begin your efforts at franchise lead generation, chances are you will be confronted with a lot of conflicting information.

Public relations professionals will tout public relations. Print salespeople will tout their publications. Internet professionals will talk about the sheer volume of leads they can drive. Brokers will rightly tell you about how well qualified their leads will be. As the saying goes, "When your only tool is a hammer, every problem looks like a nail."

What's more, all of these folks will be right. And, to the extent that they peddle the exclusive use of their particular lead-generation vehicle, all of them will be wrong.

The best marketing plans take into account several factors when allocating media dollars, including:

- Historical performance of similar franchise concepts
- Historical performance of franchises of a similar investment size
- Historical performance of your franchise marketing efforts
- The profile of the franchisee
- The message
- The size of the investment
- The value proposition of the franchise
- The complexity of the franchise (e.g., the need for more of a story)
- The franchisor's desired speed of growth
- The franchisor's budget
- Seasonality
- Franchisor growth goals

With this in mind, a comprehensive approach to how every franchisor should allocate their franchise marketing would clearly be beyond the scope of this book—and would likely be outdated by the time it is published in any event. The information that follows is intended to provide some general guidelines, but it will need to be adapted to your situation to be really effective.

Public Relations: The Power of Media

Effective public relations can be one of the most powerful tools in the franchisor's lead-generation arsenal. Because public relations does not come with a call to action and is not subject to predictable placements, the number of leads produced will likely be smaller than more traditional sources such as the internet or print media. Despite the relatively high cost per lead, however, few methods of lead generation provide the high quality of leads generated by publicity, as these leads carry the weight of a third-party endorsement.

And, depending on the nature of the placement, the results can be overwhelming. In the 1990s, a client of mine made the cover of *Entrepreneur* magazine. That story generated thousands of leads, and, over the course of the next year, the company sold 70 franchises without spending a penny on franchise advertising.

A few years later, another client, Krispy Kreme, was transformed from a regional chain to the hottest franchise in the country overnight largely as a result of massive publicity.

About that same time, my current partner at iFranchise Group was winning just about every award in franchising for his efforts at Auntie Anne's. Although Auntie Anne's has historically spent very little on franchise lead generation, the company boasts about 1,500 franchises today.

More recently, a number of our clients have jump-started their franchise sales efforts with similar fame:

- *The Original SoupMan* received national publicity long before *Seinfeld*'s characterized its founder as the "Soup Nazi"—and continues to gain worldwide attention. Just by announcing its new franchise program, the company received more than 2,000 franchise sales leads.

- *GarageTek* was featured prominently in *Inc.*, *The Wall Street Journal*, and numerous other publications and then sold 52 franchises in their first year with virtually no advertising.
- *Tasti D-Lite* was featured on episodes of *Sex and the City* and *The Apprentice* and today has dozens of locations in countries around the world.
- *How Do You Roll?* was featured on *Shark Tank* and was immediately inundated by franchise leads; it ultimately sold a major development deal as a result of the exposure.
- *College Hunks Hauling Junk* did them one better by being featured on both *Shark Tank* and *Millionaire Matchmaker*. They have more than 150 locations to show for their efforts.
- Probably half a dozen clients have been featured on *Undercover Boss*, including *Checkers, 1-800-Flowers, Subway, Popeyes,* and *Sky Zone*—and all have had remarkable success.

While the list could go on and on, the results are always the same. Publicity generates a large number of high-quality leads that often convert to franchises.

Of course, most public relations is not found on the national stage. It is local. It is in the trenches. And most of all, it is on the internet.

The internet is increasingly where people go to get their news—and because stories that run on the internet typically have backlinks, this type of PR also contributes to your search engine optimization (SEO) efforts. Our staff at TopFire Media emphasize the importance of these backlinks, pointing out that virtually every media outlet today has an internet presence—and almost every story is duplicated on their internet site either as a podcast, video link, or text story. And each of these stories contributes to your SEO through the backlinks it provides.

The first rule in generating media coverage is that you *must* have a story. The second is that you should incorporate an angle or a slant in that story that makes it unique and interesting to the reader (and editor).

So what should you do first? Unless you have people on staff with the necessary skills and background, most new franchisors will want to hire a good PR firm that specializes in franchising as soon as they can afford to do so. While most people read the day's news oblivious to how it got there,

the surprising truth is that 60 percent of "much of the news" was placed there by a PR firm.

A good PR firm—ideally specializing in franchising—will have numerous advantages over internal staff:

- They understand how to create a story that "sells."
- They have contacts within the industry who will take their calls.
- They have third-party credibility when pitching your story.
- They have knowledge of editorial calendars, as well as what has run in different publications over the past year.
- They have the ability to provide a full-time and dedicated public relations effort and can turn up the jets when a big story arises.

Moreover, a PR firm can provide public relations both for you and your franchisees with equal effectiveness, providing your franchisees with increased value when they open their doors and on an ongoing basis.

Trade Shows and Expos

As the use of the internet began to rise by the late 1990s, trade shows and expos declined in popularity. In more recent years, they have bounced back. And while they no longer generate the foot traffic they once did, many franchisors have found that the ability to get up close and personal with their prospects in a specific location can be a very strong combination indeed.

But before signing up for a variety of shows, it's important to decide which, if any, trade shows are right for you.

In determining whether a particular trade show is a good fit for your franchise, you need to start by understanding the profile of the investor you are looking to reach. Virtually all trade shows track this kind of information, so it becomes a matter of evaluating your target against these statistics. For example, if you are looking for a multi-unit food-service operator who can invest more than $1 million, you probably do not want to exhibit at a general franchise show—especially if less than 10 percent of the attendees have more than $1 million to invest.

In addition to looking at the statistics from past shows, talk to past exhibitors or consultants to determine just how effective the shows are.

Some shows are just better than others, and given the time and money involved, it is important to focus only on the shows that will generate positive returns for you. Most shows will pre-publish exhibitor lists, making a quick survey of exhibitors relatively easy, even if references are not provided.

But before you sign up for any shows, we should draw a distinction between *franchise* shows and *industry* shows.

Franchise Shows

Franchise shows cater to people who are actively shopping for a franchise opportunity or looking to learn more about franchising. These events can be fertile hunting grounds for new and growing franchisors. At the better shows, you will typically find that 75 percent or more of the attendees describe themselves as potential franchisees, and more than 45 percent of these potential franchisees have more than $100,000 to invest.

Most franchise shows attract a relatively local audience, although the larger shows in the U.S. will also attract some international attendees and exhibitors. So generally speaking, if you are not targeting franchise sales in the area where the show is located, a franchise show in that market may generate few, if any, leads that will be of value to you. (*Note*: Exhibiting at franchise shows in registration states may also require you to be registered in that state or file an exemption. Be sure to check with your attorney if there is any doubt in your mind.)

Another thing to keep in mind is that at franchise shows most of the action takes place over the weekend, when people take time off from their jobs to think about investing in their future. Since most of these prospects are local, some franchisors elect to stay an extra day after the show is over to meet one-on-one or even to hold seminars with their most qualified prospects.

And since franchise shows will expose franchise prospects to the competition, the savvy franchisor knows not to invite its pre-existing prospects to the show, although post-show seminars can be made more effective by including them in the mix.

Trade or Industry Shows

Industry shows, by contrast, do not focus on franchise buyers but instead target a particular market in which franchises may be offered. They often draw a national or even international audience. The National Restaurant Association (NRA) Show, which is held in Chicago each May, gathers tens of thousands of restaurant industry professionals for four days, while regional shows attract a similarly focused audience on a smaller scale.

While the vast majority of attendees at industry shows are not thinking about franchising, there are often enough prospects to make them very worthwhile for franchisors with a highly targeted franchisee in mind. In fact, over the years, some industry shows like the NRA Show have received enough interest that they have designated a separate Franchise Pavilion to allow franchisors to promote their opportunities.

Since large industry shows are often held during the week, attendees are eager to go home once the show is over. So seminars, receptions, or other activities scheduled for the day after the show may meet with a lukewarm response. Such events are often better hosted during the show itself.

Costs Associated with Shows

The most important thing to remember about shows—trade, industry, or franchise—is that they are all about lead generation, not sales. You will want to do everything you can to generate as many leads as possible. It is very important that the people representing you at the show have the personality and drive to actively engage with as many people walking by your booth as they can. If your team sits back in the booth and waits for attendees to engage with you, your investment in attending the show will be wasted. It is also important to limit your time with each prospect to the time necessary to build rapport and qualify them. Since a good show will provide you with a constant stream of traffic, that traffic may pass you by if you are too busy with another prospect to engage them.

One solution: bring more people to help you work the booth. This leads us to the matter of show costs.

While booth space will start at several thousand dollars, there are numerous hidden costs that need to be included in your trade show budget—and which should be accounted for when tracking costs per lead and costs per sale. Aside from booth space, you may want to develop or rent a professional trade show display. You will probably want to get extra padding under the carpet and a place to sit down with prospects. Everything comes a la carte, so be prepared.

Perhaps the biggest cost is that of travel, food, and lodging for those working the booth. While the shows will often have special deals with local hotels, there may be less expensive options. And booking flights in advance can save you quite a bit of money.

Another cost is for the printed or electronic material you provide to attendees. On the one hand, you will be meeting with prospects who just met your competitors, so you will want to put your best foot forward. On the other, with hundreds of prospects stopping by over a four-day period, you could go through a small fortune handing out brochures that cost $3 or more apiece. One solution: Pass out your mini-brochure or small handout to all the "bag stuffers" who pass your booth, but keep a supply of your full-sized brochures under the table to pass out to your more serious prospects.

All told, you can probably expect to spend $10,000 or more on a typical trade show if multiple people will be attending.

Print Advertising

When it comes to franchise sales, print advertising is not dead. Almost . . . but not quite.

Print advertising can be effective in certain instances, but given the associated costs, the savvy franchisor needs to be very careful about where that money is spent.

There are, for example, some franchise directories that compile lists of franchisors that can be effective. And there are certain franchise-specific or industry-specific publications that can also be effective, depending on the profile of your targeted franchisee. So print should not be entirely overlooked.

That said, print tends to have higher costs per lead than most other forms of advertising. And from a close rate standpoint, it is about the middle of the

pack. So for most franchisors, print would not be at the top of the priority list—and if you have a limited budget, it is not likely to make the cut.

Unfortunately, when it comes to print, one of the big problems is measurement. These days, when someone sees a print ad and wants to know more, they usually turn to the internet. So while the print ad may have generated the interest, the lead source may appear to be an organic search or direct traffic (the people who type your URL directly into the browser).

The advantages to print, of course, are that you can convey a longer message in a medium that itself will have some shelf life. Print is often easy to localize if you are not looking at a national rollout by focusing on local publications and/or regional editions of national publications. And the circulation of a print publication may be increased by the "pass around" value of the magazine (either at trade shows or just among friends and colleagues) and further enhanced by the ability to tear out and file something for later reference.

So in making a decision about the value of print, the savvy marketer will need to do more analysis than simply measuring the cost per thousand (CPM), cost per lead, and cost per sale.

Direct Contact, Direct Mail, and Cold Calling

Some franchise marketers have shunned direct contact strategies as time consuming and inefficient, due to their low close rates. In years past, the rule of thumb was that a direct-mail piece might be expected to achieve a 1 percent response rate. So once you figure in the cost of buying or renting a mailing list (at a cost of 5 cents to 50 cents per name), materials, and labor, a list yielding 1 percent might generate a cost per lead of $100 to $150—which is not bad for a franchise lead.

But depending on the nature of your targeted franchisee and your proficiency at direct mail, it may, in fact, be much more effective. For example, a 2012 study by the Direct Marketing Association indicated that direct mail achieved an average 4.4 percent response rate for business-to-business and business-to-consumer mailings. And obviously, that level of response would cut your cost per lead to a quarter of the estimate above—a very attractive CPL indeed.

Response rates, of course, will be influenced by a number of factors, including:

- List quality
- The targeted nature of your franchisee
- Personalization
- The quality of the message
- The quality of the materials and inserts
- The size of the envelope
- Timing

The next question you may want to address is whether to use direct mail or email. Email campaigns are typically much less expensive as you forgo all the mailing costs and most of the labor, but they generally have much lower response rates.

And, last but not least, there is the question of cold calling. Linda Brakel, the former vice president of franchise operations at Bath Fitter, once told me she sold 40-plus franchises using cold calling alone because at the time, Bath Fitter was "such a new concept that it needed to be explained."

Often, a combination of these techniques can have a synergistic effect. Robert Stidham, president of Franchise Dynamics, has found that a combination of direct mail and cold calling can substantially increase lead yields if done right.

Of course, it is important to understand that direct contact strategies in markets like the U.S. and Canada are regulated. And given the vast chasm between a direct-contact strategy that is well done and one that is not, direct contact is often best done through a specialist who will improve close rates.

The Internet

Perhaps more than any single other factor, the internet has helped level the playing field for the new franchisor. Never before could someone get the message of a new franchise to such a broad market so quickly. And seriously, if you were considering the purchase of a franchise, where would you go to do your research?

Today, a startup franchisor can create a website over a weekend (not a very good one, of course), run pay-per-click (PPC) ads on the first page of Google results for targeted keyword searches, and be talking to prospects by Monday. And while the ability to maintain a top position on PPC ads will be limited by your budget and desired keywords, your website can be just as impressive as the one used by McDonald's. Especially in markets where there is not yet a well-established brand, new franchisors can dominate a niche very quickly.

By virtually all accounts, the internet represents the single biggest lead source for most franchisors. Some report they receive more than two-thirds of their leads from the internet. *Indeed, some franchisors spend virtually their entire franchise marketing budget on the internet.*

But when it comes to franchise marketing, calling the internet a marketing vehicle is almost as meaningless as saying, "You need to advertise." The fact is, there are a number of very different strategies for marketing your franchise on the internet.

Today's franchise marketing professional needs to take many different forms of internet advertising into account when allocating a budget:

- Search engine optimization (SEO)
- PPC advertising and remarketing
- Web portals and other site-based advertising
- Social media

Moreover, the internet has created a new way to calibrate time. Internet years are the inverse of what people used to call dog years—with everything changing seven times (or more!) faster than time in the rest of the universe. In fact, things change so quickly on the internet that almost anything specific that is written here may be outdated by the time it is read. So I will stick to generalities.

Search Engine Optimization

SEO is one of the single most critical steps a franchisor can take to increase lead flow. Generally speaking, SEO is the art of helping position a website so it comes in at the top of organic (nonpaid) search results. These efforts (and most related statistics) generally focus on Google, as it is currently responsible for 64 percent of all search activity in the U.S.

Why is SEO so important?

According to estimates from an advanced web ranking study by Google Webmaster Tools in 2014 (https://moz.com/blog/google-organic-click-through-rates-in-2014), more than 71 percent of Google searches generated clicks on the first page of results. Pages two and three combined get less than 6 percent of all search clicks. Moreover, according to the same study, the first five search results get an astonishing 67.6 percent of all clicks. A slightly older 2010 study by Optify indicated that the top five organic positions received 72.4 percent of organic clicks. Various other studies over the years have shown similar results. Moreover, these studies have shown that the top spot alone receives between 36 percent and 46 percent of all clicks!

The bottom line: If you are not at the top of search results, the odds are two to one against your being found. And your odds are only about 50/50 if you are not one of the top two organic positions.

It is also important to know that SEO is a moving target. Google, for example, is said to make 400 to 500 changes to its search algorithm each year—some minor and some very important. In the fall of 2013, for example, Google rolled out the biggest change to its search algorithm in more than a dozen years. This change (dubbed Hummingbird, for those of you who want to Google it yourselves) has greatly changed the focus of SEO strategies, so if your site has not been overhauled since then, it is almost certainly out of date.

Today, according to a 2014 Ranking Factors Study from Searchmetrics, the five biggest factors affecting search results are:

1. *User Signals.* Clickthrough rates, average time spent on the site, bounce rate, etc.
2. *Coding.* URL length, position of keywords in the title, keywords in the description, existence of H1 and H2 title tags, and the overall speed of the site. Less relevant since the Hummingbird introduction are keyword domains and keyword density.
3. *Content.* Internal links, number of words, number of keywords in the copy, the presence of keywords in external links, the presence of keywords in internal links, and the number of images and videos. Negative correlations include—somewhat surprisingly—the

use of keywords in H1 and advertising (even Google AdSense PPC ads).

4. *Backlinks.* The absolute number of backlinks, the SEO strength of backlink URL, the length of the anchor text, and the percentage of backlinks containing keywords. There is a huge disparity between top-ranking sites looking at this factor in isolation. Using major keywords, Searchmetrics found that the number-one page rank contained more than 6,000 backlinks, whereas the 30th page rank—the last result on page three—had only about 167. So if you do not have a backlink strategy, you should get one fast. While you might need 6,000 backlinks if you want to optimize around the word "franchise," you will not need that many to rise to the top of page one if your search terms are narrower.
5. *Social Media.* Even if you believe social media is not a huge source of franchise leads in its own right—and I would argue most are just doing it wrong—there is no disputing its strong positive SEO correlation. Again according to Searchmetrics, seven of the top 11 SEO correlates involved social media signals, including Google +; Facebook shares, post totals, comments, and likes; Pinterest; and tweets (not to mention local SEO techniques such as Google Places).

If these criteria read like Greek to you, you will need to hire a professional who understands both SEO and the web if you are to attract qualified franchise candidates in significant numbers online.

Moreover, SEO efforts have to be ongoing. Optimization is largely about an active social media presence and fresh content. And, since your competitors are constantly trying to improve their sites, you may need an active optimization effort just to stay even.

So why not just avoid the hassle and stick to PPC advertising?

While PPC can get you to the top of the first search page, it cannot make people click. In fact, another recent study published by Econsultancy used a sample of 1.4 billion clicks to compare organic to paid search. What it found was, frankly, astounding. In the study, 94 percent of the clicks went to organic search and only 6 percent went to PPC. So clearly, PPC alone will not absolve you of the need for a strong SEO effort.

Franchise Web Portals

Another way to reach the franchise buying public is through web portals—sites that are specifically designed to advertise franchise opportunities. These sites, some of which use a pay-per-lead model and others of which simply sell flat-fee advertising, can provide the franchisor with significant lead flow.

In fact, according to Franchise Update Media, online portals were ranked as the top sales producer on the internet—accounting for 35 percent of internet sales in 2014. In that same study, franchisors reported that online ad portals were their single biggest source of internet leads.

And in many respects, these portals are perfect for franchisors. Prospective franchisees can sort through a wide variety of franchise opportunities to find those that suit them best. Franchisors often pay only for the leads they receive. You can customize who sees your ad based on geography. And franchisees will often self-select their investment range—providing you with a further level of qualification.

Unfortunately, all is not a bed of roses when it comes to portals. Our anecdotal experience and the statistical information we have developed at iFranchise Group, Franchise Dynamics, and TopFire Media indicate that portal leads have some of the lowest overall close rates in franchising. Moreover, portals that use a pay-per-lead model thrive by getting prospective franchisees to request information from multiple franchisors (thereby getting paid multiple times for the same visitor), so you are virtually assured that any lead you get from a portal is also looking at numerous competitors.

Then you will have to deal with choosing the best portals for your franchise. There are more than 100 web portals that advertise franchise opportunities, and most of them have different rate plans (depending on the area you want to target and the prominence of your ads, among other factors). Most of them will negotiate on price. Some are pay-per-lead and some are flat-fee. Some provide statistics on unique visitors and others provide information on page views. Some have content and some do not. Some actively drive traffic to their sites through SEO and PPC while others do not. And almost all of them are continually looking to improve their performance vis-à-vis their competitors—so today's best performers may not be the same as tomorrow's.

In short, all portals are not created equal. And since advertising on 100-plus portals would be tremendously expensive and hugely inefficient, franchisors that do not have access to databases of franchisor performance on these portals must make these decisions by trial and error.

Pay-Per-Click Advertising

PPC advertising with search engines such as Google and Bing constitutes the majority of some franchisors' internet ad budget. While PPC ads will typically underperform SEO results, they do have the advantage of getting you seen on the first page of search results. And if your choice is an ad on page one or an organic link on page two, the ad will almost always generate more traffic.

A PPC advertising campaign can be launched in less than an hour with no more than a credit card. Simply set up an account with the search engine, choose a budget, set some keywords, bid on them in an auction-like setting, write a short ad, and choose a landing page, and voilà!—instant leads.

But like most advertising, it's never that easy. The position of your PPC ad (just like your organic position) will influence your clickthrough rate. Your PPC position will be influenced not just by your keyword bids, but by competitor's bids, ad content, clickthrough rates, and other factors. And your choice of a landing page will influence capture rates for these ads.

The emergence of remarketing campaigns (where a cookie is attached to your website, causing display ads to follow visitors around the internet) has been another new development that has improved PPC performance.

And while performance-based advertising sounds great in theory, the evolution of click fraud has meant disaster for some franchisors. Click fraud can occur when ads run on affiliate sites that receive a portion of the revenue when visitors click on those ads. Some unscrupulous operators have set up sites and then paid people to simply click on ads all day long—providing them with revenue and some franchisors (and others) with big bills that resulted in no legitimate leads.

Moreover, unless you have an unlimited budget, it is almost impossible to maintain a top ranking if a competitor is intent on being listed first on a particular keyword. That is because bid rates and budgets

are set independently. Thus, a franchisor with a $100-per-day budget can bid $25 per click and—until their budget runs out—their ad will be served above the franchisor with a $200-per-day budget who pays only $10 per click.

This PPC conundrum can be exacerbated by chasing your competitors up the ladder on bid rates. If the top bidder for a keyword is offering $20, you would have to pay more than that for the number-one position, but if the next bidder on that keyword is at $2, you could come in between them to snag the number-two slot for a mere $2.05—so deciding which strategy is best for a particular keyword becomes much more complex.

And since search engines do not publish competing bids, optimizing your PPC advertising involves extensive trial and error: keywords must be identified, inserted, and tested; ads developed, coded, and tested; landing pages developed and tested; bid rates adjusted and readjusted; ad positions analyzed and reanalyzed—and this may need to be done for hundreds of keywords. Beyond that, inefficient keywords need to be discarded and negative keywords need to be added based on an ongoing analysis of your leads (you would not want your ad to show, for example, if someone is searching "Chicago Bears franchise," but you might want to be shown for "Chicago franchise").

The bottom line: "Set it and forget it" is not a winning strategy when it comes to PPC advertising.

Social Media

Social media is a relative newcomer to the field of internet lead generation.

At recent IFA conventions, virtually all the sessions and roundtables dealing with social media were spilling out into the halls. By some estimates, Facebook alone has nearly 1.5 billion active users and LinkedIn (often the better choice from a franchise marketing perspective) has more than 97 million. So with such huge audiences, it is easy to understand what all the fuss is about—assuming you can crack the code of franchise marketing on these sites.

The problem is that far too many franchisors view social media as an easy opportunity for free publicity that can drive leads. But marketing on social media is neither free nor easy—and the sheer number of people using

it does not dictate the size of the opportunity. And nobody wants to see posts that are simply self-promotional.

Social media is all about engagement. But engagement happens one-on-one (or perhaps in focused groups), where you can encourage conversation. So your marketing needs to focus on providing information that is of interest to a particular audience and building credibility with that audience. Ideally, you will get others who share your viewpoint to pass your message along, lending you third-party credibility.

Consider the difficulty of optimizing social media marketing efforts. Wikipedia lists more than 600 social networking sites—and that list does not even include sharing sites like YouTube or SlideShare. It does not include blogs, RSS feeds, social search sites, or social bookmarking sites. Moreover, many of these sites have dozens of different apps (Twitter alone has more than 500) designed to make your social networking life "easier."

Clearly, if you want to have a meaningful presence on social media, you would need several full-time people. For the vast majority of franchisors, that kind of commitment is simply out of the question—especially if the effort is focused solely on franchise lead generation.

So for those of us in the real world, the key to success is to have and execute a highly focused plan. That starts by understanding that having a random listing on LinkedIn and a Facebook page is not a plan—it's a prayer.

When you first start out, take care to make the right choices and employ the right techniques:

- Inbound links from social bookmarking sites can increase your site's traffic—and simultaneously boost its organic SEO efforts—but they have to be from the right sites.
- Publicity on blogs can enhance a franchisor's reputation—but, of course, they have to be the right blogs and it has to be good publicity.
- Fan pages and recommendations can build credibility and traffic—but only if you are clever enough to generate a substantial number of followers.
- Videos posted to sites like YouTube, Yahoo! Screen, and other video sites that have business channels can increase traffic while

building credibility—but they may only be seen if they are first optimized.

- Just to complicate matters further, a franchisor looking to build traffic or gain more attention can use PPC advertising on social media sites to gain followers or otherwise encourage specific action.
- And, of course, a franchisor's effective use of consumer-facing social media will demonstrate to potential franchisees that it understands cutting-edge marketing techniques.

Often, the first strategy a new franchisor should employ is to create a blog to disseminate news and commentary relevant to the franchise. Blogs can be used as the hub of a social media strategy, with content created on the blog pushed out to the social media channels you choose to optimize.

The next part of your social media strategy needs to focus on obtaining followers—and, in particular, the right followers. One of the great things about social media channels like LinkedIn is that you can target very specific people for your connections. So if you are targeting people from a certain geographical area with specific experience in your industry, you can easily identify and connect with them on social media.

But of all the forms of internet lead generation, social media is often the least understood. First, many people look at social media in a vacuum—believing that if it does not generate franchise sales, it does not deserve consideration as a part of your lead-generation budget. But at the risk of being redundant, remember: *Seven of the top 11 SEO ranking factors involve social media signals!* So to evaluate social media without taking its SEO impact into account is somewhat misleading.

The simple truth is that most franchisors do not execute proper social media strategies. This lack of engagement is again brought into sharp relief by the previously cited study from Franchise Update Media. That study found that 73 percent of respondents did not have a franchise page on Facebook and only 13 percent responded to negative reviews. It also showed that 69 percent of franchisors had no LinkedIn group and 67 percent posted on social media less than once per week.

Despite this lack of effort on the part of most franchisors, about 17 percent of the franchisors who participated in the survey reported that they could attribute sales directly to social media, with each franchisor averaging

about 4.5 franchise sales through this channel. (Blogging and LinkedIn accounted for more than two-thirds of these sales.)

For franchisors who know the ropes, social media can clearly be an effective lead-generation tool above and beyond its relevance to SEO.

Referrals

In franchise sales, not all leads are created equal.

While the internet is the most prolific producer of franchise sales leads, if you really want to see a salesperson's eyes light up, start talking about referrals. By that, we mean recommendations by existing franchisees, suppliers, or other people "in the know" about the value of your program. Also include people who have seen your operation and are so impressed that they inquire about your franchise program—even though they were not technically referred by anyone.

Leads from genuine referrals have some of the highest close rates in the industry. Prospects who come to you through a referral almost always have a greater level of interest than other prospects and are far less likely to aggressively "shop" your competitors. Moreover, referral leads view the franchisor with greater credibility and are thus easier to close. In fact, in the previously cited Franchise Update Report, referrals were mentioned as having the highest close rate—almost three times as frequently as the next highest lead source.

But as valuable as these leads are, they are often not developed to their full potential. So what does a franchisor do to turn up the volume of these top-quality prospects?

The best generator of quality referral leads will ultimately be successful franchisees who have already invested in the system. The number and quality of referrals generated by the franchisee community will be in direct relation to the success franchisees enjoy and the franchisees' respect for the franchisor's support organization. Moreover, successful franchisees who trust their franchisor will also want to open more locations themselves and be less inclined to look for new business investments outside their current franchise system.

Any good franchisor should also inform its staff and relevant business associates about the advantages of the franchise, the skills it is looking for

in its franchisees, and the costs of the program. They should ask employees and other associates to provide the names and relevant contact information of prospective franchisees. Our clients have struck gold by targeting their employees, customers, dealers, salesmen, bankers, and even attorneys! Each of these groups is likely to have a good knowledge of the business and the management team behind it, providing solid credibility in the sales process.

Note that you do not need to have a long-standing relationship with someone to turn them into a referral source. Some of the best referrals may come from people you have only recently met. One great source, when you find it, is the franchisee of a noncompeting system who is looking to join your network. Not only is this person likely to be financially and operationally qualified, but chances are they know dozens of similarly situated prospects who would be eager to hear about a great business opportunity.

In short, every new contact can be a source of referral leads. So it boils down to two simple steps: Network at every opportunity, and ask. Blasting away with the internet will certainly generate plenty of leads and somewhere in the mountains of ore, you will eventually find a nugget or two. But to grow as fast as you can, stake your claim around several strong veins and mine them for all they are worth.

If you already have a number of franchisees in place, recruit them as a source of referrals. Typically, they are proud of how smart they were to have joined your network and of what they have accomplished, so they are usually thrilled to talk to prospects, especially if the prospect is in a different region. Such franchisees are some of the best salespeople you will ever find. They love to talk about their businesses, and they have instant credibility with prospects who will know their enthusiasm is based on real experiences.

If you are targeting a market near a qualified franchisee, call him and discuss your plans to add a new neighbor. Some novice franchisors may fear this call, thinking the franchisee may complain he is being encroached upon. But this call provides you with an opportunity to emphasize what everyone will gain from network expansion. Educating your franchisees about the advantages of system wide growth—increased buying power, advertising power, brand awareness, and support services, and an improved

ability to resell their business—will often soften the blow while depriving them of the chance to complain that they "never knew." Since you will need to make the call eventually, it is always best to make it early.

Moreover, when you make that call (ideally before you have identified prospects for that market), you may find the idea of selling an adjacent territory is enough to spur the franchisee to multi-unit ownership. In fact, the best franchisors often start talking with franchisees about their plans to add units from day one, even if they are not operating on an area development contract. They train their field support team to discuss this option on a regular basis and, assuming the franchisees are deemed capable of growth, coach the franchisees on the management, performance, and financial requirements they will need to be eligible for growth.

At the same time, this call provides an opportunity to ask the franchisee if he knows anyone who would be a good prospect for that territory. Assuming your franchisee does not want to invest himself, he may provide you with referrals to friends or relatives who might. Your franchisee certainly has as good an understanding as anyone of what it takes to succeed in your business, and by having input into his new neighbor, he is far more apt to develop a collaborative relationship with them.

One way to further motivate people to provide these referrals is to pay referral fees for franchisees that end up signing with you. While there is nothing illegal about these fees, and many franchisors use referral programs, they may trigger some disclosure obligations—so be careful to speak with your franchise attorney before implementing them. Moreover, if you are thinking about paying referral fees to your franchisees, you will need to exercise extra caution. Franchisees are generally not bound by the same disclosure rules as you are, so they can speak openly to franchise prospects about sales and earnings. But if you compensate your franchisees for referrals, there is an argument to be made that they now have a conflict of interest and should not be having this discussion. So again, speak to your franchise attorney about how such a situation might work if you want to offer referral fees.

Finally, aside from networking to generate referrals, be sure you are leveraging all your other assets as well. If you do consumer marketing, make sure you mention "franchises available" somewhere on each ad.

Whether you have a menu, a placemat, or a physical store, always look for opportunities to spread the word.

Brokers

Many people confuse franchise sales outsourcing companies (such as Franchise Dynamics) with broker networks (such as The Entrepreneur Authority). In fact, they are two entirely different types of organizations.

Franchise brokers, also known as Lead Referral Networks (LRNs), have one basic role: to provide prequalified leads to associated franchisors, generally in return for a success fee that is paid once the sale closes. A typical broker will represent numerous franchisors—often hundreds of them—and will act as a matchmaker by finding and funneling prospective franchisees to franchise companies that are a good fit. And while a broker can add some third-party credibility, once the selling starts, the broker will exit the picture and leave the heavy lifting (i.e., making the actual sale) to the franchisor. Thus, the broker is not part of the franchise sales process, but is instead an extension of the franchisor's advertising budget.

Creative Broker Compensation

In recent years, broker networks have become increasingly creative in their compensation structures. Some require entrance fees to join their networks. Some mandate monthly fees or participation in their annual conventions. Some encourage sales spiffs (think cruises!) or even contests provided to individual brokers who achieve certain performance objectives. And some ask for a piece of the royalty as ongoing compensation. While the iFranchise Group works with many reputable brokers, we *strongly* advise our clients to avoid any brokerage company that asks for a piece of the royalty or any other ongoing compensation. Such compensation is entirely unjustified and will place a significant long-term burden on the company.

Programs targeting rapid franchise expansion may benefit from the use of LRNs in the sales

process. This outsourced form of franchise lead generation provides the benefit of a variable cost structure, but with average success fees ranging $15,000 or more, these brokers can be far more expensive than internal lead generation.

Still, from a franchisor's perspective, brokers offer some notable advantages. While some brokers will take fees to accept a franchisor into their network, most are paid only once a franchise is sold, providing some comfort in the pay-for-performance nature of the relationship. Moreover, franchisors do not have to pay these fees until after they have received the franchise fee, which provides some cash flow advantages.

Additionally, each broker lead will come to the franchisor prequalified. These prospects take much less time and effort in the franchise sales process and close at a much higher rate than virtually any other type of lead. Franchisors who work closely with brokers can also use them to obtain feedback from the prospect and guide them more effectively through the sales process.

That said, brokers are not without their disadvantages.

Foremost on the list of disadvantages is the fact that although brokers are not directly controlled by the franchisor, they can make representations that may subsequently expose the franchisor to liability, claims of fraud, or franchisee dissatisfaction. With this in mind, prudent franchisors will make it their responsibility to monitor how the brokerage network is representing them, provide the brokers with ongoing training and feedback, and ensure that potential franchisees are fully informed about the franchise from the franchisor's perspective.

Brokerage networks are not a magic pill for lead generation. They take work. Franchisors who rely heavily on brokers will often spend money to attend or sponsor conventions for each brokerage network and develop formal communications plans to keep their concepts "top of mind" within their broker networks.

And, of course, brokers do not substitute for an internal sales force. Once the lead is generated, the franchisor remains responsible for the franchise sales process. In most cases, that will mean paying a sales commission to the franchise salesperson over and above the brokerage fees generated by that sale.

And, as was mentioned above, a broker lead is already more expensive than the cost of advertising for a lead internally.

Finally, being represented by a broker (or several, as they generally do not require exclusivity) is not a guarantee of franchise sales success—or even of increased lead flow. Sometimes, as the new franchisor on the block, you may find yourself with little brokerage action despite major expenses. Individual brokers within each network want to send leads to franchisors that will close deals (or that pay higher commission rates), so getting on an individual broker's short list may be more difficult—especially for newer franchisors.

In deciding whether to use brokers, factors to be considered include the aggressiveness of your franchise sales goals, the size of your marketing budget, the desired geographic coverage, and your willingness to monitor the brokerage network closely. Select your brokerage network (or networks) with the same care you would use in selecting an in-house franchise sales force.

The bottom line: While brokers can be a tremendous boon, driving high levels of franchise sales for some franchisors, they are not right for everyone. They should be viewed as a means of supplementing franchise sales leads, not as the exclusive mechanism for generating those leads.

The Importance of an Integrated Approach

Before leaving the subject of media selection, we should touch on the need for an integrated approach to franchise marketing efforts. All too often, we see franchisors taking disjointed approaches to their franchise marketing—to their ultimate detriment.

This is often most evident when it comes to messaging. The public relations firm hired by the franchisor tells one story. The website developed by their internal webmaster tells a second story. The brochure created by their ad agency tells a third. And so on.

The problem is that in today's interconnected world, all the different stories ultimately end up on the web, and these disjointed efforts fail to communicate the brand position the franchise hopes to occupy. Moreover, the lack of a coordinated approach can also impact lead generation efforts based on media choices.

If you have a limited franchise marketing budget (and who doesn't?), remember that every marketing professional you speak with will have their own ax to grind. And while there will likely be some truth in each of their sales pitches, you will need to be the ultimate arbiter of how you allocate your marketing dollars.

The best franchisors feed what is working and starve what is not—knowing that what works today may not work half as well tomorrow.

Measuring Results

As with all marketing, you need to be able to measure results to ensure your dollars are working to produce quality leads affordably.

As a franchisor, the most meaningful measure of success is cost per franchise sale—which in today's marketplace range between $7,000 and $10,000. But unfortunately, cost per sale is one of the least effective means of measuring success, especially for new franchisors. This is a result of the "law of small numbers."

To illustrate this law, imagine you have two sacks, each containing 100 marbles. In Sack A, there is one black marble and 99 white ones. In Sack B, there are ten black marbles and 90 white ones. If you drew a black marble from Sack A on your third pick while failing to draw a black marble in three tries from Sack B, you would be inclined to believe that Sack A was a treasure trove of black marbles and Sack B was a waste of time. The problem, of course, is that a single anomalous event has skewed your beliefs because your sample size—three marbles—was not large enough. And in determining an adequate sample size when dealing with small numbers, proper statistical methods dictate you must base the sample size on the number of occurrences of the desired outcome (black marbles), not on the size of the universe (all marbles in the bag).

Why Cost Per Sale Can Differ

There are a number of things that will influence your cost per sale—investment size, experience, quality of marketing materials, messaging, and sales process, to name a few—so your numbers may be different.

For this reason, other measures with greater accuracy must be used in determining results. So while you should certainly track cost per sale, when it comes to media buying decisions, we recommend you also track variables like cost per lead (by media and media type), cost per application, close rate (by development officer), and speed to close. Then, on a quarterly basis, weed out the bottom 10 to 20 percent of your marketing performers and substitute in alternative media.

If you are new to franchise marketing, your best bet is to work with professionals who have a database of this information. Absent that database, you will need to develop an estimate of that information from a variety of public and private sources.

A Shameless Plug

At the iFranchise Group, we have access to the data collected from our clients and affiliates (Franchise Dynamics and TopFire Media) representing hundreds of thousands of leads generated from virtually every franchise-oriented media in North America—and we can parse this data based on a number of relevant factors to provide our clients with marketing solutions that work.

For example, in trying to measure the effectiveness of websites prior to advertising on them, you could obtain information from the media representatives themselves. Or, if you find they are not providing you the information you need in a measurable format, you could go to TrafficEstimate.com and type in the websites you are comparing. Then simply divide the monthly advertising cost by their estimated traffic divided by 1,000, and you can generate a measurement tool to calculate cost per thousand (CPM) visitors. Similarly, you can measure site quality by going to Alexa (www.alexa.com), which provides its users with an estimate of page views per user—and of course, the more page views, the better your chances of being seen.

Critics (and salespeople) may argue these are only estimates, not precise numbers. But in the absence of better information, it is a start. In a recent study, CPM numbers ranged from $7.40 to $263 for two similarly priced sites—and the lower-priced site actually showed page-

view estimates that were twice as high as the higher-priced site! It doesn't take a genius to figure out which of these sites is likely to generate better results, yet the latter site continues to attract advertisers.

Another method involves measuring capture rates on custom landing pages. Even without that effort, you can approximate the number of leads generated by applying your overall capture rates to inbound hits generated by a site, allowing you to derive a rough cost-per-lead measure. Your PPC capture rates, which are derived on Google by placing a cookie on the appropriate pages, can serve as a rough proxy in this calculation. The use of the free Google Analytics program can also help you measure key indicators across PPC campaigns (including total clickthroughs, conversions, costs per click, costs per conversion, and clickthrough and conversion rates).

The performance of specific inbound links can be measured through "link coding," in which the link string can identify the specific source even when the click came from a generic source such as Google PPC. A franchisor's capture rate can then be measured with a relatively simple formula: divide the total number of leads generated from your website by the number of visitors to the franchise section of the site.

Once you have established a baseline performance, you can alter variables to optimize performance. For example, you may choose to change the text or landing page (i.e., the first page visitors see on your site), or even create a series of landing pages for different inbound links. You may alter the text in your PPC ads on a keyword-specific basis. But whatever you do, remember to measure the results and make changes designed to produce improvements. And remember the law of small numbers: Each test must be large enough (i.e., long enough) to provide you with a meaningful measure of impact.

THE BOTTOM LINE

Marketing Done Right Yields Predictable Results

Franchise marketing is nothing if not frustrating. You need to generate large numbers of leads that have very low close rates to be successful in franchise sales—and if you do not know what you are doing, you can spend a lot of money on trial and error.

But if you develop a plan based on a carefully crafted message and a good understanding of your franchise candidate, you will certainly generate leads. And if you have a good concept and continually measure and refine your results, your marketing efforts will generate prospects who will be ready—even eager—to buy your franchise.

The only thing that will be left for you to do is . . . sell them.