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BEST PRACTICES FOR FRANCHISE MARKETING & SALES:
Insider Tips to Improve Your System's Results

The Biggest Challenge in Franchising

If you're like most franchisors, one of the biggest if not *the* biggest challenge that you face is selling franchises. It's not surprising, given there are over a hundred different franchise portal websites, dozens of trade shows, multiple publications, and a plethora of other media to choose from just to promote your franchise opportunity. And never mind the internal intricacies and logistics of managing leads as they come in, and working them through the process toward the final goal: converting to a sale upon signing of the franchise agreement.

So, how do you as a franchisor, whether you're new or experienced, make best use of all the various tools and resources — both internal and external — to reach your established sales goals?

In franchising, most of us pride ourselves on the use of processes: Checklists. Key Performance Indicators. Operating procedures. Detailed manuals.

Yet, when it comes to marketing and selling those same franchises, all too often the approach lacks that same commitment to systemization. For some reason, many franchisors fail to realize that a systematic approach to the art of marketing and selling franchises can significantly improve the odds of success.

The following sections, covering key topics in **best practices for franchise sales and marketing,** are based on combined decades of experience across multi-faceted, affiliated firms, with experience in franchise consulting and implementation, and practice in traditional and digital marketing strategies.

The ultimate goal is to provide franchisors with a blueprint for navigating the franchise success cycle efficiently and effectively:

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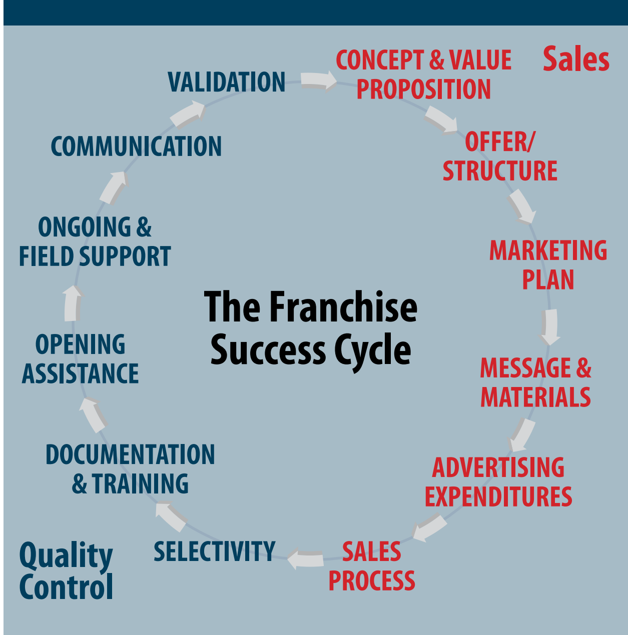


The All-Important Website: First and foremost, if you are going to market your franchise effectively to potential buyers, you need a solid, optimized website for lead capture purposes.

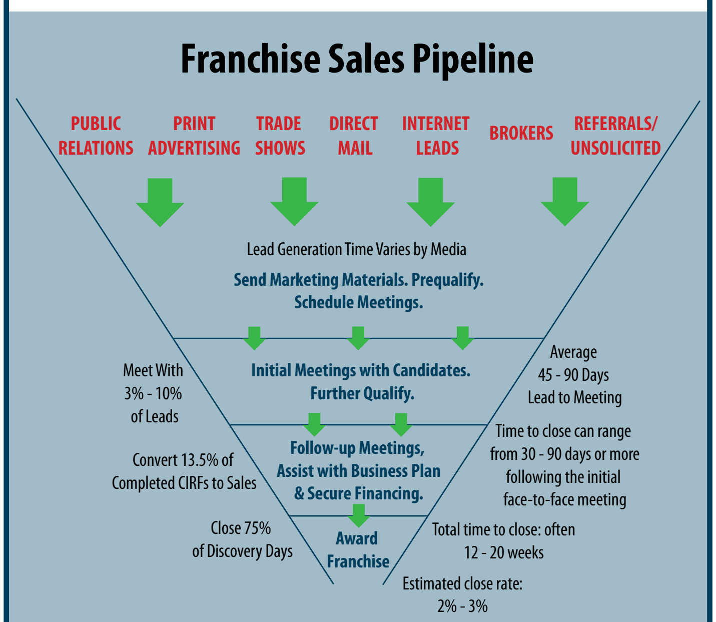
Keep in mind that focusing solely on your website's visual appeal can be a recipe for disaster: many websites focus on flash over substance, and provide either too much content or content that isn't properly optimized. Instead, savvy franchisors must develop a plan for developing an effective website, with the goal to do more than just increase unique visitors. It must be designed to be responsive, with mobile users in particular in mind, so that everyone gets the same experience on the site, no matter where they're viewing it (on a computer, phone, or tablet). It must create effective calls-to-action, it must increase the length visitors stay on your site, it must be designed to convert traffic, and it must improve franchise lead capture rates.

Other Collateral Materials: You will also need to develop coordinating marketing tools that will help you sell your franchise opportunity, once you get leads into the funnel*. Designing powerful sales tools to put your business in the best possible light and that are also legally compliant is important for communicating program details and building credibility in the eyes of prospective franchisees. Whether it's a set of printed franchise brochures or video that introduces your concept, materials should be the highest possible quality on all fronts — copy, design, imagery, production materials.

A Solid Marketing Plan: You will need to develop a franchise marketing plan to optimize your franchise advertising budget and ensure that you will generate an adequate number of franchise leads to meet your franchise sales goals. There is no substitute for experience here. With literally hundreds of web sites and publications targeting franchise prospects, you will need to spend your money wisely and carefully track the results. You will be well advised to seek the counsel of development professionals.

* Franchise Sales Funnel: Building the Pipeline

The franchise sales process is perhaps best visualized as an ever-narrowing funnel of more and more qualified prospects, generated from seven primary lead sources. It is important to note that different lead generation sources tend to have different close rates.



The New Wave in Franchise Marketing: Webcentric, Integrated Messaging

The key to franchise marketing today hinges on having an appropriate approach to all your messaging. Everything that is communicated to potential franchise buyers needs to be consistent, and should be leveraged across multiple media platforms. Whereas in years past, putting all eggs in one (media) basket might have been a viable solution, franchisors are now discovering that they need to be everywhere at all times. Starting with a franchise systems' own website — with its coordinated SEO efforts and PPC campaigns — as the center of the marketing hub, franchisors must be able to effectively communicate their opportunities across blogs, multiple social media channels, email and video marketing, and even through public relations.

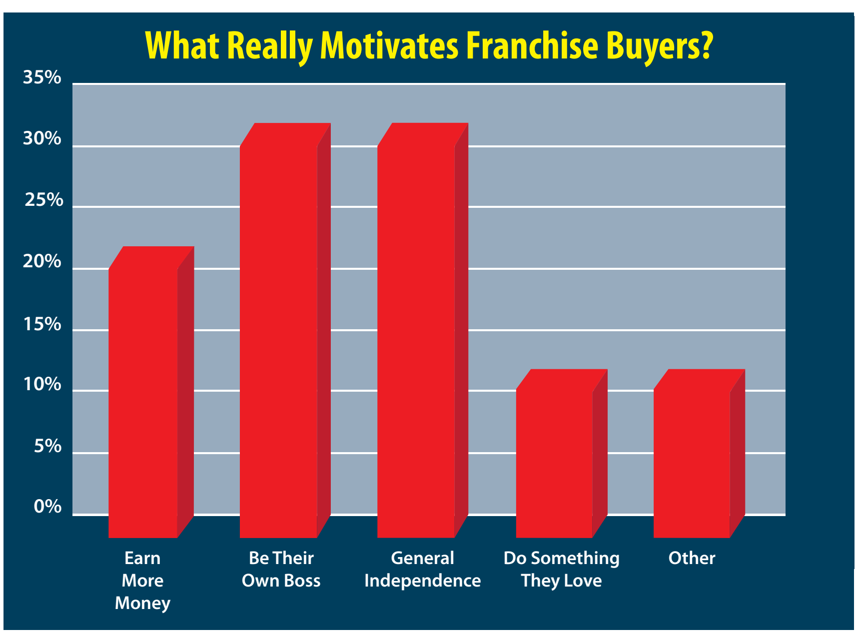
The Mentality and Motivation of a Franchise Buyer

The unique process of selling franchises is unlike any other type of sale.

This is partly because buying a franchise, for many first-time franchise owners, in particular, means they will be quitting a job, giving up benefits and security, changing their lifestyle, investing life savings, and making a long-term commitment to a brand and system.

However, it is just as important, if not *more* important, that the franchisor carefully select the franchisees, versus having the franchisee feeling like they're making the right decision.

This is why many industry insiders prefer to call it the ***awarding*** of franchises, vs. the selling of them. And franchisees should be awarded based on the meeting of a number of different criteria, from past professional experience, to demonstrated personality and work ethic, to the crucial factor of having adequate capital to invest in the franchise and have enough reserves on hand during the initial start-up period.



Selling Your Franchise: What are the Options?

Once you have the basic marketing tools in place, it's time to take your concept to the franchise marketplace. At a minimum, you will want to be sure that you are trained in all aspects of franchise sales — including the legal regulations governing these sales — before you start selling franchises. Some franchise companies will use the services of outsourced franchise sales professionals. Others may choose to do the selling themselves or will seek to hire franchise sales talent and put them on staff. Regardless of how sales are handled, the savvy franchisor will understand the implications of their sales and staffing decisions before they finalize them.

The 3 Options for Franchise Sales: What's Right for YOU?

1. DIY

- **Pros:** Good option for less aggressive growth, or for new franchisors before a lead pipeline is built
- **Cons:** May not be effective, if you cannot first honestly assess your own internal sales ability
- **Best Practices:** Spend the time and resources to invest in the development of a sales plan and a professional advertising/marketing program, and receive training on lead tracking and sales techniques

2. Hire an Internal Team

- **Pros:** Increased control, but increased fixed costs
- **Cons:** Challenge for "emerging" opportunities, higher levels of compensation, nearly 30% of sales professionals do not last one full year in a new position*
- **Best practices:** Ideally implemented by franchisors looking for much faster growth — if they have the budget — or for those experienced in franchise recruitment

**SOURCE: Salesforce.com*

3. Outsource

- **Pros:** Removes management's burden of hiring, training, retaining sales force; outsourcing companies are dedicated to a specific franchisor client; allows emerging franchisors to obtain the same level of talent previously only available to large franchisors; can be a way to diminish risk, lower fixed costs, and accelerate start-up period
- **Cons:** a fairly new concept in franchising; can be more expensive at some levels of sales
- **Best practices:** Don't give up any royalty or equity; instead, model should be heavily performance based; look for a "full cycle — full service" provider

The Heart of the Argument: Evaluating Whether You're Leveraging Best Practices in Franchise Sales & Marketing

Perhaps the easiest way to quickly improve overall franchise system performance is to focus first on franchise marketing and sales.

The simple truth is that franchise sales results are largely both predictable and controllable. Unfortunately, because there are so many variables involved in the successful sales process (and it is a process), many people charged with franchise sales and marketing tend to oversimplify the analytical approach needed or, out of lack of understanding or frustration, will abandon it for a more intuitive approach.

There are dozens of individual factors that can influence the outcome of the franchise sales process. A franchisor simply cannot hope to effectively analyze such a complex system with a single analytical tool or procedure.

In short, there are **five broad categories of "sales drivers" that will influence franchise sales success,** and each requires its own analysis:

1. The franchise concept itself
2. Franchise lead generation
3. Franchise marketing materials
4. Franchise sales process
5. External factors

The most important, of course, is the concept itself. The most prominent potential problems include poor financial performance, an inappropriate or non-competitive franchise structure, a poorly defined franchise value proposition, a lack of managerial credibility, a poorly differentiated concept, or poor franchisee validation. Concept problems are often "show stoppers" in that they may require the franchisor to address the underlying issues before resuming development activities.

Franchise lead generation problems are both the easiest to diagnose and the easiest to correct. But because of the fact that lead generation activities contain multiple factors requiring analysis without accounting for individual media selected, these problems are often the least analyzed and least corrected — despite the fact that they are almost universally blamed.

Part of the problem in analyzing lead generation is that leads are such an easy and convenient target. Franchise salespeople who are not hitting their numbers will invariably blame the leads (as opposed to more self-incriminating analysis) and will often provide arbitrary assessments of media quality when suggesting alternate lead generation strategies. And since most franchisors have a large number of lead sources, low close rates, and long sales cycles, the franchise salesperson (who is presumably a good salesperson) is usually taken at their word rather than subjecting the data to a more significant statistical rigor. If leads are viewed as the sole culprit and too complex to remedy (when, in reality, there are likely many other factors involved), the franchisor is stuck in a quagmire of guesswork and supposition that will rarely lead to improvement.

Issues stemming from franchise collateral materials are more qualitative — and thus significantly more difficult to measure. Target audience, quality of materials, message, adequacy of differentiation, communication of the value proposition, design quality, and production quality will all play a role. So absent an advertising agency with significant franchise marketing expertise, these are often the most difficult to effectively measure. Yet, they demand the same level of scrutiny normally reserved for their more statistically significant brethren.

Finally, sales problems can fall into one of two distinct sub-categories: process or execution. Process problems include the steps and structure of the sales process itself, lead handling, follow-up procedures, timing, salesperson motivation and compensation, and staffing adequacy. And, of course, even with an effective process in place, an unqualified, untrained, or underperforming franchise development officer can cost a franchisor dozens of franchise sales.

Top 5 Tips for Improving Franchise Marketing & Sales:

1. Ensure your franchise concept and offer structure are competitively positioned and compelling to potential franchisees

2. Evaluate collateral materials for relevancy in today's market — with a particular focus on having an optimized website and correlating digital marketing materials/strategies

3. Use industry-best metrics and benchmarks to validate marketing and sales efforts: appropriate budget, media mix, costs per lead, costs per sale, etc.

4. Create a sales process map to evaluate lead handling and follow-up procedures, timing, salesperson motivation and compensation, and staffing needs.

5. Consider alternative sales structures: DIY vs. in-house staff vs. fully outsourced.

There are also the uncontrollable external factors that will impact sales performance. Things like the availability of financing, the unemployment rate, territory availability, relative returns on alternate investments, real estate availability, and changes in the competitive marketplace need to be taken into account, especially when looking at historical trend analysis.

Given the complexity of the sales process, it is relatively obvious that no single test or set of statistics will provide a quick fix.

> **If your close rate has slipped, is it a result of the message? Advertising that targets the wrong candidates? Poor media selection? Inadequate differentiation? A poor value proposition? New competitors? A poorly constructed sales process? An underperforming salesperson? Or is it just the economy?**

In the vast majority of instances, the answer turns out to be a combination of factors.

The problem is that most of us love an easy answer with an accompanying quick fix. Rather than conducting a comprehensive analysis of all the factors that could be causing the problems, most of us would prefer to focus on a single issue and act swiftly to correct it. But as one would anticipate, this approach rarely yields the desired results.

This narrow approach is further complicated by two factors. First, from a statistical analysis standpoint, the numbers being analyzed are small and what you ultimately want to measure is wins (franchise sales), not just leads. So it takes a relatively large sample to measure results with any degree of confidence in their reliability. Secondly, given that the typical franchise sales cycle will run 12 weeks or longer, accumulating enough "wins" to gain this statistical reliability across multiple media would take years even for larger franchise organizations. Given the urgency of the desired result (and the impatience of most entrepreneurs), this analysis can be significantly accelerated by comparing data across many franchisors.

In summary, rather than looking at a single "symptom," a more holistic approach involves testing for patterns or clusters of symptoms across the entire spectrum of potential problem areas simultaneously. This approach requires a number of analytical steps, including competitive analysis (including comparative financial analysis), statistical analysis of both marketing and sales effectiveness (both by media and by salesperson), franchisee validation surveys, mystery shopping the sales force, and more qualitative analysis on items such as messaging and competitive positioning by advertising professionals. Developing a sales process map, showing each step in the franchise sales cycle and identifying where any unnecessary "leakage" may be occurring, should also be part of this approach. By combining this type of a process map with statistical analysis, one can often determine how combining, eliminating, or reordering specific steps in the sales process will impact results.

While this more holistic approach will take more time, it is much more likely to yield measurable results.

See the article below for more information on why the effort it takes to diagnose and correct these problems is readily justified with only a marginal improvement in sales and marketing performance: the "PVF" (Present Value of a Franchise) of a single additional sale can have major impacts on the system and franchise company as a whole.

Turning Franchise Sales on Its Head: The Present Value of a Franchise

PVF: How Today's Franchise Sales Can Impact Long-Term Company Valuation

Rather than viewing franchise sales as a quota to reach on a quarterly or annual basis, if we look at each franchise sale as the creation of an annuity that can last for decades, it puts many of the decisions that are made on a day-to-day basis into a much different perspective.

We start by borrowing a common measure in the world of finance: "Net Present Value" or NPV, which represents the estimated value of a cash flow stream — much like the value of an annuity. When we apply this same concept to franchising, we come up with something we call the Present Value of a Franchise (PVF). In essence, the concept is founded on the idea that the sale of a franchise is, in fact, the sale of an annuity. That annuity provides the franchisor with incremental long-term cash flow and, at the same time, increases the value of the business. The PVF of a single unit in any given system can range from hundreds of thousands of dollars to upwards of millions of dollars, when factoring in all the fees, royalties, advertising contributions, rebates, product sales margins, and other sources of revenue to the franchisor over the course of the franchise agreement.

All too often, we see short-term thinking dominating the decision-making process that results in long-term gains or losses. Franchisors that terminate successful broker programs or advertising sources because they "aren't profitable." Franchise sales managers who will not pay a commission to a franchise salesperson

on a broker sale because "there is not enough margin to pay a double commission" — even though that strategy may result in lower broker closing rates. Franchisors who hire inexperienced franchise sales staff (or who refuse to use a recruiter) in order to save money on salary — even though diminished sales production may be the result. Saving 50 cents a copy on a franchise marketing brochure by using low-quality paper stock, despite the less impressive message it may send when read by prospects. Franchisors hiring their unemployed nephew to do their franchise website. The list goes on and on.

The tendency is all too often to think that the impact of these decisions makes such a minute difference that it really doesn't matter in the grand scheme of things — while the cost savings are tangible and immediate. But that thinking is simply short-sighted. Are the impacts of many of the decisions above minimal? Oftentimes, they are. But when it comes to franchise sales, those minimal changes can have a major long term impact because of the PVF Factor.

Take the low-quality brochure stock issue as an example that might seem trivial. Will a less powerful brochure turn-off just one franchise buyer out of 1,000? If so, it could change your close rate from 2.0% to 1.9%. The problem is that if you are looking to sell 12 franchises per year, you are probably going to have to generate at least 50 leads per month. So, on average, that 0.1% change will cost you one franchise sale every 20 months. When you consider the initial fees, royalties, advertising dollars, transfer fees, renewal fees, training fees, product margin, rebates, and other sources of revenue that a single franchise generates over the term of a franchise relationship, does it really make sense to try to shave that $1,500 from your printing bill — even after accounting for potential incremental expenses and the time value of money?

Of course, some decisions are made based on necessity or short-term budget constraints. And others are made in the belief that there will be absolutely no impact on franchise sales productivity — in which case the cost saving strategy is the correct one. But all too often, we see cost-cutting for the sake of short-term profitability which inappropriately accounts for the PVF.

Franchisors should calculate the value of an incremental franchise sale (remember, each franchisor will have a different PVF based on anticipated fees, royalties, product sales, longevity, etc.) and use that number in their decision-making processes. With that number in mind, they would then ask two key questions when making decisions:

- Could this expenditure (on staffing, advertising, marketing materials, training, etc.) reasonably be responsible for at least one additional franchise sale?
- Could this expenditure help improve the lifetime contribution of a franchisee (by increasing franchisee revenues, improving franchisee longevity, decreasing expenses, etc.), and if so, how would it impact the PVF?

The bottom line is that franchisors have a much greater need to balance short and long term considerations in their decision-making than do most other businesses, and thus, the use of the PVF paradigm will bring a much-needed long-term perspective to franchise decision-making.

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