

Establishing the Franchise Sales Process for New and Emerging Brands

Today's Panel

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What we intend to discuss today

- How to make the decision on what route to take if deciding to sell Franchises.
- Is selling Franchises right for you?
- Are you Ready?
- Dollars Required to Begin Franchising.

What we intend to discuss today

In-House Franchise Development Plan

- Inside Sales Steps (From Inquiry to Award).
- Matching your sales force with your concept.
- What a typical sales team structure looks like.

What we intend to discuss today

Outsourcing Your Franchise Development Plan

- The different types of outside sales that a Franchisor should consider
- Questions you should ask potential Franchise Brokers and yourself.
- What to beware of with using an outside sales or lead referrals.
- How to outsource your franchise development to independent contractors.

What we intend
to discuss today

Plenty of time for Questions and
Answers with the Panel.

Write down your questions for the
Q&A session at the end.

Franchising
is like getting married,
you better know what your
getting into before you make
the final decision.

There is no Divorce in Franchising
You are committed for the length
of your agreement.

Questions you need to ask yourself and steps to take when pondering the sale of Franchises

- Do your home work.
- Do you really have a viable concept?
- Can it be duplicated? (Barriers to entry)
 - By others/outsideers
 - By your franchisees

Questions you need to ask yourself and steps to take when pondering the sale of Franchises

- What are the obstacles?
 - Real Estate
 - Funding
 - Skill
- Do I really have the money required?
- What systems do I have to offer?
- What support do I have to offer?

Question: Now that I decided to sell franchises, how will I do it?

- In House
- Outsourcing
 - Brokers
 - Business Brokers
 - Sales Brokers
 - Lead Referral Networks
 - Consultants
 - Hybrids
 - In house with some outsourcing

Franchising can be very very expensive!

- Costs Associated with Franchising a new concept.
 - Trademark & Tradename
 - Corporate Identity & Corporate Structure
 - Branding & Identity
 - Systems Development
 - Training & Development
 - Web & POS
 - Financial & Human Resource

Franchising can be very very expensive!

- Development of Franchise Agreement
- Development of UFOC
- Cost of Registration
- G&A costs of selling
 - Phone
 - Printing
 - Tradeshow
 - Networking
 - Compensation

It always COSTS more
and takes LONGER

PREPARE AHEAD!

ESTABLISHING THE FRANCHISE SALES PROCESS FOR NEW AND EMERGING BRANDS

Inside Sales Steps from Inquiry to Award

Ronn Cordova

Creating an In-house Sales System

- Create with a Goal in Mind
- What is the Objective?
- What is the Time Frame?

The key to franchise operations is the contractually Committed annuity income stream generated by royalties.

Know Your Current Situation

- Who are you...?
- Your Concept Appeal
- Your Capital Requirements
- Financing...what does the concept cost?
- Legal...UFOC and Registration, etc.
- Branding: Design, Imaging

Levels of Franchising - Definitions

- Single Store Agreements: Single Unit, Defined Territory
- Multi-store Agreements: 2+ Units, Defined Territories, Region
- Area Development: Units with rights to sell units. Reserved for Individuals/groups that have experience in the industry with infrastructure in place.

Franchisee Qualification (Who are we looking for?)

- Individuals/Group Demonstrate
KEY Attributes
- Individual/Group Completes
Criteria List

The Stages of Qualification - Definitions

- Inquiry: Initial Call and/or Email
- Lead: Initial Conversation/Information Exchange
- Prospect: Meets Franchisors
Background/Financial Criteria
- Candidate: Sets up Disclosure Visit
- Award: Offer and Acceptance of Franchise

Typical Inquiry to Award Ratio (#1 Salesperson or Director Level)

- Inquiry – Lead 50% 400 Inquiries = 200 Leads
- Lead – Prospect 10% 200 Leads = 20 Prospects
- Prospect – Candidate 30% 20 Prospects = 6 Ddays
- Candidate – Award 60% 6 Candidates = 3.6 Awards

Territory Planning

- Cluster?
- Regional?
- National?

Marketing/Selling Franchises

Website...Three (3) Tier Electronic Inquiry and Interfacing

- First Tier: Exposure and Initial Contact – Inquiry Generators
- Second Tier: Qualification/Application Website
- Third Tier: Lead Management System

Building the Team

- Hire the Sales Director
- Sales Individuals Hired as Needed with Growth
- One Sales Individual per 50 to 100 Inquiries

Definitions

- **Business Broker**
 - Specializes in Existing Business and Resales
 - Independents and Franchised
- **Lead Referral Network**
 - Specializes in New Franchise Sales
- **Independent Sales Brokers**
 - Individuals Contracting to One Franchisor
 - An Organization that Specializes in Outsourcing Franchise Development

Lead Referral Networks

Definition:

1. (for franchisors) An alternative lead generation system to enhance your current lead generation program and create incremental sales.
2. (for prospective buyers) An unbiased consulting process matching franchise candidates that fit their abilities and financial profiles.

What can you expect from a Referral Network System?

- An alternate source of qualified leads and incremental sales that you would not otherwise not have access to.
- A lead that has been profiled to fit your system on a skills & experience basis.
- A financially qualified lead.
- A lead that has submitted financial information and starts at the application level.

What a LRN expects from a Franchisor

Proper care & feeding of referred prospects

- A strong mature system
- Above Average Validation (happy owners)
- Quick follow up
- Responsiveness
- Special attention

Advantages of using a LRN

- Third-party endorsement of your opportunity
- Exceptional help to smaller franchisors and less glamorous systems
- Less burn-out of Sales Executives working hundreds of Internet leads.
- Act as a qualifier for your system
- Seasoned Franchise Executives working with prospects.
- Provide instant feedback to the sales executive about the candidate and how the sales process is progressing

What role does a LRN play in the sales process?

- Generate the lead
- Profile and qualify the lead
- Provide valuable information to the prospect about franchising in general
- Help the prospect understand and envision his/her life as a franchisee
- DOES NOT GET INVOLVED IN THE DETAILS OF THE FRANCHISOR... ONLY GENERAL OVERVIEWS

LRN Compensation Models

- Pay per Sale Fee Structures **Fee**
- Range typically \$10,000 - \$20,000

Benefits to LRN Consideration

- Don't underestimate the power of a third party endorsement
- Increase your sales on a pay for performance schedule
- Add sales without a large increase in lead flow and additional internal sales staff to manage the process

Outsourcing Direct Sales

- Independent Contractor
 - Dedicated to the Franchisor
 - Works Remotely via Contact Management System
 - Allows Franchisor to Expand Employee Search not Requiring Relocation

Legal Issues

- Disclosure requirements
 - Same Disclosure Requirements as Internal Sales Staff
 - Item 2 Disclosure
 - Special registration required in Illinois, Washington, and New York