



IFA's 46th Annual International Franchise Convention
February 25-28, 2006 • Palm Springs Convention Center & Wyndham Hotel
Palm Springs, CA



Primer For The New Franchisor

Growing And Supporting a Vibrant Franchise Network

Sunday, February 26 2006

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The iFranchise Group

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CEO
The Entrepreneur Authority

Larry Feierstein
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Buttercup Bake Shop

Session Overview

Introduction:

Building blocks for a new franchisor

David Omholt:

Franchise development strategies

Lead generation

The franchise sales process

Session Overview

Larry Feierstein:

- Building a strong franchisor team**
- What it takes to be a great franchisor**
- Maximizing franchisee relationships**

Dave Hood:

- Checklists for franchisee support**
- Pitfalls to avoid as a new franchisor**

Questions

Quick Survey of our Audience

- **Thinking about franchising your business.**
 - **New franchisors (less than 12 months)**
 - **More experienced franchisors**
 - **Franchisees or suppliers**
 - **Anyone on vacation who wandered into the wrong room**
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Building Blocks For The New Franchisor

Concept And Branding

Growth Strategy

How?
 Where?
 To Who?
 Finance

Management Team

Experience
 Ability
 Leadership

Franchise Development

Target
 Budget
 Lead Plan
 Sales Process

Support Programs

Philosophy
 Pre-Opening
 Ongoing

Relationship Strategy

Communication
 Trust
 Franchisee
 Involvement

Franchise Development

Lead Generation

Franchise Sales Programs

David Omholt

Franchise Development

Lead Generation

Franchise Sales Programs

The **Imperatives** in Franchise Development

1. Develop a detailed Franchisee profile that goes deeper than the obvious factors, such as financial requirements.
2. Communicate with existing franchisees to avoid development conflicts or misunderstandings about corporate goals.
3. Support franchise owners effectively and at a reasonable cost, phasing in increased support infrastructure.
4. Measure/Scorecard the effectiveness of your development efforts.
5. Understand the various development options and their associated pros & cons (tradeoffs) and apply the 'best-fit(s)' to your model.

Strategic Options in Franchise Development

Method	Structure	Pros	Cons
<i>Single-Unit Franchising</i>	<pre> graph TD Franchisor --> Franchisee </pre>	<ul style="list-style-type: none"> • conservative growth • active Operators • larger population from which to recruit 	<ul style="list-style-type: none"> • slower rate of growth • more 'Zees to support • possibly less sophisticated 'Zees
<i>Area Development</i>	<pre> graph TD Franchisor --> AreaDeveloper[Area Developer] AreaDeveloper --> Location1[Location 1] AreaDeveloper --> Location2[Location 2] AreaDeveloper --> Location3[Location 3] </pre>	<ul style="list-style-type: none"> • easier to cluster • faster growth rate • possibly savvier 'Zees • easier to recruit/identify 	<ul style="list-style-type: none"> • most competitive to recruit • oppt'y cost of missed development schedules • possible shift in power
<i>Area Representation</i>	<pre> graph TD Franchisor --> AreaRep[Area Representative] AreaRep --> Franchisee1[Franchisee 1] AreaRep --> Franchisee2[Franchisee 2] AreaRep --> Franchisee3[Franchisee 3] Franchisee1 -.-> Franchisee Support Franchisor Franchisee3 --> Franchise Agreement Franchisor </pre>	<ul style="list-style-type: none"> • fastest rate of growth • quick capital influx • reduces headquarters training personnel needs 	<ul style="list-style-type: none"> • must split Franchise Fees and Royalties • non-uniform training • added vicarious liability

Franchise Development

Lead Generation

Franchise Sales Programs

The **Imperatives** in Lead Generation

1. Do not rely solely on one source or method to develop your leads.
2. Develop a budget that enables you to accomplish your stated development goals.
3. Develop a process that allows for maximum assurance of 'mutual-fit.' Have the discipline to say, "No thanks!"
4. Measure/Scorecard the effectiveness of your lead generation efforts.
5. Understand the various lead generation options and their associated pros & cons (tradeoffs) and apply the 'best-fit(s)' to your model.

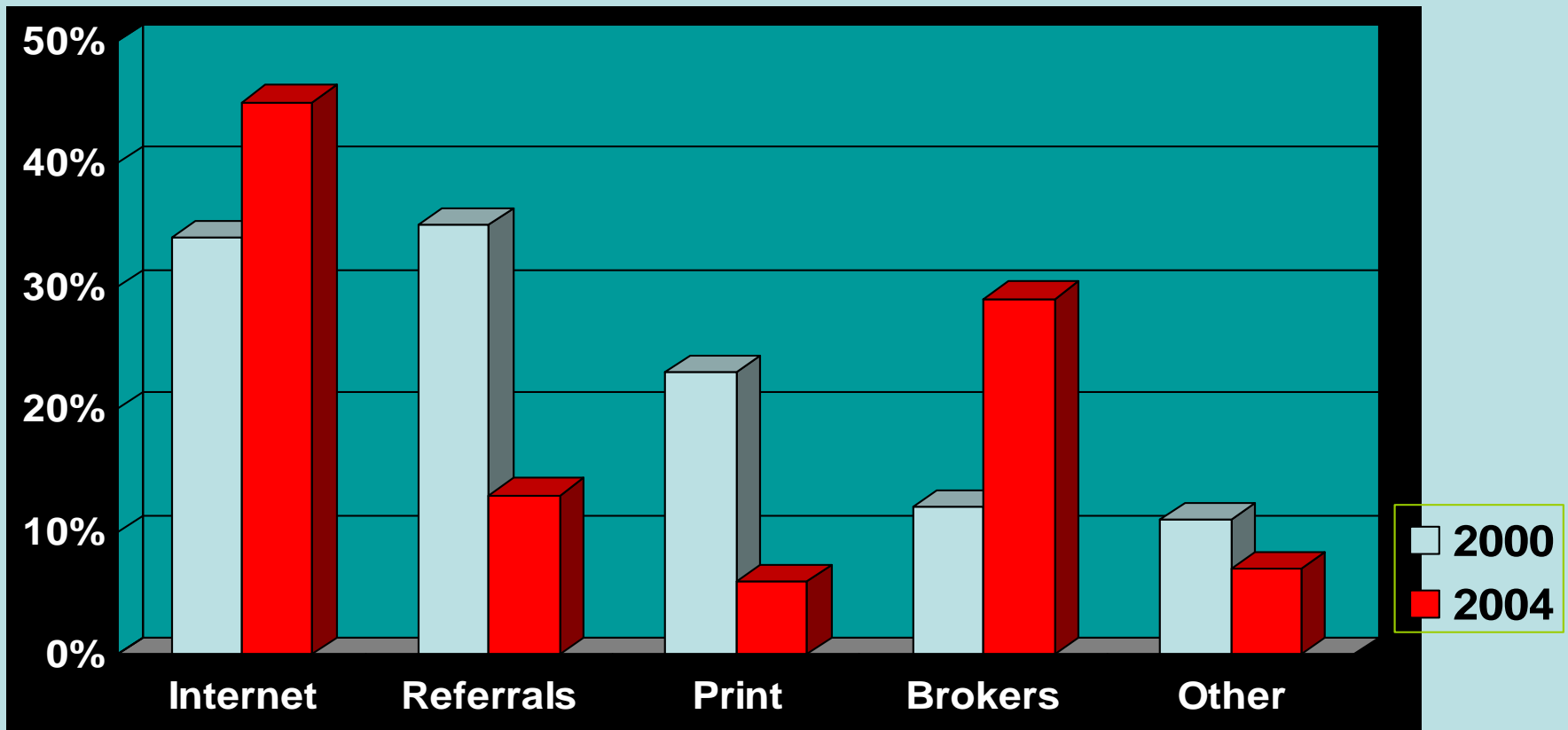
Strategic **Options** in Lead Generation

Method	Lifecycle	CPL*	LTS Ratio**
<i>Internet</i>	Anytime	\$10-\$75	1:100-140
<i>Direct Mail</i>	Mid-Late	\$75	1:50-200
<i>Print Media</i>	Anytime	\$150	1:33-50
<i>Tradeshows</i>	Early	\$100	1:33-50
<i>Publicity / PR</i>	Mid-Late	\$250	1:10-16
<i>Franchisees</i>	Anytime	\$0	1:10-16
<i>Brokers</i>	Middle	-	1:4-20

Source: * Franchise Update Lead Generation Survey, 2005

** iFranchise Group, 2005

Sources of New Franchisees





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Developing Your Marketing Budget

Sales Goal	# Leads Required	Marketing Budget
10	370	\$51,430
20	741	\$102,999
30	1,100	\$152,900
40	1,481	\$205,925
50	1,851	\$257,407

Note: Based on industry benchmarking, Franchise-Update Survey and iFranchise Group experience; franchisors are encouraged to maintain an overall cost per lead (CPL) of under \$150, and an overall marketing budget per sale of between \$5,000 & \$7,000.

Franchise Development

Lead Generation

Franchise Sales Programs

The **Imperatives** in Franchise Sales Programs

1. Develop a process that allows for maximum assurance of 'mutual-fit.'
 - Have the discipline to say, "No thanks!"
2. Use a cross-functional, team approach to assure checks and balances
 - Consider rotating Sales and Operations personnel periodically
 - Consider basing a portion of compensation on actual results of Franchisees brought in (put some money 'at risk')
3. Start with the end in mind...a Decision Date
 - Usually 30-90 days
4. Progress leads from 'Suspects' to 'Prospects' to 'Unequal Partners'
 - Low-pressure / High-accountability (care more about what they DO vs. SAY)

The **Imperatives** in Franchise Sales Programs (cont.)

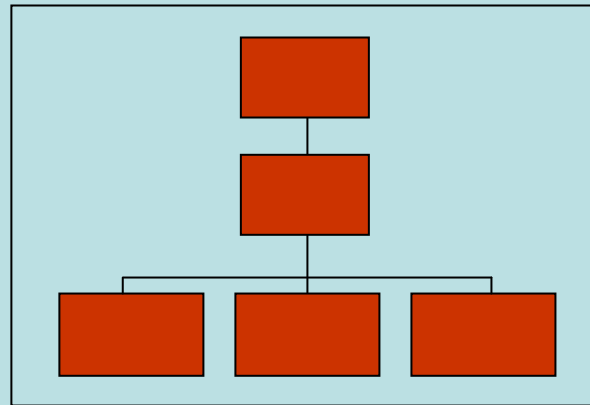
5. Time your Discovery Days strategically
 - Understand the Buyer Curve and how to build momentum
 - Always follow-up within 48 hours afterward
6. Appoint a Compliance Officer
 - Doesn't have to be a full-time position
7. Make sure your Marketing Collateral is franchisee-focused
 - Most is too consumer-oriented
8. Involve the Spouse and other 'voting delegates' early and often
 - Do not accept 11th-hour dissenters who were not involved from the start



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Building a Great Franchisor Team

Larry Feierstein

Questions About Your Franchise Concept

- Is it a great franchise opportunity?
- Can you back it up?
- Can you keep it going?

You Need to Know

- While you are establishing a new franchised business, it's a brand new business , even though you have experience with your very own concept.

What's New About It?

- New standards
- New financials
- Advertising – which impacts everyone
- New issues
- A brand new start for your brand

Manpower Needs

- The process begins with an experienced franchise attorney and an experienced franchise consultant

Key People

- Experienced franchised operations
- Marketing
- Real estate, construction and design
- Sales, sales
- Trainers

Best Case Scenario

- Have someone who can wear many hats. A franchising pro who can bring you right into the world of franchising

What Does It Take To Be A Good (Great) Franchisor?

- The three C's
- Consistency
- Communicative
- Credible

Building A Compliance Team

- Most of your team may not be familiar with your new franchise agreement. A new education process
- Create a compliance committee

The Team – What Do They Do?

- One executive, salesperson, and perhaps one other staff
- Meet quarterly – or more often
- Audit the entire sales process and compliance process – at random
- Audit standards – follow the three C's

Key To Compliance

- Sales team (new or not) must stay in close contact with legal counsel
- Document, document, document
- Do you need to be registered?
- Using a broker? They need to be registered too.

What Do You Need To Do?

- Create the elements of the compliance program
- Establish operating procedures
- Assign responsibilities for disclosure requirements
- Understand earnings claims and rules
- All must know your franchise agreement
- Be sure your staff keeps a copy of the UFOC with them, wherever they go

Maximizing The Franchisee Relationship

- In order to be consistent and credible you must also possess and maintain key elements in your franchisee/franchisor relationship.
- What are these key elements?

Key Elements

- Responsiveness
- Empathy
- Communication
- Dependability
- Accessibility
- Give and take
- Anticipation
- Structure
- Open-mindedness

Maintaining Value For Your System

- Everyone must follow your agreement - consistency
- Formulate, communicate, monitor
- And enforce sensible system standards

More

- Standards are essential – your most valuable asset is your brand. Don't compromise it
- Uniformity

Most Important

- Substandard units adversely affect your brand
- The low standards in the system diminish the value of both corporate and franchised businesses
- Enforcement of standards (your agreement) is important to franchisees who voluntarily maintain and value high standards



Checklists For Franchisee Support

Dave Hood

Base Formula For Success as a New Franchisor

A Great Concept . . .
+ Effective Leadership
+ An Ability to Manage Expectations

= Success as a Franchisor

Pre-Opening Support Checklist



- ✓ Site selection criteria
- ✓ Required lease inclusions
- ✓ Design and construction requirements
- ✓ Purchasing assistance
- ✓ Headquarters training program
- ✓ Onsite training program
- ✓ Process for opening approval

Ongoing Support Checklist



- ✓ Field support strategy
 - ✓ Franchisee communications strategy
 - ✓ Advisory Council program
 - ✓ Local marketing support
 - ✓ Systemwide brand development
 - ✓ Concept refinement/development
 - ✓ Financial benchmarking of performance throughout the system
-

Pitfalls to Avoid as a New Franchisor

10 Reasons New Franchisors Fail

1. Looking at franchising as a short-term growth strategy rather than a separate business that requires a focused and sustained effort.
2. Inadequate budget for lead generation and staff development.
3. Weak management team.
4. Awarding franchises to individuals that are either undercapitalized or unqualified.
5. Failure to gain the respect of the franchisee community.

Pitfalls to Avoid as a New Franchisor

10 Reasons New Franchisors Fail

6. Awarding franchises in distant markets without any supporting plan for developing the consumer brand.
7. Selling franchises faster than the franchisor's ability to support them.
8. Awarding area development rights to franchisees that are not capable of meeting their development obligations.
9. Inadequate program for field support and enforcement of quality standards.
10. Failure to benchmark system performance and identify critical weaknesses in the system.



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QUESTIONS