

Franchise Sales for the New and/or Emerging Franchisor

Speakers:

Rob Goggins, Vice President of
Franchise Development, Service
Brands International

Mike Waterski, President, ZGurus

Moderator:

Brian Schnell, Faegre & Benson LLP

Today's Topics

- Generate leads with little or no money
- Focus on a marketing approach designed to build brand awareness
- Build credibility and generate sales when you have few or no franchisees
- Use your UFOC as a marketing tool
- Brokers vs. in-house
- Sell more units to existing franchisees
- Common blunders

A. How to generate leads on a non-existent budget

- Web:
 - Find a way to invest in a Web site – (hire a college student?)
 - Contact the top 50 franchise portal sites; ask them for free 3 month trial
 - Become active on web boards - (e.g., IFA)

A. How to generate leads on a non-existent budget

- Referrals -- internal and external
 - Service Brand International's franchisors have a "Teambuilder Of The Year" given to franchisees that help grow the system
 - External: contact SCORE, Chamber Of Commerce, city council, realtors, bankers - well-connected local influencers in key markets

A. How to generate leads on a non-existent budget

- Public Relations
 - Distribute one press release every week (to franchise trades, sites, blogs, etc.)
 - Be willing to give something away (franchise fee?; disclose in UFOC)
 - Everything about your company must scream “franchise!” – letterhead, cards, marketing materials, co. name, etc.
 - Ask vendors for leads; ask if they'll let you post links on their sites; ask for testimonials

A. How to generate leads on a non-existent budget

- Talk at various events (industry and others)
 - Outplacement firms
 - Become an expert in your field

B. Refined Marketing Approach Designed to Build Brand Awareness

- Cultural, Gender or Occupation Segment Specific Marketing
 - Attend events
 - Public Speaking engagements
 - Parades
- Strategic Expansion Plan ... Do not reach initially too far from home

C. How to build credibility and generate sales when you have few or no franchisees

- Compare yourself to another franchisor that has already exploded; territory rush
- Rely on management team or industry statistics for credibility
- Salesperson must have LOTS of passion for the brand!!!
- Focus on prospects that are okay with risk

D. UFOC -- use it as a marketing tool

- You are selling a contract with terms
- Help them understand why it is written the way it is written
- Use as a carrot – must complete questionnaire to get UFOC
- Don't want the contract to be the “show stopper”
 - Work through the issues prior to “discovery day”
- ITEM 19 – effective use of earnings claims
- Audited Financials show prosperity and solidarity

E. Brokers vs. In-House

- Every franchisor always needs someone to sell the franchise
- Outsourced franchise sales group
 - Pros:
 - Only incur expense when a deal is sold
 - No taxes or benefits paid to contractor
 - Professional sales assistance
 - Immediate, proven sales program in place
 - Veteran salesperson can minimize your litigation liability regarding incorrect earnings claims
 - If you get a veteran, and they stick to your concept, it can be powerful

Brokers vs. In-House

- Cons:
 - Not cheap - costs range from \$5,000/deal to \$20,000/deal
 - Some contractors want a piece of the ownership pie
 - Will you get their full attention?
 - Will you get the person that sold you on the idea?...or a junior salesperson?
 - Do they have a passion for your brand/concept?
 - Lack of connection between outsourced salesperson and internal team - particularly operations

Brokers vs. In-House

- Franchise Consultants/Referral Networks
 - Pros:
 - Theoretically they provide qualified leads ready to make a decision in 90 days or less
 - Three-way communication allows insight into the candidate's decision-making mindset/process
 - You only have to compete against a few other franchisors - not a universe of 2000+ options
 - Only incur expense if you close a deal
 - Close rates are higher with this group vs. a cold (not-yet-qualified) internet lead

Brokers vs. In-House

- Cons:
 - Not all groups are created equal
 - Groups are flourishing - giving candidates the impression that it is a commodity service
 - Fees are rising
 - You need to attend 1 or 2 shows per year, per group; average cost = ~\$6,000/show
 - All things being equal, if you want to get noticed, you need to pay more
 - Internal salespeople can sometimes work these leads at expense of non-broker leads

F. Gain Momentum with Expansion from within Your System

- Multi-unit ownership
 - Offer discounts
 - Help franchisees understand the role of a multi unit owner
 - Understand that good single unit operators may not be good multi-unit operators
- Regional or Area Development Programs
 - Pros and cons
 - Do not want franchisees that feel like they know more than you or have more control than you

G. How to avoid the ten most common franchise sales blunders most often made by new franchisors

- Make sure you've identified your ideal candidate and you're TALKING with people that match that profile
- Make sure you develop at a pace you can support
- Failure to understand candidate's emotional needs (this is not a B2B sale!)

How to avoid the ten most common franchise sales blunders most often made by new franchisors

- Hire Franchise Professionals
 - Development
 - Operations
- Prepare a rock-solid franchise agreement and UFOC
- Communicate with franchise system often

How to avoid the ten most common franchise sales blunders most often made by new franchisors

- Failure to have a process in place that moves the candidate forward and provides a framework for allowing information sharing and gathering
- Make sure you are capitalized for the long haul
- Not having passion for your brand and concept

How to avoid the ten most common franchise sales blunders most often made by new franchisors

- Realize you must consistently **VALIDATE** your value to the system
- Leaving candidates alone during validation
- Don't make deals with franchisees that will come back to haunt you

How to avoid the ten most common franchise sales blunders most often made by new franchisors

- Failure to prepare candidates for a decision on or IMMEDIATELY after Discovery Day emotions and belief are never higher
- Beta test new ideas prior to rolling new programs out
- Failure to send out UFOC well before D-day or before any earnings claim discussion

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