IFA Convention Session

How to Be Big with a Little Budget:
Bridging the Gap Between Startup and a Successful Franchise
Welcome & Introductions

Gail W. Johnson, CFE
- Chairman, ICFE Board of Governors
- Chairman, Rainbow Station
Welcome & Introductions

Dr. Ben Litalien, CFE

- Doctor of Management
- Georgetown University
- Principal, Franchise Well
Welcome & Introductions

Vance Spilman

- CEO, Rainbow Station
- President, sweetFrog
- Franchisee, Five Guys
Welcome & Introductions

David Chapman

- Founder / CEO, 919 Marketing
- PR and Social Media Strategist
- Franchise Industry Speaker
Agenda

The New World Order
How Emerging Franchisors can “win” in Today’s Economy

Bridging the Gap
Growing Beyond a Startup on a Limited Budget
Agenda

Top 10 Marketing Tips
Accelerating Franchise Brand Growth

Roundtable Discussion
Take-aways From This Session

A better understanding of the franchise “model” and how to extract more value from it

A clear plan for “responsible growth” to bridge your financial gaps

Ten insightful marketing “tips” to accelerate franchise brand growth
Agenda

The New World Order

*How Emerging Franchisors can “win” in Today’s Economy*

Dr. Ben Litalien, CFE
From the Beginning...

What is “Franchising”?  
Where did it come from...  
How does it work...  

Understanding the Model  
Creates a more predictable outcome...
Unique Aspects of Franchising

Divergence of Goals
Embrace the local influence of franchisees

Diversity of Participants
Use the experience and strengths hidden with your franchisees
Unique Aspects of Franchising

Build a Culture of “Change”
Makes strategic planning essential with shortened cycles

“If you’ve met one franchisee... you’ve met one franchisee”
"Your success in life isn't based on your ability to simply change. It is based on your ability to change faster than your competition, customers and business."

Mark Sanborn
Global Change Underway

Shifting Populations / Demographics

“By 2030 almost two billion more consumers will join the global middle class.”* 

-More pronounced shifts to “local” and “social”

-Population growth globally is slowing; requires going “deeper” not “wider”

*Deloitte
Global Change Underway

Transfer of Wealth / Buying Power

“The growth of wealth within what used to be minor markets is providing superb opportunities for companies to maximize their global potential and financial success.”*

-Opportunities for new concepts on the rise

-Competition for the middle class will intensify

*Steven Bash, City National Bank
Global Change Underway

Migration from Goods to Services
A “shift to understanding exchange in terms of value rather than products”*...

- More companies /consumers are shifting to niche markets
- Consumer empowerment is reshaping the business imperatives

*Vargo & Lusch
Franchise Best Practices...

Constructive Communications

Forward Thinking

Activities

Relentless Focus

On Creating Brand Value
Winning as a Team

Only works when all components work together

Requires each party to do what is best for the network...
Winning as a Team

Franchisor: The Brand Steward

A Benevolent Perspective

Scale Reduces Cost
- Additional partners
- Advertising / marketing
- Cost of goods / services

Increases Efficiency
- Staffing at HQ; outsourcing
- Support requirements to partners
Winning as a Team

Franchisee: A Partner Perspective

- Know your Role and Execute Flawlessly
- Build on your Local / Regional Expertise
- Monitor results relative to the network
- Celebrate local success!
Winning as a Team

A Customer Perspective

- The “Experience”
- Consistency
- Perceived Value
- Dilution Factor

"That's the name of the game ... pleasing the customer. If we ever lose sight of that fact, we've lost the ball game."

Ray Kroc
Leading an Emerging Concept

Requires a Recipe Approach for Success
Cultivate Creativity, Leverage Talent, Manage Costs

Encourage & Engage Franchisees
They have unique information key to the process...

A Deliberate Component of Strategic Planning
Creating a culture of expectation around innovation
A Question to Consider...

What are the biggest challenges your leadership faces in growing your brand?

Now Let’s Consider
Financial Management!
Agenda

Bridging the Gap
Growing Beyond a Startup on a Limited Budget

Vance Spilman
Overview

1. The franchise decision

2. Forming the foundation for the franchisor and anticipating franchisee needs and expectations
Overview

3. Cultivating RESPONSIBLE growth
   - Formulate a realistic financial and operating plan
   - Corporate infrastructure and staffing
   - Doing more with less

4. Potential challenges
Important Assumptions

Your concept is proven:
- Profitable across at least several units
  - Replicable
    - Differentiated
Benefits of Franchising Your Concept

Allows you to leverage the success of the concept by utilizing others’ capital while you retain ownership

Recurring revenue business model
Benefits of Franchising Your Concept

Develop markets before your competitors

Idea generation created by multiple operators

Increases brand awareness
Corporate vs. Franchised Decision

Positives of Corporate Units:
- Total operational and brand control
- Profitable and favorable tax benefits (depreciation)
- Beta testing new initiatives
- Complete transparency to all operating and performance metrics
Corporate vs. Franchised Decision

Challenges:
- Initially requires more capital
- Higher corporate headcount
- Potential competition with Zees
- Managerial and HR issues
Building the Franchisor Foundation

Sizeable initial infrastructure spend will make you appear relatively large even with few units.

Set franchise fees and royalty percentages to allow reasonable profit.

Takes a lot of time, energy, and money to create a sustainable franchise system.
Franchisee Expectations

Provide comprehensive operational support, training, development expertise, effective marketing campaigns, knowledge of operating and IT systems, etc.

Be the “thought leader” of the concept and brand
Franchisee Expectations

Demonstrate expertise evidenced by profitable operations of owned units as well as multi-unit expertise.

Grow the brand, both through strategically driving AUV's and new unit development.
Focus on RESPONSIBLE Growth

Once you’ve created and refined all the manuals, training materials, and systems, it’s all about Responsible Growth.

Growth is largely dictated by unit level economics. If those economics aren’t compelling, refine offering or business model.
Focus on RESPONSIBLE Growth

Collaborate with existing Zees—either best salespeople or biggest impediment to growth

Success breeds success: consider discounts to qualified Zees in targeted markets
Focus on RESPONSIBLE Growth

Offer incentives to existing operators for identifying qualified candidates that join the system.

In early stages every unit is critical, so smother your early adopters with support. They must be successful!
Have a Plan, Follow the Plan

Create forecasts and budgets

Timely periodic reporting (QuickBooks)

Managing the business on a cash vs. book (GAAP) basis

Reaching profitability usually takes longer than anticipated
Have a Plan, Follow the Plan

Every capital allocation must be scrutinized and provide tangible benefit: staff, travel, IT, occupancy, shared services, etc.

Lease vs. own equipment where possible

Use of fractional employees
Have a Plan, Follow the Plan

Avoid depleting majority of capital by hiring “experts” to lead you through the franchise process

Maintain close working relationships with vendors, bankers, professional service providers
Corporate Infrastructure and Staffing

Albeit small, key personnel including CEO (lead, sell, manage), VP of Ops (training), Finance, Marketing must be productive

Employees must be cross trained and highly adaptable
Corporate Infrastructure and Staffing

Initial systems expenditures focused on franchisee connectivity and reporting

Managed effectively, Area Developers or Master Franchisees can leverage growth without depleting corporate resources

Tenure of Zees dictates required support
Doing More With Less

Use unit level employees to create operations and training manuals; those employees who demonstrate proficiency in developing process manuals emerge as best corporate personnel.

Most successful Zees generate new and beneficial refinements to the business; embrace them.
Doing more with less

Use of social media/digital

Utilize advisory board or strategic partners

Emphasize value proposition to prospective Zees of benefits of being part of an emerging brand and company
Challenges

Survival

Establishing & maintaining strong Zee relationships

Marketing on a limited budget
In the Beginning...

Don't franchise until you have a qualified pool of interested candidates

Franchisee selection decisions affect your company for a long, long time and weak operators will drain resources
Early Pitfalls

Excessive or poorly executed hiring in hopes of attracting prospects can result in insolvency

Outsource, rent vs. own
Create and Maintain Strong Relationships

View each other as partners from the start

Brand compliance is critical, but establish clear parameters

Continue to invest in R&D, brand and renovating corporate locations: Be the Leader
Create and Maintain Strong Relationships

Franchisee’s hesitant to assume business risk of thinly capitalized franchisors…but expect expertise and support

So, it is important that you grow only as fast as your infrastructure can support
Marketing on a Limited Budget

Focused, targeted marketing

Social media/digital has leveled playing field for early stage companies vs. larger competitors

Utilizing today's affordable analytics
Summary: Bridging the Gap

Completely understand and anticipate the realities of building a franchise system vs. managing your own units—**have a PLAN**

Every hire and every unit in the beginning is critical—difficult to explain away early failures
Summary: Bridging the Gap

Align with current Zees—
much easier with their support

Stay the course—
this won’t happen overnight
A Question to Consider...

In your particular concept or industry, what infrastructure, including personnel, are most critical in the early stages of your development to adequately support existing units while attracting future prospects for your brand?
Agenda

Top 10 Marketing Tips
How to Accelerate Franchise Brand Growth

David Chapman
Top 10 Marketing Tips
For Franchise Brand Growth
Top 10 Marketing Tips for Franchise Brand Growth

1. Develop the Marketing Roadmap:

Create a market validated action plan with clearly defined goals that pinpoints where the money to build your business is most likely to come from.
Top 10 Marketing Tips for Franchise Brand Growth

1. Situation Analysis / SWOT
2. Create Single Minded Brand Story
3. Develop Distinct Buyer Personas
4. Map Content For Each Channel
5. Set Goals For Each Channel
6. Develop Content Creation Strategy
7. Develop Editorial / Media Calendar
8. Set Content Performance Metrics
9. Distribution and Amplification Plan
10. Honest Measurement and Refinement
Top 10 Marketing Tips for Franchise Brand Growth

② Move From “I Think” to “I Know”:

Inexpensive data mining to know who are your most likely franchise candidates and brand consumers

Examples:

Credit card purchases - Franchisee research
Top 10 Marketing Tips for Franchise Brand Growth
Top 10 Marketing Tips for Franchise Brand Growth

3

Focus Resources on The Right Target Audiences:

Smart marketers develop “Personas” of the most lucrative franchisee and customer profiles to focus messaging and marketing resources.
Top 10 Marketing Tips for Franchise Brand Growth
Top 10 Marketing Tips for Franchise Brand Growth

4

Brand Development:
Are you consistently telling a differentiated and compelling brand story to your franchisees, franchise candidates and consumers?

You can’t differentiate what you can’t define.
Top 10 Marketing Tips for Franchise Brand Growth

④ Brand Development:

Effective brand development can increase shareholder value and is comparable to other intangible and tangible company assets.
Top 10 Marketing Tips for Franchise Brand Growth

“Branding can be a painful process, particularly for cattle.”
Top 10 Marketing Tips for Franchise Brand Growth

5

Fewer Bigger Better:

There are dozens of marketing avenues. What approaches can you afford? What can you win at? Focus all resources on 3-5 marketing channels versus being a swiss army knife.
Top 10 Marketing Tips for Franchise Brand Growth

Social and Digital Media
- LinkedIn
- Facebook
- Pinterest
- YouTube
- Google+
- Twitter

Online Portals
- FranchiseDirect
- FranchiseGator
- FranchiseOpportunitiesNetwork
- AmericasBestFranchises

Paid Media
- SiriusXM

Earned Media
- USA Today
- Inc.
- Entrepreneur
- Fox Business
- The Wall Street Journal
- Fox News
Top 10 Marketing Tips for Franchise Brand Growth

When it comes to content, what do you closely pay attention to and what are you less attentive to (e.g., skim)?

- **Videos**: Consume thoroughly: 55%, Skim: 52%
- **Social media posts**: Consume thoroughly: 32%, Skim: 39%
- **News articles**: Consume thoroughly: 37%, Skim: 49%
- **Research content**: Consume thoroughly: 34%, Skim: 47%
- **Online classes / educational games**: Consume thoroughly: 31%, Skim: 37%
- **Interactive articles or tools**: Consume thoroughly: 33%, Skim: 42%
- **Long form business content**: Consume thoroughly: 32%, Skim: 41%
- **Blogs**: Consume thoroughly: 29%, Skim: 43%
- **Pop culture or news related long form content**: Consume thoroughly: 27%, Skim: 40%
- **Podcasts**: Consume thoroughly: 23%, Skim: 36%

Based on 1098 Global Consumers
Source: HubSpot Consumer Behavior Survey, Q1 2016
### Top 10 Marketing Tips for Franchise Brand Growth

**Where do you currently go to catch up on news, business and lifestyle stories online? Where did you go for the same content two years ago?**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Currently Use</th>
<th>2 Years Ago</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>I search for relevant content in search engines</td>
<td></td>
<td>79%</td>
<td></td>
</tr>
<tr>
<td>Read my Facebook feed and click interesting articles/videos</td>
<td>19%</td>
<td>75%</td>
<td>+57%</td>
</tr>
<tr>
<td>Go directly to a publication's website</td>
<td>22%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>Through mobile notifications</td>
<td>14%</td>
<td>48%</td>
<td>+34%</td>
</tr>
<tr>
<td>Read my Twitter feed and click interesting articles/videos</td>
<td>16%</td>
<td>41%</td>
<td>+25%</td>
</tr>
<tr>
<td>Go to specific blogs</td>
<td>18%</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Read my LinkedIn feed and click interesting articles/videos</td>
<td>18%</td>
<td>36%</td>
<td>+21%</td>
</tr>
<tr>
<td>Through notifications via Slack or other messaging platform</td>
<td>13%</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>I find content on Medium</td>
<td>13%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>I find content through an RSS feed</td>
<td>21%</td>
<td>18%</td>
<td>+3%</td>
</tr>
<tr>
<td>Through Flipboard, Feedly or another reader app</td>
<td>17%</td>
<td>17%</td>
<td>+4%</td>
</tr>
</tbody>
</table>

Base: 1001 Global Consumers  
Source: HubSpot Consumer Behavior Survey, Q1 2016
Top 10 Marketing Tips for Franchise Brand Growth

What content types do you want to see more of in the future?

- Social media posts: 45%
- News articles: 44%
- Videos: 43%
- Online classes / educational games: 33%
- Interactive articles or tools: 31%
- Research content: 31%
- Blogs: 29%
- Business or work related long form content: 21%
- Pop culture or news related long form content: 17%
- Podcasts: 17%

(Base: 1091 Global Consumers
Source: HubSpot Consumer Behavior Survey, Q1 2016)
Prospects don’t want more information, they want answers. Be transparent, be consultative and educational versus the typical pushy brand centric sales pitch to zees and customers.
Top 10 Marketing Tips for Franchise Brand Growth
Top 10 Marketing Tips for Franchise Brand Growth

So, here are the top 20 LinkedIn Pulse articles "of all time" as ranked by LinkedIn Pulse, themselves.

#1: How Successful People Stay Calm, Dr. Travis Bradberry

"Besides increasing your risk of heart disease, depression, and obesity, stress decreases your cognitive performance. Fortunately, though, unless a lion is chasing you, the bulk of your stress is subjective and under your control. Top performers have well-honed coping strategies that they employ under stressful circumstances. This lowers their stress levels regardless of what’s happening in their environment, ensuring that the stress they experience is intermittent and not prolonged."

Read the rest here.


"People are toxic to be around when they believe that everything that happens in life is a direct assault on them or is in some way all about them. The reality is that what people say and do to you is much more about them than you. People's reactions to you are about their filters, and their perspectives, wounds, and experiences. Whether people think you're smarter or dumber or worse or better, it's more about them. I'm not saying we should..."
Top 10 Marketing Tips for Franchise Brand Growth

7 Brand Validation:
Franchisees are like spouses – they can sing your praises or become painful and expensive to get rid of.
Top 10 Marketing Tips for Franchise Brand Growth

7 Brand Validation:
Third party validation enables franchise brands to rise above the clutter and build national brand trust and affirmation.
Top 10 Marketing Tips for Franchise Brand Growth

Failed Forward
From hard knocks to Golden Corral's biggest success

A beef jerky chain outlet? Yes, it's real -- and it's booming

Tips on running a hit franchise from Great Clips on

USA TODAY

Guinness World Records

Diving back

GIVING BACK
BUSHNELL GIVES HOPE TO OUR COMMUNITY

Caused by prolonged exposure to airborne moisture, and that that

#IFA2017

CONVENTION

#Bottom line: When you're trying to save costs, cut your marketing expenses, and grow your business, you need a game plan. Don't just cut out marketing altogether. It's easy to spend too much on marketing, but it can also be expensive to have inefficient campaigns. Instead, look for ways to identify your target audience and use the right channels. This will help you get more leads and sales while spending less. Also, remember that you're not the only one trying to reach customers. So don't just focus on one thing at a time,
Top 10 Marketing Tips for Franchise Brand Growth

8. Proactively Manage the Brand:

Control the brand message or the franchisees will. Don’t go there - it’s painful to take back brand control.

Advertising – Social Media – Websites
Top 10 Marketing Tips for Franchise Brand Growth

Content Marketing:
The right message to the right prospect - at the right time - in the right channel - at the right time of the buying decision
Top 10 Marketing Tips for Franchise Brand Growth

75% are looking for information
23% are comparing various options
2% are ready to take action

Know about you
Like You
Trust You

NO RISK OFFER:
- No contact info required
- Blog content
- YouTube videos
- Podcasts
- News coverage
- Customer success stories

LOW RISK OFFER:
- Access with email
- Industry reports
- Business surveys
- Infographics
- Testimonials
- Newsletters

919 nineteen
marketing co.

BsB customers contact a sales rep only after
70% of the purchase decision has been made.

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CONVENTION
Top 10 Marketing Tips for Franchise Brand Growth
Top 10 Marketing Tips for Franchise Brand Growth

10

Measure and Refine:
Take advantage of free and low cost analytics to measure your marketing success.

Online research – Social Media – Google Analytics
Top 10 Marketing Tips for Franchise Brand Growth

- Hootsuite
- Addict-o-matic
- Sprout Social
- SocialMention
- Brandwatch
- Oktopost
- Keyhole
- Alexa
- Google Analytics
Top 10 Marketing Tips for Franchise Brand Growth

1. Develop the Roadmap
2. Go from I think to I know
3. Target Audience Focus
4. Brand Positioning
5. Fewer Bigger Better
6. Brand Relevance
7. Brand Validation
8. Brand Management
9. Content Marketing
10. Measure and Refine
A Question to Consider...

What have your peers in this room learned about building cost effective marketing programs – how can you apply that insight and real world experience to your brand’s future marketing efforts?
Roundtable Discussions

1. What are the biggest challenges your leadership faces in growing your brand?

2. In your particular concept or industry, what infrastructure, including personnel, are most critical in the early stages of your development?

3. What have your peers in this room learned about building cost effective marketing programs – how can you apply that insight and experience to your brand’s future marketing efforts?
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