Franchisor Best Practices
In the Recruitment Process
Panelists

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Agenda

- Elements of best practices.
- Keep your focus on the franchise candidate.
- Overcoming the emotional hurdles.
- Commitment to the franchise recruiting process.
- Foster culture of awarding franchises and not selling.
- Franchise performance representations.
Elements Of Best Practices

Philosophy of Franchise Recruiting

- Distinction between selling and recruiting
- The franchisor business model
- Not every royalty dollar is equal
- The ripple effect
Elements Of Best Practices

10 KEYS TO SUCCESS

1. Unit level economics
2. Franchisee validation
3. Value proposition
4. Profile of a successful franchisee
5. Recruitment process
6. Lead generation
7. Skilled recruiters
8. Financing
9. Corporate Culture
10. Departmental Leadership
Focus On The Franchise Candidate... NOT on Your Process!

Who are you speaking with?

Personality style elevator humor

“D” Pushes the button, gets on, closes the door

“I” Always has room for one more

“S” Waits in line, moving from one line to another

“C” Gets on and counts the people, if over loaded asks someone to get off

Don’t Just Listen, HEAR!
Focus On The Franchise Candidate

Build The Relationship!

• What are they doing today?
• Why are they making a change or adding to their portfolio of businesses?
• Will purchasing this franchise achieve their goals and objectives?
• What is their passion?

Trust and transparency builds the relationship!

• Our role is to provide the right information at the right time to help the candidate make the best decision for them, their family, and their future.
Focus On The Franchise Candidate

WHAT NOT TO DO!

Dilbert by Scott Adams

SALES TRAINING
NEVER SELL TO YOUR CUSTOMER. MAKE YOUR CUSTOMER SELL TO YOU.

OUR PRODUCTS ARE ONLY FOR THOSE WHO DARE TO BE GREAT! MAKE THE CUSTOMER EXPLAIN WHY HE IS WORTHY.

WHAT DID YOU JUST CALL ME?
YOU HEARD ME, GOOBER. NOW BEG FOR OUR PRODUCT.
Overcoming The Emotional Hurdles

- Fear
- Uncertainty
- DD - Doubt / Disinformation
Overcoming The Emotional Hurdles

• A clear and easy to understand process

• Customer-Center “Selling / Awarding”

• Transparency
Overcoming The Emotional Hurdles

Make sure the match is right

• Clearly define a successful Franchisee

• Personality Profiling / Matching
Overcoming The Emotional Hurdles

• Validation
  – The average prospective franchisee contacts 7 to 10 franchisees to validate*

• Improve the quality of referrals
  – The franchisees need to be brought into the process
  – A franchisee advisory council (get buy in)

* Franchise Business Review
Overcoming The Emotional Hurdles

• Create Engagement
  – Present the vision
  – Listen how they talk about vision
  – Ensure the vision excites the prospect
Overcoming The Emotional Hurdles

• Create Clear Exceptions
  – Make sure the prospect understands what franchising is
  – Clearly describe the different roles of Franchisees and Franchisors
Commitment To The Franchise Recruiting Process

How do I keep candidates in the process to the end?

• Two desired outcomes of the recruiting process:
  – Candidate sees the business as a fit for their goals
  – Franchisor sees the candidate as a fit for the business

• Candidates own the process before they own the business

• Candidates are emotionally engaged in their goals, not committed to your recruiting process

• Actions speak louder than intentions
Commitment To The Franchise Recruiting Process

Best Practices

• Get up-front commitments and set boundaries
  – Mutual fit
  – “90 day” decision
  – Open exchange of information

• Make sure you want them in system

• Hold them accountable for commitments
Culture Of Awarding Franchises And Not Selling

• Long term view

• Long Term Profitability
Culture Of Awarding Franchises And Not Selling

- Better Franchise Relationships
- Improved item 19 and 20
- Stronger Referrals
Culture Of Awarding Franchises And Not Selling

- Mean it!
- Don’t use the concept of Awarding as a sales tool
- Build a culture of Awarding
Franchise Performance Representations

• What is an FPR?

“Financial performance representation” means any representation, including any oral, written, or visual presentation to a prospective franchisee by, including a representation in the general media, that states, expressly or by implication, a specific level or range of actual or potential sales, income, gross or net profits. The term includes a chart, table, or mathematical calculation that shows possible results based on a combination of variables.”
Franchise Performance Representations

Now in English:

- Historical sales, gross or net profits, whether from franchisees, company-owned, or competitors.
- Projections of sales or profits.
- Costs given as a percentage of sales.
- Any group of numbers that can be combined to get to a sales level (for example, our average hotel has an 80% occupancy rate and average room rate of $100 per night).
- Includes statements in the media that you give to prospective franchisees.
Franchise Performance Representations

Exception to the General FPR Disclosure Rule:

An FPR limited solely to the actual operating results of a specific unit being offered for sale need not comply.

- Must be given only to potential purchasers of that unit and accompanied by the name and last known address and telephone number of each owner of the unit during the prior three years.
Why don’t more franchisors (you?) include an FPR in their FDD?

- “We do not have enough representative units open.”
- “The numbers are not good.”
- “My attorney told me not to.”
- “We have plenty of successful franchisees who can give this information/franchises sell themselves.”
- “We do not have reliable numbers.”
Franchise Performance Representations

Creative FPRs – tie the FPR to your business.

- Give sales ranges

Exhibit 19-1
SALES DISTRIBUTION
"TRADITIONAL" AND "NON-TRADITIONAL" RESTAURANTS
JANUARY 1, 2010 – DECEMBER 31, 2010
Percentage of Restaurants at Sales Level (%)

<table>
<thead>
<tr>
<th>Annual Sales Level - Range</th>
<th>Traditional (1)</th>
<th>Non-Trad (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above $1.5M</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>$1.5M - $2.5M</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>$2.5M - $5.0M</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>$5.0M - $10.0M</td>
<td>26%</td>
<td>15%</td>
</tr>
<tr>
<td>$10.0M - $20.0M</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>$20.0M - $50.0M</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>$50.0M - $100M</td>
<td>4%</td>
<td>18%</td>
</tr>
<tr>
<td>Below $100M</td>
<td>4%</td>
<td>22%</td>
</tr>
<tr>
<td>Total Restaurant Sample</td>
<td>6,601</td>
<td>545</td>
</tr>
</tbody>
</table>

The sales levels, sales ranges and median sales shown above reflect the experience of certain franchised and BKC-operated Restaurants and should not be considered as the actual or potential sales that you will realize. BKC does not represent that you can expect to attain any particular sales level.

Notes:
(1) The information provided in this Sales Distribution is sales information for a total of 6,601 Restaurants treated as "Traditional" Restaurants for purposes of this Item. Of those Restaurants, 5,769 were Franchisee-owned and 832 were BKC-owned as of December 31, 2010. Only those Restaurants with 12 months of actual sales as of December 31, 2010 are reported in this chart.
(2) The information provided in this Sales Distribution is sales information for a total of 484 Restaurants treated as "Non-Traditional" Restaurants for purposes of this Item. Of those Restaurants, 517 were operated by Franchisees and 33 were operated by BKC as of December 31, 2010. Only those Restaurants with 12 months of actual sales as of December 31, 2010 are reported in this chart.
(3) Due to rounding percentages may not equal 100%.
Franchise Performance Representations

Creative FPRs – tie the FPR to your business.

- Give sales ranges
- Sales, CGS and gross profit
- Give key statistics

AVERAGE MEMBER NUMBERS

We had 1,225 Anytime Fitness clubs open for at least 12 months as of February 28, 2011. The average number of members at these clubs was 737. This is an increase from an average of 733 members for clubs open at least 12 months as of February 28, 2010, and 677 members as of December 31, 2008. 529 of the 1,225 clubs that were open for at least 12 months as of February 28, 2011 (43%) had 737 or more members, and 696 (57%) had less than 737 members.

We also had 42 Anytime Fitness Express clubs open for at least 12 months as of February 28, 2011. The average number of members at these clubs was 458. This is an increase from an average of 421 members for clubs open at least 12 months as of February 28, 2010. Because we did not begin offering franchises for Anytime Fitness Express centers until October 2006, we did not have a sufficient number of clubs open before 2009 to make reasonable comparisons to earlier periods of time.
Franchise Performance Representations

Hilton Hotel franchise systems provide:

• Average room rates
• Average occupancy percentage
• RevPAR
• Contribution to occupancy from HHonors Program
• Contribution to occupancy from Hilton Reservation System
Franchise Performance Representations

Creative FPRs – tie the FPR to your business.

• Give sales ranges
• Sales, CGS and gross profit
• Give key statistics
• Conversion franchises talk about increases in sales following conversion
• What information would be most beneficial for you to convey?
Comments

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Best Practices In the Recruitment Process

Questions

• Elements of best practices.
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