

Franchisors are smartening up, that's the word from research company 10 Thousand Feet which has just released the findings from its latest Franchisor Expansion Study. And that is good news for franchisees and anyone looking to purchase a franchise because the franchisors have recognized the need to respond to areas of concern.

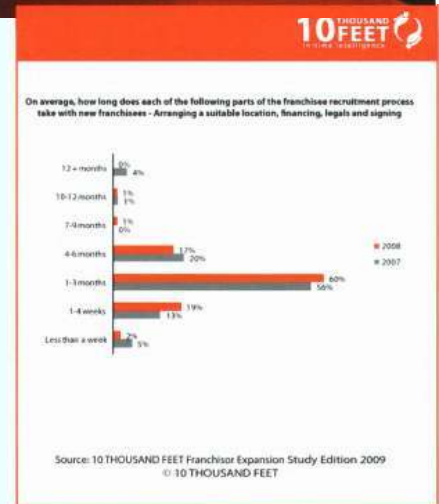
The study was conducted in December 2008 over a period of two months with 102 franchisors, forming a representative percentage of the overall franchising industry by 10 Thousand Feet, a company experienced in dealing with the franchise and retail sector, and which established the franchisee-

focused topfranchise.com.au website.

According to the research head of intelligence, Ian Krawitz, the best franchisors have addressed issues which have been raised in last year's franchisee study.

"More franchisors are engaging in mentoring programs to ensure

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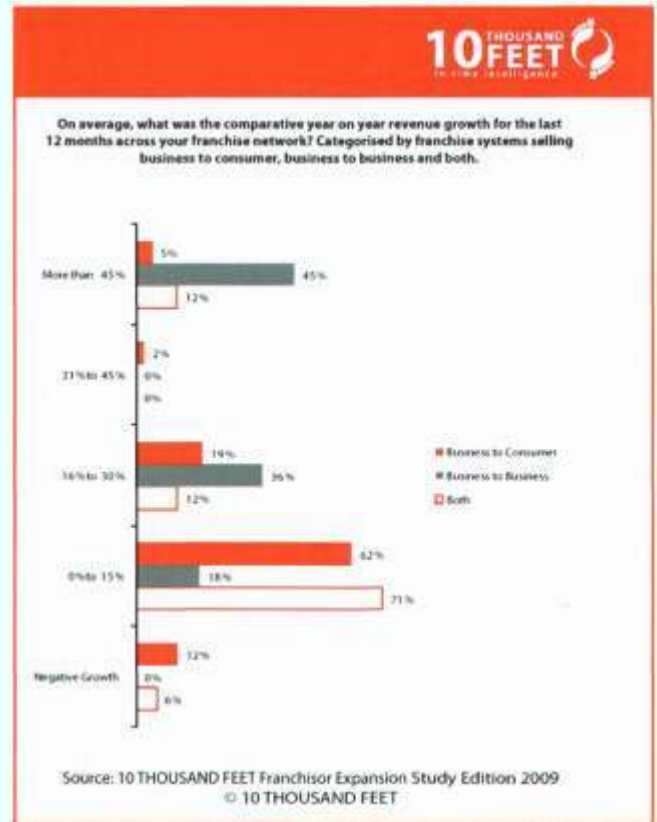
their franchisees get better support. Progressive franchise systems are providing better financial guidance and franchisors on the topfranchise.com.au website are now focusing strongly on franchisee satisfactions, seeing that happy franchisees saying good things about the business are the best recruitment tool."

How long does it take to go through the process of purchasing a franchise? A variety of views and experiences show there is no one answer; some franchisees are determined in their choice and swift to see the process through; other potential purchasers spend considerable time researching and reviewing the options. What

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the franchisor study shows is that franchisors are making a better effort to respond promptly to initial enquiries and initiate the first interview, with a significant improvement on last year's response rates.

Choosing the right franchisee really should be a priority for any responsible franchisor for the sake of the brand, the system, and frankly, the bottom line. Just look at the costs alone: acquiring a franchisee is not insignificant to the franchisor, with any franchise which requires franchisees to invest over \$50,000 to get started equating to a \$17,000 spend by the franchisor. However the cost had decreased in 2008 by almost \$6,000 over the previous year.





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Prospective franchisees may be encouraged by the revelations of how many franchisors have been cutting costs over the last 12 months, and how those who have made financial adjustments have implemented them. Just over a third of franchisors surveyed (37 per cent) made no cost cutting measures, while those who did last year concentrated on general office costs and marketing. Only four per cent cut costs on employees who provide support to franchisees.

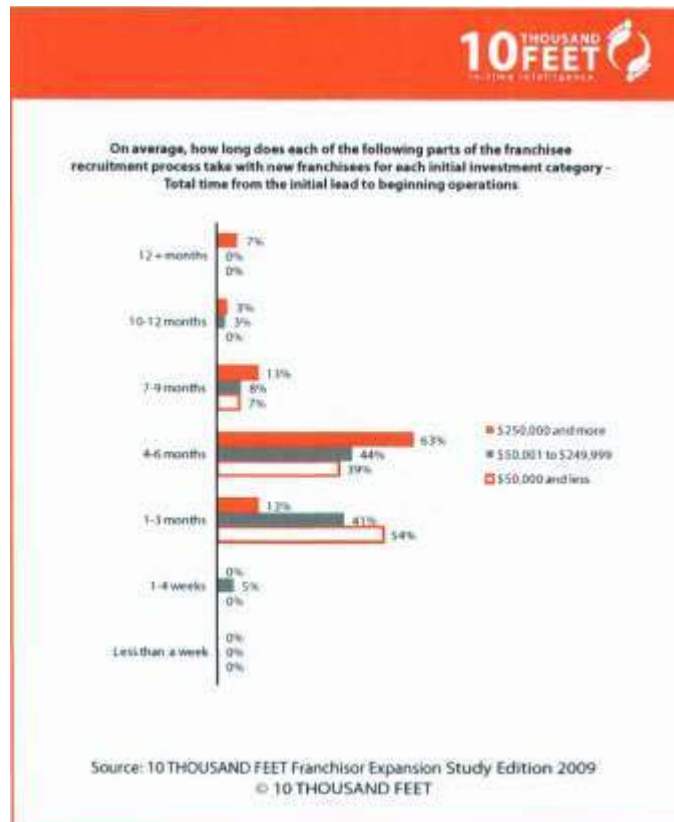
However a higher percentage (46 per cent) gave no encouragement to their franchisees to trim expenses. Those that have reacted to the general economic decline by encouraging cost-cutting at the grassroots level have focused on general admin outgoings.

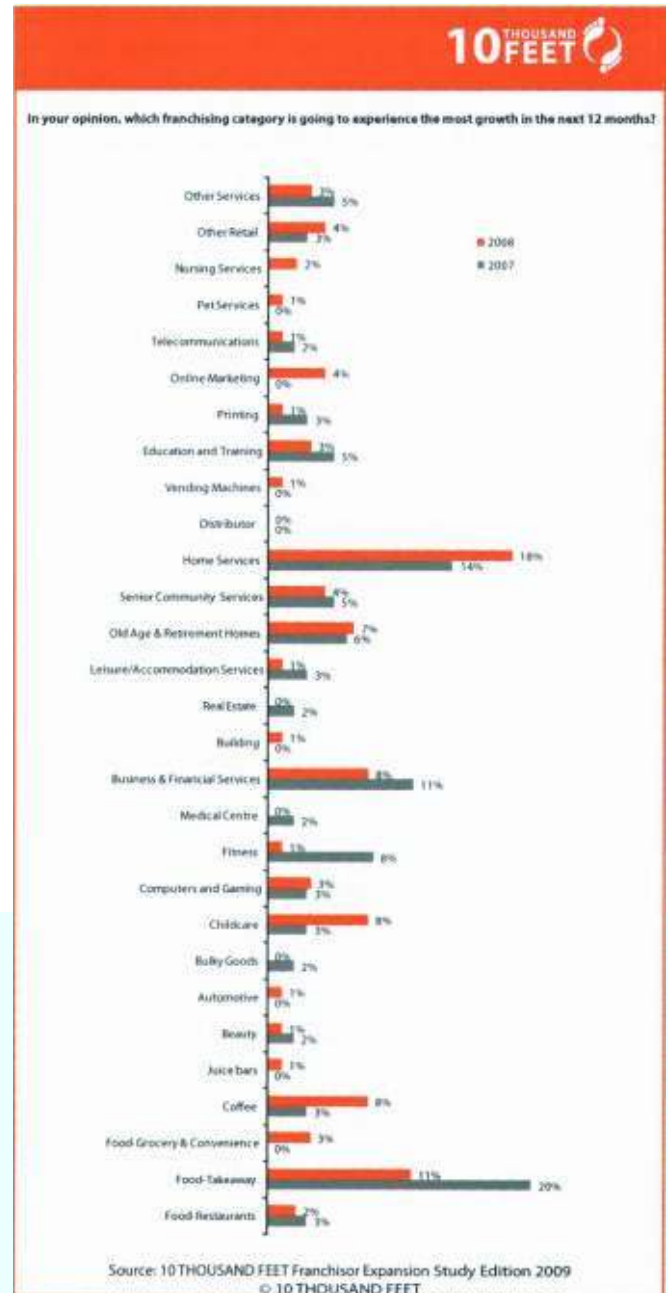
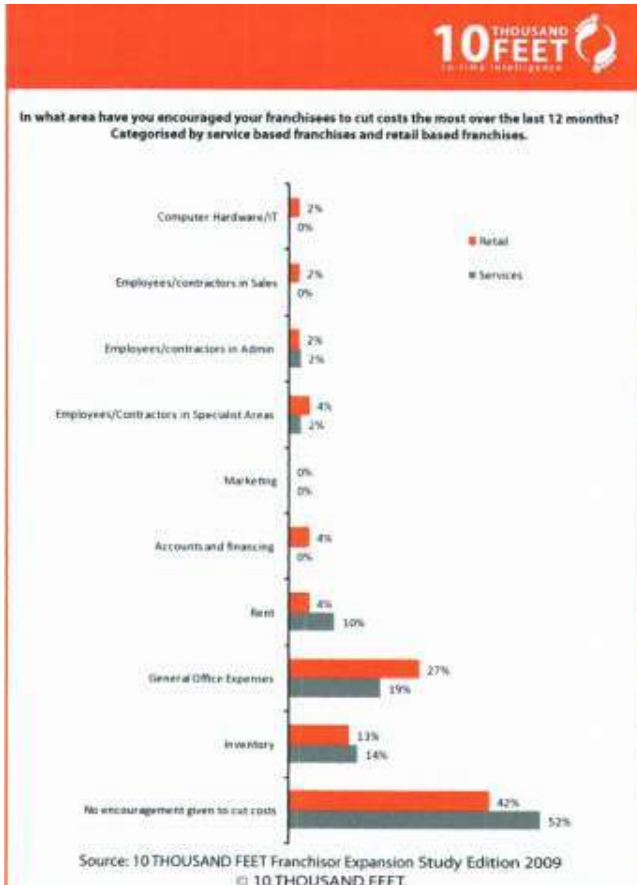
more franchisors are engaging in mentoring programs to ensure their franchisees get better support

Of course training has to be an essential ingredient in any recipe for franchise success and canny franchisee prospects are looking for help not just to set up and run their businesses but provide ongoing guidance to improving their business skills. Franchisors are dealing with this and ensuring franchisees are trained early on.

Forty per cent of franchisors surveyed reported the training process with new franchisees took one to three months, while 45 per cent quoted one to four weeks.

Proof of support from a franchisor has also proved to be a key element in the purchasing process according to 10





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Thousand Feet's franchisee survey and the latest findings show how the concept of mentoring among fellow franchisees has taken off.

Forty two per cent of surveyed franchisors have a mentoring program in place and for those that do a fellow franchisee with more experience is the mentor for 46 per cent, while 34 per cent of surveyed franchisors gave this task to an area manager and for 20 percent of franchises a support staff member embraces the mentoring role.

As we have looked at in a variety of ways in this issue (profit, valuing a business and income guarantees) revenue is the driver of any franchise although it does not define the profit margin required

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for a business to meet the goal of the owner. According to this latest review, it is the business to business arena which has offered the greatest revenue growth with close on half of business to business franchises reporting a substantial 45 per cent comparative year on year growth.

And franchisors themselves are quite opinionated about the

sectors which they perceive will be winners over the next 12 months – and these do not necessarily relate to the industry they participate in themselves.

The home services sector has attracted most support, with 18 per cent of franchisors expecting it to provide the best growth, with the 2007 overall favourite, takeaway food, the second most popular choice.

Perhaps not surprisingly franchisors with an offer less than a \$50,000 investment are most confident of adding new franchisees to their portfolio (75 per cent) but across all price sectors the majority of franchisors are predicting expansion.

These are just a few of the comprehensive findings of the latest 10 Thousand Feet report. For more information see the intelligence club at www.10thousandfeet.com