



Franchisors move to aggressive recruitment model

# Million-dollar pitch

Josh Robertson

THE hunt for franchisees has become a battle of the big spenders, with franchisors collectively plunging tens of millions of dollars a year into recruitment marketing.

A study by market research firm 10 Thousand Feet found the sector spent \$44.4 million on marketing to franchisees in the year to September 2007.

10 Thousand Feet director Ian Krawitz isn't surprised by that figure, equivalent to \$16,304 per new franchisee and a likely record splurge.

"Franchisors are finding it tough at the moment in the market to get new franchisees on board so they're tending to spend quite a bit more to get the result," he said.

Mr Krawitz said any franchisor spending less than \$20,000 a year on marketing will have noticed "a significant decrease in their recruitment performance". "To me that says in a tough market, if you're not spending then you don't have a share of voice," he said.

Reaching women was a weak point, the 2007 Franchisor Expansion study found, with only 15 per cent of franchisors having a tailored strategy for female franchisees.

Mr Krawitz said Sydney's Kwik Kopy was a company that had successfully changed tack, now pitching to women through maga-

zine advertising. Women now make up 30 per cent of its prospective franchisees, up from 10 per cent.

"I was sitting down just the other day with a franchisor — maybe only 1 per cent of their franchisees are women — and their type of model would be perfect for women in that it has a lot of flexibility behind it."

The internet has become the prime source of leads for franchisors (38 per cent), prompting them to maintain quality websites, regularly updated and augmented with search engine marketing and optimisation.

As for conversion rates, word of mouth still rules.

"I don't think anything beats word of mouth," said Simon Crowe, managing director of Melbourne-based burger franchise Grill'd.

"To be perfectly honest, I think many franchise systems, particularly with food, dumb down their operations and lose their soul very quickly," he said.

"We're a business that prides ourselves on our culture and soul and we don't want to lose that and therefore the franchise recruitment aspect is absolutely key."

Mr Crowe said prospective franchisees, generally in their late 20s to mid-40s, needed four to five contact points with the Grill'd brand before they approach.

Boutique Swiss ice cream franchise Movenpick also relies on word of

mouth with virtually no recruitment budget, said spokesman Mauricio Alarcon. "We're limited to very exclusive locations so we don't need to do any mass advertising for recruiting franchisees — that's the advantage of premium retail," he said.

Results from a second survey suggest that aggressive marketing remains the most reliable avenue for franchise growth, although the landscape is changing.

Business lawyers Cutler Hughes and Harris found that more than 70 per cent of survey respondents grew primarily through single unit expansion, via new franchisees (57.9 per cent) or granting additional units to existing franchisees (13.2 per cent).

However, they expect this trend to decline in coming years with franchisors instead tipped to look overseas for expansion following the further saturation of the local market.

"This follows the trend in the US; attracting sophisticated franchisees who may own more than one brand," the company stated.

Multi-unit franchise ownership is also tipped to rise, another factor which would alter marketing.

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