

Fishing for franchisees



Recruiting franchisees takes patience and strategy. A recent survey reveals which mediums franchisors are finding most useful for hooking franchisees...

By Bruce Atkinson, journalist, Inside Retailing Magazine

10 Thousand Feet, a market intelligence firm, has found that the average cost of recruiting a new franchisee in systems with less than 50 units is \$18,952.

For larger systems, the recruitment cost is an average of \$15,257.

A study endorsed by the Franchise Council of Australia and recently released by 10 Thousand Feet found a significant trend towards the engagement of external consultants in franchisee recruitment.

While coming off a low base of recruitment marketing spending of \$3.1 million in 2007, franchisors expected to increase their use of business brokers and external consultants by around 50% in the year ahead.

The shift possibly reflects the need to qualify potential franchisees more effectively and to tap into a wider potential pool of people looking for new business opportunities.

It also indicates that some franchise networks are tightening their belts and trying to keep central administration costs down by using external specialists who are paid on results.

While newspapers remain the top recruitment tool for franchisees with a total marketing spend of \$12.5 million in 2007, franchisors expect to direct 8% less of their budget to the medium in the year ahead.

Franchisors are also cutting

their investment in expos and franchise showcase events with a prediction that spending in that area will fall by 52% next year, halving the 2007 spend of around \$2.8 million.

In another significant shift, franchisors will markedly decrease their exposure on television in 2008 with an expected 91% cut to the \$2.4 million allocated to TV advertising in 2007.

Franchisors are not expecting word of mouth recruitment to be as effective in the year ahead as it has been and they propose

spend next year, will still attract the most spending at around \$11 million in 2008.

Internet spending on recruitment advertising is expected to be around \$9.3 million while advertising commitments in magazines will jump to \$7.3 million and \$4.4 million will be allocated to trying to sell franchises using public relations activity.

The 10 Thousand Feet survey of 78 franchisors between September 12 and October 5 found there were distinct differences in the effective media used to reach prospective women franchisees.

The key media for promoting franchise opportunities to women are the internet, with a 30% rate of effectiveness followed closely by word of mouth promotion at 28%.

The other tools the industry believes to be effective in marketing franchises to women are magazine and newspaper advertising and public relations.

10 Thousand Feet's study found that women are actually under-represented in franchising compared with small business ownership across the board.

Around 20% of franchised units are predominantly operated or owned by women according to 10 Thousand Feet compared with 31% overall small business ownership.

Asked about franchising activity levels in 2008, 69% of franchisors expect more franchisees will begin operating in the next 12 months compared with last year. •



Newspapers, despite a lower spend next year, will still attract the most spending (on recruitment of franchisees)

to prune the \$6.1 million in support programs for word of mouth promotion by around 28% in 2008.

Apart from external consultants and business brokers, the franchise industry will be placing a greater reliance on the internet for franchisee recruitment with spending in that area up 21% on the \$7.8 million invested in 2007.

Magazine advertising is also set to increase significantly with a projected 47% boost to the \$5 million spent in that medium for 2007.

The changing mix in the franchisee recruitment tools used by franchisors will mean newspapers, despite a lower