



MASTERFRANCHISING.COM

THE FRANCHISING ADVANTAGE

GROW
YOUR
BUSINESS THROUGH
FRANCHISING

BY MIKE CICCARELLI & DREW PARAS



Table of Contents

1. Four Primary Ways to Grow Your Business and Brand	3
2. Why Franchise Your Business – The Franchising Advantage	4
3. How Franchisors Earn Revenue.....	6
4. Why People Invest in Franchises	9
5. Franchising Defined	11
6. Is Your Brand Franchiseable?	14
7. How Can Franchise Development Group Help?	17
8. Ready, Set, Launch! Growing Your Franchise Brand	19
9. Franchise Success Stories	28
10. What Makes Franchise Development Group Different.....	29
11. Frequently Asked Questions	30
12. Next Steps	32

Copyright © 2016 Franchise Development Group, LLC All Rights Reserved
No part of this publication may be reproduced or used in any form without the prior written consent of the Franchise Development Group, LLC. Requests for consent should be directed to info@MasterFranchising.com



1. Four Primary Ways to Grow Your Business and Brand

If you are a successful independent business owner you may not realize that you have overcome some big odds. The fact is less than 20% of independent businesses are still in operation after 7 years. Now that you have a thriving business with a healthy financial track record, how do you grow your business from here?

Generally, there are four primary ways to grow your business:

- **Expand using your company's cash flow.** A company can use its cash flow to replicate and build multiple units. As these new units turn a profit, you can look at recycling this approach. However, this option can take a substantial amount of time and the company will be fully responsible for all aspects of the additional branches including but not limited to financing, marketing, operations, human resources, research and development, general administration and overhead costs. You may also be limited with how quickly you can grow.
- **Traditional financing involving debt.** Traditional financing generally requires a personal guarantee that the debt will be paid back. While loans or investments are typical in growing businesses, it is not always easy to get financing and there may be limitations on how much capital you can access.
- **Equity financing.** Equity financing involves bringing on partners or investors who will have an equity stake in your business. It can also mean giving up control of what you have worked hard to build; however, there may be certain situations and circumstances where equity financing can be a good option to grow your business model quickly.
- **"Franchising".** Franchising can be an effective and profitable way to grow your business. It involves using other people's money to grow your brand, which is often referred to as "OPM". Franchising is a revolutionary way to duplicate success by being a true definition of scale. Franchising helps entrepreneurs prosper by using a proven business model while building and developing a larger brand with economies of scale.

"Obstacles are those frightful things you see when you take your eyes off your goal."

- Henry Ford



If you're ready to grow your business quickly while keeping costs low and boosting your company's brand awareness and reputation, franchising may be the best way for you to reach long-term goals in a relatively short time. Before you get started, it's important to understand what you have to gain and whether or not your company is "franchiseable".

2. Why Franchise Your Business – The Franchising Advantage

According to a recent study by PricewaterhouseCoopers, *franchise businesses* are responsible for 40% of all retail sales in the U.S. More than 750,000 franchises in over 75 different industries generate almost \$1 trillion in annual sales. Over 300 franchises are sold every week and one in every 12 businesses is a franchise.

Why Do Successful Independent Businesses Choose Franchising To Grow?

Franchising can be a true wealth, equity and value builder

Selling franchises enables you to generate passive income very efficiently and in the right scenario very quickly. Franchisors can derive revenue in multiple ways which include Franchise Fees and Royalties which are paid by the franchisees in exchange for using your proven business model and ongoing support and services. Royalties can range from 5% to 15% of gross sales depending upon the business and the type of support you are providing for your franchisees. Royalties and other possible revenue streams can build the value of your company over time.

Generally, profitable independent business will be valued at 1-2 times earnings; however, franchises may be valued at 3-4 times earnings. For franchisors earning \$1 million a year, a valuation of 6-8 times earnings is entirely possible.

Franchisees invest their own money into opening a location (OPM)

Franchising permits your company to grow with capital invested by individual franchise owners, hence OPM using Other People's Money... The investment required to franchise your business in some cases can be recouped through the sale of the first few franchises.



Rapid expansion

In today's marketplace, the window of opportunity for a new or unique business concept closes very quickly. Franchising permits multiple units to be opened simultaneously, gaining a foothold over would-be competitors. Rapid expansion is one of the primary reasons to franchise your business and brand. With the right business model, your business can actually grow from a local business to regional, national or even international recognition. As mentioned earlier, the successful growth of your business has a direct correlation to the overall value of your company.

Market dominance

Multiple locations increase the company's competitive advantage over similar type businesses and builds top of mind awareness and brand loyalty.

Franchising puts a "business owner" in charge

Franchising ensures that qualified "managers" are operating additional locations rather than employees. As an entrepreneur you know that owning your own business or opening more company units demands a great deal of time, effort and sacrifice. Franchisees are motivated by their vested ownership of the business since they are the ones that made a long term capital investment into your brand.

Franchise locations often operate better and more profitably than "company owned" units

It is statistically proven that franchise businesses are often more profitable than company owned units. The profitability directly correlates to the fact that a highly motivated owner, the franchisee, is running the business rather than an employee. With their capital at risk, franchisees are much more motivated than employees to perform at their highest levels in all aspects of running a business which include: financing, marketing, operations, customer service, hiring, managing and retaining employees.

Greater buying power

Franchisors that purchase products and services for their franchise network can often negotiate volume discounts from vendors and suppliers. Sharing a portion of the saving with franchisees provides higher operating margins and a competitive advantage over other similar businesses.



Under the right circumstances, this can also be an additional revenue stream for the franchisor.

Increased name recognition

As additional locations are opened, name recognition increases. In the United States, customer loyalty towards recognized brands is at an all-time high. Consumers typically feel more secure frequenting a business they recognize by name. For the independent business person, it has become difficult to compete against companies that have significant resources to develop and promote their brand. Franchising permits an individual to benefit from the collective power and growth of the franchise network, which in turn leads to greater name recognition and competitive advantages for each individual franchisee. There are numerous examples of this. Nobody can deny that brands like McDonalds, Burger King, Subway, Great Clips, 7-11, Hampton Inn and GNC are recognizable all over the US and depending upon the brand many parts of the world.

Increased advertising and marketing budget

Franchisees may be required to contribute a percentage of their gross sales (or a set fee) to an advertising fund administered by the franchisor. This enables the franchisor to advertise in regional and/or national media for the benefit of the franchise network and could be a source of additional revenue. Equally important, it enables a franchisor to provide critical grand-opening and ongoing marketing support to help franchisees promote and grow their business.

3. How Franchisors Earn Revenue

Now that you have an overview of “*why*” you would want to franchise your business and “*what*” are some of the benefits, let’s look at the “*how*” when it comes to earning revenue and building the value of your company as a Franchisor. Franchisors can grow the value of their business through multiple revenue streams starting with the franchise fees. There are three primary categories of franchise fees:

First, you have the initial franchise fee which goes to cover certain costs such as the training of the franchisee, recruitment and for some business models finding a retail location for the business. The fee can typically range from (\$10K to \$50K) and area development fees, when applicable can range from (\$50K to \$200K). Area development fees are paid when a



qualified prospect purchases a larger territory to develop multiple locations within a defined area based on a development schedule agreed upon by the Area Developer and the Franchisor. Not all franchisors offer Area Development opportunities; however, with the right business model it can be an extremely efficient and profitable way to grow your brand very quickly.

Second, franchise royalty fees are meant to pay for ongoing franchise assistance and support. Royalty fees are the true wealth creator for the franchisor. These fees typically range from 4% to 12% of gross sales and are usually paid on a weekly or monthly basis. Companies with dozens or hundreds of units stand to gain exponentially. Franchise agreement terms can range from 10 to 20 years this provides a reoccurring revenue stream that will have a direct correlation in increasing the valuation of your company.

Third, national advertising or marketing fees are paid to the franchisor for brand building and marketing efforts. These fees usually range between 0% to 5%. Depending upon the franchise model, advertising and marketing fees can also be used to provide ongoing marketing support for franchisees at the local or regional level.

Following are examples of how franchisors earn revenue:

Example 1 shows annual royalty stream income at a 5% rate based on the number of units averaging annual gross sales of \$500,000. It also shows the amount of franchise fee income based on number of units sold:

Example 1 - Initial Fees & Royalties earned in 1 year based on # of units:

# OF UNITS	INITIAL FRANCHISE FEES COLLECTED @ \$35,000/ UNIT	AVERAGE ANNUAL GROSS SALES @ \$500,000/ UNIT	YOUR ANNUAL ROYALTY INCOME COLLECTED @ 5%
5	\$175,000	\$2,500,000	\$125,000
10	\$350,000	\$5,000,000	\$250,000
20	\$700,000	\$10,000,000	\$500,000



As we reviewed earlier Franchising can be highly profitable while building the value of your company through reoccurring royalty income. Example 2 shows the compounding growth of royalty income and franchisee fees if a franchisor only sold 5 units per year for 5 years for a total of 25 units using the same Franchise Fee and Royalty % in Example 1:

Example 2 - Compounding Royalty income with only 25 units after 5 years:

FRANCHISE FEE COLLECTED

\$875,000

ROYALTY FEES COLLECTED

\$1,875,000

TOTAL EARNED IN 5 YEARS

\$2,750,000

Selling only 5 franchises per year for 5 years, Total Units = 25

Initial Franchise Fees Collected = \$875,000 (based on single unit sales only, this could increase dramatically if you include Area Development & Multi-Unit Franchise Fees that are generally higher than single unit fees.)

Royalty Income Collected = \$1,875,000 (after 5 years)

Note: These figures are for illustrative purposes only there are no guarantees that your company will achieve these results, results can vary due to a number of unpredictable variables.

Additional Franchisor Revenue Streams: In addition to the three primary Franchise fees there may be additional revenue streams depending on the business model that is being franchised. Some business models may not be able to benefit from all of the possible revenue streams we will review. It is important to note that there are a number of factors a Franchisor needs to consider when assessing other revenue sources, one of the most important being if the additional revenue source will negatively impact your franchisees profitability. The two important factors that will determine if your new franchise business grows successfully and quickly are 1) a financially profitable franchise model and 2) having good franchisor and franchisee relationships. Both of those factors impact the due diligence and validation process for prospective candidates that are considering investing in your franchise model, as well as your current franchisees that may be considering expanding by developing more units. Following are some possible additional revenue streams:

“The way to get started is to quit talking and begin doing.”

– Walt Disney



REVENUE SOURCES	REVENUE STREAMS' "CUSTOMARY" % RANGES
Advertising and Marketing Administrative Fees	.05% to 1% of Gross Sales
Services provided to franchisees such as: marketing, training, extra field support, IT support, etc.	.05% to 1% of Gross Sales
Sales of products, supplies and promotional items	6% to 10% of Cost of Goods
Rebates from Suppliers	1% to 3% of Cost of Goods
Real-Estate & Equipment Sales	1% to 5% override of leases

Note: These figures are for illustrative purposes only, factors such as but not limited to the type of business model and financial feasibility needs to be assessed when considering additional revenue sources.

4. Why People Invest in Franchises

So what would make someone want to invest in your franchise brand? People don't invest in franchises they invest in believing that your franchise model will enable them to meet their financial and career goals. Owning your own business for many is part of the "American Dream"...

In today's changing economy and business environment, people from all walks of life want to have more control over achieving their financial and career goals. With the right franchisees, your business model may be the way to make their dreams and goals a reality while growing your brand and increasing your company's value.

More women and minorities are looking to own their own business today than in previous decades. A large portion of individuals are being downsized, looking for different career opportunities and want more control over their time and schedules. Veterans are transitioning out of the military at a quicker rate and are choosing to go into business for themselves. More people have an entrepreneurial passion for self-employment and are choosing to become part of a successful business network.



Just like any business, a franchise is not always the best option for some people. Nothing is 100% guaranteed and not all franchises are created equal. For most, the advantages and benefits of franchise ownership are clear when it comes to minimizing risks VS owning an independent business. If you decide to franchise your business, it will be important that your business model provides these benefits to your potential franchisees.

Key Benefits of Franchising:

You are in business for yourself but not by yourself. A good franchisor takes a vested interest in the success of its franchisees. If their franchisees are not succeeding, rarely is the franchisor succeeding.

- **A franchise should offer a proven business model.** It's important to follow the guidelines, systems and processes that have been established to minimize learning curves and to replicate success. Strong franchise models should have a good return on investment (ROI) as well as healthy profit margins if systems and processes are executed to standards.
- **A well established brand.** Even if a franchise is not a household name, people will choose a franchise that may be a brand leader in its market category. By doing so, this can provide a huge advantage over most competitors.
- **Training and support.** With most franchises, previous industry experience is not a requirement. A good franchise system will train franchisees to set them up for success from start to finish. This also includes providing ongoing training, tools and resources.
- **Critical start-up and ongoing marketing assistance.** The start-up phases are always the most challenging for any business. A good franchisor knows this and will offer extra assistance during start-up phases. They will also continue to provide marketing support to promote the business and build top of mind awareness of the brand with its customers.
- **Pre-negotiated vendor contracts.** Franchisors have great leverage over their suppliers and can typically negotiate better than average rates, terms and levels of service from their suppliers.



- **Franchises are preferred in most retail locations.** If your franchise is a location based business, having the right location can make or break your business. A franchise will win every time when it comes to securing the premium locations in a market place.
- **Ongoing Support and Research and Development.** Franchisors are behind the scenes constantly looking for ways to make their franchisees more competitive and successful. This enables franchisees to focus on running their business as well as why they are paying royalties for this important support.

Here are some interesting franchise statistics*:

- Franchises account for about 50% of all retail and food sales in the US.
- Over 90% of franchises are still in business after 7 years while less than 20% of independent businesses are in business after 7 years.
- Franchise investments range from less than \$25,000 to over \$1 million, with the national average being about \$225,000.
- Franchising currently represents over 75 different industries.
- Each year the International Franchise Association polls thousands of franchisees. Over 90%, answered “Yes” to the question, “Do you consider your business a success?”

5. Franchising Defined

What is the definition of Franchising? Franchising is a method of distributing products or services. At least two levels of people are involved in a franchise system: (1) the franchisor, who lends the trademark or trade name and a business system; and (2) the franchisee, which pays a royalty and often an initial fee for the right to do business under the franchisor's name and system.

Technically, the contract binding the two parties is the "franchise," franchise is often used to mean the actual business that the franchisee operates. The minimum investment level for a business to be considered a franchise by the Federal Trade Commission is \$500.

In general, franchising is a method of rapid sales expansion by a successful company using the money and talent of others, in this case, its franchisees. The successful company allows these independently owned



retail outlets to use its trade name, trademarks, or marketing techniques, with defined controls, for payment of fees.

There are three commonly recognized types of franchising:

Product franchising sometimes called distributor franchising, gives the franchisee the right to sell the products of the company, usually on an exclusive basis. Examples include automobile dealerships and gasoline service stations.

License franchising deals with trademark or trade name licensing in which the parent company gives licensees the right to use the company trademark or trade name in the business operation. Examples are soft drink bottlers.

Business format franchising is the fastest growing segment of franchising. Business format means simply that the franchise replicates its business format for a fee to the franchisee. Business format franchising programs include three key elements: (1) An identity, or trade name used by everyone in the system, (2) A business format that is followed closely by each outlet, and (3) A continuous financial arrangement in the form of royalties in exchange for ongoing support.

There are 4 basic types of franchise agreements: Single-unit, multi-unit, area development and master franchising.

A **single-unit franchise** is the most common and is simply where a franchisor grants a franchisee rights to open and operate one single franchise unit.

A **multi-unit franchise** is where a franchisor grants a franchisee rights to open more than one franchise unit.

An **area development agreement** allows a franchisee the rights to open multiple units over an agreed amount of time within a specified geographic location and / or to own rights to their specific territory and earn money on each franchise sold in their territory through sharing of the franchise fee and ongoing royalties.

A **master franchise agreement**, also referred to as sub-franchising, gives a franchisee the same rights as an area development agreement but also



gives that franchisee rights to sell franchises to other people within its territory. A master franchisee assumes many of the tasks and obligations of the franchisor such as training and support and receives a portion of the franchise fee and royalties. While technically there are significant differences, you will find that master franchising and area development are used interchangeably.

The Franchise Disclosure Document

It is important to note that Franchising is a regulated industry which is regulated by The Federal Trade Commission as referenced above. In addition to the Franchise Agreements, there are a number of legalities and regulations that are involved when franchising your business. Franchise Development Group helps you understand the many legal requirements and regulations involved in franchising, for the purpose of this e-book we are going to review a key legal component of franchising your business.

The Franchise Disclosure Document, also referred to as the “FDD” is a critical and required legal document within a franchise organization. The purpose of this document is to provide prospective franchisees with detailed information about the franchise. This is also seen as a benefit for those assessing franchises since it provides a transparent and standardized way to assess various franchise opportunities.

All franchisor’s must register their FDD with the Federal Trade Commission and provide prospective franchisees with exact copies. *By law a prospective franchisee must have a copy of the FDD for a minimum of 14 days before entering a legally binding agreement with a franchisor.*

A disclosure document will have 23 standard required items which include a wide range of information including:

- Franchise information and background.
- Financial information about the franchise.
- Information about a franchisors founders, management and key staff.
- Franchisor’s bankruptcy and litigation history.
- Detailed explanation of initial and ongoing fees involved in owning and operating the franchise.
- Breakdown of the investment required for ownership.
- Explanation of territory rights.



- Responsibilities of franchisor and franchisee including a copy of the actual franchise agreement.
- Full contact information for all other franchisees within the system.*

Reviewing the FDD is an important part of the due diligence process for prospective franchise candidates to determine if your franchise model is the right opportunity to help them achieve their financial and career goals.

6. Is Your Brand Franchiseable?

If you are interested in franchising your business the first step is to determine if your business is franchiseable? Not every business model is well suited for the franchise structure. Franchising isn't a good strategy for getting your company out of a financial bind. It's also not good for ideas that can't be replicated easily across a wider market or does not produce a healthy return on investment.

Remember, two important factors of a successful franchise system include having a model with strong unit economics and having good franchisor/franchisee relationships. Those two things have a direct correlation on how fast your franchise system will grow.

At Franchise Development Group, we have a comprehensive and personalized process to help you determine if your business is right for franchising.

To start, consider the following important queries to determine if developing a franchise is the right course of action for your business:

- Is your company profitable? A business needs to be more than barely lucrative to successfully start a franchise operation. You'll need a profit margin that can reasonably accommodate franchisee fees such as royalties while providing a franchisee with enough revenue to stay in business. Furthermore, the model should be repeatable and sustainable with proven systems in place.

A typical franchiseable business model should be able to provide a minimum of 20% return on a franchisee's cash investment within the first 3 to 5 years. If applicable, it should also be able to pay a manager's salary to manage the location. This of course could change as you scale the business.



“Don’t let the fear of losing be greater than the excitement of winning.”
- Robert Kiyosaki

- Do you have an easily replicated operating model? Can the business be easily taught to others? And are the skills required to run the business reasonable?

Franchisors are accountable for training and supporting franchisees. As a franchisor, the operating model is heavily responsible for supporting your brand’s success and reputation from location to location. A customer’s faith in a brand can be destroyed permanently by a location that doesn’t have the same look, feel, or service as another.

It is important that you have systems and processes in place that can be taught to others even if they do not have the background experience that correlates to your business model. Ensure policies, procedures, training, décor, and other operating aspects can be duplicated across all future locations.

- Is your business model adaptable to other parts of the country? Some business models are better suited for certain geography or areas better than others.
- How many locations do you currently operate? While this may not always be a predictor of a business that will make a good franchise, having more than one location often means business owners understand more about the actual cost and effort that would be required to develop new locations in a franchise format. Having 3 to 5 company locations will also help you build credibility as a franchisor.
- How long has your business been operating? Is there at least 2 to 3 years of operational history? New businesses can successfully develop franchises, but the general timeframe for starting to look at franchising opportunities is at two years or older. At that point, you have a history and a good idea about revenue, brand awareness, and growth potential, which also sells the concept of your business to franchisees. Like the number of successful locations this will also help build your credibility as a franchisor.
- How unique is your business? Does your business model capitalize on a niche in which there is a consumer need? Do you offer a



product or service that is better or different than what is already available to consumers...If your business can offer something that it doesn't currently receive from a competitor, it may be a good fit for the franchise model. Your operation doesn't have to be wholly unique, but it does need to be different enough that customers are willing to try your model instead of a competitor's. Start thinking about what competition would look like on a regional or national scale before you assert that your business is unique.

- Can you demonstrate marketing and sales campaign success? As a franchisor, you may be running large-scale marketing campaigns to improve revenue across the board. If you can't use metrics to prove the success of an individual campaign or sales technique, franchisees may not be as willing to invest in your model.

A weak marketing campaign or lack thereof could hurt new location openings or will not drive results for the long term. Make sure you factor in what marketing strategies and tactics you had to develop and implement to make your initial concept successful.

- Do you have a name and logo trademark protected? Franchises rely heavily on branding to maintain an image across a large market. Think about the franchises you know about. For legal reasons and marketing, a strong, trademarked logo and name can set your company up for success from the very beginning.
- Is there sufficient capital available to franchise the business plus to market the new franchise brand? Needless to say, if you plan on franchising your business that will add an entirely new business dynamic to your core company business. Franchising your business can be costly and risky if you are not well versed in understanding the franchising requirements and the "lay of the land". Therefore, it is important to leverage resources available to you such as Franchise Development Group to properly and efficiently franchise your business.



7. How Can Franchise Development Group Help?

Getting Your Business Ready to Launch

If we determine that your brand is franchiseable, Franchise Development Group's commitment and value proposition is to provide our development partners true added value and costs savings that will save substantial time and money while *helping you avoid costly mistakes*.

To develop your business model into a franchise, initial costs can range from \$80,000 to over \$200,000 with other professional service providers. This does not include costs involved in marketing your brand once you have franchised your business model. As your development and consulting partner our franchise development costs are substantially less expensive therefore saving you thousands of dollars while setting your company up to be a successful franchisor.

We take a *personalized approach* to implement tailored made solutions to give you the best options for "speed to market" and solidify your position as a world class franchise system in your industry. Franchise Development Group has a proven five phase process to grow your brand. The first four phases are focused on ensuring your brand is strategically ready to launch and that you are in compliance with the important legal requirements prior to selling franchises. Phase five is the implementation stage to market and promote your franchise brand to prospective franchisees. Our comprehensive process is tailored to walk you through every step, from ideation and legal necessities to branding and sustainable growth:

- Phase I: [Formalizing Your Business Concept.](#)
- Phase II: [Complete the Franchise Legal Process.](#)
- Phase III: [Establish Your Franchise Systems & Processes.](#)
- Phase IV: [Packaging and Marketing Your Brand.](#)
- Phase V: [Promoting and Growing Your Brand](#)

Your company will benefit from over a century's worth of experience in the franchising industry. In addition to providing our development partners with extensive added value and resources you will have access to our vast network of "Best of the Best" in key franchisor support that is required to ensure that you are set up for success prior to launching your new franchise brand.



To ensure that your business is strategically ready to launch we work hand in hand with you during the first Phase:

- Researching and understanding your competition.
- Assist and provide consultation in preparing your franchise business plan.
- Help you assess and establish your revenue streams and profit centers.
- Provide advisement on your training and support structure.
- Conduct an in-depth Financial Analysis which includes - [Goal Driven Modeling](#).

Here is an example of how **Goal Driven Modeling** works:

- **GOAL:** **Sell company for \$10M in 5 years**
- **AVG. SELLING PRICE:** *6.5 times earnings
- **YEAR 5 EARNINGS:** \$10M / 6.5 = \$1.5M
- **AVG. ROYALTIES:** \$30K per franchise
- **NET ROYALTIES:** \$25K per franchise annually
- **NEED TO SELL:** 60 FRANCHISES = \$1.5M / \$25,000

** Statistical earnings multiple vs. independent business*

Note: These figures are for illustrative purposes only there are no guarantees that your company will achieve these results, results can vary due to a number of unpredictable variables.

As you reviewed earlier it is critical that you understand and meet the franchising legal requirements. Phase II of our process is critically important to your success. Our franchise legal experts help ensure you are in compliance with all of the franchising legal requirements including:

- Preparing the FTC required Franchise Disclosure Document (FDD)
- Manage the state registration process by ensuring you are properly registered as required or needed.
- Creating and preparing your various Franchise Agreements and Area Development or Master Franchise Agreements if applicable.

In Phase III our team provides advisement and resources to help you establish or improve critical systems and processes. Some examples of this include preparing your operational and training manuals and developing your franchisee intranet which provides key communication



and document sharing with your franchisees. These are important to “*set your franchisees up for success.*”

The next section, **Ready, Set, Launch! Promoting and Growing Your Franchise Brand** is focused on Phase IV & V which is the implementation phase of marketing and promoting your brand to prospective franchise candidates.

Franchise Development Group saves you substantial time and money while providing you with true value for one of the most important phases of becoming a successful franchisor...“Promoting and Growing Your Franchise Brand”

We have worked with you through the initial phases of getting your business ready to franchise. As your development partner we provide the consultation and the necessary services to strategically and effectively grow your brand through franchise marketing, recruitment and sales activities.

8. Ready, Set, Launch! Growing Your Franchise Brand

Franchise sales and marketing is an area where a franchisor should NOT skimp on investment. One of the most important elements of a successful franchise system is growing the brand. Growth not only adds to your company’s and franchisee’s value but creates brand awareness, market share, enthusiastic franchisees and most importantly revenue. In short, this is WHY you franchised your business to begin with!

All early and mid-stage franchise systems share a common problem of attracting, nurturing, qualifying and then subsequently signing new franchisees. This is to be expected. Just because the Franchisor has great talents in operating their business doesn’t mean they necessarily have the skills or time to dedicate to franchisee prospecting.

The energies of qualifying potential new franchisees can be exhausting. Reports now estimate that over 100 leads are sorted through before finding one qualified and ready franchisee, (some estimates are higher).



In a recent report by Franchise Update of 148 franchise companies representing 57,000 franchised units found that; 70% of their new franchisee leads were generated online and 80% of these franchise companies used a business broker / consultant to help close sales. Why is this important, because it clearly demonstrates how the majority of potential franchisees are attracted and how having a dedicated sale's agent on your team is vital.

How Franchise Development Group (FDG) helps you the Franchisor? Through the use of our proprietary software, integrated systems as well as through our key partnerships with FranchisesForSale.com's network of franchise portals and franchise brokers. No other franchise consulting firm or broker network can offer the depth of these systems, tools and networks. Plus we have many of the routine steps required for Lead Generation-to-Closing automated which lowers our overhead costs and allows us to *pass these saving on to you.*

THE OLD WAY

Franchisors normally have three options when marketing for new franchisees.

The Founders or Senior Officers handle the sale process themselves.

This approach has a couple intrinsic flaws. One, it's often perceived as a sign of "inadequate" infrastructure when the senior level staff deals with every operational segment of the business; Two, the perception is often that these senior executives should be working on and with the current franchisees and improving the overall business process, not handling sales. It's important to remember that in sales "Perception is often, other people's Reality". The senior team should only be involved in the final "approval and greetings" of the already qualified candidates.

The Franchisor hires an internal sales team. The advantage here is system knowledge, performance motivation (could get fired) and dedication to brand. To be effective the Franchisor will need to hire an experience franchise sales executive. One who understands franchising laws, documentation disclosure rules, client follow-up, marketing retouches, one who is dedicated to use CRM tools, is willing to travel to expos and network events plus is a phone call warrior. This of course is almost impossible for even the most talented executive, so a small support staff will need to be built around this individual. Now the Franchisor's risks



begin: salaries, benefits, commission, bonuses, travel and office expenses, IT support costs etc., etc. How many sales will it require to overcome all these expenses?

The Franchisor's sales team is the Gatekeeper. As many of us know, this approach is to give your candidates enough information to make them want to talk to you. This "old school" method is one in which the franchisor or the sales team still believe they are the gatekeepers of information rather than a role player. You end up with prospects filling out forms requesting more information, not requesting a "conversation" to start developing a rapport built on credibility and trust. With today's franchise seekers, you have to earn conversations with qualified franchise buyers by engaging them with your website content and leverage technology, social media, portals and franchise brokers. Instead of the first step in exploring your franchise being a conversation with your franchise sales person today's franchise seekers first step is to leverage the internet and go straight to your website, hence the start of the self-directed franchise assessment.

THE NEW WAY

Outsourcing Sale with an experienced franchise marketing and consulting firm. For young and smaller franchise systems this is absolutely the BEST way to go. It would be almost impossible for the Franchisors to match the internal systems, experience, knowledge and resources a professional firm could offer. The Franchisor can basically benefit from having an entire sales team with franchising experience at huge financial savings. In addition, an expert marketing firm can bring forward tools and expertise the Franchisor may never be able to replicate such as; marketing calendars, discount resources, drip marketing tools, expo experience, sales scripts and most importantly "sales success experience".

Franchise Development Group's **VALUE PROPOSITION** is to provide our development partners with true added value, resources, knowledge and experience that no one else within the industry can match. Our commitment is focused on saving you substantial time and thousands of dollars to successfully promote and grow your brand THE NEW WAY!



Franchise Development Group specializes in generating quality prospective franchisees and **TURNING THESE LEADS INTO YOUR FRANCHISEES!**

Marketing and Presentations: As your “one-stop resource” we manage and create everything needed to promote your brand’s growth: social media set-up, franchisee and broker sales presentations and website design and development.

Lead generation, advertising budget management: Our senior consultants are experts in franchise lead generation; managing and tracking advertising budgets, cost-per-lead, cost per franchisee and assessing sales force productivity.

Franchise Sales and Lead Management. Our sales team leverages our proprietary “Closed-Loop” marketing systems that helps keep your prospects engaged about your brand, from first contact to the awarding of a franchise agreement.

OVERVIEW OF OUR VALUABLE DEVELOPMENT SERVICES AND RESOURCES:

- Franchise sales – Ability to understand and effectively communicate with sophisticated investors and operators.
- Introduce and effectively penetrate your brand into the premier franchise consulting and business broker networks.
- Ongoing broker/consultant communication to keep your brand front and center with our networks
- Experts in **Master** and **Area Development Packages**, with the right business model this will enable you to rapidly grow your brand and provide a substantial revenue stream to your company.
- National territorial planning and pricing.
- Franchise website and content creation, with effective management, including SEO (Search Engine Optimization) at our established reduced rates. Your website is a critical NEW WAY in converting seekers to leads!



- Creating effective franchise sales “investigation” processes and compelling presentation materials.
- Creating and managing “Discovery Days” with prospective franchisees and you the Franchisor.
- Proprietary lead generation and long-term client drip marketing campaigns.
- Lead pipeline tracking and reporting.
- Develop and implement marketing strategies to effectively utilize the most popular social media platforms to promote your brand.
- Featured Brand on key franchise portal at our reduced rates.
- Best in Class CRM system that keeps your brand top of mind with potential franchise candidates
- Local target marketing leveraging the latest in technology and resources
- Lead reporting, feedback and analysis (i.e. cost per-sale, ad response and most importantly lead to franchisee conversion rates)
- Documentation tracking (FDD/Agreements)
- Trade Show representation

Other ADDED VALUE MARKETING services that are available for our development partners:

- **Multiple website links and representation** (Multiple associated franchise portal websites)
- **Exposure to 100’s of business brokers** and franchise consultants
- **Search Engine Optimization (SEO):** Experienced staff to implement franchise sales relevant keyword phrases maximum your brands exposure.



- **Hyper local targeting to desired area markets**
- **Competition centric franchise marketing (non-generic terms)**
- **Press Releases:** Another service to maximize your exposure on the internet.
- **Blog Marketing:** Forum/Chats are used to promote franchising interest and again drive traffic to your brand.
- Overall enhancing and building brand awareness and equity for your company.

COST BENEFITS, SAVINGS AND ADDED VALUE!

Through our century's worth of experience in the franchising business, extensive networks and relationships with best in class vendor partners and sales talent we pass on thousands of dollars in savings to our development partners. Our added value is second to none and we are committed to building your wealth and equity. We provide all of this at substantially lower costs that other service providers or a Franchisor doing this on their own could not match. Furthermore, it is hard to put a dollar value on the time we will save you and the experience and talent that will be available to you as our development partner.

Below are some examples of our services and typical costs generally associated with each and the real dollar savings to you. All of these services and features are included within our marketing and representation program.

Franchise Portal Marketing

Statistics clearly show that internet marketing is a must for franchise sales. Representation in leading franchise portals range from; \$20 - \$40 per-lead and/or flat monthly fees ranging from 100's to 1,000's of dollars monthly. In additional you'll need to be displayed within a number of different websites to effectively market and drive leads. As previously mentioned, it now requires filtering over 100 leads to find a qualified candidate.

FDG development partner's estimated annual cost savings: \$20,000 - \$60,000



Franchise Sales Staff

The biggest single mistake that franchisors make, especially new or smaller franchisors, is not implementing the proper franchise sales team, programs and systems to convert leads to franchisees. Recruiting, hiring and retaining a professional sales staff is often the largest “line-item” on your P & L for emerging and smaller Franchisors.

Below is a conservative analysis of what a typical in-house franchise sales person costs vs. utilizing the complete franchise sales program and professionally trained sales team that Franchise Development Group provides you:

Typical Franchise Salesperson (Internal)		
Monthly Cost Per Item*	From	To
Monthly Salary	\$4,500	\$8,000
Bonus (on closings)	\$1,000	\$3,000
Payroll taxes, etc.	640	1280
Benefits	0	800
Mileage Expense (car)	100	400
Airfare	250	750
Meals	30	120
Hotel	140	420
Rental Car	130	390
Misc. Travel	80	200
Entertaining prospects	80	300
Telephone	100	250
Postage & overnight	150	250
Hiring & ongoing training	100	200
Office costs	600	800
Lead advertising (print)	0	2000
Lead advertising (internet)	0	1200
Business broker promos	0	500
Other lead generation	0	2000
Misc.	100	300
Total	\$8,000	\$23,160

*estimated monthly expenses for franchise sales professional with a minimum of five years of full time experience.

FDG development partner's estimated annual cost savings: \$24,000 - \$96,000.



“Opportunities are usually disguised as hard work, so most people don’t recognize them.”
– Ann Landers

CRM Implementation

Every professional sales organization knows that properly handling of customer leads are important. But the facts are that less than 40% of the companies that do have Customer Relationship Management programs in place don’t use them fully. This is in part because of the complexity of data integration but mainly due to lack of training and the sales staff’s belief “they have a better way”. This is especially true within the franchising industry which routinely fails to follow-up on past/old leads.

Of all the leads you have generated within the past two weeks, how many times have you re-touched those older leads with new information or news? In everyone’s life circumstances change, a lead that is looking for opportunities today may be ready to purchase your largest territory in six months. Do you have a plan in place to stay in touch with this customer?

Proper lead handling requires dedication but research irrefutably shows that using CRM tools properly increases both customer brand awareness and sales.

FDG development partner’s estimated annual cost savings: \$6,000 - \$12,000. Set-up and integration fee cost savings \$5,000

Franchise or Business Trade Show Representation

The International Franchise Association (IFA) reports that trade shows play an important role in new franchisee sales. One of the greatest benefits of a franchise expo is that your brand has captive audiences who are in the decision-making process. An IFA trade show may attract more than 15,000 attendees and for this reason we consider franchise trade shows one of the most effective lead-generation strategies available. But there are two major problems. Money and Follow-up.

First, franchise expos are expensive and time consuming. Booth space rates vary according to size, location, and popularity of the show and costs could be upwards toward \$10,000.

Second, the trade show industry states that up to 80% of the leads gathered at a show are not followed up with properly (ceir.org). It is important that whoever participates in a trade show from your company understands:



- How to attract and engage leads at the show?
- Who's responsible for a lead?
- What is the follow-up process?
- What should you send?
- How long you should remain in contact?

Franchise Development Group represents and promotes your brand at numerous events throughout the year. We already have the tools and knowledge to make these events successful and more profitable. Unlike other consultants and broker networks; we'll distribute YOUR specific message and promotional items and charge only a small material handling fee.

FDG development partner's estimated annual cost savings:
\$5,000 - \$15,000

Master Franchising Territorial Mapping

As experts in master franchising representation, we can offer nationwide territorial mapping, pricing structure analysis, demographic considerations and "ideal franchise candidate" blueprints. Master Franchisee / Area Developer agreements have been a key factor in unit development growth among many of the most recognizable names in franchising. All young and smaller Franchisors should consider this strategy for possible brand development. Proper implementation and structural planning from the beginning is vital to the programs overall success.

FDG development partner's estimated initial set-up cost savings:
\$5,000 - \$8,000

In Summary, Why Outsource with Franchise Development Group?

- We don't just sell franchises; we help you build and grow your brand.
- We are committed to helping our franchisor partners create sustainable and profitable organizations.
- We can take over all the tasks relating to franchisee recruitment, which allows you, the franchisor to focus your efforts on franchisees' success and profitability.



- You will be able to leverage our extensive networks and industry relationships to provide you with *substantial no-cost “added value”* all of which saves you **TIME AND MONEY!**

TOTAL ESTIMATED COMBINED SAVING:
\$60,000 – \$190,000 ANNUALLY

9. Franchise Success Stories

Now that we have shared The Franchising Advantage and how we help you grow your business, consider these examples from some of the fastest-growing American franchises in recent history:

- *Menchie’s Frozen Yogurt*. This enterprise went from 25 units to over 500 in 4 years. It added more than 120 franchisees in 2013 and over 140 in 2014, obtaining \$5,300,000 in franchise fees in two short years. ADD
- *Five Guys*. In just under 18 months, Five Guys Enterprises franchised over 300 units. Today, there are over 1,000 locations with 1,500 in development. This is also an example of capitalizing on an untapped market of a custom made gourmet burgers and hand cut fries.
- *Jimmy John’s*. Like Five Guys, Subway, and other fast-growing restaurant franchises, has had a real franchise sales breakthrough. There are more than 2,000 locations in the United States and most are franchises. Started in 1983, the company didn’t begin franchising the brand until 1993. From there, the company grew steadily and is now considered one of the best mid-range franchise investments an individual can make.
- *Planet Fitness*. This chain started in 1993 and is an unconventional gym model. Instead of targeting hardcore exercisers, the company prefers to welcome individuals just looking for acceptance and a friendly environment. Today, the company is a thriving franchise with more than 1,000 locations. The company is considering going public, which could be an incredible next step for this fast-growing concept.



- *Plato's Closet.* Most clothing stores are company owned rather than franchises. Plato's Closet, however, is one of the fastest growing franchises in the resale teen clothing space, offering high-quality used clothing that's trending in the marketplace. The company built its reputation on high quality and has been in business since 1998. Today, it operates 439 stores in the United States and Canada.

In summary, Franchise Development Group is your full service development and consulting firm that helps emerging or established franchisors with complete end-to-end solutions. For many successful entrepreneurs and franchisors, the question isn't about wanting to franchise, but rather how to move forward strategically into a successful reality. We are focused and committed to helping our development partners make meaningful decisions they can count on for years of revenue gain.

10. What Makes Franchise Development Group Different

The Benefits of Partnering with Franchise Development Group is clear. We are your go-to resource for everything needed to grow your brand and explore exciting new possibilities:

- **OUR REVENUE MODEL IS TIED TO OUR PARTNERS' SUCCESS:** We are compensated by selling and growing your brand, *not* gouging you with excessive costs and fees.
- **WE ARE NOT A "MILL":** We are hands-on strategic partners. By taking over the critical day-to-day functions of franchise development and sales, we help franchisors avoid pitfalls and drive franchise growth. As a franchisor you need time to devote to ensure that your franchisees are successful and profitable.
- **ADDED VALUE & RESOURCES:** We have direct working relationships with the best-of-the-best in the franchising community. Including top ranked attorneys, manual writers, website designer, SEO & Marketing firms plus, Our networks of over 300 Franchise Sales Brokers



- **FRANCHISE INDUSTRY EXPERIENCE:** Our consultants and business partners who work with Franchise Development Group are highly experienced franchise experts. They offer a wealth of information from years of hands-on experience combined with continuous learning about the trends and changes in the franchising world.

Because our relationship has to be well established for the long-term success of your company, we believe in a personalized approach when it comes to working with you and your teams. We don't sell our services with aggressive tactics, but rather work hard to understand both parties in-depth so we can work well together for many years.

11. Frequently Asked Questions

Franchising Your Business and Becoming Your Franchise Development Partner

Q) How long do I need to be in business before I consider franchising?
A) We recommend that you've been in business for a minimum of 2 years, which shows a track record of success and builds your credibility as a franchisor.

Q) What are the minimum capital requirements to franchise my business?
A) We'll need a minimum of \$50,000 liquid capital available to invest if we determine your business is franchiseable. This covers the cost of Phase I through IV (turning your business into a franchise) which accounts for: legal documentation, including the Franchise Disclosure Document (FDD); franchise agreements; territory definition and mapping; operational manuals; marketing materials; state registrations; and more.

Q) Are there additional costs to grow your franchise brand?
A) Yes. Successful emerging franchisors establish a monthly advertising budget between \$2,000 and \$6,000 per month for potential franchisees. We'll work closely with you to create the right budget to successfully launch and promote your brand.

Q) Does Franchise Development Group provide any independent lead generation services?
A) Yes. We have a database of franchise candidates looking for quality options.



We also continuously network with lead generation services to leverage our extensive networks of franchise brokers.

Q) How does Franchise Development Group get compensated?

A) Our primary compensation comes from a share of the initial franchise fee we establish that's paid to you upon the awarding of all new franchises. Additionally, we offer an array of franchise development services including being your outsourced sales department, the costs of which vary depending upon your needs.

Q) Can we work with Franchise Development Group on a non-exclusive basis?

A) No. To maximize franchise sales and effectiveness and maintain consistency with your brand message and vision, we work exclusively to serve you. This helps prevent duplication of efforts and crossing of sales channels as we grow your brand together.

Q) Can we work with other franchise / business brokers?

A) Yes. If we receive a lead from a broker, we'll manage and work closely with that lead. All leads are closely handled by us so you can focus on being a successful franchisor. Franchise Development Group has relationships with over 300 franchise and business brokers through our extensive networks. We provide our connections as a resource to help promote your brand.

Q) Does Franchise Development Group provide reporting?

A) Yes. You'll receive periodic reports on key performing sales and growth indicators. We'll work with you and your team to review and analyze your franchise sales variables periodically to ensure we meet your strategic growth goals.

Q) Are there any guarantees on the success of my franchise company and selling franchises?

A) Unfortunately, there can be no guarantees. However, we leverage our years of experience and success in the industry and work closely with you in the beginning stages to minimize risks and potential pitfalls. We also understand and value each other's time and are therefore very selective as it relates to working with the right people and the right concept to successfully grow the brand together.



“Don’t wait. The time will never be just right.”
- Napoleon Hill

Q) How do I learn if my business will qualify to be a franchise?

A) Franchise Development Group has developed a proven set of criteria and a comprehensive process to determine if a business is franchiseable. If your brand meets the minimum qualifications, we'll conduct an in-depth feasibility study to present and review with you. Next, we'll determine together if we should move to Phase I through IV (turning your business and brand into a franchise) and Phase V (strategically promoting and growing your brand together).

Q) How do I learn more about franchising my business?

A) *Contact us directly.* Franchise Development Group believes entrepreneurs have the right to learn and understand if their visions of being the founder of the next renowned brand can become a reality. There's never a cost or obligation to contact us for an initial consultation, so we can learn more about you, your business model, and your vision to determine if we can work together.

12. Next Steps

The choice to turn your business into a franchise can be highly rewarding without the capital and time involved in expanding with company-owned locations. When you need professionals you can trust who have owned and built franchises from the ground up themselves, Franchise Development Group is your go to resource who understands franchising.

If you meet the minimum requirements of having a franchiseable business model and you would like to learn more about growing your business through franchising? Here's how you can get started:

1. Schedule a free phone consultation. There's no cost or obligation for this; we'll simply learn more about you, your business, and your vision to determine if we can help grow your brand together.
2. Review your strategic goals, objectives, and vision.
3. Get started on a Franchise Feasibility Assessment.
4. Present you with a Franchise Development Proposal.
5. Implement your vision of becoming the next legendary brand

When you're ready to learn more, please contact us at either:

1-800-853-8808

info@masterfranchising.com

www.MasterFranchising.com

