



# High-Performing Business Development for Franchisors

Advice from those who know what it takes to succeed

FranchiseBusiness**REVIEW**<sup>™</sup>  
Driving Better Results.

# Franchisee Satisfaction's Impact on Network **GROWTH AND DEVELOPMENT**

FBR Research Insights  
Issue No. 2: September 2016

Welcome!

Finding the perfect franchise candidate isn't an exact science. As with any relationship, there are many factors that can ultimately influence the satisfaction of both parties.

Research consistently shows that franchisees enter into franchising with unrealistic expectations. This results in a significant gap in the level of optimism between franchisors and franchisees. In fact, our most recent Business Outlook Survey showed franchisor optimism at 88 percent versus 57 percent for franchisees.

In many instances, the disconnect starts during the development process. When the choice to award franchises is based largely on new franchise number targets or revenue goals, rather than finding qualified candidates who are the right fit for the organization, you're more likely to end up with disillusioned and dissatisfied franchisees.

Franchise Business Review's 2016 Annual Satisfaction Survey clearly illustrates the crucial link between satisfaction and performance. Brands with high franchisee satisfaction drastically outperform brands with low satisfaction on every key performance metric.

In this second installment of **FBR Research Insights**, franchisors share their development challenges and how they've addressed them to improve performance. In addition, it features practical advice and tools to help you attract better candidates and close more deals with the right franchisees.

Enjoy!

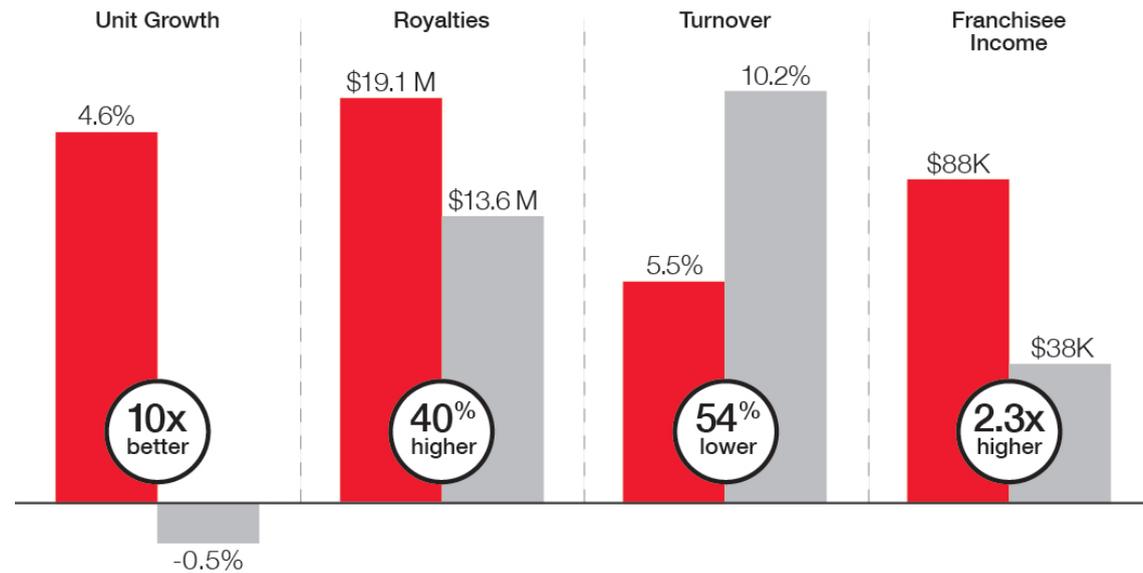


Eric Stites, CFE  
CEO and Managing Director

## The Link Between Satisfaction and Franchise Performance

Brands with high franchisee satisfaction drastically outperform brands with low satisfaction on every key performance metric. Here we see the gap between brands in the top quartile of satisfaction vs. brands in the bottom quartile of satisfaction in annual unit growth, royalty revenue, franchisee turnover, and franchisee income.

■ Top Quartile Franchises  
■ Bottom Quartile Franchises



Source: Franchise Business Review 2016 Annual Franchisee Satisfaction Study. Satisfaction surveys were completed by 10,243 franchisees, representing 178 franchise brands with a minimum of 100 operating outlets. Franchises ranged in size from 101 outlets to 4,932 outlets, with a median size of 222 outlets. The top quartile group contained the 44 franchise brands with the highest overall franchisee satisfaction scores, and the bottom quartile contained the 44 franchise brands with the lowest overall franchisee satisfaction scores. Median annual unit growth, annual royalty revenue, and annual turnover of franchise outlets were calculated based on 2012 - 2014 franchise disclosure documents. Annual franchisee pre-tax income was self-reported as part of the completed surveys.

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## Development Pain Points: Franchisors Share How They Successfully Tackled Them

We asked franchise executives to share their **BIGGEST DEVELOPMENT CHALLENGES** and how they've addressed or are addressing them.

Here's what they said:



### CHANGING THE SALES MINDSET

**Dave Clafin**, *President of Franchise Development, Fas-Tes Franchise Systems LLC*  
*Has been surveying with FBR since 2016*

“From a development standpoint, I made the decision to embrace this simple phrase: We no longer sell franchises, we award them. It takes resolve to make sure a person is a good fit for your franchise culture rather than just seeing the dollar signs in a sale. We want to make sure every candidate will be passionate about our business long after the newness wears off. We have to make sure they will enjoy working with us, and us with them in order to keep our system healthy.

Once I got past the idea that it will cause slower growth, but ultimately allow for a very “happy” franchise system, the end result has proven to be a great choice. Last year at our annual Fastest Labs Conference and Awards dinner, the biggest complaint our franchisees had was one that we love to hear: They wanted to tell us that as much as they enjoyed the content rich seminars and great information that was shared, they want more time to spend with fellow franchisees. For us, that's a great thing.

So our best practice as it relates to sales is to award franchises to phenomenal, passionate, and pleasant people that we will enjoy, rather than simply selling franchises. And, with our new **FranConnect** cloud-based software system which has a sales module, we can now better qualify our sales leads, track their progress, take copious notes, and methodically qualify a candidate to make sure we are a great fit for them and vice versa.”



**It takes resolve to make sure a person is a good fit for your franchise culture rather than just seeing the dollar signs in a sale.**



### HELPING FRANCHISEES GROW THEIR BUSINESS BY PROVIDING THE RIGHT SUPPORT

**Brittany Johnson**, *Marketing Executive, Our Town America*  
*Has been surveying with FBR since 2005*

“About four years ago, we rolled out our Appointment Setting Department at corporate to help set up meetings between our franchisees and their local area business owners, but our franchisees still had many responsibilities when it came to handling their current sponsors (clients).

In addition to getting sponsors to enroll in our New Mover Marketing Program, our franchisees were also responsible for supplying their sponsors with the graphics for their certificates and postcards, adding on any upsells, setting sponsors up with our mobile application, etc. In essence, our franchisees were responsible for any and everything when it came to managing their current accounts. As they grew and developed their areas, the servicing side of these accounts grew as well.

We, at corporate, realized that this amount of responsibility was hindering our franchisees from doing what they truly want to do – help improve their local communities by getting new businesses to sign up for our New Mover Welcoming Program.

In September of 2015, we rolled out our Sponsor Management Program (SMP) to our franchise family. The SMP was developed to keep our franchisees focused on reaching out to businesses and to continuing to grow and manage their accounts.

Our goal in creating these two programs (Appt Setting and SMP) was to keep our franchisees out in the field and help support them from start to finish. Our SMP team at corporate acts as an extension of local franchise territories by managing their accounts for them—expanding and growing the current accounts, setup of our mobile application—TruTrak™, and handling all things graphics-related.

The success of the Sponsor Management Program has resulted in an overwhelmingly positive response from our franchisees and has resulted in a significant growth in their revenue. So many of them take advantage of the program (almost half), that we've had to hire and train new representatives to help keep up with managing their accounts. The success of this program is exciting, and we're extremely proud to be able to say that our corporate (and franchise) team just keeps on growing!"

## ➤ FINDING BETTER QUALIFIED PROSPECTS

**Leeward Bean**, CEO, Big Frog Franchise Group

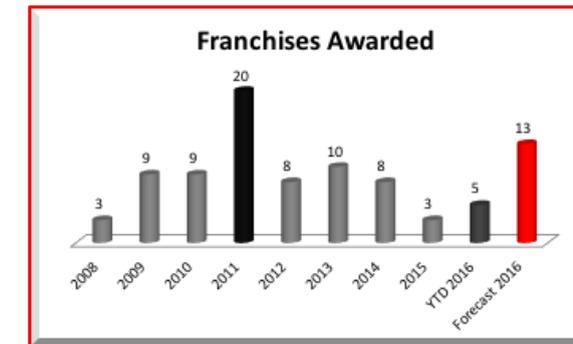
*2016 FBR Development Webinar Series panelist; has been surveying with FBR since 2012*

"Our biggest development challenges are how to get qualified prospects and regain the sales momentum we had in 2011.

In 2011, Big Frog awarded 20 franchises. By the end of 2012, we realized the level of support our franchisees need to become truly successful had changed. This led us to develop plans and programs in 2013 that focus on coaching and training our franchisees. While we continued to set new records in sales and in unit economics, we wanted to award more franchises to better qualified franchisees.

In 2015 we hired a new in-house Director of Franchise Development. We started doing trade shows and web portals and expanded our franchise broker networks. Plus, we revamped our marketing materials, websites, and discovery days. We anticipate awarding 12 to 15 franchises in 2016.

Although it has taken longer to fill the prospect pipeline than we anticipated and to regain the sales momentum we had in 2011, the plans are working and we can feel the momentum shifting. The forecast for 2017 is to award 28 new franchises and we're confident we can achieve our goal."



## ➤ REFINING MARKETING TACTICS SO THE RIGHT PROSPECTS ARE TARGETED

**Sandee Devine**, VP, Franchise Development, Murphy Business & Financial Corp LLC

*2016 FBR Development Webinar Series panelist; has been surveying with FBR since 2007*

"We've struggled with reaching the appropriate candidates for Murphy: white collar, former business owners, business service professionals that have the experience and understand business. We are fanatical about only bringing in franchisees with the proper experience that also resonate with our culture and philosophy of providing the best client service.

We decided to do a model of our franchisees and change how we are marketing to prospects. We've hired **Hot Dish Advertising** to help us accomplish our goals. In our first meeting, they pointed out a few facts that made us rethink our marketing strategy entirely. This made us change some of our current marketing while we are in the planning stages, and we've already seen improvement after just 30 days. They also interviewed existing franchisees to get a better psychographic to help us understand how to reach them, and we are now on the way to updating our entire lead gen marketing plan."

“  
**We decided to do a model of our franchisees and change how we are marketing to prospects.**  
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## IDENTIFYING THE IDEAL CANDIDATE FOR THE BRAND

**Jenna Lamb**, CFE, Director of Franchising, Nothing Bundt Cakes  
2016 FBR Development Webinar Series panelist; has been surveying with FBR since 2011

“In the beginning, we thought we needed people with accounting backgrounds as franchisees. Although financial skills are an important component, we’ve learned our ideal operator is a high-energy person who is warm and genuine in nature. They should have previous extensive business, management/HR (hourly employees), financial, and marketing/sales experience. They have to be able to dedicate 100% of their time and effort to the Nothing Bundt Cakes business, have no operational responsibility toward any other businesses or jobs, and have an investment stake in the business. They must also currently live in and have strong contacts in the market where they plan to locate a bakery.

Knowing this has helped us pre-qualify leads more quickly and give them solid direction if they’re not the right fit. We have also taken the approach that we are a desirable brand to be a part of, and candidates really have to sell us on why they are an ideal fit for Nothing Bundt Cakes, not the other way around. I think this has made us a much stronger brand overall.”

“

**We have also taken the approach that we are a desirable brand to be a part of, and candidates really have to sell us on why they are an ideal fit for Nothing Bundt Cakes, not the other way around.**

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## SCALING SUPPORT SYSTEMS TO ACCOMMODATE MORE FRANCHISE OWNERS AND A LARGER SCOPE OF SUPPORT ISSUES

**Mark Kushinsky**, CEO, MaidPro  
Has been surveying with FBR since 2006

“We have always prided ourselves on delivering quality franchisee support and maintaining a high level of franchisee satisfaction. As MaidPro has grown, we have been challenged with scaling our support systems to accommodate more franchise owners and a larger scope of support issues. In order to deliver high touch support we have continued to expand resources and avenues for franchisees to get the support they are looking for. Some of these resources include a case management system, extended hours Help Desk, Peer Support Groups, online owner discussion forums, and more.

We’ve built our own cutting-edge, cloud-based management software that is accessible via desktop, tablet, or smartphone. It allows our owners to run their businesses with ease while allowing us, the franchisor, to make updates and changes whenever needed.

We have also created the residential cleaning industry’s first online learning management system (LMS) called MaidPro University. At our franchise owners’ option, they can use this tool to teach and train their Cleaning Service Professionals.

In addition, MaidPro Home Office has an Employment Marketing Manager on staff to help franchisees find the best employees for their businesses. The Home Office also houses our National Sales Center that is open seven days a week with extended hours to answer prospective customer calls and provide details on pricing, services, and schedule service.

Most importantly, MaidPro’s support is tailored to each individual franchisee. With personalized Business and Marketing Coaches, each franchisee is provided with strategies that are created precisely for their target market and territories for the entire life of their contract.”

## Special Excerpt: New Model for Franchise Employee Training in a Post-NLRB World

By Tim Tang, Director of Enterprise Solutions, Hughes Network Systems

Franchisors now feel the need to further distance themselves from franchisee employees in order to reduce liability risks. But at the same time they still have to protect their brand image and give customers what they expect.

The recent wave of mobile digitization of employee training may provide an effective solution for franchisors to maintain the appropriate liability distance from the franchisee, while still insuring a consistent brand experience.

The NLRB ruling has created a false dichotomy between franchisor liability and brand experience.

Poorly or ill-trained employees can severely impact the brand experience for customers if brand standards stray. To solve the problem, franchisors can turn to digital solutions to create the context, resources and content that employees actually want to use – training material that is fun, compelling and easy to consume. It's a carrot versus stick approach. Voluntary versus mandatory.

The new employee training model fully leverages the mobile technologies that are so deeply ingrained in the lives of the millennial employee, who thrives in a digital world heavily influenced by social engagement and micro-content.

The new training model eliminates the need for long interruptions in off-site training sessions and greatly supplements the peer-to-peer training. High frequency exposure to small increments of engaging training is far more effective for improving employee operational performance than longer training sessions every quarter.

Using their own or a company-provided mobile device, employees can spearhead their own training regimen by consuming on-demand video and fun, interactive training content when it works best for them. They feel more empowered because they are in control – rather than being controlled – and the device platform is a natural extension of their everyday lives.

The newer mobile training solutions also help management by making it easier to track a student's participation, ensure compliance with corporate mandates, and communicate with employees in a more casual (i.e. less intimidating) online environment.

The bottom line is that the NLRB ruling has created a false dichotomy between franchisor liability and brand experience. Using a new networked, digitally-driven, consumer model for employee training will turn employees into eager directors of their own professional development, maintain a consistent brand experience within the franchise, and reduce franchisor risk under the new NLRB norms.

*Tim Tang is responsible for developing "Store of the Future" strategies for the Retail, Restaurant, and Convenience Store industries at Hughes Network Systems. This article was excerpted with permission from his piece for Modern Restaurant Management.*





## Don't Get Burned on the Back End... Verify Assets on the Front End

By David Bassin, Senior Director, Franchise Relations, BoeFly

About a year ago, I was speaking with a franchise development executive for a popular QSR brand when he recounted the following story to me...

He had received a franchise application from an exciting candidate who appeared to meet all the requirements for franchise ownership. He listed a significant amount of liquid assets, a robust net worth, management experience within the industry, a savvy understanding of the brand's business model, and his conversations with the development officer gave every impression that he was a perfect fit.

The sales process went smoothly: discovery day attended, franchise agreement executed, franchise fee paid. So far, so good.

When the time came to start building out a selected location, however, the brand discovered that their new franchisee did not have the assets he represented on his application. His liquid assets, in fact, had been completely depleted by his payment of the franchise fee, and his net worth had been artificially inflated by a series of inaccurate valuations.

The new franchisee, unsurprisingly, was not able to secure startup financing, and the franchisor was faced with the unenviable position of determining how to move forward with an undeveloped territory and a franchisee unable to capitalize his newly awarded franchise.

This story is illustrative of the potential downside of failing to verify the assets of franchise applicants as part of a brand's diligence process. And the benefits of asset verification are more varied than simply making sure a candidate has the financial wherewithal to properly fund a newly awarded franchise. One client I work with often describes such a benefit as the "soft analysis" that comes from having a third party engage an applicant in a process-driven exercise early on: Were they responsive? Do they follow directions well? Can they stick to the process outlined for providing validating documentation? (Etc., Etc.)

Boston's Pizza, for example, verifies the assets of new franchise applicants as part of their development process to ensure that potential franchisees meet the brand's liquid asset and net worth requirements. Rick Lauro, VP of Finance at Boston's, describes their asset verification procedure as "a crucial and invaluable step in helping us not only confirm the financial viability of a potential franchisee but also gain the comfort and confidence we seek to move forward with a new partnership."

Another benefit of asset verification inures to the financing process, so that the partners can secure the small business loan they may require. When lenders meet new franchisees whose assets have already been verified as part of the development process with the brand, they can move faster and more consistently. As brand executives should know, franchisee liquidity and net worth are just as important to the lender as they are to the franchisor. (I suspect, in fact, that many brands have established their liquidity and net worth hurdles to satisfy those future lenders.)

In light of the importance of asset verification, I'm troubled that 74% of franchise executives report that they do not verify assets (according to a poll conducted by BoeFly in late 2015). As the franchise industry continues to sharpen and streamline its approach to franchise candidate assessment, I expect that asset verifications will become the gold standard of a diligent vetting process — and for good reason. Some brands will opt to own the administrative task, while others will opt to outsource the non-core, yet critical, function.



# FRANCHISOR SPOTLIGHT

## Strategically Leveraging Franchisee Satisfaction Data Helps Wild Birds Unlimited Soar

By Paul Pickett, Chief Development Officer,  
Wild Birds Unlimited

Wild Birds Unlimited has a “How did I do?” culture. We are constantly reaching out to customers, vendors, and employees to answer this question.

Surveying our franchisees using a third party brings an unbiased perspective to the table and fits right into our culture. The data enables us to see how we are doing from our franchisees’ perspective. We use what we learn to celebrate where we are doing well and to improve upon other areas.

We understand our franchisees could opt out of taking our survey, so we encourage their participation by taking actionable steps based on their feedback:



### 1. Ask Detailed Custom Questions

We obtain strategic information that is more specific to our support from our franchisees by adding customized questions on our survey. Doing so enables us to drill down into the data. For example, we ask our franchisees to share feedback on their business coach. Their responses show which coaches are exceeding expectations or where there are opportunities for improvement. From here we can identify how a coach is providing exceptional service and share those best practices with the other coaches and provide additional training where needed to the coaching team.

### 2. Hold Franchise Support Center Accountable

When looking at the performance of our Franchise Support Center, we consider overall satisfaction rankings in four key areas of the survey: ongoing support, overall satisfaction, communication, and financial picture. Each year we look at our rankings in these areas and formulate specific goals we want to reach the following year.

### 3. Gauge Performance

If our survey scores drop, we look at what happened by drilling down into individual franchisee comments. We then prioritize what we need to focus on in order to make the most positive difference in the next 12 months. When we meet or exceed goals we set for particular areas, we celebrate!

### 4. Build a Stronger Culture

Our franchisees want to be affiliated with a high-performing brand. They take pride in being part of a strong team that seeks their input. By surveying our franchisees and sharing the results, as well as the steps we are taking to improve our brand based on their feedback, it shows their opinion is valued and that we are committed to strengthening our brand. Doing the same internally ensures our corporate staff understands where we stand and are aligned on where we are headed.

We share our survey results and plan of action with our franchisees and our internal team in a variety of ways including departmental meetings, staff meetings, our intranet, daily emails, our annual enterprise leadership conference, and video blogs.

## 5. Attract Strong Candidates and Close More Deals

We leverage our full franchisee satisfaction survey results vs. a high-level summary of them to attract strong candidates. We promote our survey on our franchise development and public facing websites, and email it to prospective candidates who went cool in order to reignite their interest.

We also use it in our marketing materials and as part of our validation process. Prospective candidates are required to review it in great depth, and are asked what they learned during our candidate Q&A sessions. Questions we ask include what they liked about what they read and if they identified areas where they think improvements should be made. The process delivers an exceptional level of transparency to candidates and weeds out those who would not be a good match for our system.

We believe building franchisee satisfaction is the number one key to Wild Birds Unlimited's long-term success. At this point, we have over a decade of consistent franchisee satisfaction data. It enables us to see how our brand is evolving year-over-year and how we stack up in the overall franchise space. We already have our next franchisee satisfaction survey lined up for next year to take place in October.

**FBR Note:** *Wild Birds Unlimited awarded 15 franchises in 2015 and expects to award 20 more in 2016. It has been surveying with Franchise Business Review since 2006.*

## Your Secret Weapon for Converting Online Leads into Franchisees

By Ali Forman, B2B Marketing Manager, Franchise Business Review

Digital marketing is here to stay. Most franchisors know that integrating it into their overall development and marketing strategy is critical.

In today's Google era, it's no surprise that 78% of Internet users conduct product research online [[Hubspot](#)]. In many (if not most) cases, your website is a candidate's first impression of your franchise opportunity. But we're not here to talk about best practices for web design or UX (user experience).

Rather, we want to share a critical tool that can easily be incorporated into your digital marketing strategy to help you cut through the noise, differentiate your brand, and increase the number of quality leads you're generating online.

If you're already surveying your franchisees' satisfaction, you have plenty of data at your disposal. (If you're not, you should be, and [here's why](#).) Hopefully you're using the data to make operational improvements. But, did you know your data—specifically the summary report you receive from Franchise Business Review—is also a secret weapon for converting prospective franchise buyers?

### Because, science.

Many marketers are familiar with the psychological principles behind what drives buying decisions. (If you're not, this [MarketingProfs article](#) offers a nice overview and infographic.) One of those principles is social proof and acceptance, which in a nutshell, means that people value the opinions of others like them and are more likely to do the same.

Why am I telling you all this? Because your franchisee satisfaction survey summary report is just that—it's a way for you to show candidates that other people like them (those who were interested in franchising with your brand) made the decision to buy—and are satisfied with their decision.



So how do you incorporate your franchisee satisfaction data into your digital marketing and development efforts? Here are six easy ways to get started:

### 1. Use it as a lead capture asset.

Post the summary report on your franchise website. This is a great way to capture contact information for people who are visiting your site but not engaging with your development team. This short how-to [video](#) walks you through how some FBR members are doing it successfully.

### 2. Give your content marketing a boost.

Use data from your survey results in infographics, social media, drip campaigns, and as fodder for blog posts. Franchise Business Review makes sector-specific benchmarking infographics that you can share too.

### 3. Think beyond your own site.

If you're using brokers, make sure they have your franchisee satisfaction survey summary report to use with candidates they're talking with as well. We can even supply you with talking points to give them to make sure they're positioning it effectively.

### 4. Wake up sleepy leads.

Just because a lead has gone dark doesn't mean it's dead. Seeing third party research on how satisfied existing franchisees are can be just the thing to reignite interest. Start an email re-engagement campaign that includes stats from your satisfaction survey summary report or the full report.

### 5. Share the love.

According to [WebDAM](#), customer testimonials have an 89% effectiveness rating for content marketing. Luckily, you have a treasure trove of testimonials in your franchisee satisfaction survey feedback report. (Just be sure to ask franchisees for permission to share prior to doing so.) To make your testimonials even more effective, ask franchisees to do a video testimonial that you can share across all your marketing channels.

### 6. Get your friends to tell their friends, and so on, and so on.

Use the franchisee satisfaction survey report as part of a referral campaign. Email your customer list about it—not only is it a great opportunity to thank your customers and franchisees, but quite often, your most enthusiastic customers become your next franchisees.

If you're thinking, "Sounds awesome, but my franchisee satisfaction data's not all that great," you still have an opportunity to use it to your advantage. By sharing the good and the bad results, it demonstrates transparency and shows that you're committed to making sure candidates have all the information they need to decide if your brand is the right fit for them. Plus, it gives you a chance to share with prospects what steps you're taking to make improvements in poor-performing areas before they talk with franchisees who may have a gripe on a live validation call. Finally, I recommend you read our whitepaper, [Five Strategies for Turning Low Satisfaction Scores into a Win](#), for more ideas.

## Three Ways to Go from Filling the Pipeline to Awarding the Franchise

Not only can you use your franchisee satisfaction survey data to attract more leads, you can also use it to move prospects through the sales funnel. Here are three ways to hand your sales team more qualified leads and help them close more deals using your franchisee satisfaction data:

- **Weed out the tire-kickers.** Ask candidates to review the franchisee satisfaction survey results with you **before** giving out franchisee contact information and the FDD. This will help you determine which buyers are really serious and weed out those who needlessly take up franchisees' time.
- **Make it your development team's go-to move.** Once they start talking with a candidate, the franchisee satisfaction summary report should be the first thing they share. Instead of bombarding candidates with information, or not giving them enough, start with what your current franchisees are saying. This is an important differentiator—especially with candidates who are researching multiple brands in a competitive sector.
- **Bare it all.** Share the full franchisee satisfaction report with qualified candidates. That means showing ALL the individual survey responses and comments. Set up a time to walk them through the data via a web call or prep them for how to navigate the data before sending the link. (Note: This requires full online access to your data, which is available to Franchise Business Review members.)

## About Franchise Business Review

Franchise Business Review FBR has partnered with over 900 top-performing franchise companies to help them drive franchise development and achieve greater success through data-driven insights. We are the only independent market research firm that specializes in benchmarking franchisee satisfaction based exclusively on ratings and reviews from franchise owners.

To learn more, contact us at **866.397.6680** or [info@franchisebusinessreview.com](mailto:info@franchisebusinessreview.com) or visit [tour.franchisebusinessreview.com](http://tour.franchisebusinessreview.com).

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