

HOT TOPIC Industry expert tackles a crucial issue in franchising

THE NUMBERS GAME

David Tonchin explains why some franchisors find it difficult to recruit the right people, and suggests that a little planning could go a long way

There are three main reasons why some franchisors find it difficult to recruit:

- the business isn't franchiseable
- the franchise isn't viable
- the franchisor doesn't spend enough on recruitment.

The business is not franchiseable

Some businesses are high volume, low margin operations (less than 45 per cent gross profit) and rely heavily on sales performance. The potential franchisor believes that because the franchisee has invested money, sales will reach required levels to meet any projected profit levels.

The business hasn't built up a track record of growth and profit

Proper market research has not been carried out to gauge the size of the current or potential market, or to determine whether there is an ongoing need for the product or service. Not enough account has been taken of the competition and their strengths or weaknesses. Add to that the possibility that there may be no unique selling points to benefit the customer and subsequently none for the potential franchisees.

Every successful franchise has to have something unique about it, whether it is the product or service, the operating system, special software or the method of delivery to the customer. Finally, if a professional franchise advisor hasn't completed a feasibility study, you, the potential investor, run a high risk of failure and disillusionment with the franchise option.

The franchise isn't viable

Some franchisors mistakenly believe that if the franchise is offered with a low franchise/management service fee that they will recruit more people. At best, this strategy can only work in the very short term.

Franchisees may do well but at the expense of the franchisor!

Problems are just waiting to happen if the franchise fee isn't right, because the franchise model hasn't been structured properly to take account of all its costs, which may include field support, marketing, advertising, technical, sales and business support. All franchisees need support and the franchisor has to set the ongoing fees to meet that need.

Conversely, if the initial fee is pitched just to yield a high profit to the franchisor, the return on investment will not be attractive or viable and in any case you will have problems trying to justify the fee to a potential franchisee and their advisors. When the management service fee or product mark-up is too high, the franchisee will struggle to make money.

The franchisor doesn't spend enough on recruitment

On the assumption that none of the above applies to your business, you should, in theory, be able to recruit.

Franchise recruitment is a numbers game - the more enquiries you have coming in, the more you will recruit.

In practice, our experience has taught us that, generally speaking, for every 100 enquiries you will only recruit around one or two franchisees.

- 50 per cent are just window-shopping - some can't even remember applying
- 40 per cent just aren't suitable. They haven't got the money or they have the wrong background, for example
- 10 per cent are interviewed, some of whom decide it's not for them, some of whom you decide are not for you, leaving one or two recruits.

Recruitment advertising is like bouncing a ball - remove your hand and the bounce reduces and quickly stops. Ad hoc advertising relies on luck when what you should be relying on is numbers. Dependent on how attractive the franchise is, how the advert is written and where it is placed will determine the initial response you receive and ultimately the cost per recruit.

Taking all the factors into account, each recruit will probably cost from around £5,000 to £10,000.

Different types of advertising media are available and initially you should try them all to determine what works best for you. To do this you need a media plan, a budget and a structured recruitment process for all applicants. Remember, recruitment is a numbers game. You have to keep advertising, promoting on the web or exhibiting at franchise exhibitions in order to generate the enquiries and, ultimately, the new franchisees.

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