



franconnect

2020



The FranConnect Franchise Sales Index Report 2020

Data and insights on how to increase your franchise sales effectiveness derived from the key performance indicators from 597 franchise brands.

PREFACE

FranConnect's mission is to help franchisors grow. This is demonstrated by our commitment not only to producing the best-in-class software platform for franchisors and their franchisees, but also to applying significant resources to helping others through our thought leadership. The 5th annual FranConnect Franchise Sales Index Report is a labor of love aimed at helping franchisors increase their franchise sales effectiveness. Over the last five years, the Franchise Sales Index Report has helped hundreds of franchise professionals continuously improve their sales processes and systems. And we have achieved this without having ever charged for the report.

Previous iterations of the FranConnect Franchise Sales Index Report have been presented in webinars (including a deeper dive into segmented versions of this report by industry). It has spawned live presentations, classroom training sessions, numerous articles, and blogs. Ultimately, our goal is to enable you to create meaningful benchmarks specific to your business. This is our way of contributing to the franchising community that has been so instrumental in our 20-year history of success. And just like franchising, we find our success by helping others find their success.

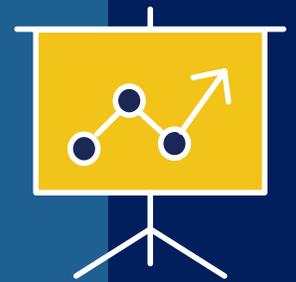




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ABOUT THE DATA IN THIS REPORT

The 2020 FranConnect Franchise Sales Index Report is an analysis of comprehensive franchise sales data gathered from a subset of FranConnect's 800+ customers. Specifically, the report represents 597 franchisors that utilize the FranConnect Franchise Sales Module and spans the entire calendar year of 2019. The methodology and quantitative analysis behind the rankings are intended to serve as a basis for designing effective measures for reducing missed opportunities and improving gaps in franchise sales performance. The methodology of the index has remained consistent since its original inception in 2016, providing a basis for robust cross-comparisons and time-series analysis.

The results and expert insights are offered to help franchisors in driving greater sales growth through top-of-funnel lead generation, conversion rates, sales cycle length, response times, and more. The data was collected directly from the FranConnect Platform — making it the most reliable source of sales performance insights within the franchising industry, whereas other reports consist of self-reported data — and snapshots in time collected through mystery shops and surveys.

The data shared in this report has been aggregated and anonymized. It does not represent any one brand, but rather brands grouped by comparable size, industry, and maturity.

If you would like a deeper cut of the data segmented by specific industries or are interested in consulting with FranConnect on an analysis of your franchise sales process and execution, visit FranConnect at <https://franconnect.com/salesindex>.

DISCLAIMER: FranConnect's 2020 Franchise Sales Index Report is a subset of the total number of franchise sales leads and activities that are occurring in the world of franchise development. And though this study represents the greatest array of franchise brands in the world, the data is only as good as the franchise sales and marketing teams' ability, their know-how, and their willingness to have a disciplined approach to keeping effective records from lead source attribution, call history, and other sales data. FranConnect does not make any specific recommendations or warranties as to who you should use, as what works for some might not work for others. Therefore, it's most important for you to track your own effectiveness and to draw your own conclusions. FranConnect is not beholden to any of the lead generation or franchise sales companies that are represented in our data. Our mission is to provide data insights and blend with thought leadership in the spirit of helping franchisors to further their success.

“ You have to generate revenue as efficiently as possible. And to do that, you must create a data-driven sales culture. Data trumps intuition. ”

– Dave Elkington, CEO and
Founder of InsideSales.com

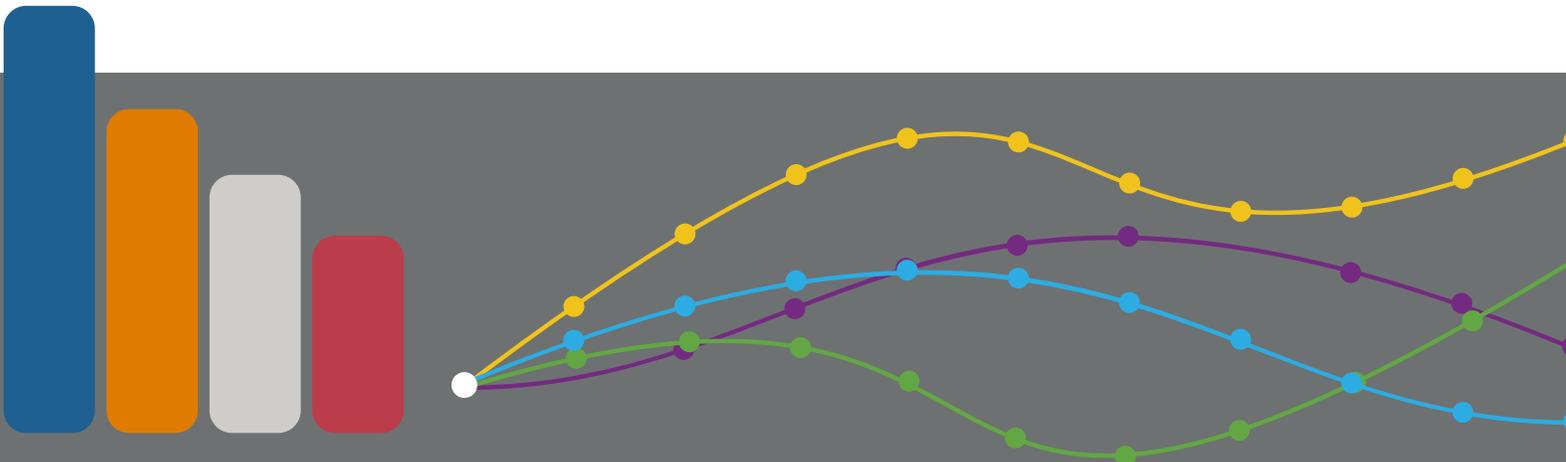
KEY FINDINGS

Since 2016, the annual FranConnect Franchise Sales Index Report has been measuring the key performance indicators of hundreds of franchisors' growth performance for the purpose of helping them to achieve continuous improvement in execution. The dimensions analyzed range from sales lead generation, candidate nurturing, funnel management, and KPI reporting. The extent of gaps in these four key dimensions is designed to help in tracking progress toward closing these gaps over time.

This year's edition of the report benchmarks 597 franchisors representing the nine vertical markets consisting of Personal Services, Quick Service Restaurants (QSR), Table/Full-Service Restaurants, Lodging, Retail Food, Retail Products & Services, Real Estate, Business Services, and Commercial & Residential Services.

Some of the most important findings gleaned from the report can point the way to how to significantly increase franchise sales effectiveness:

- Sales closing effectiveness rates came in at 1.02% (a slight decrease from 2019's average lead-to-deal ratio of 1.14%). On a year-over-year basis, lead volume per brand fell 12% on average, likely due to the effects of 2019's full-employment economy. The overall decrease was primarily driven by QSR and Personal Services brands. Conversely, Commercial & Residential Services, Business Services, and Retail Products & Services benefited from year-over-year increases.
- Portals generated the most leads in terms of volume at 29%, though they ranked 4th in closed deals, accounting for 9% of deals.
- One of the most compelling findings was how Referrals converted from leads to sales at the rate of 20% in 2019 versus 5.61% in 2018, while Franchise Referral Consultants (Brokers) had a lead-to-sales conversion rate of 10% in 2019 versus 4.2% in the prior year.
- 85% of the leads that resulted in deals were those that were contacted within the first four hours of their inquiry, demonstrating the power of "speed to the lead."
- 74% of new leads were never called by franchisors. Even larger organizations who have well-defined protocols and resources in place did not execute much better — as data indicates that 62% of leads did not receive follow-up calls from Enterprise level brands.
- 47.5% of leads fell out of the sales funnel due to "no response," which is exacerbated by the lack of campaigns in nearly each step of the sales process.



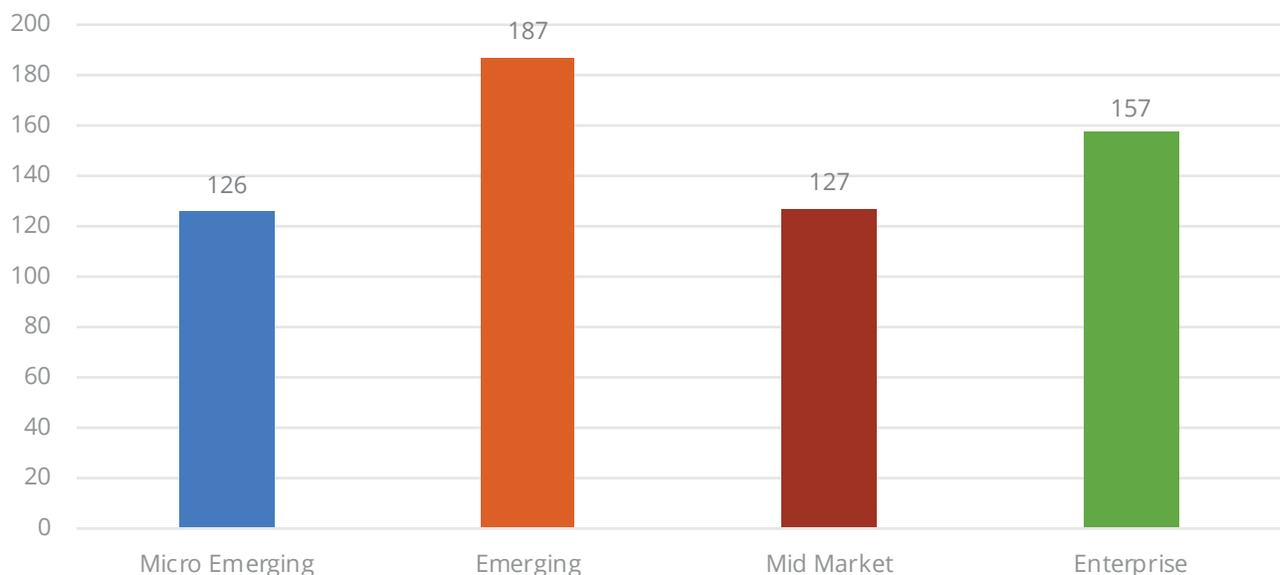
OVERVIEW OF BRANDS REPRESENTED IN REPORT

For the purpose of this report, franchise market segments are defined as follows:

- Micro-emerging brands: 1-10 locations
- Emerging brands: 11-75 locations (Emerging also can include re-emerging brands that have passed through a stagnant period and are once more experiencing growth)
- Mid-market brands: 76-200 locations
- Enterprise brands: 200+ locations

As shown in the “Number of Brands by Franchise Size – 2020” chart that follows, we find a fairly balanced distribution of franchisors representing each market segment. Micro-emerging brands represent 21% of the total brands, Emerging brands are 31%, Mid-market are 21%, and Enterprise brands represent 26% of the total.

FRANCONNECT DATA ANALYSIS:
Number of Brands by Franchise Size - 2020

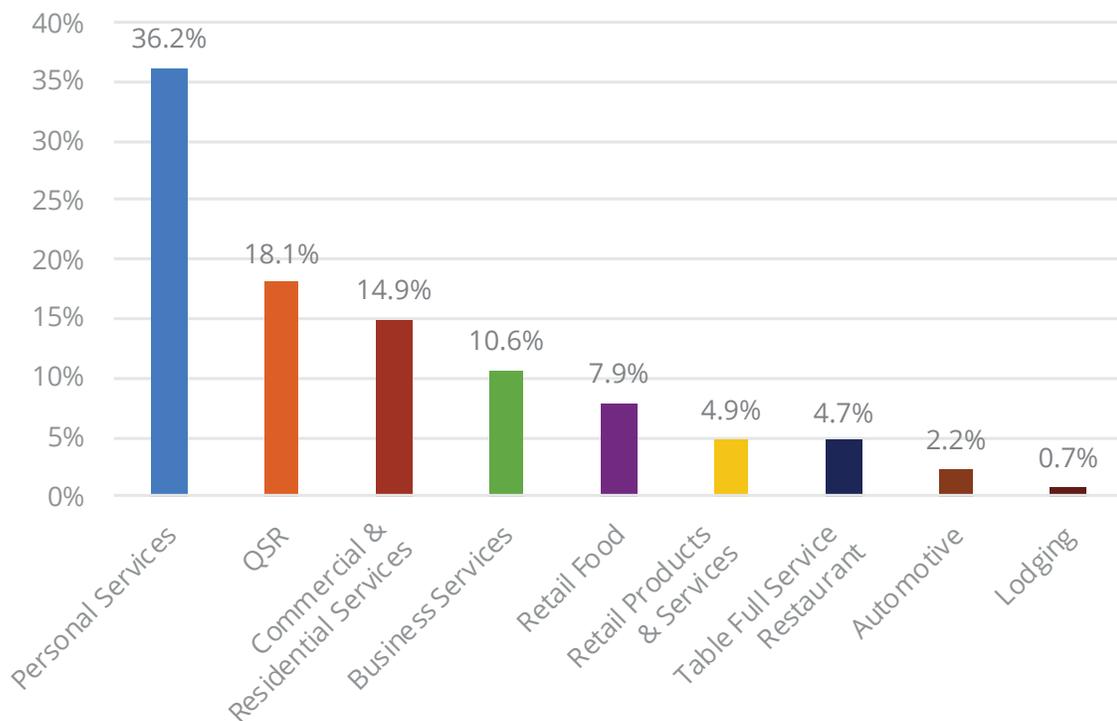


This year's report represents 597 franchise brands from every vertical segment listed by the International Franchise Association (IFA) as the business format franchises that makes up its membership base.

In the following chart ("*Percent of Brands by Vertical - 2020*") representing brands in FranConnect's database, we found substantial growth in the number of Personal Service Brands, increasing from 29.2% of our customer base in 2019 to 36.2% in 2020 and making up the largest segment of our business. QSR remained steady, having a slightly positive variance of 18.1% year over year versus 17.7% in 2019. The balance of the nine industry types enables the reader to have a baseline to compare their own results.

FRANCONNECT DATA ANALYSIS:

Percent of Brands by Vertical - 2020



As we move into the most meaningful elements of the report, we are reminded by the following quote that the intention of data is to transcend the numbers by sitting down with the members of your teams to discuss how you can turn this data into actionable insights.

“ The goal is to turn data into information, and information into insight. ”

Carly Fiorina, former CEO of Hewlett-Packard

PART 1:

Sales Lead Generation



During calendar year 2019, FranConnect's data shows that 597 brands received a total of 726,656 leads. That's an average of 1,217 leads per brand and 101 leads per month. At press time, franchisors are struggling through the COVID-19 pandemic and those that are in "non-essential" businesses are now in the process of a phased reopening of the economy. Many have placed holds on their franchise marketing budgets while also downsizing their franchise sales staff. However, a current FranConnect survey shows that 82% of franchisors are still open for business in regard to franchise sales development. However, in a May 2020 pulse-survey of franchises, 20% indicated that they have turned off their marketing and 37% have substantially reduced their programmatic marketing spend. With over 40 million unemployed, and projections that unemployment rates are expected to trend at 20%, many franchisors are learning that there is a reasonable percentage of those that have the means to invest in a franchise to reclaim control of their futures.

The bottom line is: now is not the time to decrease your marketing spend as prospects have significant interest in reclaiming more safety and certainty in being "in business for yourself and not by yourself."

At the most fundamental level, lead generation is about the efforts you take to generate interest in your franchise offering through various marketing channels and mediums and to lead them to the top of your sales funnel. Our research findings are designed to help you ensure that you are attracting quality leads that have the greatest likelihood of moving forward in your sales process at the most reasonable cost per acquisition.



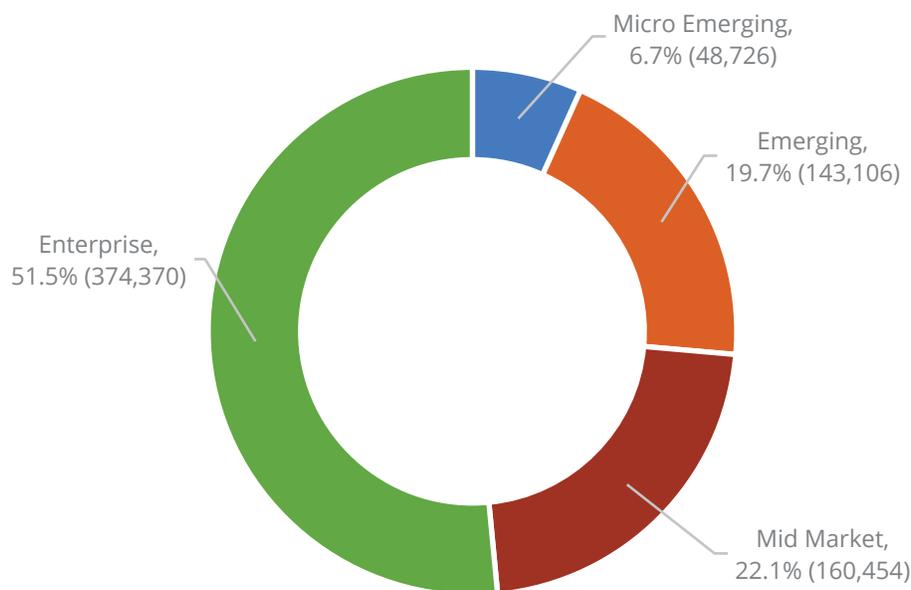
**Learn more about the definitions we use
in this document in the appendix ›**

Leads by Franchise Size (Percent & Absolute Numbers)

Within the context of this report, a lead is defined as a person or group who has expressed interest in your franchise sales offering. Collecting a lead occurs after the steps of marketing, prospecting, and cold-calling and these leads are entered into a CRM (in this case, the FranConnect Franchise Sales Application).

In the chart shown below (*"Leads by Franchise Size - 2020"*), 51% of the leads franchisors received were primarily to the advantage of the Enterprise brands even though they represent only 26% of the total represented brands. This is likely the result of greater brand awareness, larger marketing budgets, and more franchise sales resources.

Conversely, we have many examples from our database of Emerging brands that are doing an amazing job of winning market share based on having great franchise validations, social proof, and engaging executive management that are actively involved in the sales process. Just like the childhood game "rock, paper, scissors," every brand regardless of size can compete. Some may recall a time when McDonald's was ruling in the QSR segment, ultimately losing significant market share as small "better burger" concepts came onto the scene. Regardless of where you are in your brand's evolution, there is plenty of opportunity to go around.



In terms of sheer numbers of leads generated, 573,745 leads entered the database, of which larger brands received a disproportionate share of the leads (51.5%).

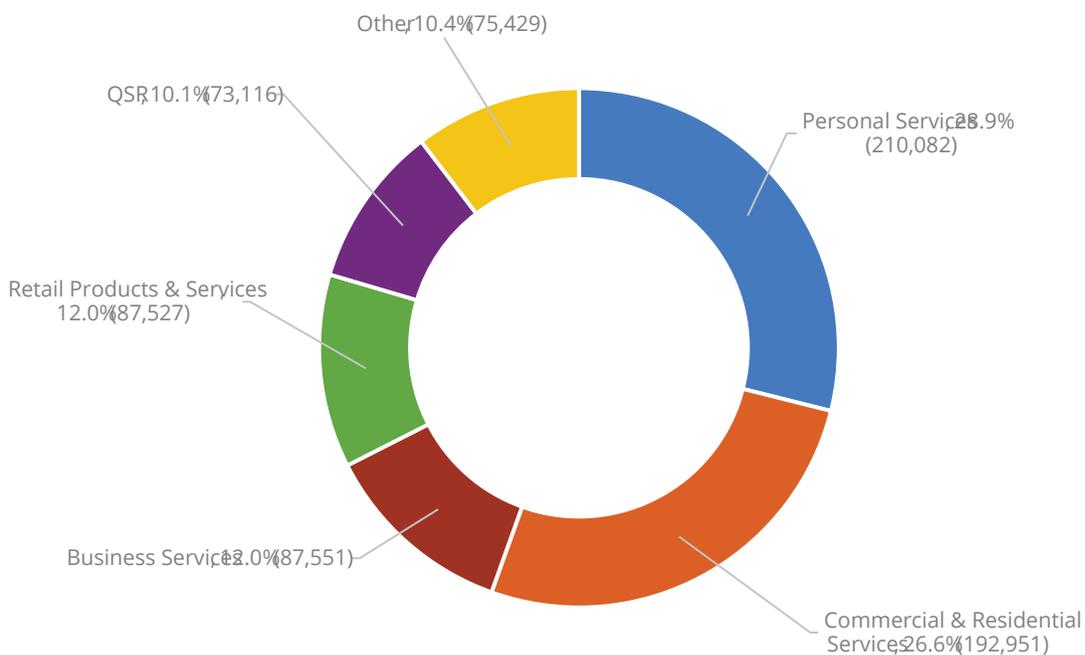
Tip: *Smaller brands can be adversely impacted by low levels of brand awareness. You can increase website conversions cost effectively with digital programs such as dynamic retargeting. Unlike typical banner ads, retargeting ads are a form of online targeting advertising and are served to people who have already visited your*

website. A pixel (cookie) is imbedded and each time your ghost lead surfs the web, your brand remains front and center. Every time your prospect sees your retargeting ads, your brand gains traction and more recognition. You should find that retargeting campaigns cost much less than a standard pay-per-click (PPC) search campaign.

FRANCONNECT DATA ANALYSIS:

Leads by Vertical (percent & absolute number)

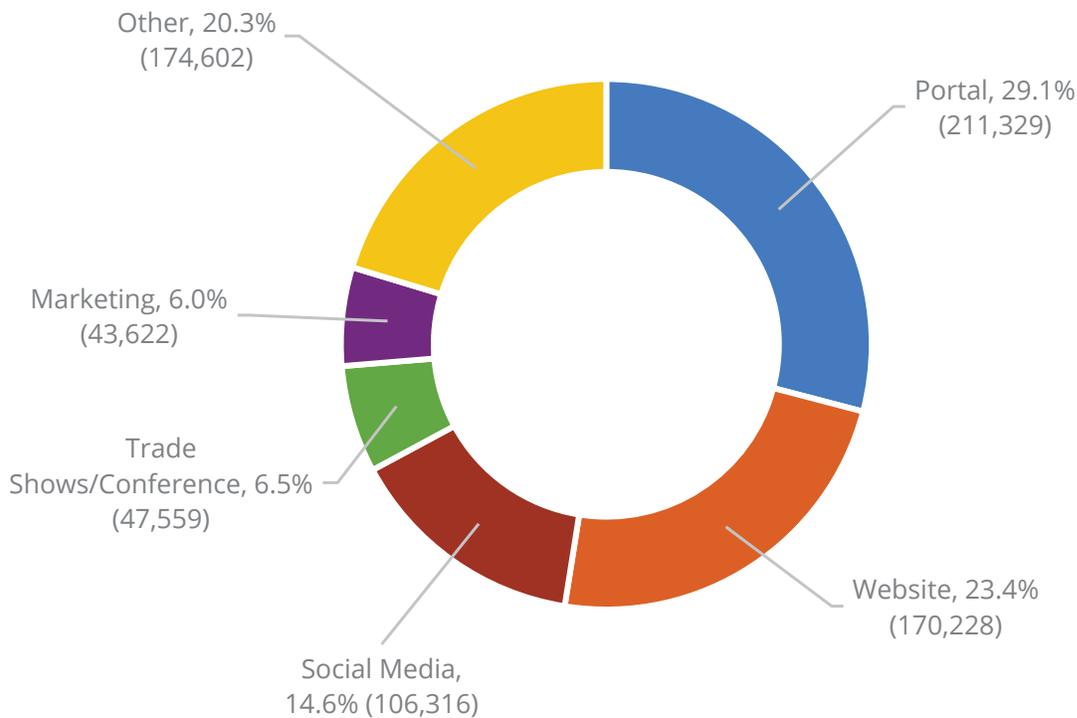
The chart shown below reflects “Leads by Vertical-2020” is a depiction of the percentage of active leads that are maintained in each industry segment and shows that this year’s top two industries for active leads are made up of Personal Services and Commercial & Residential Services. These two categories represent a whopping 55% of all leads and both industries have maintained the same position as in the previous year. In fact, the only change in the top five was that Business Services moved into 3rd place and QSR fell back incrementally from 3rd to 5th position in leads generated.



Leads by Source (percentage and absolute numbers)

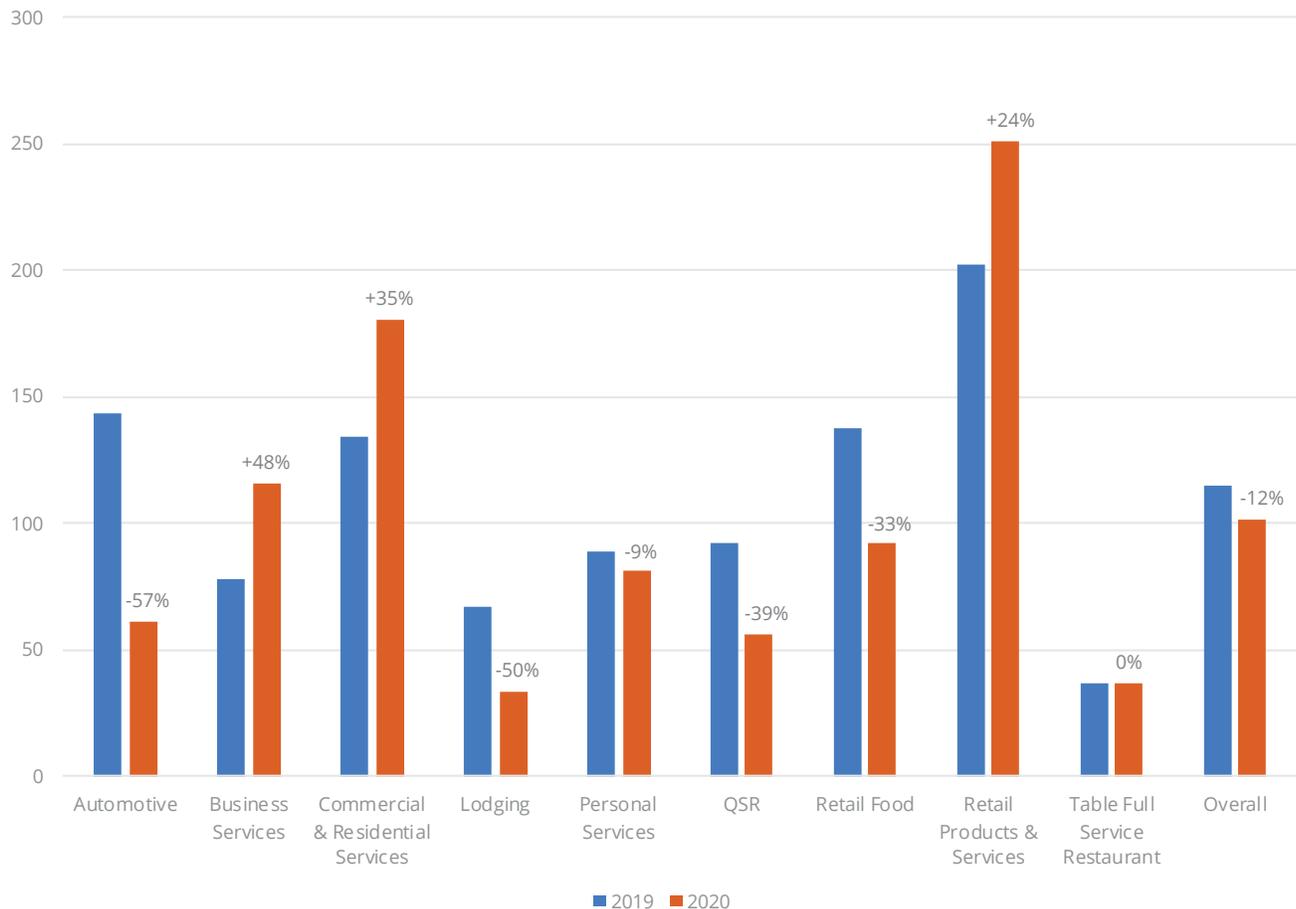
The chart “Leads by Source – 2020” represents the distribution of total leads by its attributed referring source. Franchisors must effectively leverage multiple channels to maximize marketing and outreach activities to attract new leads. The most ubiquitous sources for new leads are portals, websites, social media, and trade shows and conferences.

Franchise portals generate the highest number of leads, followed closely by recruitment websites, which ranked 2nd. What the chart doesn’t reflect is the quality of those leads and how many leads converted to closed deals. The closed deals section of this report indicates that that the highest number of leads does not always translate to the highest number of sales



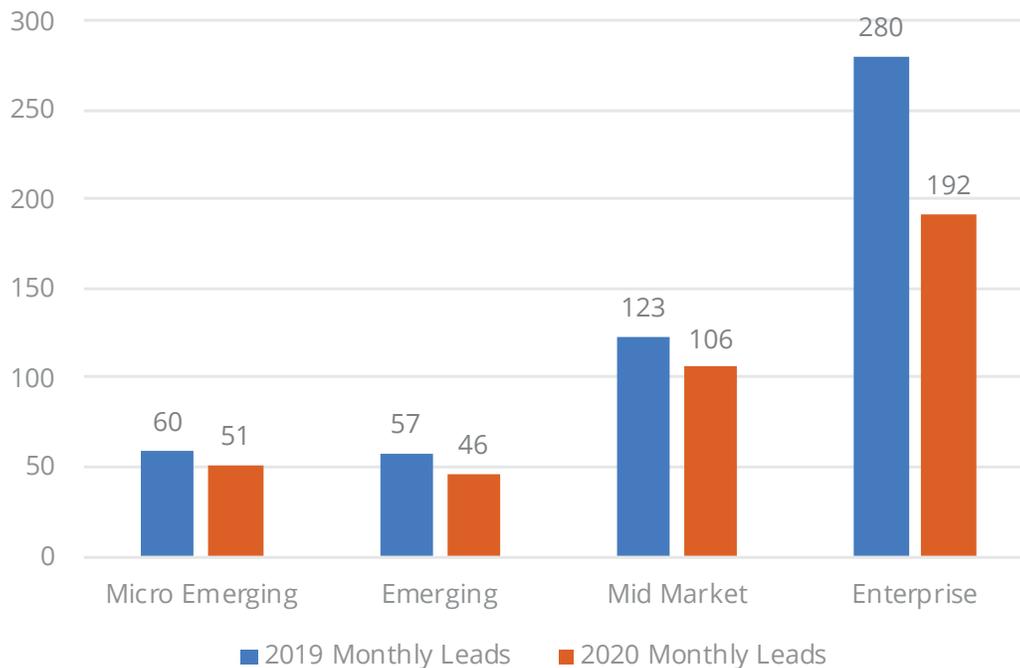
Average Monthly Leads per Brand (by Vertical)

This chart depicts the year-over-year change in lead flow across each industry segment as identified in the FranConnect platform. Only three segments — Business Services, Commercial & Residential Services, and Retail Products & Services — realized gains over the prior year. Business Services had the largest increase in the average number of leads at +48%, while Commercial & Residential increased by 35%, and Retail Products & Services increased by 24%. All other segments experienced sharp declines, most notably in the Automotive, Lodging, QSR, and Retail Food categories. The decline in overall lead-counts began in 2018 and continued throughout 2019, most likely attributed to the full-employment economy that was occurring at the time.



Average Number of Monthly Leads by Market (Number of Locations)

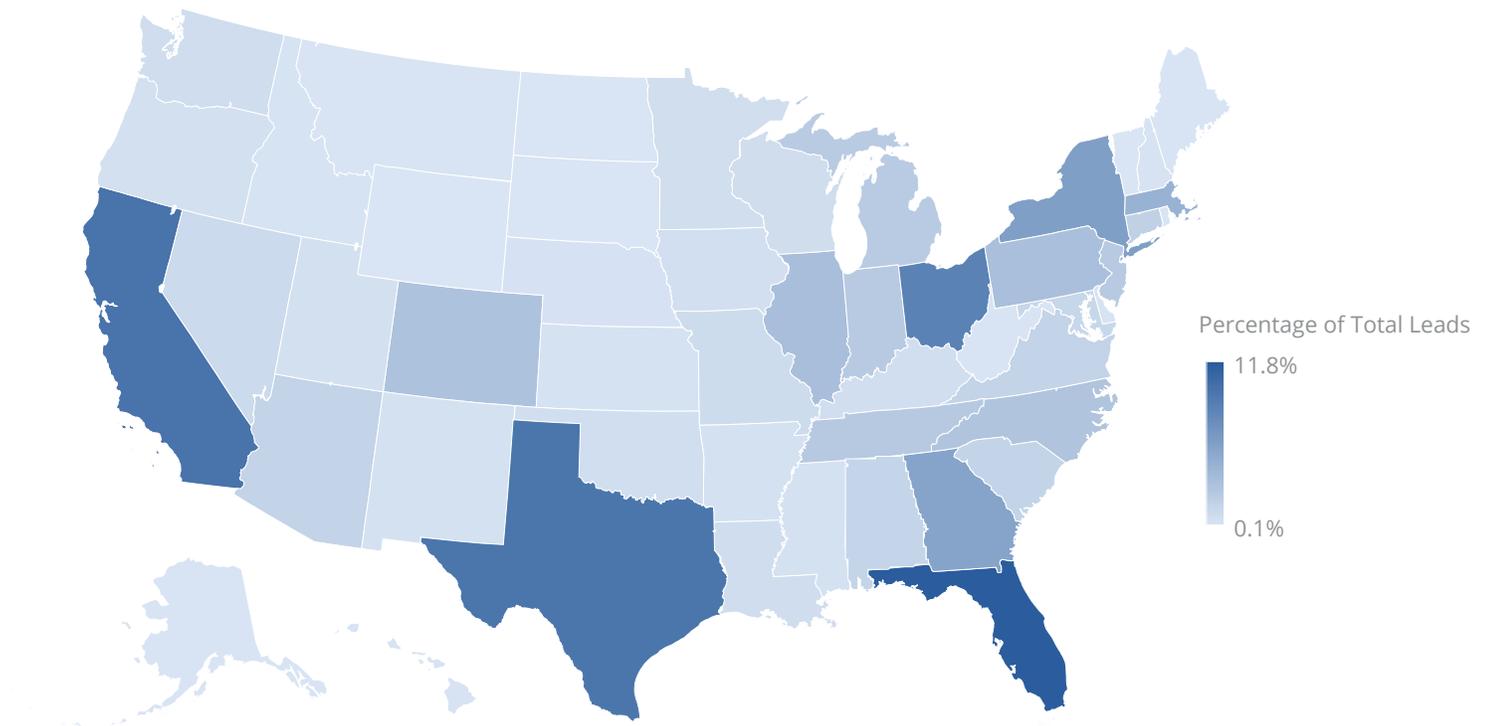
In 2018 and 2019, at the peak of the full-employment economy, we continued to see a downward trend in leads per segment, and last year saw the most dramatic declines led by Enterprise brands, which experienced a dramatic drop of 31%. It is our belief that other contributing factors may have reflected inadequate marketing spends, the inexperience of the sales staff, a lack of defined processes and systems, and a lack of accountability, along with an inability to close. While many franchisors believe that they're not getting enough leads, our interpretation of the data suggests otherwise. Although the quality of leads can vary based on lead source, the number of leads by segment is enough to help meet and exceed quotas. What's critical here is an emphasis on smart marketing choices and execution, which we cover in later sections of this report.



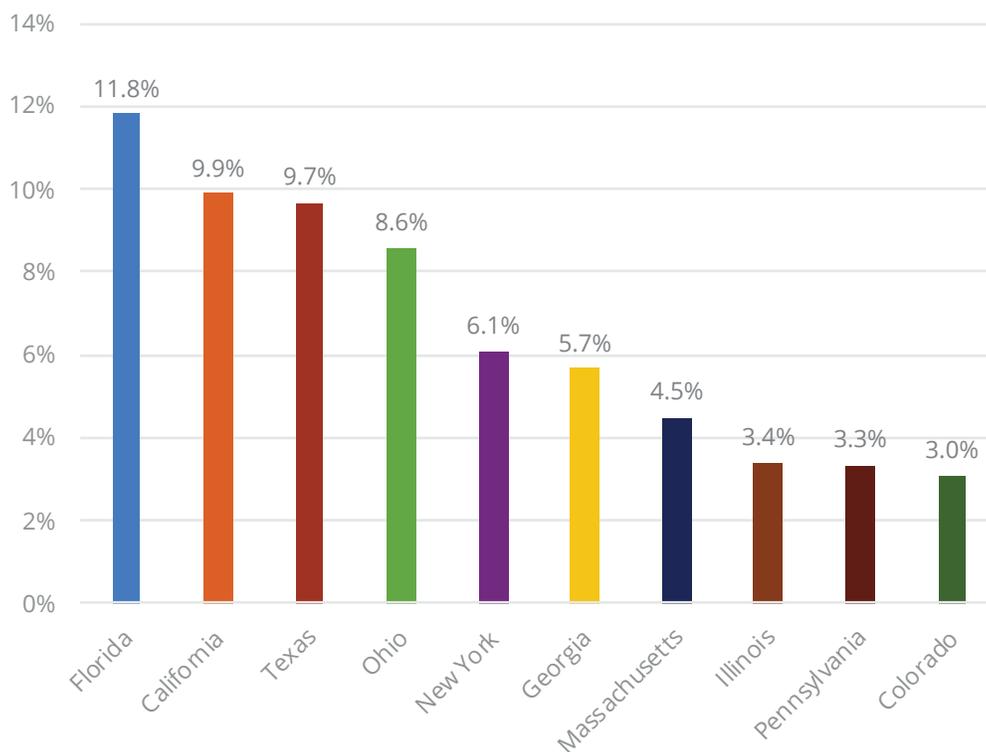
FRANCONNECT DATA ANALYSIS:
Leads by State

While the volume of leads generated typically aligns with state population, there were some notable outliers in 2019. For example, Massachusetts is ranked the 15th most populated state and came in 7th overall for leads. Colorado, which is ranked the 21st most populated state, is ranked 10th for leads generated. Conversely, New York, the 4th most populated state, is under-indexing — likely the result of saturation and its population decline of -0.52% since the 2018 census. Other states that reflected strong growth in leads included North Carolina, Virginia, Washington, Arizona, South Carolina, Oregon, Nevada, and Idaho.

Leads by State - 2020



The following chart labeled “Percent of Leads by State (Top 10) – 2020” represents the breakdown by percentage of leads by state that were logged into the FranConnect database.



KEY RECOMMENDATIONS:

While it may be tempting to concentrate on casting a wide-net across all of the U.S., this requires a greater advertising spend and is proven to be less effective than “micro-targeting” in those cities and dense population areas that generate a smaller net-volume of leads, but offer potential higher per-capita yields. With this approach, a franchisor can develop a much higher level of brand awareness and dominance. Targeting states experiencing higher levels of population growth, such as Oregon and Colorado, also opens the door to new opportunity. These new communities and locations invite more direct targeting and an effective use of budget dollars. As the COVID-19 pandemic is giving way to the reopening of the economy, an emerging and successful best practice will consist of franchisors focusing on smaller markets where they can take advantage of a more concentrated and targeted spend. As concerns over meeting face to face diminish, activities such as local discovery days and prospecting events in restaurants or hotels can raise awareness of a franchise opportunity and available locations. And, as this is being written in the age of COVID-19, many are experiencing success through “virtual discovery days” conducted through technologies such as Zoom and GoToMeeting.

Additionally, as many have placed holds on their franchise marketing budgets and have laid off franchise sales staff, now is not the time to decrease your marketing spend. As previously stated, there are presently 40 million unemployed and a percentage of those have the means to invest in a franchise that allows them to reclaim control of their futures. In calendar year 2019, franchisors had recruitment budgets averaging \$215,173 and with a median of \$150,000, according to the Annual Franchise Development Report published by Franchise Update Media.

PART 2:

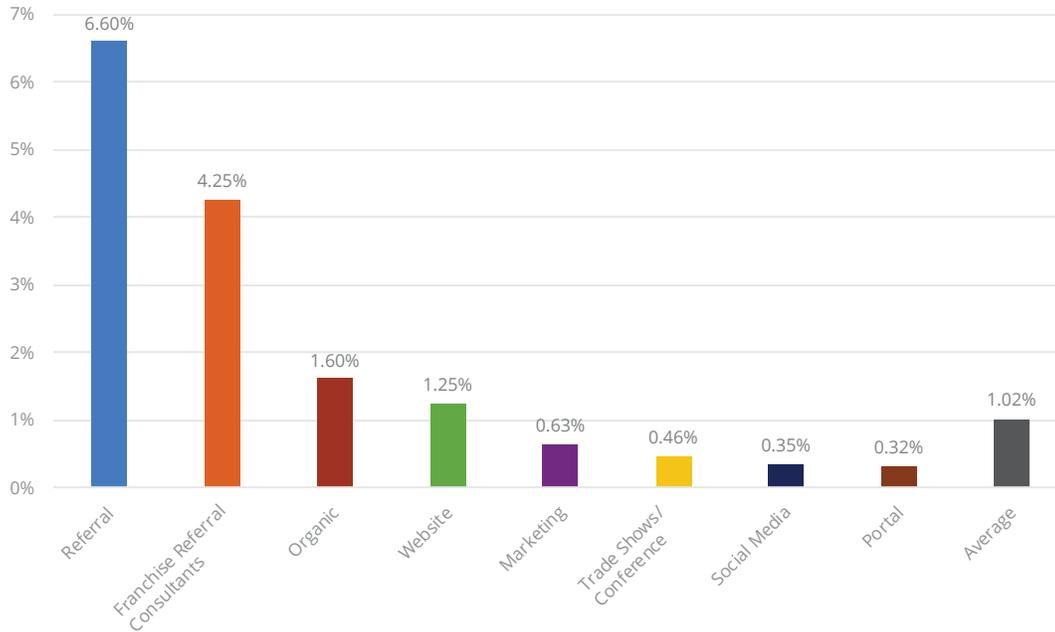
Overview of Deals Achieved



As reflected in the chart titled “*Lead-to-Deal Ratio - 2020*,” the average franchisor is closing 1% of deal flow. It is our belief that this number can readily be at or above 2% if one were to follow the data insights and recommendations presented within this report. Referrals at a remarkable 6.6% conversion rate and Franchise Referral Consultants converting at the rate of 4.25% are light-years ahead of all other sales conversions. These sources — which tend to generate less sales overall due to the smaller number of leads generated, but that should have more “wood behind the arrow” — were identified as the most efficient and effective, followed by organic and website traffic.

Dan Hieb, VP of Digital Strategy at Franchise Performance Group, said, “keep in mind a broker lead is also a referral, so franchise buyers place a high value on people they trust.” He went on to point out that from his vantage point, he sees organic and website traffic as combined because they each go a website for more information before opting in. “The website also plays an important role in referrals, as the referral would presumably first go to the website for the brand story before engaging in a conversation, unless the representative is local or introduced by the referring source such as in a broker lead,” added Hieb.

FRANCONNECT DATA ANALYSIS:
Lead-to-Deal Ratio - 2020

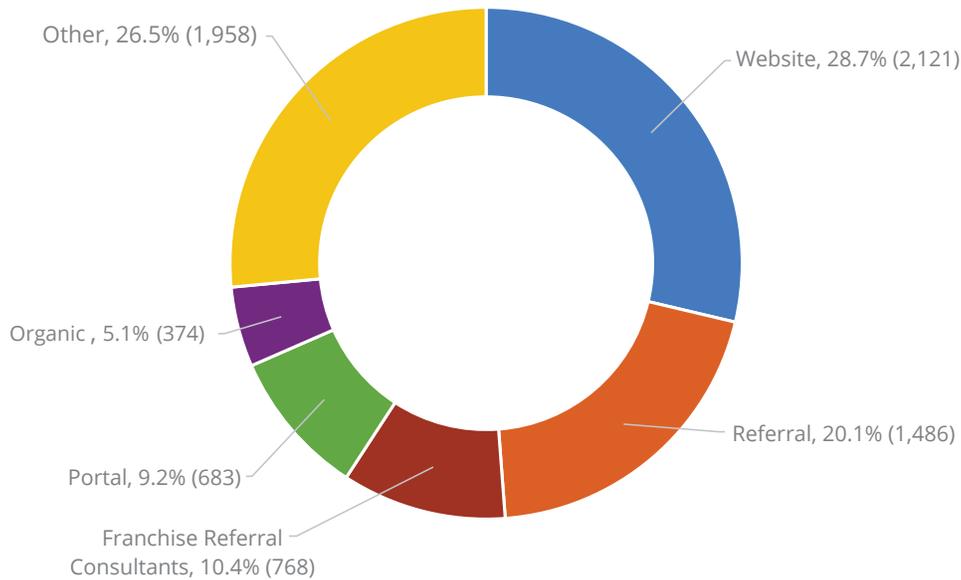


DEALS BY SOURCE

In analyzing “Deals by Source – 2020,” we find 29% of deals are attributed to websites and accounted for 2,121 sales. This stands to reason as most applications are submitted via recruitment websites. Websites serve a central role in the franchise sales cycle as they enable potential partners to learn more about a franchise and conduct deeper due diligence as the sales process progresses. However, it is important to remember that potential partners visiting your website may have first learned about the franchise opportunity through other channels, such as online searches, PPC, social media, blogs, public relations, cross-over from the consumer site, or referrals — all of which are important to monitor and maintain.

One of the most remarkable findings was to see referrals jump to 20% of deals (1,486 sales) and Franchise Referral Consultants come in at 10% (or 786 of all attributed sales) given that they had less leads generated overall.

Of further note, portals generated the most leads in terms of volume at 29%, though they ranked 4th in closed deals, accounting for 9% of deals. (See the section of the report on portals to understand when and why portals are an important tool in the sales toolkit.)



KEY RECOMMENDATIONS:

Each of these lead sources are proven to be viable. If you're employing best practices, a focused strategy, and a well-trained team, this will allow you to be well-positioned to close deals from each of these sources. There are franchisors that are "knocking it out of the park" by participating in trade shows, along with those that are closing more deals through third-party referral sources and portals. The key is to study what the leaders in each of these lead source segments are doing. You will find many of these RECOMMENDATIONS included throughout this report.

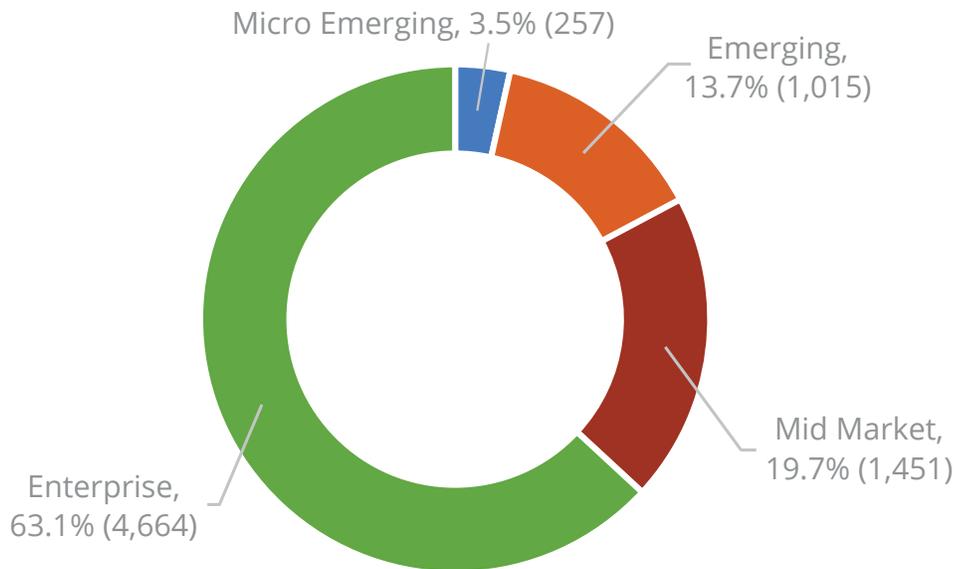
CLOSED DEALS BY FRANCHISE SIZE, SOURCE, AND VERTICAL

Out of the 597 brands within the dataset, the following market segment franchisors achieved 7,387 total franchise sales at an average of 12.4 franchise locations per brand during 2019.

As shown in the chart titled "Deals by Franchise Size - 2020," the data shows that Enterprise organizations are proven to be the most accomplished at closing deals. While this group received 51.5% of total leads, they closed 63% of the total deals. The percent and number of deals descend sequentially from largest to smallest of brands.

FRANCONNECT DATA ANALYSIS:

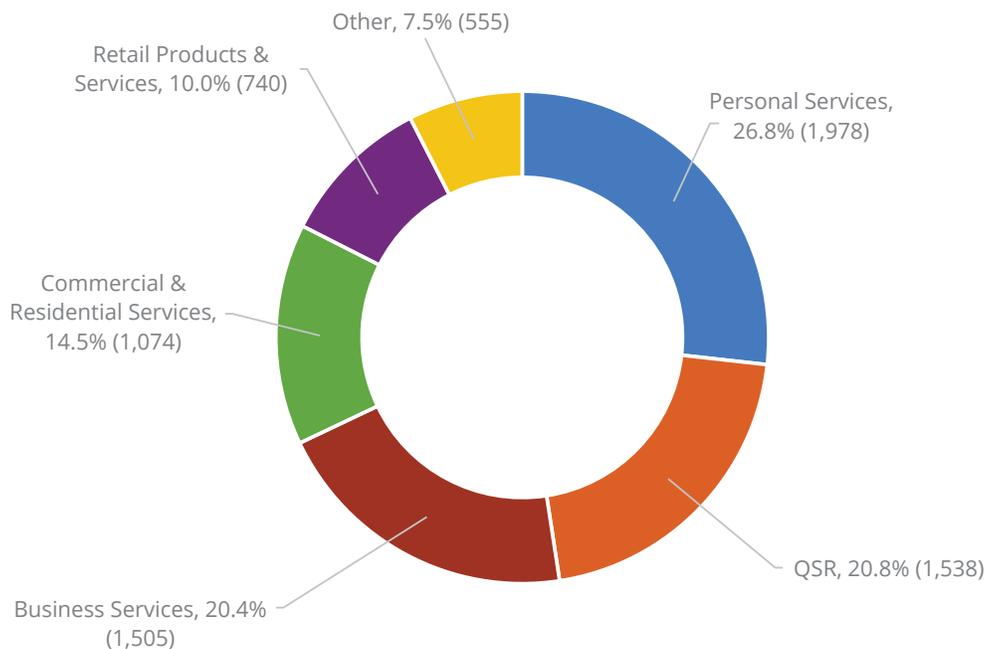
Deals by Franchise Size - 2020



And of the total deals that were culminated, as indicated by the chart “Deals by Vertical - 2020,” we find that the three most dominant industries from within our database are Personal Services, QSR, and Business Services, which accounted for 68% of all the deals, though they represent one-third of the nine market segments.

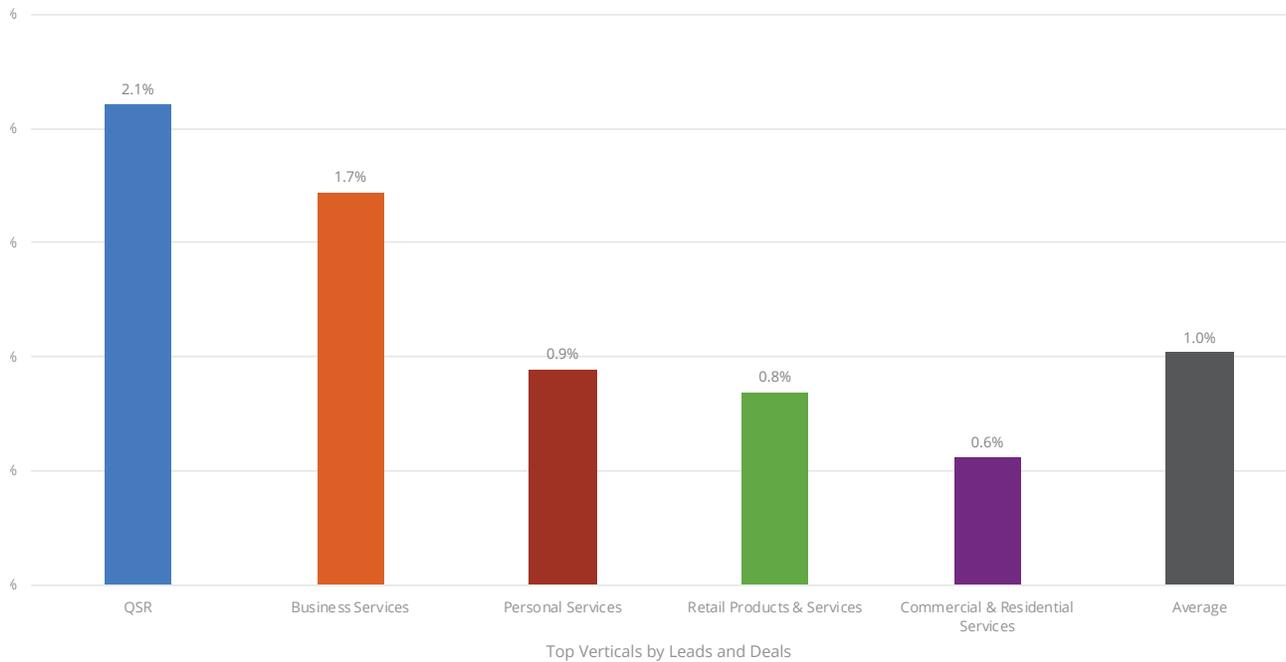
FRANCONNECT DATA ANALYSIS:

Deals by Vertical - 2020



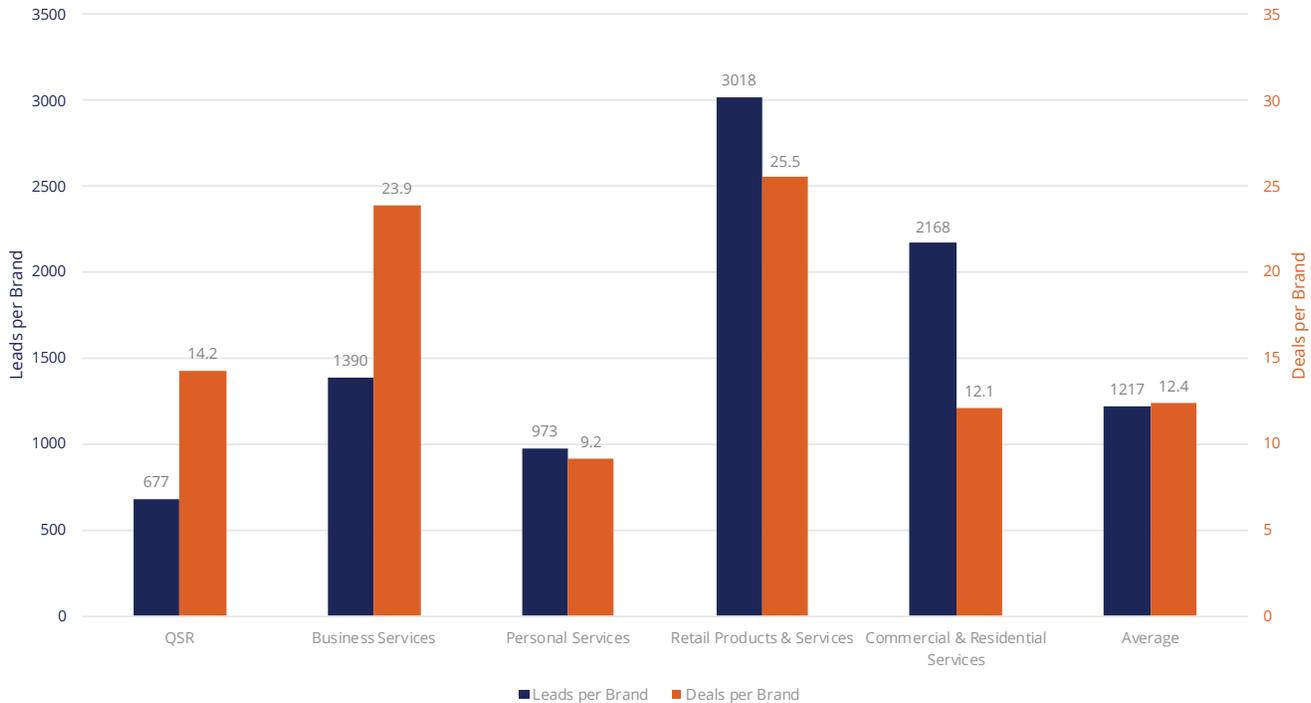
Lead to Deal Conversion Rate by Vertical - 2020

In the chart titled "Lead to Deal Conversion Rate by Vertical - 2020," the percentages depicted show that QSR over-achieved with a 2.1% closing effectiveness rate followed by Business Services at 1.7%, when all brands averaged a 1% closing effectiveness rate.



And when analyzing the interplay between leads and deals side by side, we can visualize just how effective the two leading industries were in converting. However, by the net number of average deals achieved, Retail Products & Services achieved the highest overall sales, the byproduct of the highest leads generated.

Lead and Deals per Brand by Vertical - 2020



KEY RECOMMENDATIONS:

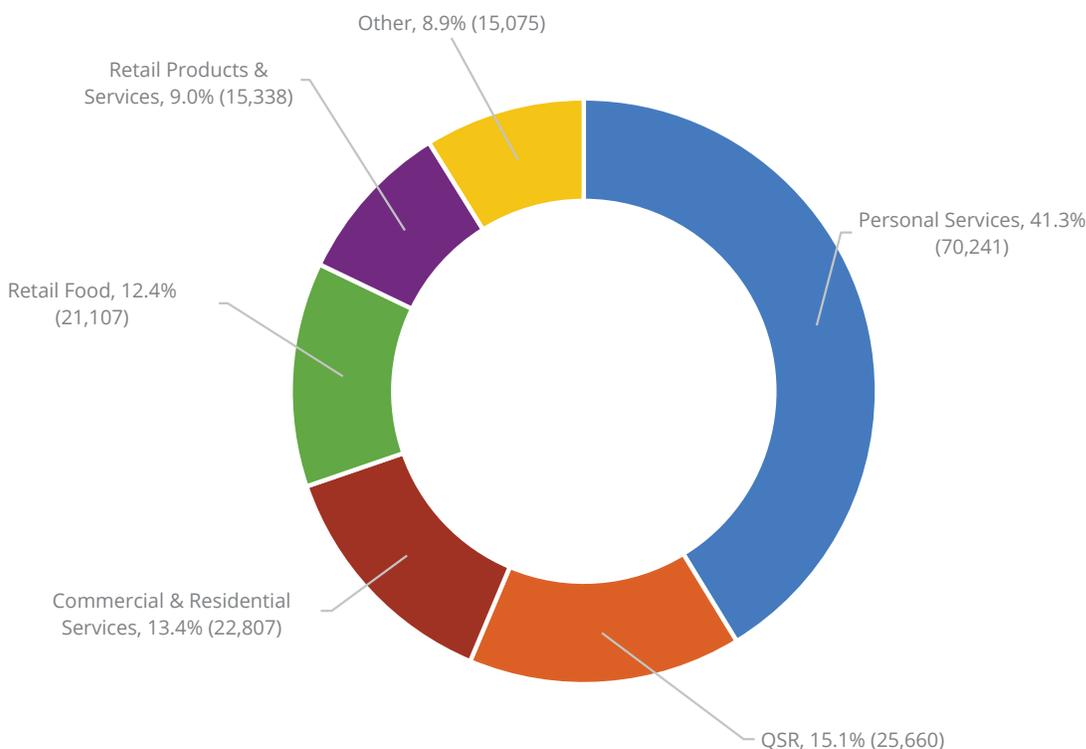
Analyzing the source of your deals is critical for success. This report is made up of 51 **critical KPIs** you can be tracking in order to better optimize your sales and marketing engine. Within the FranConnect Platform, the marketing and franchise sales teams can load in their marketing tactics, so that they can derive proper lead source attribution and receive reports on cost per lead and cost per sale by source in real-time.

WEBSITE METRICS AND INSIGHTS:

As demonstrated in a previous chart ("*Leads by Source - 2020*"), 23.4% of leads were attributed to websites. And of those leads, they represent 28.7% of all deals generated in 2020, converting at a rate of 1.2%. In the charts labeled "*Website Leads by Vertical - 2020*" and "*Website Deals by Vertical - 2020*," QSR and Personal Services were the biggest beneficiaries of sales. This is logical since most applications are submitted via recruitment websites. Websites serve a central role in the franchise sales cycle as they enable potential partners to learn more about a franchise and conduct deeper due diligence as the sales process progresses. However, it is important to remember that potential partners visiting your website may have first learned about the franchise opportunity through other channels, such as online searches, PPC, social media, blogs, public relations, cross-over from the consumer site, or referrals — all of which are important to monitor and maintain.

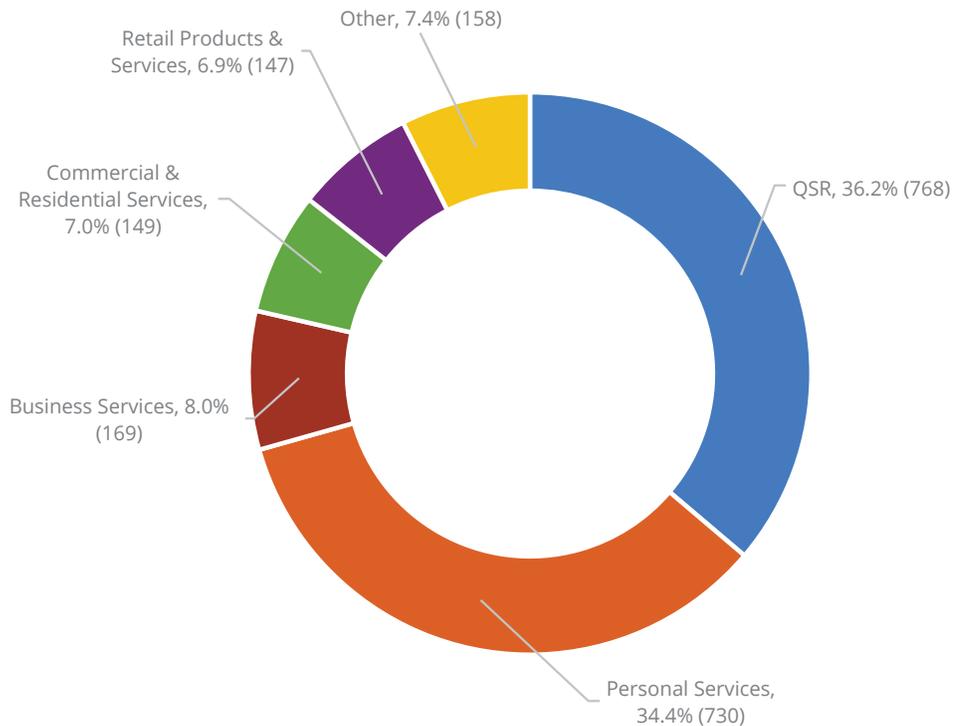
Understanding the prospect journey is one of the most important elements critical to your success, so that you can starve the sources that aren't converting and feed the ones that are. In marketing terms, you should be tracking first-touch attribution, defined as the first touch a user makes with your development team. Here, we begin with the first of the marketing attributed lead source and resultant sales: franchise recruitment websites. If someone first discovered your opportunity via organic leads flowing to your website, that channel will have received the credit for the conversion within our report.

FRANCONNECT DATA ANALYSIS:
Website Leads by Vertical - 2020



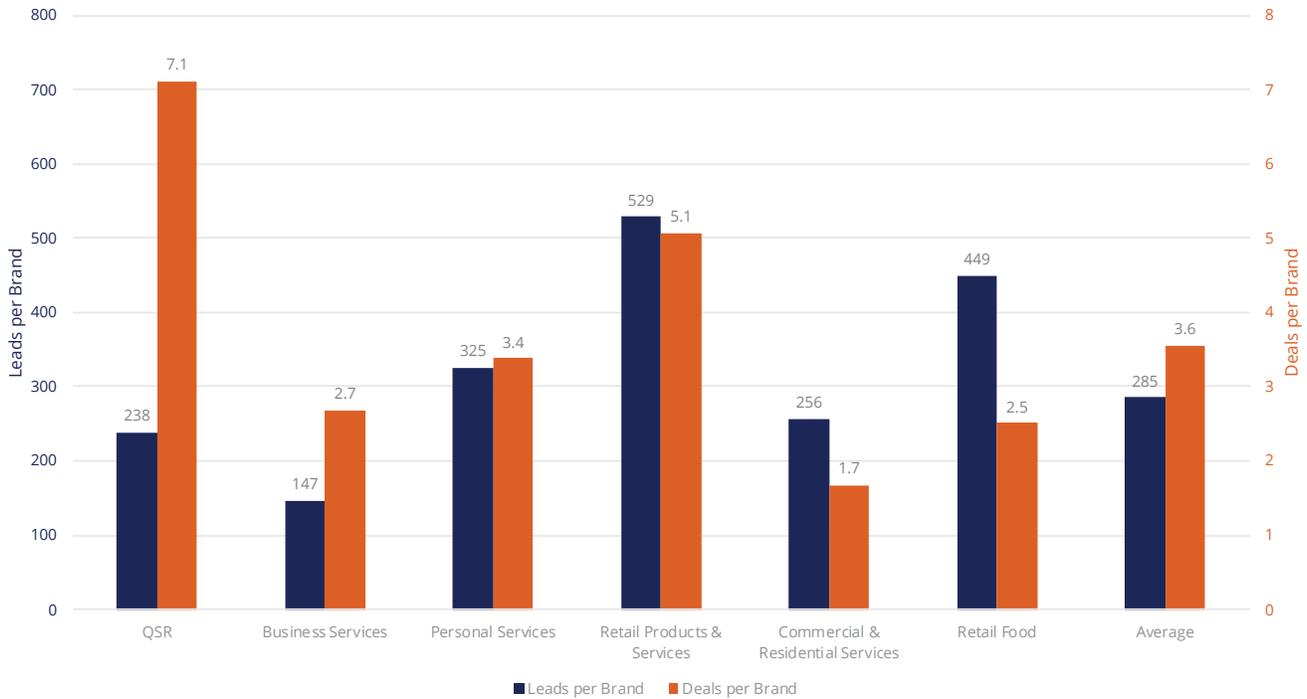
Raw leads in and of themselves have little value. The key here is to understand the drivers of conversion of leads-to-deal ratios. As you can see, the QSR segment generated only 36% of the website leads that the Personal Services category generated and they converted at 2.8%, whereas Personal Services leads converted at a 1% rate. In other words, QSR website leads are nearly three times more likely to convert website leads than are Personal Services.

Website Deals by Vertical - 2020

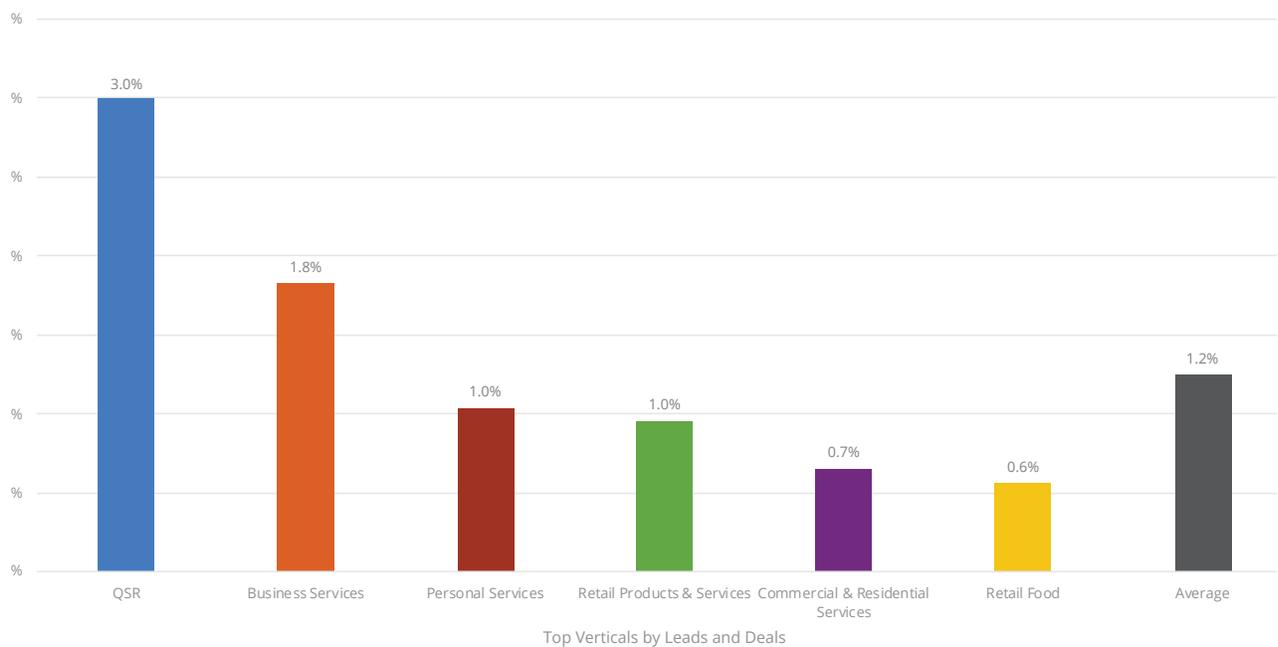


In the following slide (*"Website Leads and Deals per Brand by Vertical - 2020"*) you can see evidence of the opportunities that Commercial & Residential brands have when comparing the average number of leads, which is slightly better than QSR, yet the QSR segment had the most significant net number of deals by category.

Website Leads and Deals per Brand by Vertical - 2020



Website Leads to Deal Conversion Rate by Vertical - 2020



KEY RECOMMENDATIONS:

Break the hold of antiquated belief systems that 100 leads equate to a single sale. Lead-to-deal conversion rates can hold the key to significant increases in your franchise sales closing effectiveness. In this day and age, having greater technologies that utilize workflow automation, instant access to sales reports, lead-scoring capabilities, SMS text messaging, and more can allow a competent franchise sales professional to literally double their effectiveness. Stated differently, a 1% closing effectiveness rate is in the author's POV equivalent to failing 99% of the time. Now's the time to set a new standard by believing and expecting that a 2% closing effectiveness rate is not only readily achievable, but also it is a table stake.

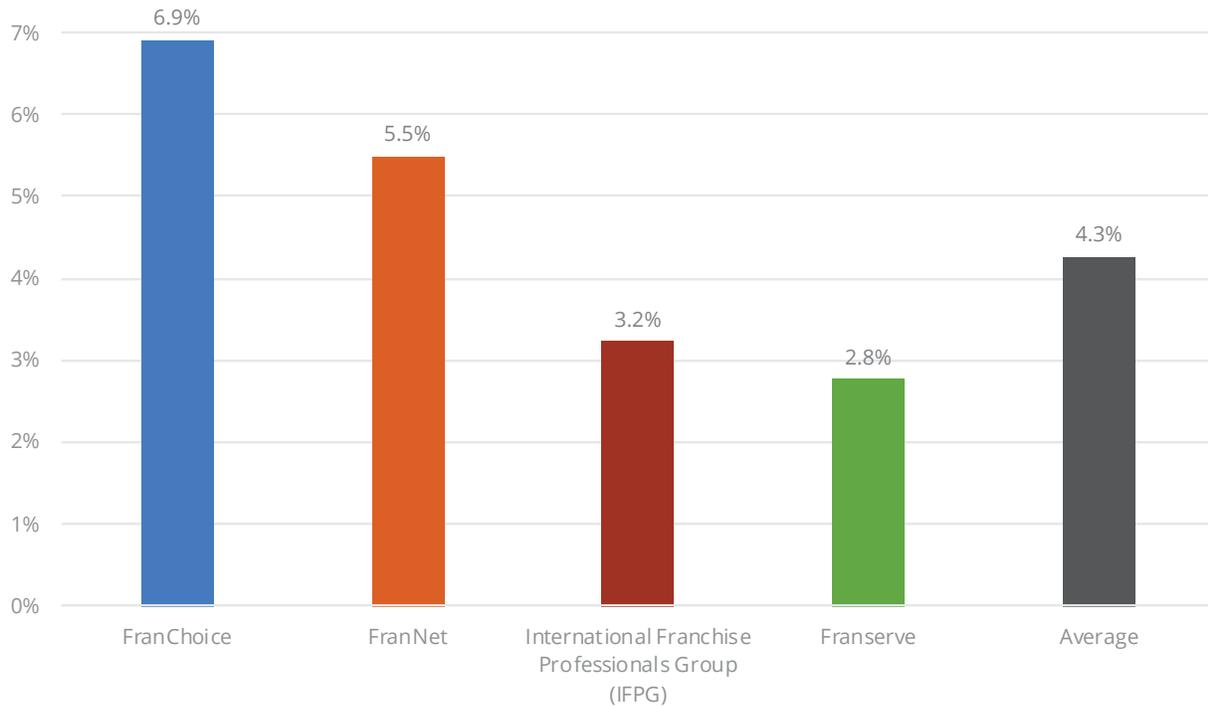
One additional recommendation is to recognize that there is the potential that a high number of website leads could very well be a false-positive. It's advisable to utilize pre-qualifiers to peel back the layers to get to an understanding of where the prospect first became interested in franchising with your brand. Many prospects have done hours of research prior to engaging with your website. Ask prospects, "Before you came to our website, how did you first learn about our franchise opportunity?" Be sure to list that answer as this will determine what the true first attribution source of the lead was.

FRANCHISE REFERRAL NETWORKS (FORMERLY BROKERS):

In this year's category "Franchise Referral Networks" (FRN; formerly referred to as brokers), we find that FRNs generated 18,058 leads in terms of volume (10.4%), resulting in 578 sales while ranking 2nd in terms of deals by source. This represents an average lead-to-deal ratio of 4.25%, which significantly outperformed the average of all lead sources of 1.02%. As a paid lead generation service, no other paid segment comes close.

This year, the CEOs of our two top-performing organizations, FranChoice and FranNet, both offer very similar advice on how to improve your performance when working with Franchise Referral Networks. Jania Bailey, CEO of FranNet, advised, "If you want to be more effective with brokers, do not try to work with everyone. Pick one or two groups and focus your efforts. Build a relationship with the brokers and be sure they know you and your concept. When you receive a lead from a broker, respond immediately and communicate throughout the process with the broker. The best results occur when the broker is your partner in the process."

Lead to Deal Conversion Rates by Franchise Referral Consultant - 2020



Top 4 Franchise Referral Consultants by # of Leads and Deals

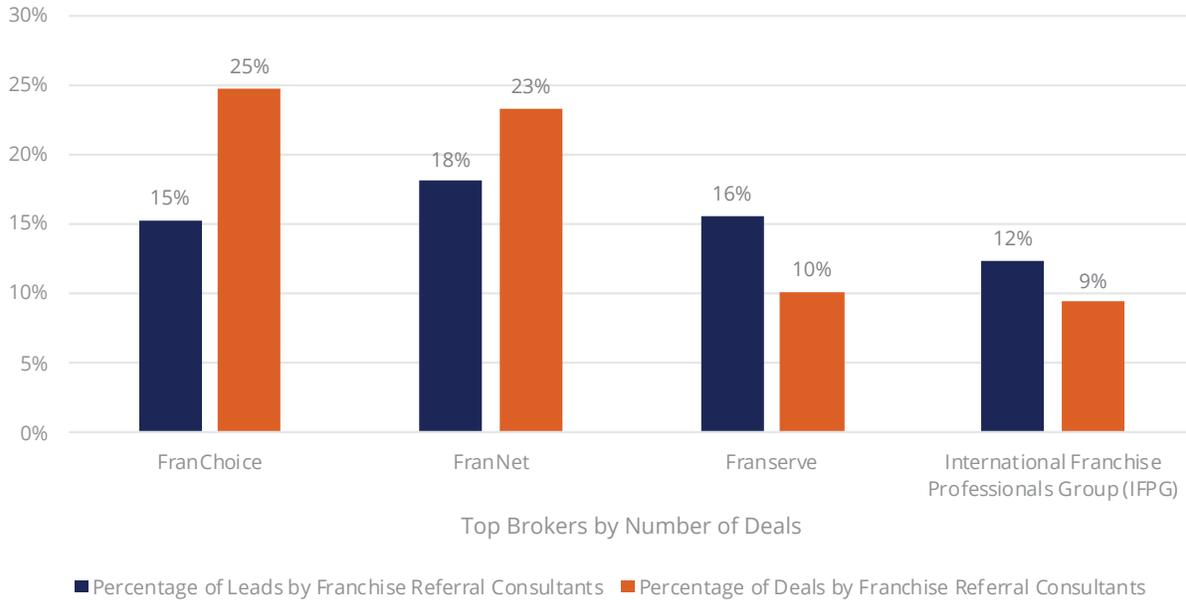
FRANCHISE REFERRAL CONSULTANTS: LEADS AND DEALS – 2020

In this chart, we find the top four firms in the Franchise Referral Consultants (FRC) category, collectively providing lead-to-sale conversion results greater than 4% for all referrals made. The top two — FranChoice and FranNet — each have maintained their leadership in the top two positions for the entirety of the five years that we have been publishing this report. Most impressive about the top two was their ability to convert between 5.5% to 6.9% of the leads they referred. Often brokers are maligned due to the commissions that they earn when a sale is consummated. On average, the broker will typically earn 40% to 50% of the initial franchisor fee (and in some cases higher). However, they will only earn this fee if their referred lead were to become a sale. Take into consideration that all other forms of advertising have no guarantees related to a sale. Those other sources get paid regardless of the number of leads they generate and even if no sale were to occur from their efforts. If you were to track the cost per lead and the cost per sale of all lead sources, FRC's actually can be one of the most efficient and cost-effective sources.

In the following chart, it's easy to visualize the effectiveness of the top four in converting leads to sales. As a reminder, there are many other "brokers" in this category and these four brands were our top performers.

FRANCONNECT DATA ANALYSIS:

Percentage of Leads and Deals by Franchise Referral Consultant - 2020

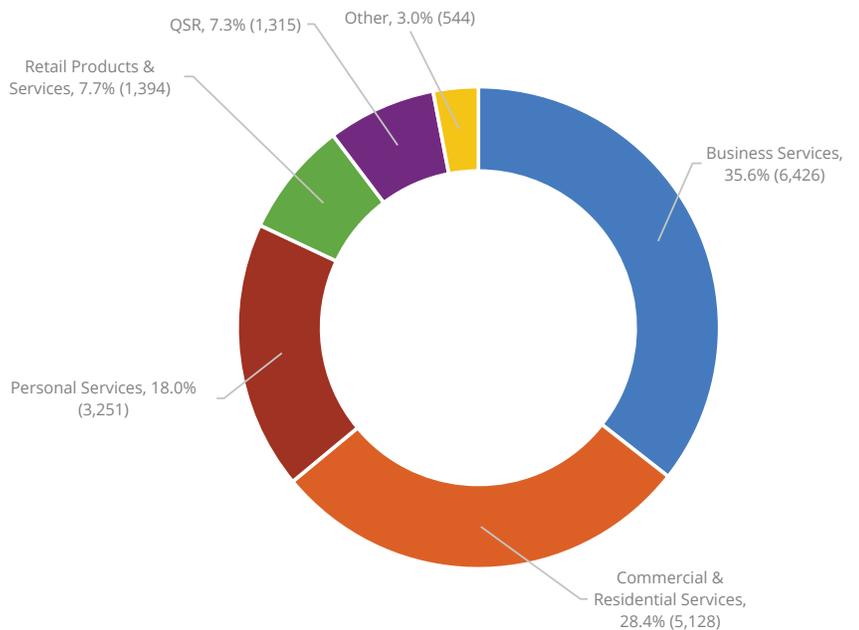


FRANCONNECT DATA ANALYSIS:

Franchise Referral Consultant Leads by Vertical - 2020

FRANCHISE REFERRAL CONSULTANT LEADS BY VERTICAL

Service industries make up four of the top five categories that are receiving referrals from the broker networks. The fifth industry, QSR, albeit one of the largest concentrations of brands in our study, appears to have limited interactions with broker networks, representing only 7% of generated leads. Therefore, it's worth considering that there will be less direct competition for those QSR and fast casual restaurant brands that choose to sign on with these firms.

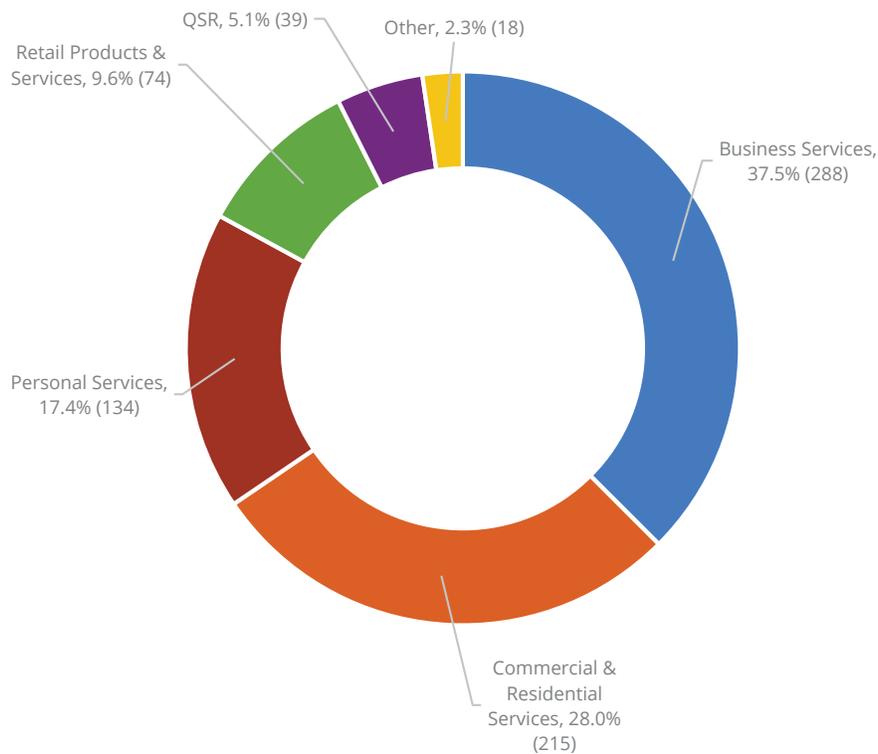


FRANCHISE REFERRAL CONSULTANT DEALS BY VERTICAL

Closing rates for the industries represented is in alignment with the lead generation flow from Franchise Sales Brokerage firms. With five of the nine industries represented in the top tier, the four remaining industries only generated 3% of deals. As stated earlier, there is clearly an opportunity within this category to effectively compete with little direct competition, as so few franchisors representing Retail Food, Table/ Full-Service Restaurants, Automotive, and Lodging are being represented.

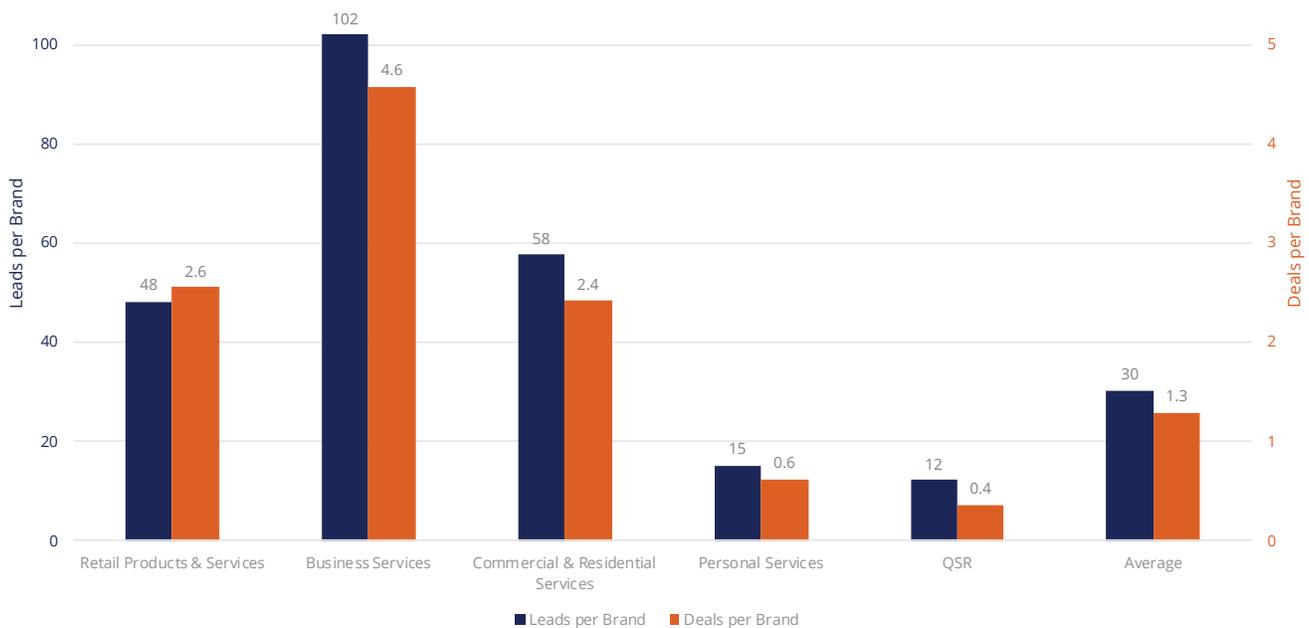
FRANCONNECT DATA ANALYSIS:

Franchise Referral Consultant Deals by Vertical - 2020



Franchise Referral Consultant Leads and Deals per Brand by Vertical - 2020

Finally, this chart depicts the overall average of leads and deals on a per-brand basis culminated by Franchise Referral Consultants. And of those, Business Services achieved the highest number of deals on average, closing 4.6 sales with the help of the FRCs.



KEY RECOMMENDATIONS:

Jeff Elgin, CEO of FranChoice, advises his consultants to spend many hours interviewing and pre-qualifying candidates before they send them to the franchisor — and one in six ends up buying a franchise. He gave this good advice: “The overwhelming secret to success for a franchisor working with our leads is responsiveness — to both the candidate and the consultant — so treat them both like the gold that they represent and you’ll get lots more!”

PORTALS

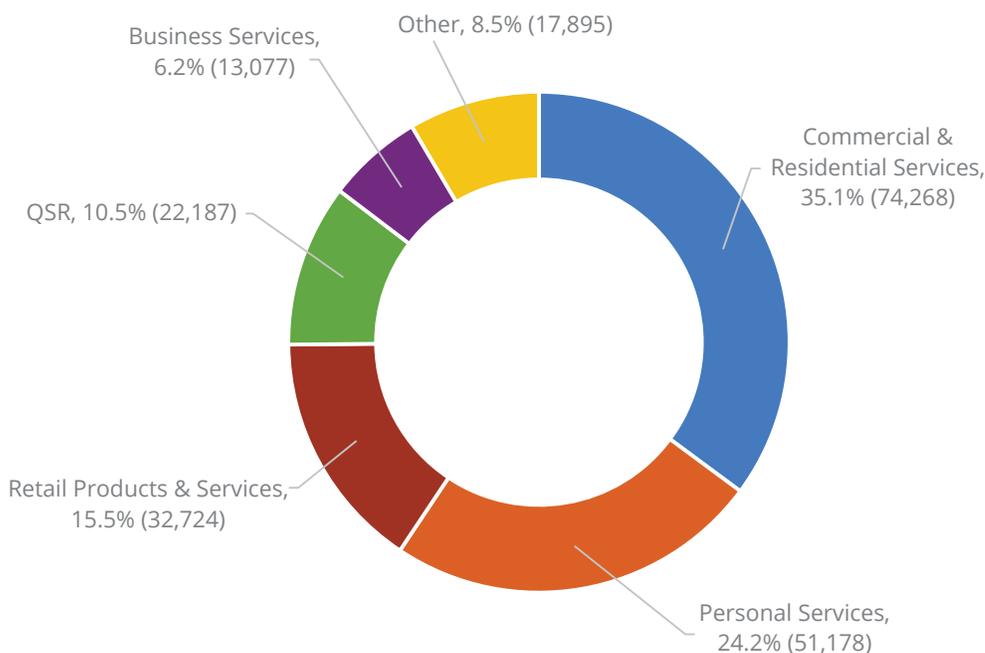
While portals generated the most leads in terms of volume (29%), they ranked 4th in terms of deals by source and 5th for conversion rates of 0.3% for lead-to-deal ratios.

Though the conversion rate fell precipitously year over year, it is our belief that many prospective buyers utilize portals in doing their research and that they serve as powerful “billboards” in drawing attention and

building awareness of a brand. It is our conclusion that Portals can be an effective tool in the sales toolbox, particularly for brands that are trying to build more brand awareness or those trying to build their pipelines.

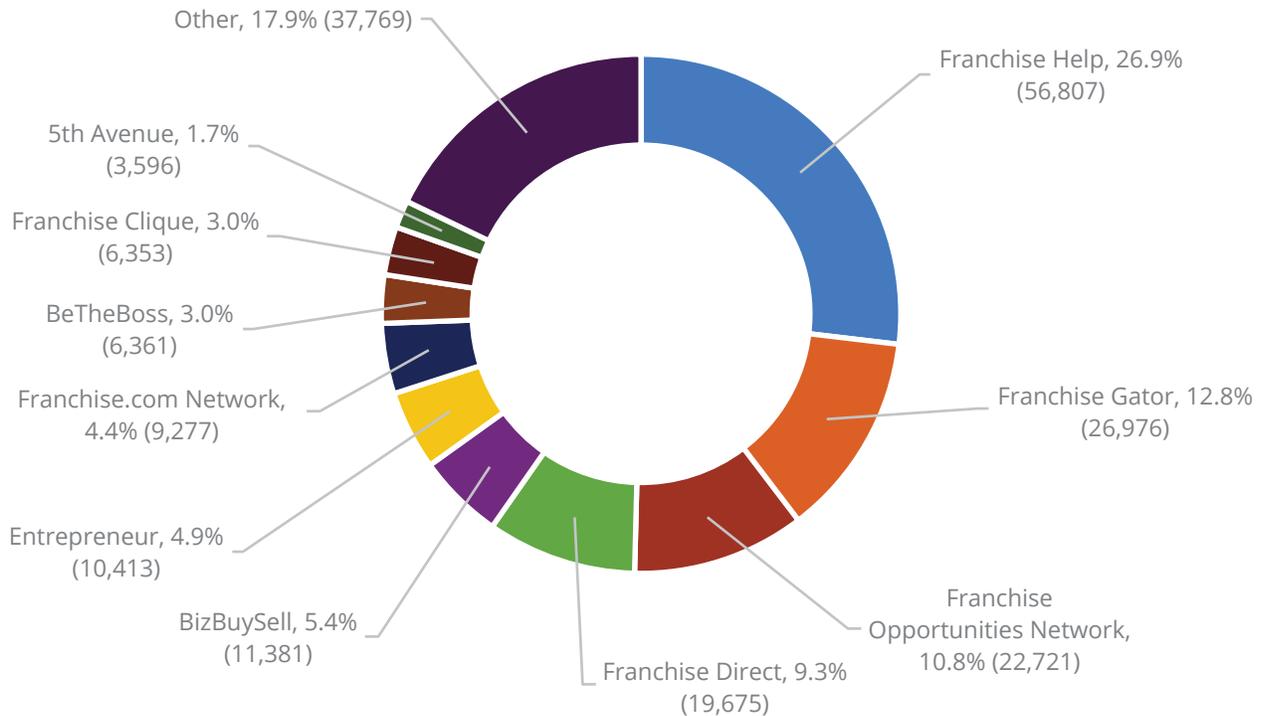
The following chart entitled *"Portal Leads by Vertical - 2020"* represents the distribution of leads to the top five verticals from within our database, which accounts for 91.5% of the nine IFA-identified sectors based on 211,329 generated leads.

FRANCONNECT DATA ANALYSIS:
Portal Leads by Vertical - 2020



Of those total leads generated by franchisors, Franchise Help generated twice that of the next closest portal lead source. The chart depicts the top 10 lead Portals based on leads generated, and Franchise Gator, Franchise Opportunities Network, and Franchise Direct each averaged at or over 20,000 leads.

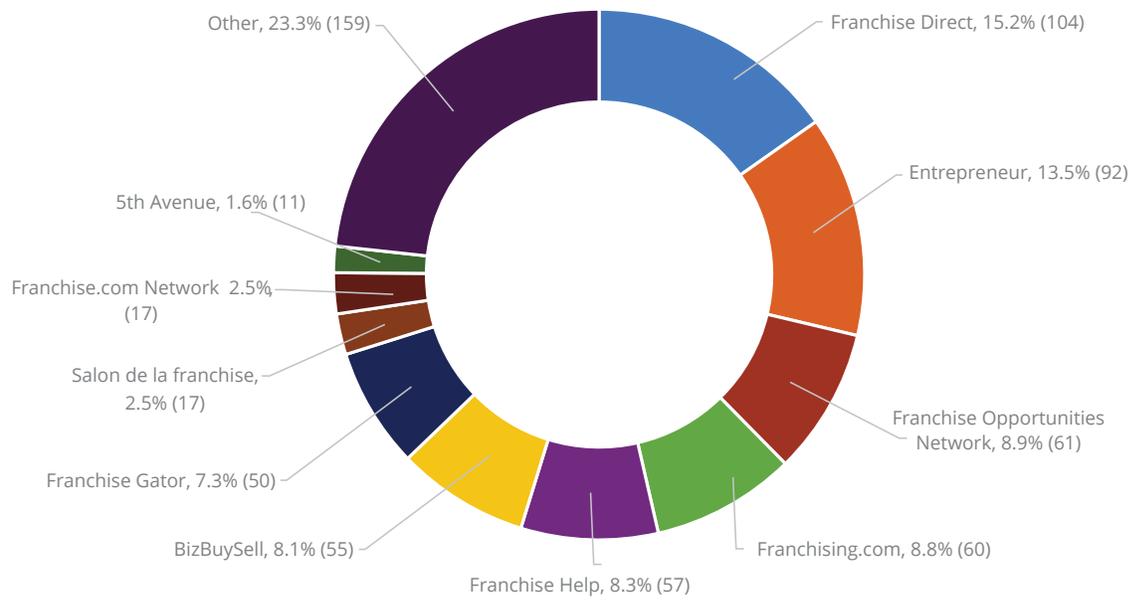
FRANCONNECT DATA ANALYSIS:
Leads by Portal - 2020



FRANCONNECT DATA ANALYSIS:
Deals by Portal - 2020

The chart *"Total Deals by Portal - 2020"* indicates that the top 10 portal providers generated all but 23% of leads. And of those, only two — Franchise Direct and Entrepreneur — delivered a distribution of sales in double digits.

When comparing leads to sales by source, we find that the most leads don't always equate to the most deals. Franchise Direct generated 9.3% of leads, but came in first for the number of sales at 15.2% of total sales generated by a portal. Entrepreneur, while ranked 6th overall, came in second, having achieved 13.5% of total portal sales generated. And so it goes — track your conversions, so that you can invest where you can get the best ROI.



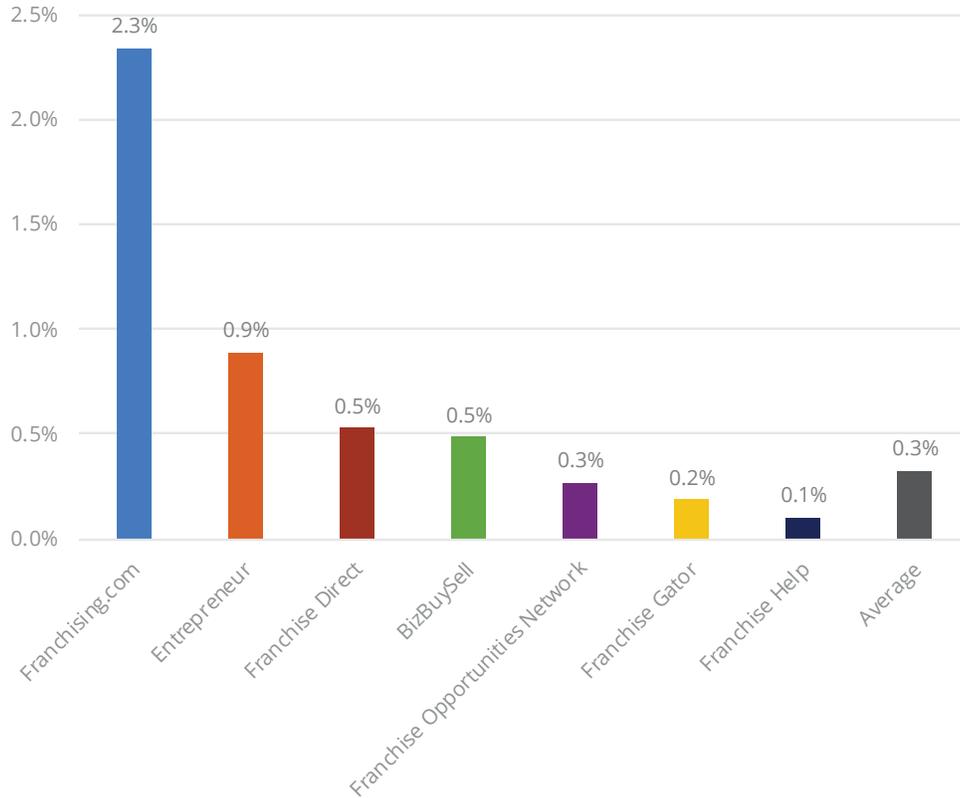
FRANCONNECT DATA ANALYSIS:

Lead to Deal Conversion Rate by Portal - 2020

One of the most critical of KPIs for sales and marketing teams should be lead-to-sales conversion rates by lead source, as evidenced in the chart *“Lead to Deal Conversion Rate by Portal – 2020.”* Herein, we find that while Franchising.com represented only 8.8% of leads, those leads converted at a rate of 2.3%, dramatically higher than any other portal provider. To really appreciate what a feat this is, compare this to a category’s average conversion rate of 0.3%. There’s also a lesson to be learned in that Franchising.com did not even make the top ranking for leads. Kudos are in order as they appear to be in the lead quality versus volume business. Similarly, Entrepreneur ranked 6th out of the top 10 for the volume of leads while being ranked the second highest for sales conversion at 0.9%.

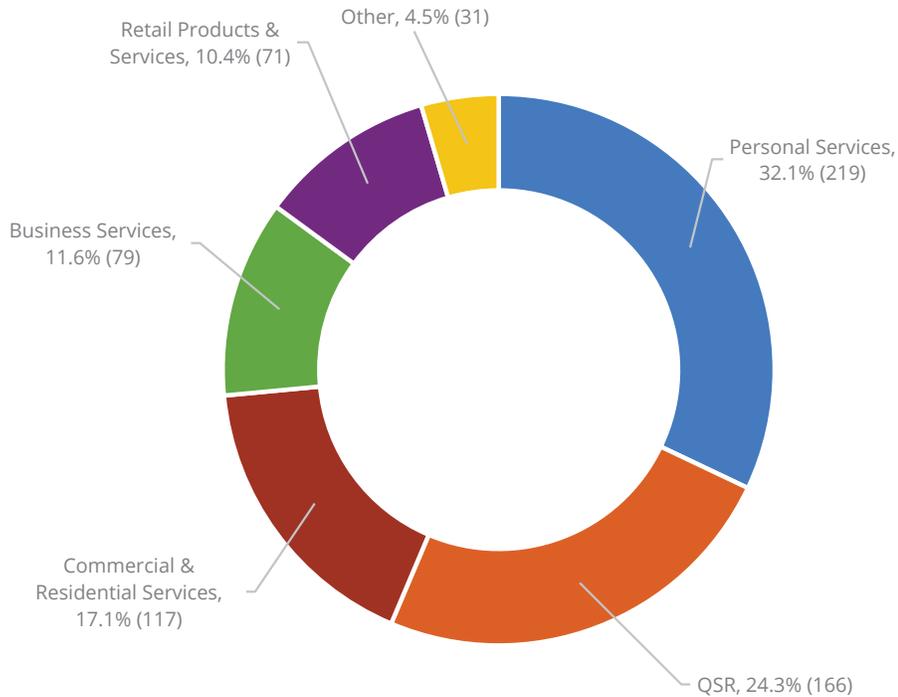
Take the time to analyze your own lead-to-sales conversion rates so that you can starve the sources that don’t work and feed the ones that do.

Lead to Deal Conversion Rate by Portal - 2020



As we move into analyzing “*Portal Deals by Vertical – 2020*,” the deals follow leads as demonstrated by Personal Services (216 deals) and QSR (166 deals). The Commercial & Residential Services market ranked 4th for leads and moved into the 3rd position within our ranking of the top-five vertical industries, trading positions with Business Services which slipped into 4th position.

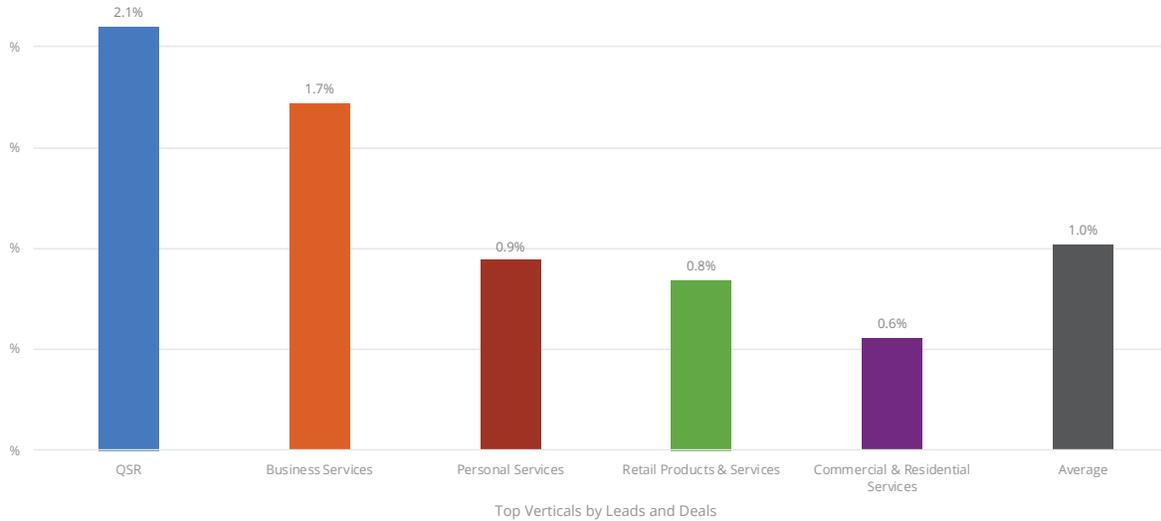
FRANCONNECT DATA ANALYSIS:
Portal Deals by Vertical - 2020



The following chart (“Portal Lead to Conversion Rates by Vertical – 2020”) depicts the top five industries for converting portal leads into deals in 2019. Those leads that went to QSR exceeded the 0.3% average closing rate with a 0.75% closing effectiveness rate. It is our belief that despite the fact that portal leads have one of the lowest conversion rates, they generated the highest number of leads and created 743 new franchisees. We believe that by following some of the recommendations in this report, you can experience higher conversion rates.

FRANCONNECT DATA ANALYSIS:

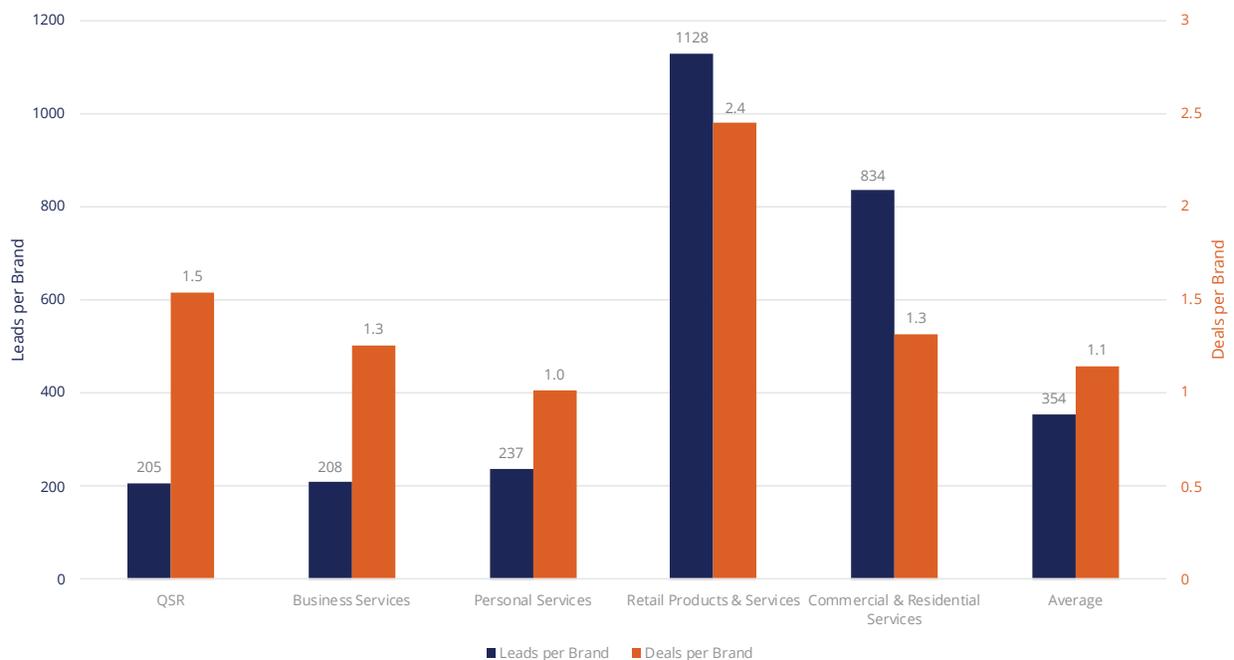
Lead to Deal Conversion Rates by Vertical - 2020



And in our final portal chart, you'll find a visual representation and normalization of leads so that you can see on a per-brand basis the average number of leads and sales achieved during 2019.

FRANCONNECT DATA ANALYSIS:

Portal Leads and Deals per Brand by Vertical - 2020



According to Joe Mathews, CEO of Franchise Performance Group, [Franchising.com](https://www.franchising.com) and Entrepreneur were the most efficient portal lead sources by a long shot, while Franchise Direct can be attributed to the most deal flow (see “*Deals by Portals – 2020*”). “What do these two websites have in common? They provide the most relevant content to franchise candidates high in the funnel who are entertaining starting a business. They are in the lead generation business, using relevant content as the medium. Franchise Direct, at the time of this writing, has a well-organized and easy-to-find resources tab and does well in organic searches relative to franchising — which explains some of the inefficiency, but highest deal flow. Franchisors need to factor in the tens of thousands of dollars in labor costs it takes to work portal leads when budgeting,” said Mathews.

KEY RECOMMENDATIONS:

Michael Alston, President of Landmark Interactive (which includes 2020 top-five ranked portals Franchise Gator and Franchise.com Network), offered his expertise in maximizing the effectiveness of portals. “Our best advice is to engage with inquiries as soon as possible in the channel preferred by the prospect.” His firm’s monthly [Franchiselsights.com](https://www.franchiselsights.com) mystery shop benchmarking regularly shows that almost 40% of online inquiries are not responded to within seven days. Alston went on to say, “To complicate matters further, 67% of inquiries fall outside of business hours, mostly due to evening activity and differing time zones between development teams and prospects, so compliant autoresponder email or text follow-ups are highly recommended. Finally, the survey consistently shows that 53% of prospects are ‘unlikely’ or ‘very unlikely’ to accept a phone call before they have received an email or text from the franchise. In the era of unwanted robocalls, it is doubly important to reach out with an electronic introduction.”

Mathews says that franchisors should keep in mind portals still aggregate hundreds of deals. But they are in the “contact information generation” business, not lead generation. “Look at portals the same way you look at pay-per-click advertising,” he said. Mathews recommends a special content stream for portal leads, which would include articles such as “How to find the right business for me,” “Why franchising versus an independent business?” and “Why (such and such) industry is a vibrant industry,” etc. “Portal traffic (Mathews hesitates to call them leads) is very high in the funnel and needs to be invited down further in the funnel with high-in-the-funnel relevant information.”

REFERRALS:

“In sales, a referral is the key to the door of resistance.”

– Bo Bennett, Author of *Year to Success*

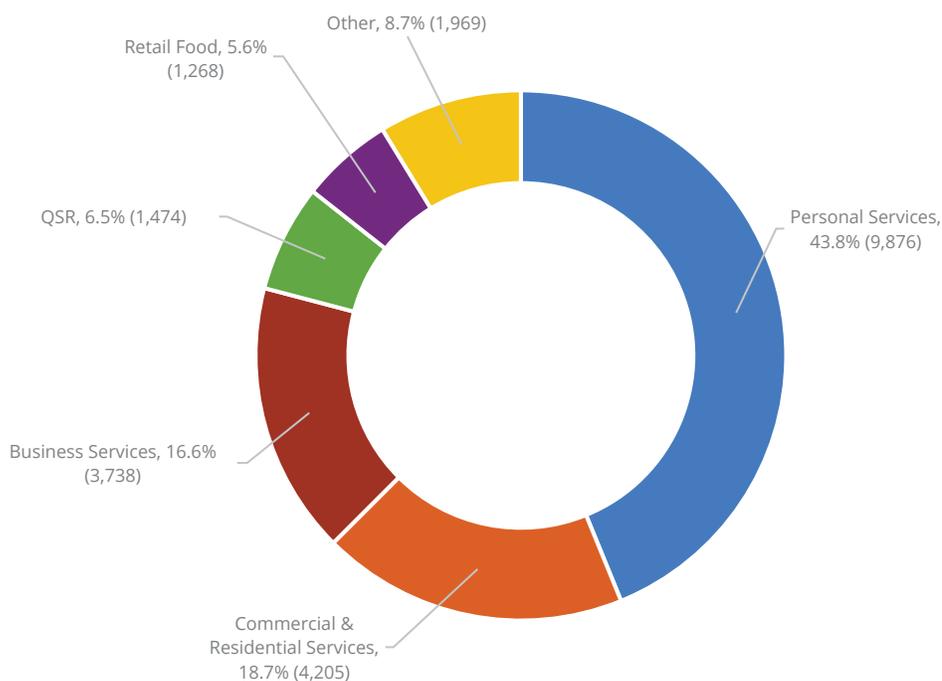
Year after year, referrals are consistently ranked the highest source of leads that convert to deals, and the numbers have gone up in recent years thanks in large part to the power of social media and social proof. It has been proven that for every increase in a Google star rating, sales go up by 10%, so it’s easy to envision

how satisfied customers can become motivated prospects. In this year's report, Referrals had a conversion rate of 6.6% — over six times the average of all combined lead sources. This is an increase from the previous year's conversion rate of 5.61%.

The chart "Referral Leads by Vertical - 2020" shown below identifies that of all leads, 43.8% of the total were directed to the Personal Services category. However, on average the Retail Services category failed to rank in the top five for leads, yet came in first with an average conversion rate of 17.6% with an average of six referral deals per brand.

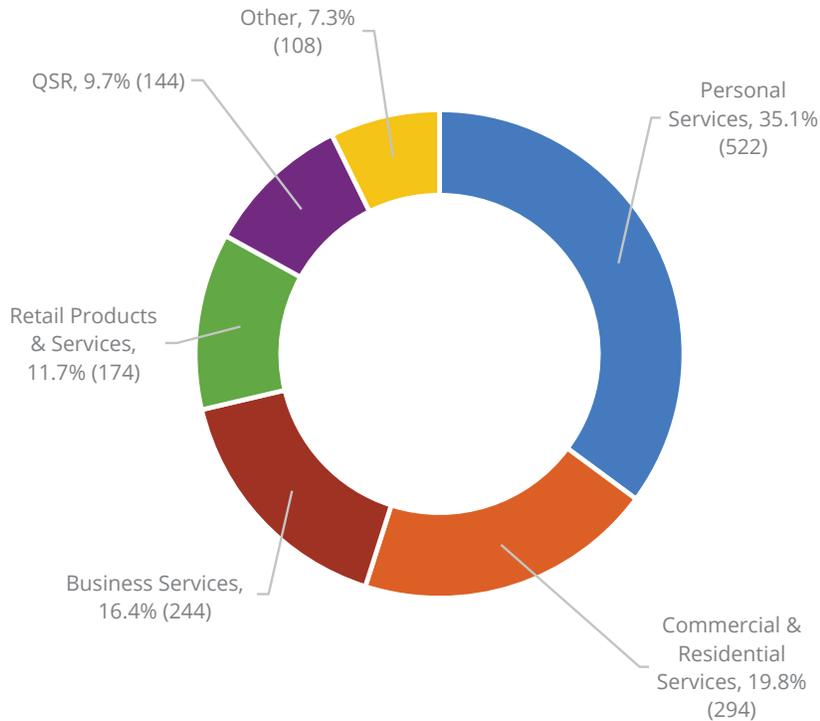
FRANCONNECT DATA ANALYSIS:

Referral Leads by Vertical - 2020



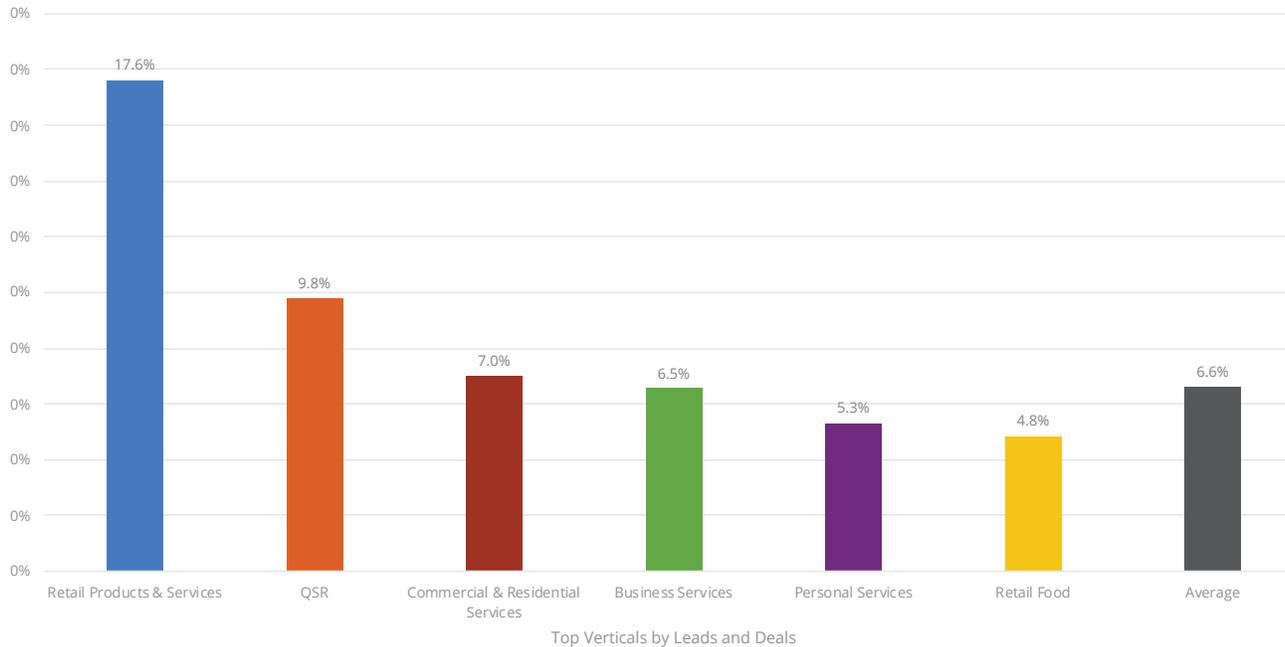
And given the sheer number of leads generated in Personal services, it's no surprise to find that this vertical also accomplished 35.1% of all referrals deals achieved.

Referral Deals by Vertical - 2020



In the chart titled *"Referral Lead to Deal Conversion Rates by Vertical - 2020,"* it becomes very evident that referrals are consistently outperforming the effectiveness of all other lead sources, though lag in terms of the leads that are being generated — evidence that more resources and focus should be allocated to getting Franchisees on board with referring friends, family, and associates. With an average of 6.7% of leads becoming franchisees, referrals are also one of the most cost-effective lead generation sources. The chart shows each of the industries that have benefitted from referrals.

Referral Leads by Vertical - 2020



The final referral chart depicted below is a normalization of each of the brands, showing the average number of leads per brand and the average number of deals achieved.

KEY RECOMMENDATIONS:

According to Hieb “the best way to generate a referral from franchisees is not through financial incentives. It’s by asking them for a referral: ‘Who do you know in St. Louis, Missouri, who would like to own a business like yours?’ FPG did a study on generating referrals. Specific requests yield the best results. Happy franchisees oblige and want to give back to the chain.”

FranConnect recommends that of all things that Franchisors do to stimulate referrals, paying for referrals is the least effective, especially if that’s the only real incentive offered. We have found that “recognition” is a far more effective way to drive referrals. Examples of recognition can include:

- ➔ Sending videos that recognize franchisees who help your system to grow
- ➔ Crafting ongoing campaigns that reinforce the “why” behind the referral program
- ➔ Offering a “rainmaker” plaque/award on stage at annual conventions
- ➔ Including Franchisees that refer candidates that join your system in your Chairman’s Club, with a trip with other high-achieving franchisees to a special warm-weather event in locales such as the Bahamas, Mexico, or Hawaii

In closing out this section devoted to referrals, we leave you with this powerful quote:

“People influence people. Nothing influences people more than a recommendation from a trusted friend. A trusted referral influences people more than the best broadcast message. A trusted referral is the holy grail of advertising.”

– Mark Zuckerberg,
co-founder and Chairman of Facebook

TRADE SHOWS:

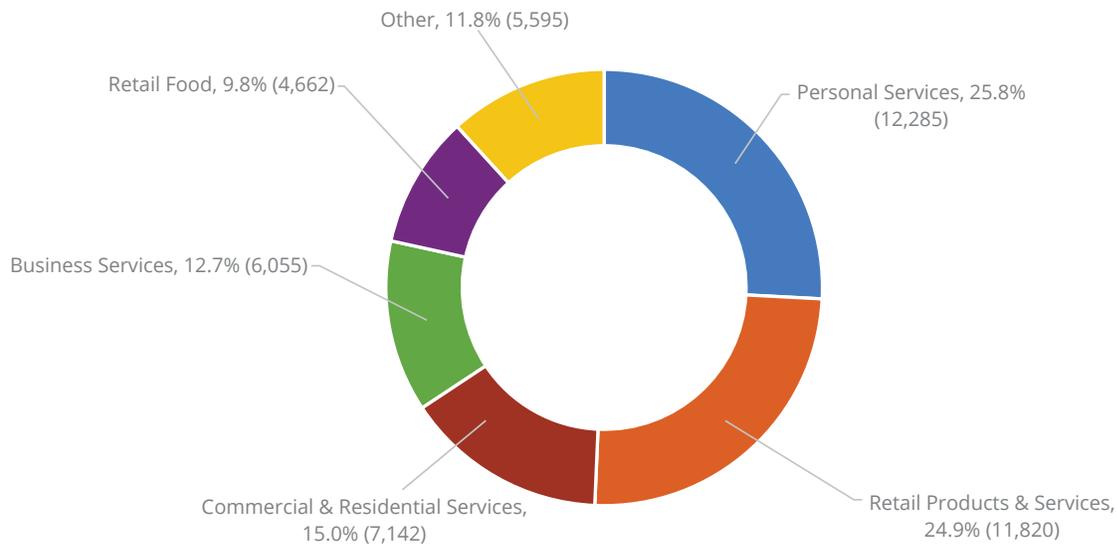
Trade shows had a stronger showing than previous years, coming in at a lead-to-deal conversion rate of 0.46%, surpassing the closing effectiveness rates of portals, which came in at 0.3% literally trading positions year over year. The tabulation of trade shows data in calendar year 2019 shows a total of 42,159 leads resulting in 217 sales, an increase in leads from the prior year in which leads represented 7.3% by source.

Trade shows are by far the most difficult lead generation medium to use. Unlike digital marketing, PR, print, and most other forms of lead generation, participating in a trade show takes significant effort to use. You must plan, pack, ship, travel, stand on your feet for days, and speak to people until hopefully you lose your voice. Trade shows can prove to be the strongest ROI available. However, if done incorrectly, they can be a terrible waste of money, time, and effort.

Interspersed throughout this section of the report is some great thought leadership courtesy of Thomas Portesy, President and CEO of Com Expositions — arguably the most knowledgeable expert in franchise trade shows.

In our first chart, *“Trade Show/Conference Leads by Vertical – 2020,”* we find that both the Personal Services and Retail Products & Services categories have actively participated in trade shows, collectively grabbing 50.7% of generated leads. In total, trade shows generated 46,964 leads across the nine industry segments.

Trade Show/Conference Leads by Vertical - 2020

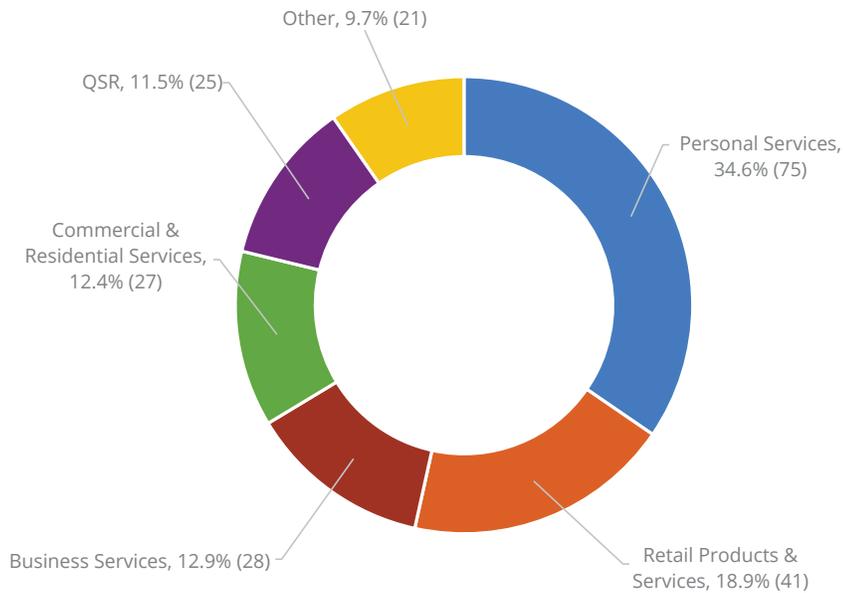


When looking at the actual deals that were generated from these leads found in the chart *"Trade Show/Conference Deals by Vertical - 2020,"* we find that the deals are fairly sparse given that there are a total of 217 deals that were primarily achieved in the Personal Services and Retail Products & Services categories as the deals followed the lead flow.

“If a given trade show isn’t pre-planned at the level of the Normandy Invasion, it’s doomed to fail. Sales meetings need to be pre-scheduled, speaking slots secured, and every show attendee assigned specific objectives — from thoroughly deconstructing a competitor’s pitch to making a number of new contacts.”

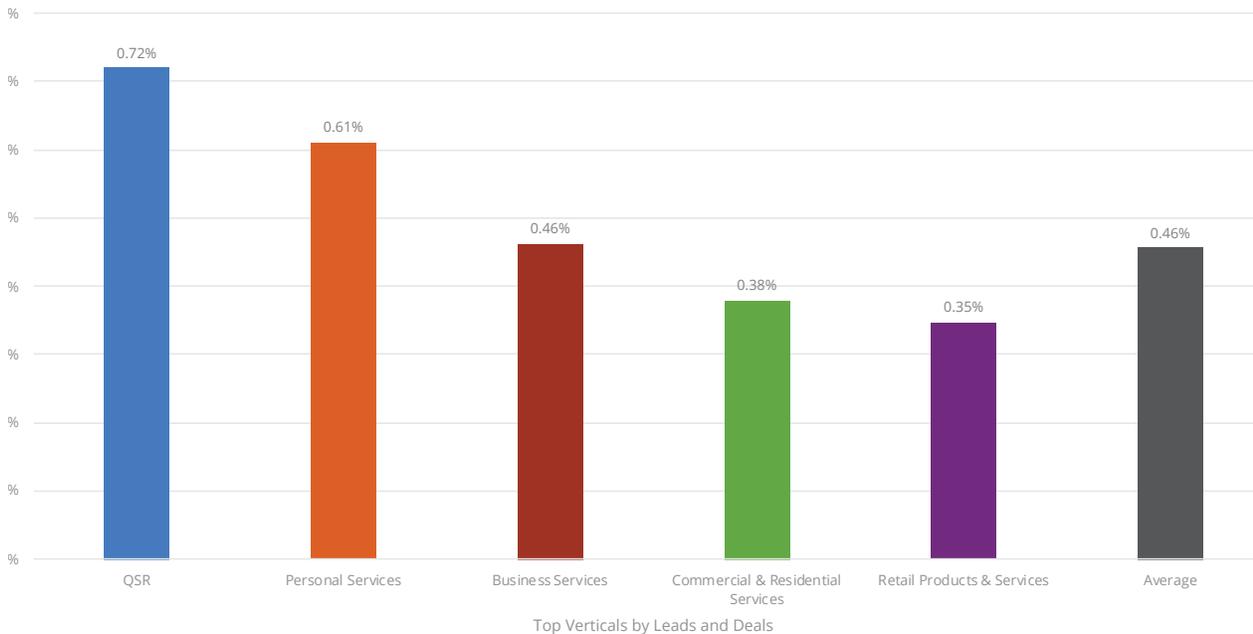
– Simplilearn CMO Mark Moran.

Trade Show/Conference Deals by Vertical - 2020



A critical view of lead-to-deal conversion rates by the top five vertical markets show that QSR brands could fair better by participating in trade shows given that they close 0.72% of leads they generated. Conversely, Retail Products & Services, which ranked second in deals, could improve its standing if the sector can improve its closing metrics of 0.35%.

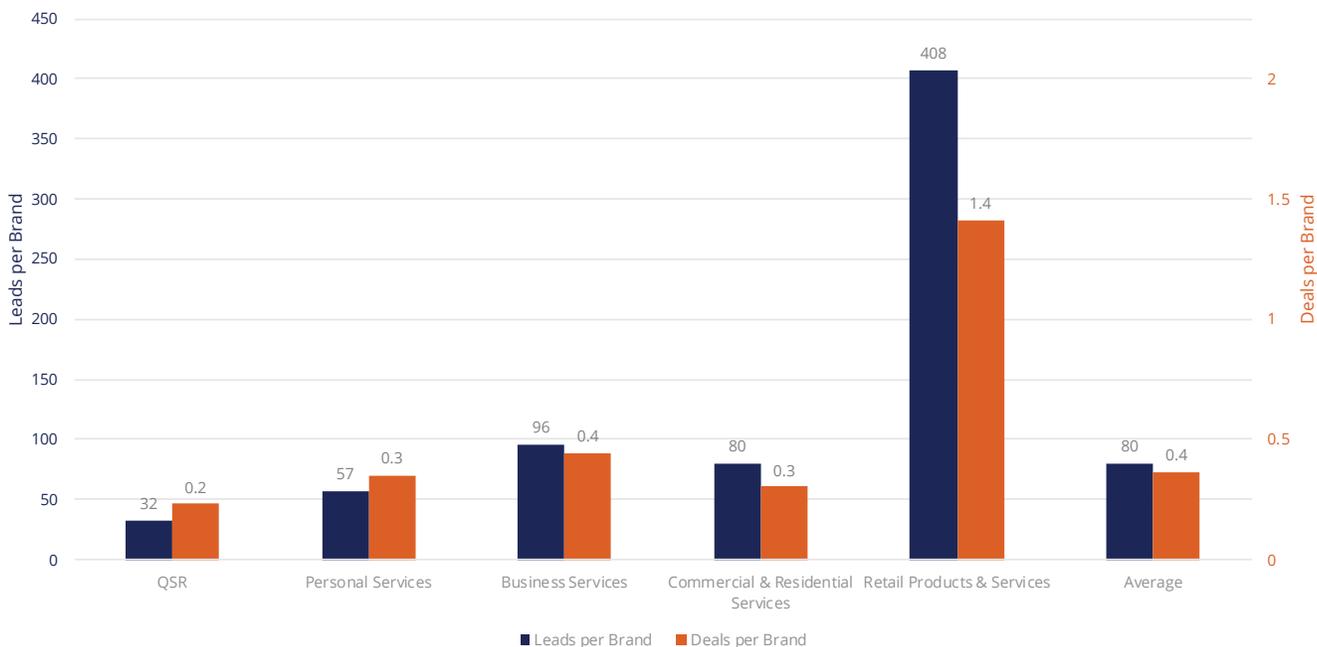
Trade Show/Conference Lead to Deals Conversion Rate by Vertical - 2020



And, finally, the view of the average number of leads and deals closed by brand shows that Retail Products & Services in combination average 1.4 sales per brand and QSR, based on the number of brands in the database, only averaged 32 leads per brand and 0.2% closing rates.

FRANCONNECT DATA ANALYSIS:

Trade Show/Conference Leads and Deals by Vertical - 2020



According to Portesy, “In order to best use trade shows, it is first important to understand how attendees are attracted. The marketing campaign to attract qualified attendees is typically part of the same cumulative effort of most franchisors. Unfortunately, most methods used by franchise companies to generate leads must be used to attract trade show attendees.

Portesy added that to drive audiences to a show, those purveyors of trade shows and conference businesses must also use TV, radio, government agencies, and so much more. Those who are reached must then be communicated to often in order to have them go from a simple inquiry to a qualified attendee.

The falloff is significant, however, those who do attend have cleared several hurdles by the time they arrive.

KEY RECOMMENDATIONS:

Companies who continually have great success from trade shows, understand prospects are further along and treat them accordingly. Portesy shared the following best practices followed by those brands that he sees achieving the best results:

- They make sure their booth is sufficiently staffed
- They understand they are not there to “sell” a franchise, but engage and further qualify prospects
- They are quick to explain their brand and what it takes to acquire a franchise
- They don’t wrongly assume that if they engage a good prospect, they should automatically spend much more time with them than they should

“A person does not become a better prospect when almost all questions are answered and all information is given during a show. The opposite is true. They then feel they have enough information to decide ... without going through the process a brand has developed to best go from suspect to sale. The process should not be delineated from what typically works, however it should be accelerated,” said Portesy.

PART 2:

Candidate Nurturing

The top of the funnel is where most franchisors are laser focused on capturing and qualifying new leads, but this just marks the beginning of the sales process.

“Most B2B buyers are already 57% of the way through the buying process before the first meeting with a representative.”

Accenture, 2018

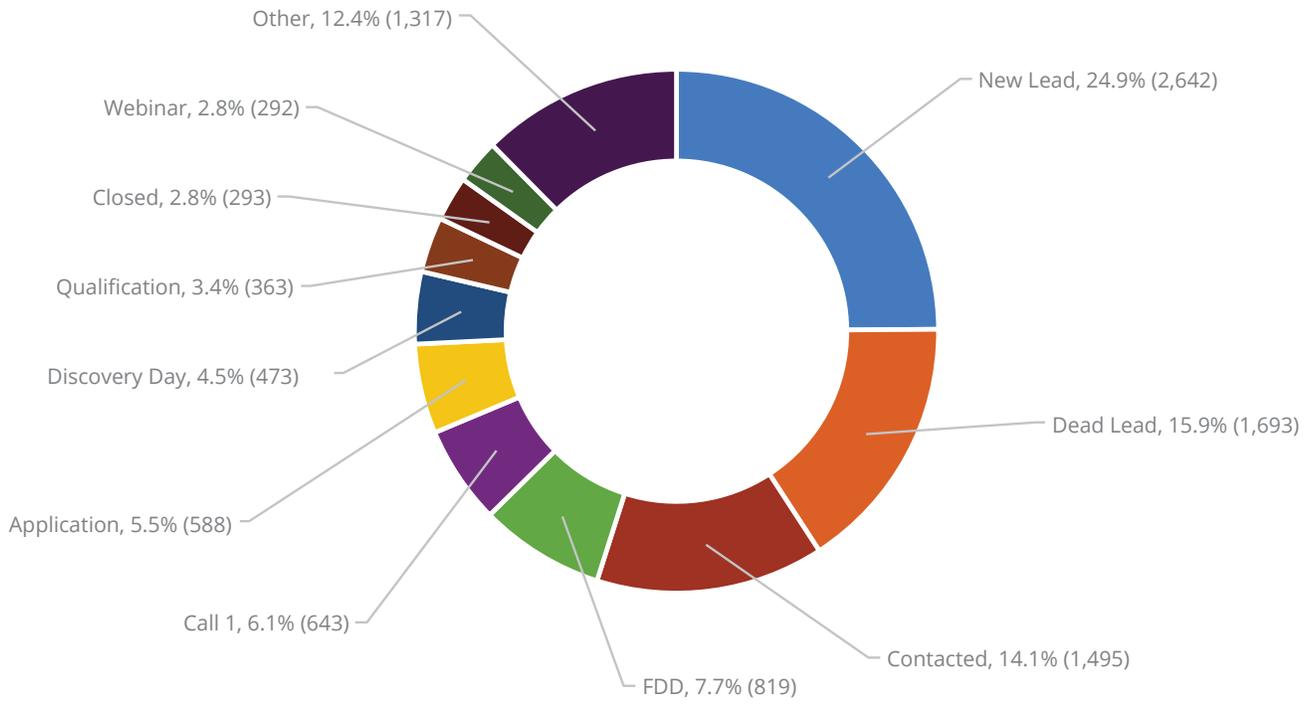
Email and Marketing Campaigns

Too few franchisors are effectively nurturing their leads once they get inside of the funnel at the expense of overall closing effectiveness, which becomes clear when evaluating the “drop-off” section later in the report. However, one only has to consider how many campaigns they have associated with each step of the sales process to realize the lost opportunities that likely exist when considering that prospects are not getting enough content and information relevant to the stage of sale that they are in.

The Chart found below titled “*Percent of Campaigns by Stage – 2020*” demonstrates how few campaigns exist in areas such as in “Validations” and “Financial Reviews,” which were such a small percentage that they didn’t even register on the chart. “Discovery day” only appears in 4.5% of active campaigns and “FDD reviews” are only being utilized in 7.7% of campaigns.

It is our opinion that, when someone enters the validation stage of the sales process, it would speak volumes to trigger a campaign featuring videos of highly-satisfied franchisees discussing the terrific support they received from their franchisor during the pandemic — assistance in getting their PPP loans, playbooks on re-opening, and re-establish supply chains for products.

Percent of Campaigns by Stage - 2020



Research has led to the development and proof that supports what is known as the “Rule of Seven.” This is a principal that simply states that it takes an average of seven interactions with your brand before a purchase will take place. And the interactions take the form of a call from your franchise sales managers, reading a review, receiving emails and content that enable the buyer’s research capabilities, etc.

Once a lead is generated, campaign activities significantly decrease. To further illustrate this opportunity, our “*Percent of Campaigns – 2020*” chart shows that only 25% of franchisors have campaigns established for new leads and only 15% are sending campaigns to those leads that have been moved to the dead lead files. Thinking back to the overall lead-to-deal conversion chart showing only 1 in 100 leads become sales (1.02%), it’s clearly a lost opportunity when we see that when prospects begin progressing, there is a negligible percentage of franchisors that have relevant content to enable a balance between research and encouragement. You can see clear evidence below as someone in the qualification stage would only receive content from 3.4% of franchisors. And someone preparing to attend a discovery day would only receive relevant content by 4.5% of franchisors. And nearly zero relevant content is being utilized for someone who reaches the financial review stage.

Even those franchisors who have campaigns at each sales stage fall short, typically executing only one or two activities per stage. Think back to the Rule of Seven.

Once candidates start the buyer’s journey, continuous marketing and communication activities must be aligned and executed at each stage of the sales process to achieve a higher closing rate.

KEY RECOMMENDATIONS

It is FranConnect's recommendation to use no more than 6-8 statuses to indicate where a prospect is in the process, for example: first call, reviewing material provided, preparing for discovery days, etc. Without a robust CRM that is actively used and maintained, managing leads becomes increasingly difficult and cumbersome. In addition, mapping out workflows and leveraging them within the CRM system provides much greater insight into your sales funnel, including areas of strength and weakness.

Franchise marketing and sales team members need to use a mix of personal and automated outreach before abandoning a lead. High-performing sales development teams typically aim for 7-12 touchpoints.

Franchisors can significantly improve the ROI on their lead generation activities by developing effective, multi-touch campaigns that nurture leads throughout the entire sales process. Why is a multi-touch approach so important? It's because messages are more effective when repeated; some marketing experts say a message should be repeated three times, while others believe in the "Rule of Seven." A Microsoft study investigated how many exposures to an audio message were required for the campaign to be effective. They concluded 6-20 exposures was optimal. The lesson is that franchisors need to reach out to leads more often with a variety of campaigns throughout each stage of the sales cycle.

Discovery Days

The traditional franchise discovery day is a face-to-face meeting, usually at the corporate office of a franchise company that takes place between one or more prospective buyers and the franchisor.

Discovery days are typically the final step in sales development efforts, and they represent one of the most important steps in converting leads into deals. Since potential buyers typically cover their own cost of attending these events, it is likely that only the most serious buyers participate.

At the time of this report, we find that travel is still widely limited and social distancing is encouraged or required. This has given way to the "virtual discovery day," conducted through tech solutions such as GoToMeeting, Zoom, and Microsoft Teams, to name but a few. These are proving to be very effective. For RECOMMENDATIONS on best practices, read the Key RECOMMENDATIONS listed at the end of this portion of the report.

FranConnect data shows variations by franchisor size in discovery day attendance. In some cases, franchisors position the event as an educational opportunity to come to headquarters and learn more about the organization. Instead, they could be framing discovery days as "decision days" with an opportunity to meet the leadership team. This approach ensures the potential buyer has clear expectations of what will proceed after the event: ideally a signed contract. This approach, however, will diminish the number of attendees and potentially increase the closing effectiveness rates.

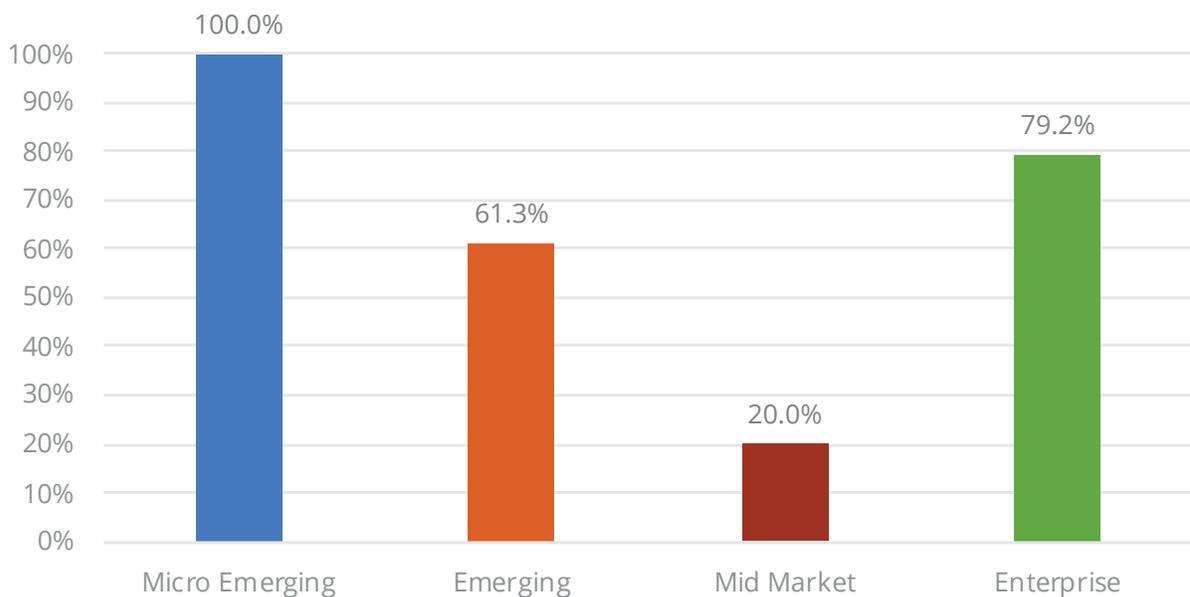
As you can see in the chart "*Percent of Discovery Day Attendees Becoming Franchisees - 2020*," Micro-emerging brands achieved 100% closing effectiveness. In the spirit of disclosure, the number of brands in this category that are tracking their discovery days in their CRM is very limited. Conversely, Enterprise organizations do a much better job of converting discovery day attendees into franchisees at 79.2% of the time. This may

result from more refined processes or better procedures for pre-qualifying the candidates who attend discovery days.

While Enterprise franchisors receive the largest number of leads, fewer potential buyers attend their discovery days. This is likely explained by the fact that many large franchisors have already sold out many of their markets and because royalty self-sufficient companies typically have more restrictive selection criteria for potential franchise buyers. As a result, only the most qualified leads make it to their discovery days.

FRANCONNECT DATA ANALYSIS:

Percentage of Discovery Day Attendees Becoming Franchisees - 2020



KEY RECOMMENDATIONS:

Best Practices in Conducting a Virtual Discovery Day

Social distancing and remote work are creating a new reality in franchise sales. Welcome to the “virtual discovery day.” By now, most are aware that technology is readily available to help you make up for not being able to rely on body language, eye movement, subtle gestures, or any of the other nonverbal clues you’d normally look for when you’re face-to-face. But as you work with distributed participants, there is a whole new set of challenges that we hope to address with the help of this checklist.

This Field Guide is designed to help you navigate the world of Virtual Discovery Days and create the optimal environment for you and your prospects alike.

STRATEGY

- Your virtual discovery days should be an “all executive hands-on-deck” event. All department heads that have a role in the franchisee’s success need to be in attendance.
- Your key vendors involvement is encouraged. By doing this, prospects will achieve a better sense of the depth of your brand and the benefits of franchise ownership.
- Consider sending a branded t-shirt that you encourage the prospect to wear for the presentation in advance of the presentation. We’ve heard of franchisors that will send a branded Zoom background to use, or a sample of your products or services to your candidates in advance of your Virtual Discovery day. The expense will be easily justified.
- Schedule one-on-ones with executives and department heads in blocks of 20-30 minute blocks.

CONTENT

- To put your candidates at ease, consider starting with an icebreaker. For example, we have heard of a fitness center starting with a quick workout.
- Make your presentations shorter. When you’re on video, you need to consider reducing your speaking time as tolerance for listening to people talk is much lower when the speaker isn’t in the room. Plan to send supplemental material after the meeting is over to provide additional backup to your presentation.
- Your key vendors involvement is encouraged. By doing this, prospects will achieve a better sense of the depth of your brand and the benefits of franchise ownership.
- As you approach the end of the team portion of your virtual discovery day, preserve the final allotment of time for your CEO and candidates. This allows for a greater sense of intimacy and has been proven to be one of the most critical elements of a successful discovery day.

LOGISTICS

- When creating your invitations to attend your Virtual Discovery Day, it is recommended that Franchise prospects should be within 2 weeks of making their final buying decision.
- Utilize streaming video meeting technologies such as Zoom, GoToMeeting and Microsoft Teams, that provide you with the ability to:
 - Utilize webcams
 - Upload documents & share videos
 - Accommodation of larger group sizes as required
 - Allow for attendees to raise hands to ask questions
 - Muting as required
- Attire should mirror that which you and your team members would typically wear when conducting a face-to-face event, though it is recommended that logo-wear be showcased.

- If the meeting technology permits a virtual backdrop, consider showing your company logo, your store front, or another compelling branded image.
- Meeting durations can run from at least 2.5 hours to as many as 6 hours online, necessitating breaks every 45 minutes.
- Acknowledge the reality that there might be technical challenges such as members forgetting to come off of mute, dogs barking or kids playing in the background – and that is okay. It’s helpful to set the stage with a moment of humanity.
- Assign a “facilitator” so that when some asks a question, you can prevent three people from jumping in at once, all trying to answer at the same time. The facilitator will delegate which team member will answer a question and ensure a smooth handoff by verbally alerting them.
- Your web-camera should be turned on and your prospects should be encouraged to reciprocate. This creates the ability to build on the relationship, while also allowing you to ensure the proper levels of engagement with prospects and your team members.
- Your technology should include a “raise-your-hand” feature. Encourage your prospects to use it throughout. You can learn so-much by the type and quality of questions that they are raising.

PART 4:

Funnel Management

While the top of the funnel is all about capturing and qualifying new leads, it's just the beginning of the sales process. As a candidate moves through the buyer's journey, the key to driving a higher closing rate is to align and execute continuous marketing and communications activities at each stage of the sales process.

As our charts demonstrate, when a franchisor does follow-up on leads, the preponderance of focus is on generating leads at the top of the funnel. This is a wasted opportunity if they don't carry the same discipline in developing the supporting marketing campaigns for each stage of the buyer's journey. We found this to be the case with all franchise organizations, regardless of size or industry.

In this section, we'll examine campaign activity across all lead nurturing phases and suggest best practices which will help you improve your full-funnel marketing and nurturing strategy and increase your close rates.

Deals by Response Time

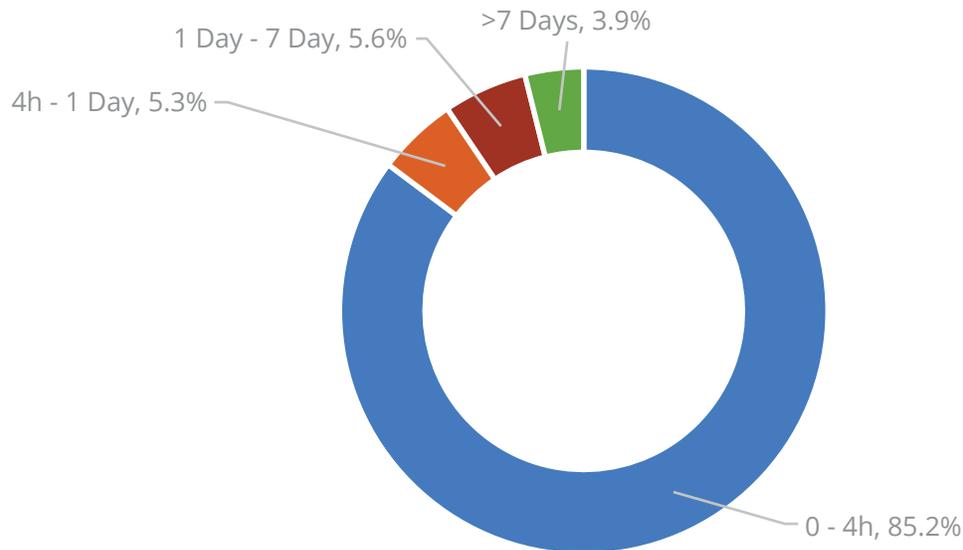
“The No. 1 key to success in today's sales environment is speed. The salesperson who delivers the most valuable information to their customer or prospect first, wins the game.”

- Dave Orrico, VP of Enterprise Sales at InsideSales.com

The best sales professionals rely heavily on tools like FranConnect to provide a competitive advantage for information acceleration. However, our data shows that many leads that enter the top of the franchising funnel never receive a response at all, and those that do are often contacted too late. Responding to new leads in a timely manner is critical in engaging a candidate and potentially closing a deal. After all, the average franchise buyer places inquiries to multiple franchise brands and you are competing for their attention.

Our first chart in this section, *“Deal Percent by Response Time - 2020,”* demonstrates one of the most compelling data-points in this report. 85.2% of all deals were those that were contacted and engaged within four hours or less of the lead creation. And every hour thereafter drops the likelihood of that lead progressing through to a sale.

Deal Percent by Response Time - 2020

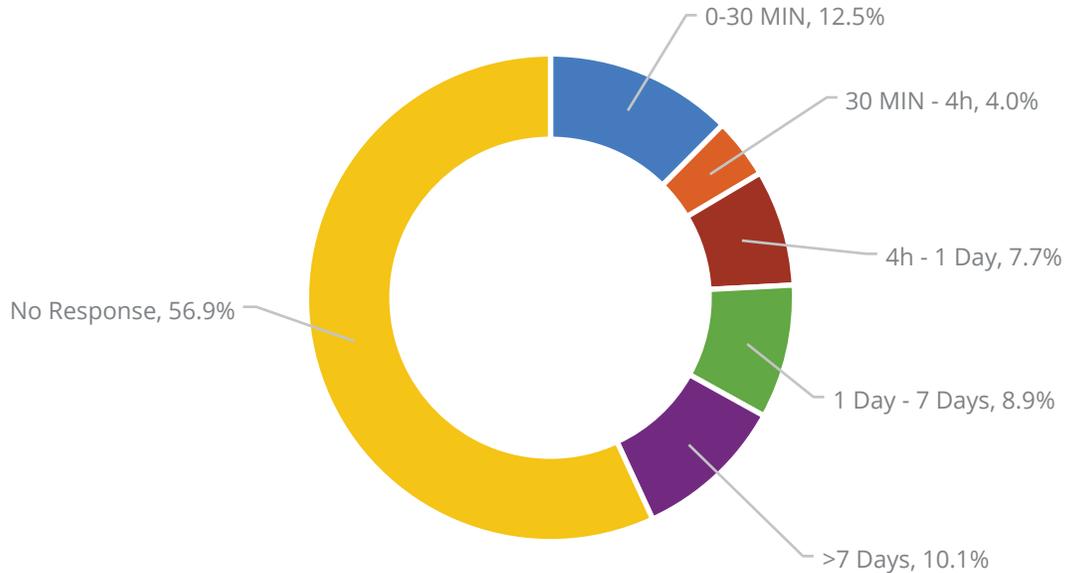


As you can see, the speed in contacting the lead has an exponential impact on closing effectiveness. As response time grows, close rates drop.

According to Alston, franchisors should engage with inquiries as soon as possible in the channel preferred by the prospect. He stated that his monthly [FranchiseInsights.com](https://www.franchiseinsights.com) mystery shop benchmarking data regularly shows that almost 40% of online inquiries are not responded to within seven days. To complicate matters further, 67% of inquiries fall outside of business hours, mostly due to evening activity and differing time zones between development teams and prospects, so compliant autoresponder email or text follow-ups are highly recommended.

Many of us have heard that 30 minutes is the gold standard for responding to new leads. However, the following chart, "Average Response Time - 2020," shows that only 12.5% of franchisors were able to contact a prospect within that period. As previously stated, we believe that if contact is made within four hours, you'll still receive the majority of the benefits of "speed to the lead." But this still only represents a total of 16.5% of total responses.

Average Response Time - 2020

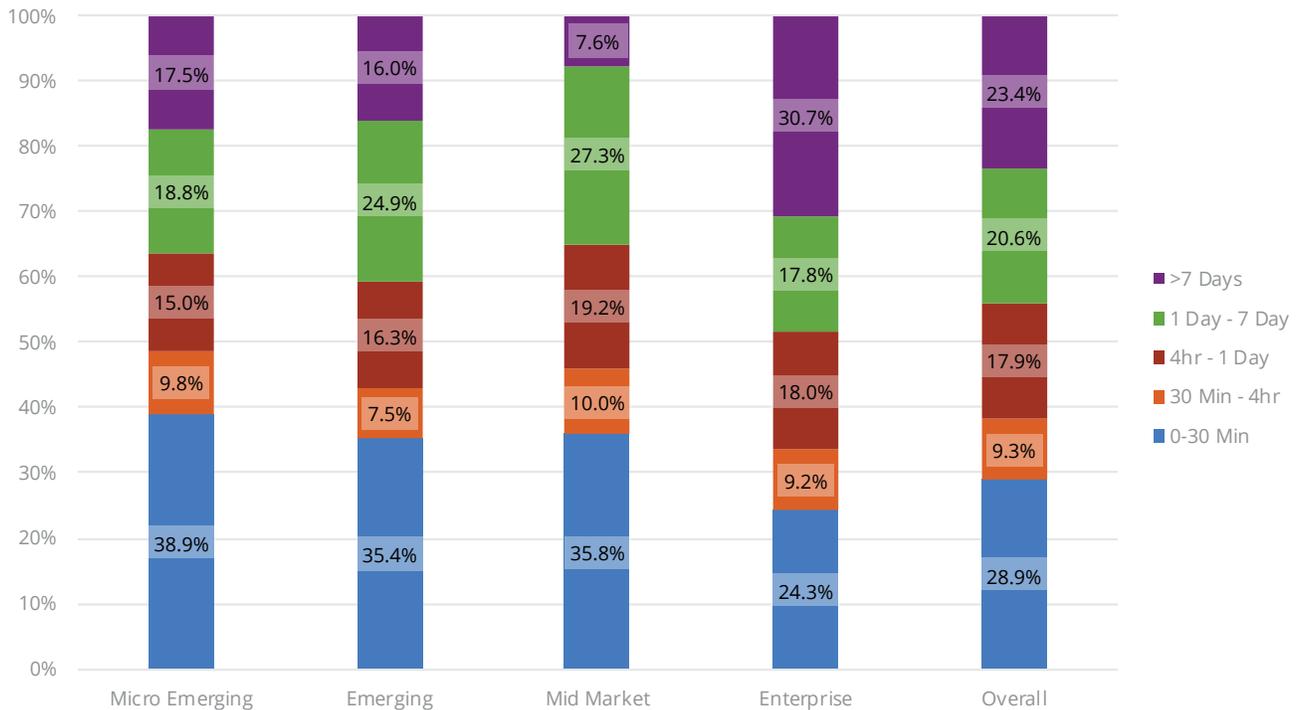


Response Time by Franchise Size

Our data analysis shows that of the brands that responded to leads, 28.9% were responded to in 30 minutes or faster and an overall average of 38.2% of all leads were responded to in under four hours

The Micro-emerging market achieved the best overall response times with a combined total of 48.7% of leads contacted in four hours or faster. This is potentially the result of this segment of the market achieving the least amount of leads on a monthly basis, making them more manageable. Conversely, the Enterprise level brands achieved the lowest percentage of leads responded to in four hours or less, as indicated by only 33.5%. This makes sense when considering that the leads generated by Micro-emerging brands are on average only 11% of the leads that are received by Enterprise, making manageability more challenging.

Response Time by Market Segment for Leads That Were Responded to - 2020



KEY RECOMMENDATIONS:

Adopt a standard response time of 30 minutes or less, the gold standard for high-performing franchisors. Educate your teams on the importance of rapid response to leads — waiting just four hours can increase the likelihood of lead conversion by a factor of 17. And finally, pre-qualifiers can make a significant difference in both getting to your leads in a timely manner, while also freeing up your sales team to maximize their time with leads that are already pre-qualified and ready to engage.

Don't give your competitors an edge — be the first to follow-up.

Failure to Call

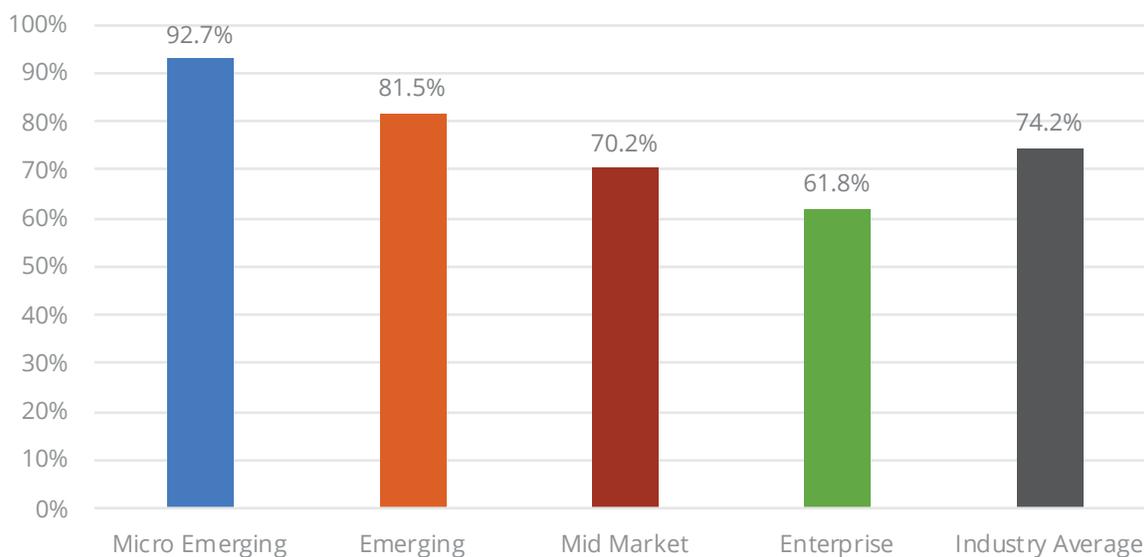
Even in this modern age of technology, email, phone calls, and text messaging are still a fundamental tool for successful business development. But a closer look at franchisor follow-up behavior shows that, on average, **74% of new leads never receive a call**. Even larger organizations that have well defined protocols in place don't fare much better, as data indicates that 62% of Enterprise-level new leads fail to receive follow-up calls.

It's possible that sales teams are not logging calls, which could distort the data. This represents a fundamental challenge that we often see: many organizations don't follow a consistent, well-defined sales process that includes logging calls and recording lead qualification. This has a negative impact on the long-term sales strategy, as a "suspected lead" can't move to a "marketing qualified lead" in a timely manner.

Franchisors need to enforce accountability through a defined process and cadence that includes regular

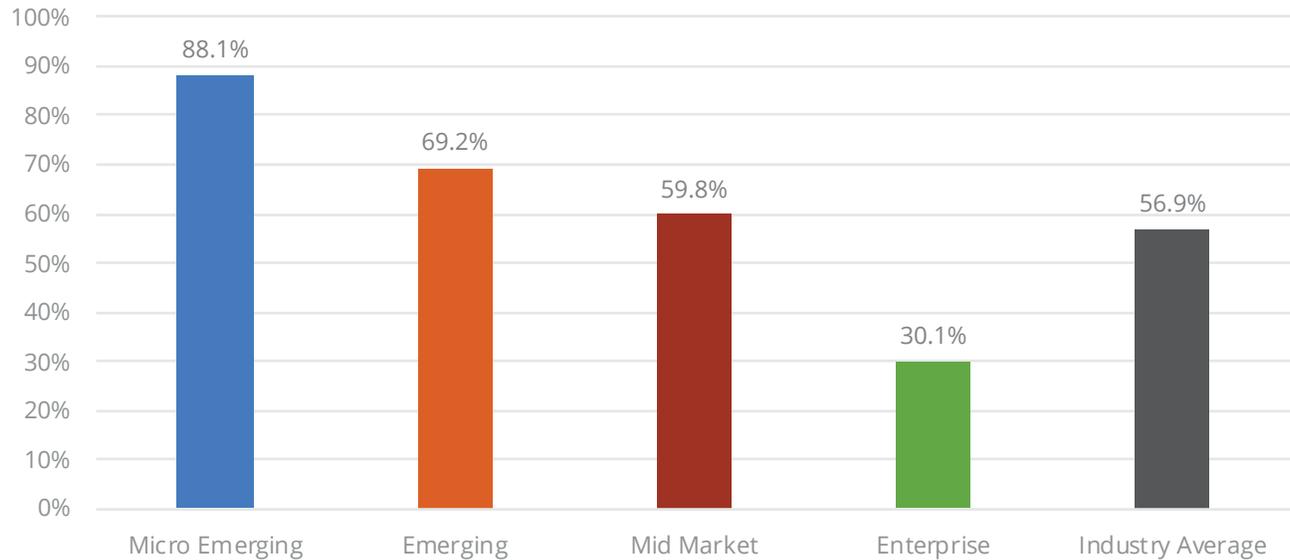
FRANCONNECT DATA ANALYSIS:

Percent of Leads That Received No Calls - 2020



And if you found that worrisome, not only are prospects not getting calls, but also our data, shown as "Percent of Leads with No Activity - 2020," reveals that an average of 56.9% of prospects failed to get calls, emails, or texts or to have tasks set for follow-up.

Percent of Leads with No Activity - 2020



The bottom line is that failure to follow-up with leads is inexcusable and it essentially means that you are throwing your marketing dollars down the drain. According to Franchise Update Media's Annual Franchise Development Report, the average cost per lead is now in excess of \$213 — which is up considerably from the 2019 report showing the average cost per lead was \$126 per lead. A brand that only reaches out to 50% of new leads, assuming an average of 100 per month, will have squandered \$127,800 of their annual budgeted spend.

Logging all activities and tasks, including calls and emails, is a critical part of understanding the effectiveness of various lead sources. And as we say here at FranConnect, "If it's not in your sales CRM, it never happened."

Key Recommendations:

As a best practice, all franchisors should have an automated reply set up for inbound email inquiries that confirms you have received the inquiry and sets expectations for follow up. In addition, franchisors should regularly review data about what days and times that leads flow into their systems and act accordingly. For example, if a sizable number of calls come in during the evening or on weekends, have staff on hand during these times or employ an answering service to field these calls. This type of attention shows potential buyers that they are valued and sets the standard for how much support they will receive if they become a franchisee.

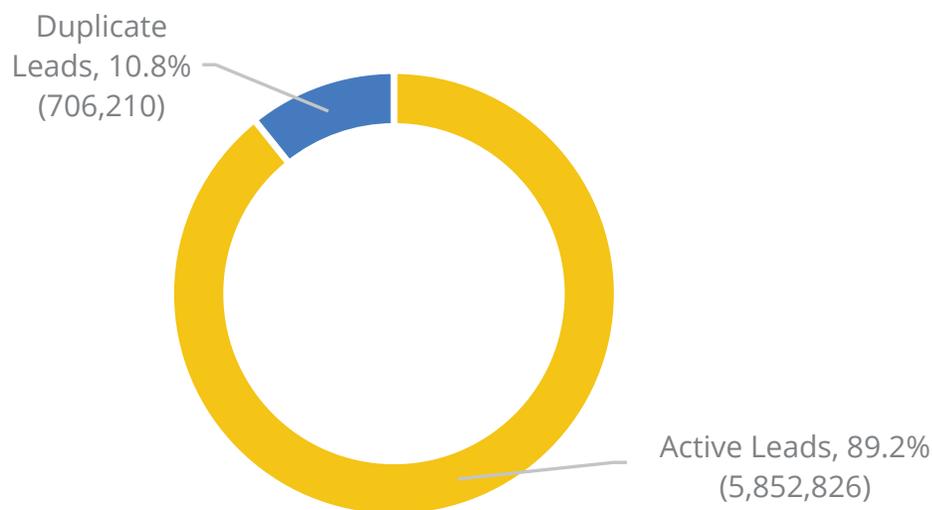
Duplicate Leads (Data Hygiene)

Bad data leads to bad outcomes, ranging from lost leads to poor brand perception.

Maintaining clean data is a key component of proper funnel management — one that we strongly recommend franchisors prioritize. An analysis of the FranConnect data shows that nearly **11% of all leads within the CRM systems are duplicates**. Franchisors in the Retail Food, QSR, and Business Services industries had duplicate lead rates higher than 10%.

FRANCONNECT DATA ANALYSIS:

Active and Duplicate Leads - 2020

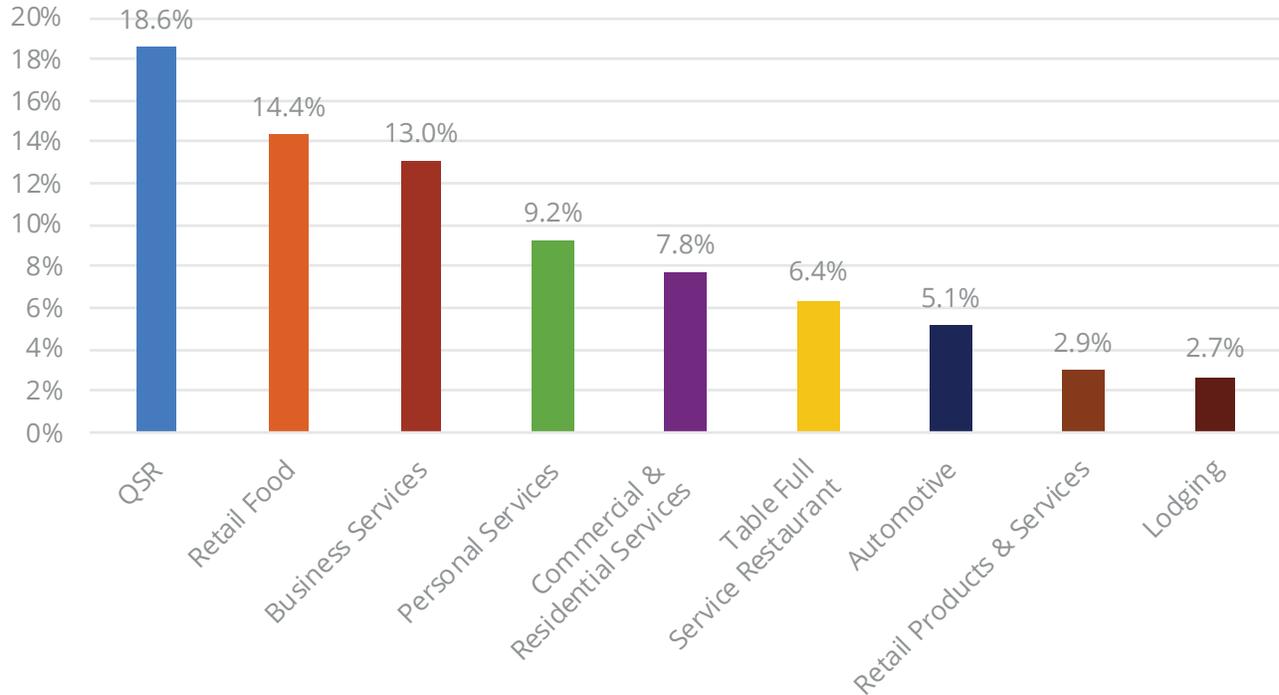


“Messy” data and duplicate leads hurt your business in several ways:

- It has a tremendous, negative impact on the accuracy and trustworthiness of your reports.
- Bad data wastes valuable time and resources; sales teams should not squander their time calling potential buyers who have already been contacted.
- It can result in potential buyers feeling nagged or that the franchise is unorganized, which leads to poor brand perception and reputation damage.

In this year’s report, three vertical segments have double-digit evidence of duplication of leads in the database, topped by the QSR segment with 18.6% of duplicate leads in their CRM and followed by Retail Food with 14% duplicates and Business Services at 13.0%. The overall average for all verticals came in at nearly 11%.

Top Verticals for Duplicate Leads - 2020



KEY RECOMMENDATIONS

Ensure that you are actively enforcing best practices to maintain a clean database. Use data cleansing tools and de-duplication functionality on a regular basis, validate incoming records for completeness, and archive inactive leads (or better yet, put them in long-term, automated nurture programs maintained by your marketing department).

Within the FranConnect Franchise Sales Solution, there is an icon that will show you where a lead is duplicated within your database, and a function for being able to either merge the data or to eliminate redundancy. FranConnect customers should email us for support on how to utilize the capabilities of our system: helpdesk@franconnect.com.

PART 5:

KPI Reporting and Other Data

“What’s measured improves.”

– Peter Drucker,
management consultant, educator, and author

Reporting and tracking KPIs should be routine. The most successful franchisors review performance reports on a regular basis and frequently analyze KPIs for lead generation, cost per lead, outreach time, time to close, funnel conversion rates, and more.

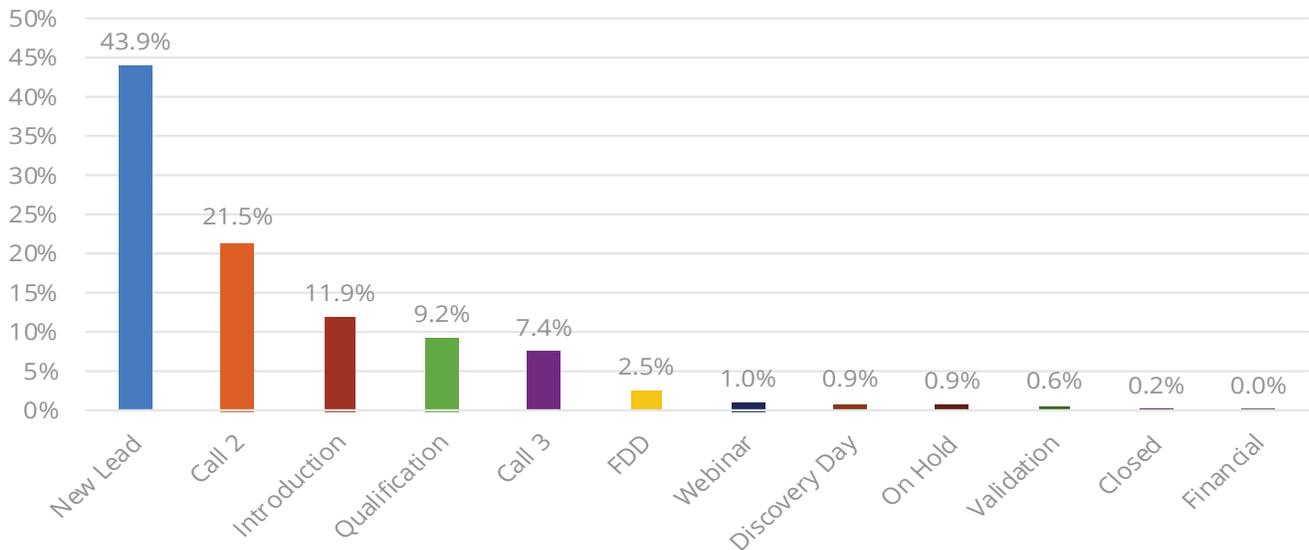
We recommend that you determine which of the KPIs that are shown within this report are most important and have them displayed on your FranConnect Command Center, so that you can review progress being made in real-time. FranConnect recently added our proprietary Command Center to ensure that customers can have access to whichever sales KPIs are deemed most important by persona on a single pane of glass visible each time you log on.

Lead Drop-off

Our analysis of drop-off stages and accompanying reasons suggests that the lack of targeted, multi-touch campaigns for each sales stage is having a significant impact on down-funnel lead conversion.

In order to identify what steps you need to take to increase overall lead-to-deal close rates for your franchise, you must start by understanding when leads drop out of the sales cycle and, more importantly, why. FranConnect data shows that the largest segment of lost leads (43.9%) were those that were still in the new lead phase. This is a significant improvement from the previous year when 71.7% of lost leads were those in new lead status.

Lead Drop Off Stage - 2020

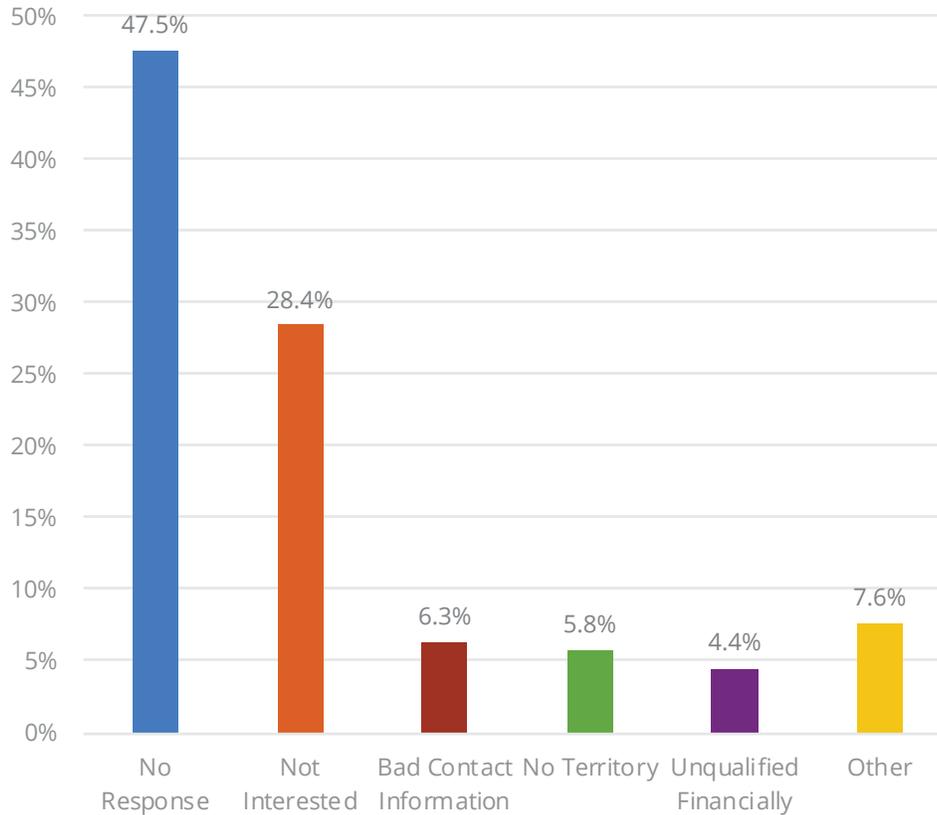


Drop-off at the very top of the funnel could suggest that lead generation activities are not producing qualified leads or that many new leads are not contacted in a timely fashion — or perhaps both. Regardless, the drop-off is still too steep to ignore. Even an incremental improvement in converting more leads at the very top of the funnel has significant impact on your downstream close rates at the bottom of the funnel.

Lead Drop-off Reasons reflected in the next chart cited reflect “no response from the potential buyer” (47.5%). This is an increase from the prior year in which “no response” measured 44.9%. Next was “lack of interest from the potential buyer” (28.4%), which is an improvement from the 37% found in the prior year’s report, and “bad contact information” (6.3%), a reason not identified within the top five indicated in the previous year’s report. Only 5.8% of the drop-off was attributed to the lack of territory and 4.4% to the potential buyer being financially unqualified.

These numbers further support the need for a consistent, measured multi-touch approach to engaging new leads. This methodology effectively engages buyers, reduces the number of leads who become unresponsive, and converts more leads to the next stage of the sales funnel.

Lead Drop Off Reason - 2020



Upon discovering that 47.5% of lead drop-off reasons were attributed to “no response,” Sean Fitzgerald, CEO of TruBlue House Care and a long-recognized expert in franchise sales, said, “If there is no information for candidates to find on their own and they remain interested, they likely are inquiring about getting more info with the intent to stay incognito. Historically these were written off as tire kickers, but they should be considered stage one candidates with the goal to create engagement.”

“‘No response’ is a response. They’ve requested more *information*, not *conversation*,” added Mathews.

This is the impact as demonstrated in FranConnect’s graph, *Franchisors with Campaigns by Grouping*, where 70-80% of franchisors offer little to no integrated lead nurturing content. Combine a ‘content-light process’ with a ‘content-light website’ and the impact is ‘not interested’ and ‘no response.’

A franchisor often says, “Who cares if they were tire kickers,” but Mathews added that in 35 years of franchisee recruitment helping close thousands of deals, he has found that almost all franchise buyers look at multiple concepts. This means a dead lead in one franchisor’s database may be an active buyer in another’s. He believes this is the case in-particular with many of the portal leads that franchisors struggle to contact.

KEY RECOMMENDATIONS

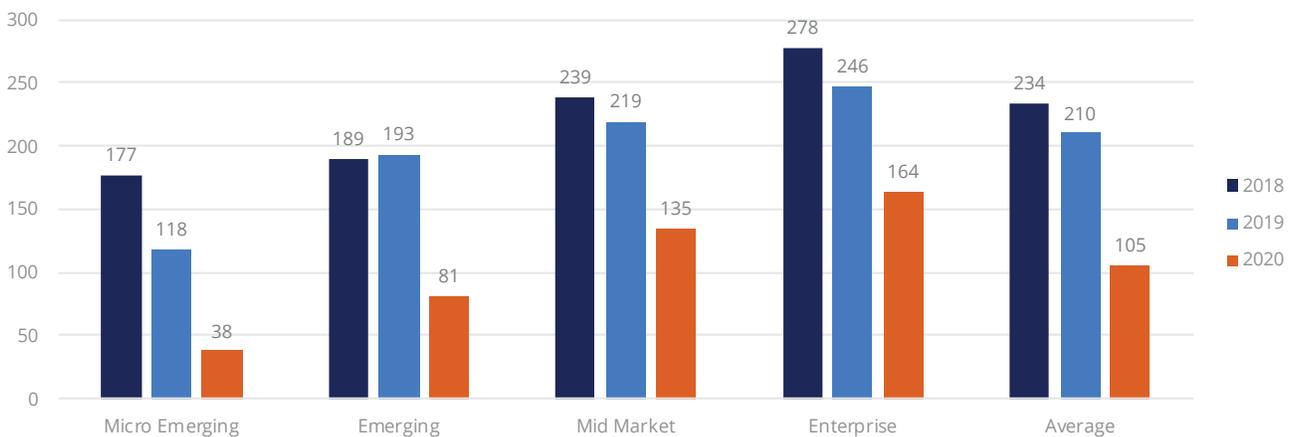
Educate prospects about your brand and core value propositions. Use video to introduce your franchise sales manager. Use a scheduling tool to allow them to book a call when they are ready. Provide a steady drip of content for the first week or two, then additional monthly touches unless they opt-out. Mathews observed that many of these leads aren't really "dead" and that franchisors should use auto text messaging.

Mathews also observed that many of these prospects are just not ready and recommended to "keep extending the invitation. Candidates have been trained by telemarketers to ignore unfamiliar phone numbers. You need to give them a frictionless way to connect with you."

Days from Inquiry to Close

The following chart, "Days from Inquiry to Close – 2018 – 2020," shows that the time between when a new lead begins the discovery process and the actual signing of the franchise agreement has been reduced by nearly 50% year over year.

FRANCONNECT DATA ANALYSIS: Days from Inquiry to Close - 2020



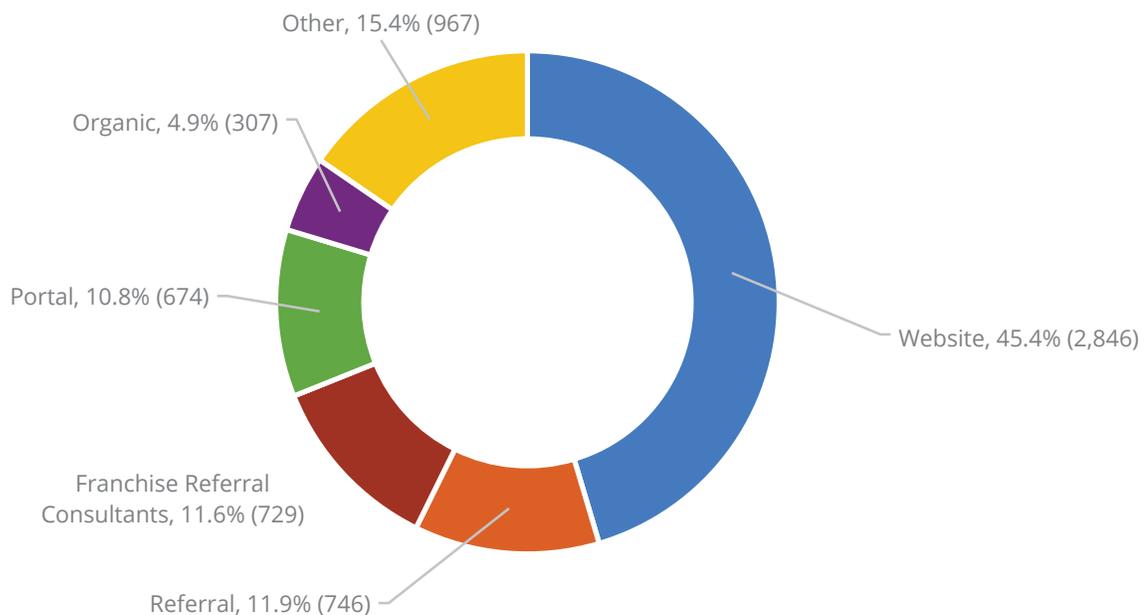
Fitzgerald said it would be erroneous to conclude that the sales team is getting better at closing people. According to Fitzgerald, "the result is that candidates are conducting their research 'incognito' and once they've researched enough or feel compelled to move forward, they inquire to learn about finalizing the process, not necessarily for additional information on the opportunity."

Applications by Source:

FranConnect data shows that nearly 50% of all applications originate from franchisors' recruitment websites. This makes logical sense given that when the candidate wants to submit an application after they complete their research, they would need to go onto your website to access and submit it.

FRANCONNECT DATA ANALYSIS:

Application to Deal Ratio - 2020



Other important sources of applications include referrals, brokers, and portals — each hovering around 11%. A smaller percentage of applicants come from organic efforts at 4.9%. Organic leads are those that are prospects who find your company by searching for a product, service, or question in a search engine, rather than directly visiting your URL or clicking on a PPC ad (i.e. paid advertising).

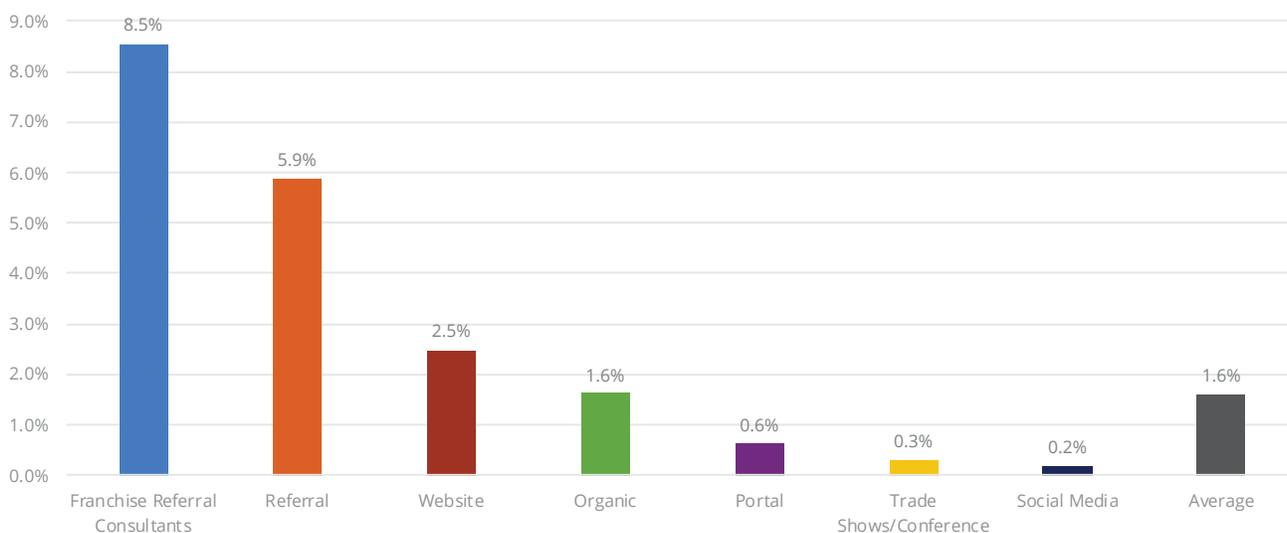
Mathews' view on Applications by Source is that this represents where the qualified and engaged leads are coming from, which is far more important than where the balance of leads are coming from. He indicates that he often sees that there is not a positive relationship between lead flow and deal flow.

Lead-to-Application Ratio

As the following chart shows, many leads do not always translate into a large number of applications. Brokers and referrals generate the highest lead-to-application ratio, followed by websites and organic leads, which over-index when compared to other sources like portals and trade shows, which fall below the 0.9% average.

Franchise Referral Consultants demonstrated the most significant increase in the lead-to-application ratios jumping from 4.7% conversion rates up to 8.5%, as did referrals' conversion rates, which moved from 3.3% in the previous year to 5.9%. In fact, all tracked datapoints improved to some extent.

FRANCONNECT DATA ANALYSIS: Lead to Application Ratio - 2020



Despite these improvements, Mathews said that he regularly sees a blended rate of 7-10% of lead-to-application ratio across all advertising platforms. An explanation of underperformance can best be explained by the slide *Franchisors with Campaigns by Stage and Grouping*. Mathews contends that franchisors appear to be trying to chase franchise candidates into conversations they aren't ready or willing to have, rather than implementing an intelligent content strategy designed to educate and inform them while breaking down any barriers to communications which exist. We happen to agree with Mathews' assessment.

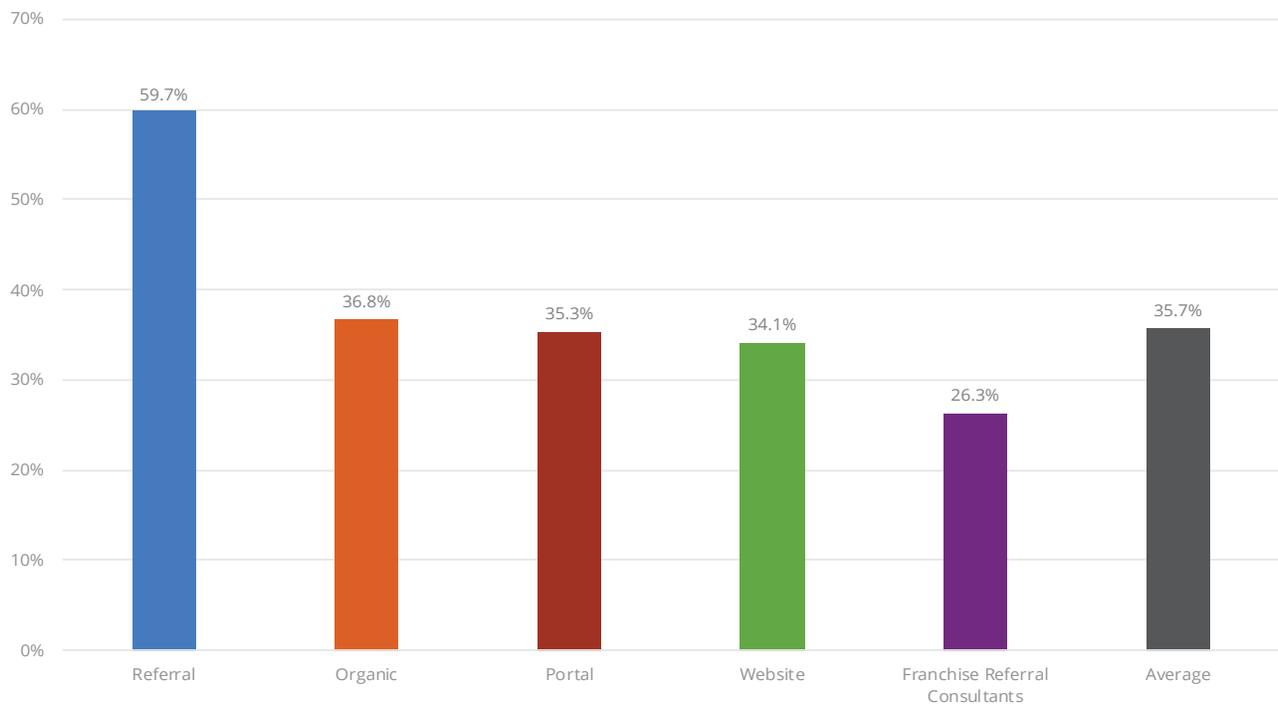
Franchisors are falling into the trap of trying to force leads into their franchise sales process rather than assisting franchise buyers along in the buyer's buying process. A recent Harvard Business Review study showed a car buyer takes 14.5 hours to buy a car — 11 hours of self-directed research and 3.5 hours on the lot. The research comes first. Franchisors who don't give the self-directed buyer what they want, namely transparent information they can trust to educate and qualify themselves, will fall behind their competition. Content earns conversations. The franchise salesperson is no longer the gatekeeper of the brand story. This is the domain of the franchise opportunity website and content strategy.

Application-to-Deal Ratio – 2020

In this chart, we once again find affirmation of the power of a referred lead given that 59.7% of those generated applications resulted in a sale, along with the understanding that each of these sources has the ability to result in sales. It boils down to the realization that it only takes one lead to make a sale — but consistent execution of all of the principals and strategies shared within the FranConnect Franchise Sales Index Report can make a significant difference in improving this and all other KPIs shared herein.

FRANCONNECT DATA ANALYSIS:

Applications to Deal Ratio - 2020



FINAL THOUGHTS:

“In the end, you should only measure and look at the numbers that drive action, meaning that the data tells you what you should do next.”

– Alex Peininger, CEO of quintly

Coaches take the “what to do” and marry it with the “how to do it.”

Coaches are the “how to guys.” Coaches are expected to get employees to performance levels to reach maximum potential. Coaches must engage with players, encourage players, have rapport with players, and earn trust from their players. When they do, they will be able to correct all the little things that matter during the sales process. Now more than ever, the CDO or VP of Franchise Sales should be stepping up their coaching, particularly as so many are now managing remote sales teams.

Persistence matters.

Research shows that franchise sales representatives should make multiple attempts to engage prospective leads. It’s important to nurture your leads through what can be a long process. Each stage in the sales cycle should be accompanied by supporting campaigns that align with where the prospect is in their buyer’s journey. Full-funnel, multi-touch marketing gives you a competitive edge, increases ROI on lead generation activities, and improves your closing rates.

Know your marketing numbers.

Whether using the FranConnect Franchise Sales Application or another marketing system or CRM, it’s important to input your marketing spend by source and, in turn, run reports of which sources should be fed and which sources should be starved. Unfortunately, very few are doing this. You should not only know what your cost per lead and cost per sale is, but also be able to articulate and act upon what those numbers are per lead source.

A Command Center for franchise sales can be the key to your franchise sales success.

Over the last five years, FranConnect has evolved its Franchise Sales Application into the ultimate Customer Relationship Management (CRM) system, which, when integrated with its Information Manager, populates its proprietary Command Center, providing a 360-degree visibility into your complete franchise sales cycle on a single pane of glass. The view of the Command Center is unique to your role in the organization — from CEO and executive views down to that of your franchise sales directors and marketing teams. Your franchise development team can leverage the FranConnect Sales Solution to track each prospect through each step of the sales process and to record all of the activities along the way.

If it isn't documented in your FranConnect CRM, it never happened.

Let's tell the truth here. Franchise salespeople are not good at entering data into their CRM. This may be a gross generalization, but you would be hard pressed to find a sales leader who is willing to put up a fight to contest a claim like this simply because, in the majority of cases, it's true. We have found that most salespeople are driven by human interaction over data entry. It's also perceived as an extra workload that might not seem necessary after just a couple of calls with a prospect. The fact is that you can't afford inaccurate or incomplete data entry, which can cause your brand to lose valuable information if the salesperson leaves the company.

Lead intelligence is vital and sometimes the salesperson even forgets what was discussed with the prospect once a couple of months have passed. For many, a sales cycle is approximately long, which means lack of data can hamper the ability to close the sale.

FranConnect has a workflow automation that creates greater efficiencies for the sales team, however, we can't recommend enough that the sales manager must set the proper tone and expectations.

Ensuring that your sales team have all the knowledge they need in one place and the ability to be more productive with both the lead and their calls is the way forward throughout 2020 and beyond. And with complete data, you will make better informed decisions.

And finally, remember garbage data in, garbage results out. The quality of your database has a huge impact on your results. Attaining better information about prospects and where they are in the buying process is one of the most important ways to improve the quality of sales-ready leads. We have a saying around here and that is "If it's not in your CRM, it never happened."

If you are interested in learning more about FranConnect or have questions, please email us at info@franconnect.com.

Would you like to contribute to the next FranConnect Franchise Sales Index Report?

We encourage our readers to contact the author of this report, Keith Gerson, CFE, and to make suggestions on additions for our 2021 edition by sharing your insights and best practices. We will be pleased to provide attribution to individuals and brands by name that are willing to contribute.

FranConnect is very pleased to have developed this report with the goal of educating all franchisors, whether they are FranConnect customers or not. On FranConnect.com, you'll find a treasure-trove of thought leadership ranging from recorded webinars and survey results to white-papers and blogs. We also are recognized for having some of the most beneficial events for CEOs (The FranConnect CEO Growth Circle) and for FranConnect users (FranConnection).

Definitions

CHURN

Franchisee terminations and closures

CONVERSION

A change in the status of a lead, typically indicating forward progression through the sales process

DEAL

A closed transaction that results in a franchisor signing up a new franchisee or signing a new agreement with an existing franchisee who is expanding

DEAL TRANSFERS

A change in franchise ownership

EMERGING FRANCHISOR

Organizations with 11 to 75 units

ENTERPRISE FRANCHISOR

Organizations with more than 200 units

KILLED LEAD

A lead that is no longer viable

LEAD

Someone who has reached out to a franchisor and provided contact information

MICRO-EMERGING FRANCHISOR

Organizations with up to 10 units

MID-MARKET FRANCHISOR

Organizations with 76 to 200 units

PROSPECT

An engaged lead who has active two-way communications with the franchisor

SALES FUNNEL

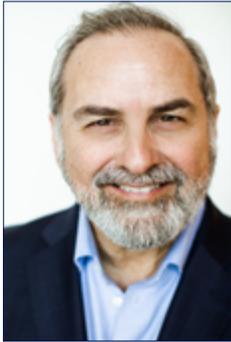
The sales process that moves a prospect through the steps to become a deal

ROYALTY SELF-SUFFICIENCY

The point in time when a franchisor no longer has to sell a new franchise to sustain a profitable franchise system

TRANSITION

The process of transferring a franchise to a new owner



About the author: Keith Gerson is President of Franchise Operations for FranConnect, a position that he has held for over eight years. He is also a Certified Franchise Executive and is known broadly in franchise circles following 40+ years of successful leadership at brands including McDonald's, Jack in the Box Restaurants, Mrs. Fields Cookies, ChemDry, AlphaGraphics, and PuroClean. He has been named as one of the most influential thought leaders in franchising and continues to bring FranConnect and its customers best practices in matters relating to franchise sales, operations, engagement, and marketing. His most recent book *"The Franchise Book of Mentors"* has helped raise thousands of dollars for the International Franchise Association's VetFran Program.



FranConnect is the leading franchise management software provider. Its FranConnect platform engages stakeholders to grow, scale, and optimize franchise systems through a connected and complete view of the business from sales to multi-unit and multi-brand performance. Over 800 brands — including 40 of Entrepreneur's Top 100 Global Franchises — in 18 countries count on FranConnect to run their franchise systems. FranConnect customers span all sizes, growth phases, and industries and they grow 44% faster on average than the broader franchising market. Backed by private-equity investor Serent Capital, FranConnect is headquartered in Herndon, Virginia, with global follow-the-sun operations. For more information on FranConnect, visit: www.franconnect.com.

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