

# Synergy Franchise Group, LLC



## Franchisee Recruitment (Sales) Strategies

### Three of the most popular methods today

Three of the most popular approaches to franchisee recruitment or franchise sales today are; in house franchise sales and development departments; brokers or as they are often called lead referral networks or franchise sales consultants; and 3<sup>rd</sup> Party Franchisee Recruitment Teams™. Each of these has their advantages and disadvantages. We will discuss these later, but let's first give a brief explanation of each of the three methods and how they operate.

**A comparison chart is provided at the end of this article**

#### In House:

The first is the traditional in house sales department. This is where you hire an experienced franchise sales person(s) to handle your franchise sales department and bring on new franchisees. Every step is handled by franchisor staff including lead generation, qualification and contract signing. As your concept and system grows you train other franchise sales people, much like a professional baseball team uses a farm club to train and develop the next generation pros.

#### Broker/Lead Referral Networks:

The second approach uses Brokers which are also often called Business Consulting Networks or Lead Referral Networks. With this method the broker networks find and identify people who are looking to go into business, move them through the qualification process and present them with, usually three, franchise opportunities that “match” the potential franchisee’s skill sets and financial resources, and then they are encouraged to choose one of these three opportunities. The franchisor may also have a franchise sales person in house to act as the liaison to the brokers and handle discover days.

#### 3<sup>rd</sup> Party Franchisee Recruitment Teams™

The third approach uses 3<sup>rd</sup> Party Franchisee Recruitment Teams™ also referred to as Outsourced Franchise Sales Companies. With this method a franchisor will contract with one or possibly two companies to handle much of, if not the entire franchisee recruitment process for them. The franchisor may have a liaison or contact person for the outsource company, but often times the owner or key executive acts as that person. The degree of involvement in the recruitment process will vary from company to company and also be based on the needs and desires of franchisor.

## **Which is the best approach for you?**

Which method is best for your franchisee recruitment strategy will depend on several things; your financial resources, your franchisee recruitment schedule and your long term vision for system growth.

### **In House:**

The key advantage in developing an in house recruiting team is experience. Hiring someone who knows and is passionate about franchising as a way for people to get into business will bring credibility and the ability to assist in creating a program that most closely follows the vision and goals of the founder and/or executive team; then transfer those to potential franchisees. In addition, if the franchisor has a long term vision and the right culture, a “farm club” can be developed and that knowledge and passion for franchising can be nurtured and replicated by training other less experienced sales people, who will be your next generation of franchise sales “pros”

A major disadvantage to this is cost. A truly experienced and passionate franchise sales executive will command a salary in today’s market place of \$125,000 or more and with bonuses the annual compensation can top \$200,000. The best of the best can be double that. In addition the franchisor will have expenses for administrative and support staff, as well as the need for a lead generation budget. A potentially huge issue would be the top person leaving or being lured away before the farm team is ready which can slow or stall the recruiting process until a new sales person is hired or the farm team gains experience.

### **Broker/Lead Referral Networks:**

Advantages to using broker networks include; paying commissions only on completed sales; not spending money on lead generation or in house screeners or qualifiers; having your concept represented by literally hundreds of brokers nationwide and internationally if you are or plan to go international; only having “qualified” prospects presented to you and those prospects are usually presented only three franchise opportunities to choose from none of which should be from your industry or market segment.

Disadvantages to the broker networks to consider include; commissions that can be up to Fifty percent (50%) of your franchise fee or a minimum that is often over \$12,000 whichever is higher, and some are trying to get a portion of your ongoing royalties also; the broker “owns” the lead and a commission is owed the broker for a period of up to three years after the contract with the broker network expires or is terminated and the prospect signs on with the franchisor; the franchisor needs to be “accepted” by the broker networks, pressure to sell the prospects presented to you since the brokers are only paid on closed deals and no deals closed reduces incentive to present your concept; the number of franchise concepts a broker network is representing at any given time often exceeds 100; inability of brokers to “get” each concept and to transfer the passion and culture of the franchisor; and the dependence of your franchise systems growth and success on the potential franchisees that the brokers present with little input on your part.

### **3<sup>rd</sup> Party Franchisee Recruitment Teams™**

3rd Party Franchisee Recruitment Teams™ also referred to Outsourced Franchise Sales Companies are part of the newest and fastest growing franchisee recruiting method. Synergy Franchise Group, LLC endorses this strategy for upstart and young franchise companies to launch and grow and for established franchise companies looking for a way to re brand and reinvent themselves. There can be many advantages to using them. An experienced franchise sales person backed up by a select team of recruitment specialists dedicated to handling the recruitment process for **your** franchise; ability to focus on learning your franchise concept and core values and then transferring them to potential franchisees; shared commitment to recruiting the right franchisees while adhering to a realistic growth and development strategy; close and continuous communication with the franchisor throughout the recruitment process; a fee structure that combines results based commissions that are much lower than broker network commissions, with monthly management fees that are far less costly than the salary of a top franchise sales executive while still supplying the experience, credibility and mentoring; and at Synergy Franchise Group, LLC we go even further. We assist you in putting together a farm club team that will help you become self sufficient in your recruiting and system development process and not be dependent on any one method of franchisee recruitment. This is very unique in any outsourced franchisee recruitment method.

Like the other two strategies there are disadvantages; higher initial expense of management fees; dependence on an alternative source for recruitment, although for a shorter period of time; and the additional expense for lead generation, although it will be targeted to your franchise as opposed to general industry or segment advertising done by most broker networks.

The bottom line; be smart, informed, educated and proactive in your franchisee recruitment and system development strategy and not be dependent on any one method. Be more like a jet ski than an ocean liner. It is much easier to maneuver and does not take very long to change course if need be, not to mention is a lot less expensive to get off. There is no silver bullet or “easy button” and with over 400 new systems launching each year, all of us need continue using the synergy of franchising to continue to expand the quality and number of franchise opportunities to those looking to become part of the dream of business ownership.

If you would like to learn more about Synergy Franchise Group, LLC and our 3rd Party Franchisee Recruitment Teams™ program or any of our other services, please contact me via phone, web or email. My contact information is listed below.

Much success to one and all in 2007

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# Comparison Chart for Three Franchisee Recruitment Methods

## In House—Broker/ Lead Referral Networks (LRN)—3rd Party Franchisee Recruitment Teams™

<u>Responsibilities:</u>	<u>In House</u>	<u>LRNs/Brokers</u>	<u>3<sup>rd</sup> Party Franchisee Recruitment Teams™ (TPFRT™)</u>
Primary function	Total Process	Provide Qualified Leads	Take potential franchisee through entire process until franchise agreement signed
Number of Concepts Represented	1	60 – 200 or more	Generally 20 or less
Number of concepts individual salesperson or broker would represent.	1	60 – 200 or more	1 – 4
Exclusivity	Yes	Generally non-exclusive. Often franchisors will have relationships with multiple LRNs.	Generally exclusive
Reporting obligations	As required	None	Monthly
Contractual obligations	Yes	None	Negotiated levels of annual franchisee recruitment activity specified in contract
Required marketing	Yes	None, although franchisors often “encouraged” to attend and sponsor regional/annual conventions	Budgeted marketing expenditure on the part of the franchisor determined prior to entering into TPFRT™ agreement.
Fees/Salaries/Commissions	An experienced passionate franchise sales executive can command a salary of \$125,000+ and with bonuses compensation can exceed \$200,000. Top producers with operations experience can command double that. There are also administrative support staff salaries and expenses	Success fees only, up to 50% of franchise fee with minimums of \$12,000 and up. Some LRNs try to take a percentage of royalty revenue also (Do not agree to this)	Fee structure combines results based commissions that are much lower than broker network commissions, with monthly recruitment management fees that are far less costly than the salary of a top franchise sales executive. Synergy Franchise Group, LLC is unique in that its works to make the franchisor more self sufficient and less dependent on any one recruiting method.
Responsible for data entry	Franchisor	Franchisor	TPFRT™
Responsible for sending material	Franchisor	Franchisor/Broker	TPFRT™
Responsible for pre-qualification	Franchisor	Broker	TPFRT™
Responsible for follow-up	Franchisor	Franchisor	TPFRT™
Responsible for Discovery Day	Franchisor	Franchisor	TPFRT™
Responsible for UFOC Disclosure	Franchisor	Franchisor	TPFRT™
Responsible for document management	Franchisor	Franchisor	TPFRT™
Responsible for final qualification and the actual decision on the award of a franchise	Franchisor	Franchisor	Franchisor
Length of contract	Constant/Multiple	12 months or longer	Negotiated length of contract
Lead belongs to	Franchisor	LRN/Broker	Franchisor
Commission paid for period of time after contract ends or expires	Constant/Multiple	18 – 36 months	Negotiated commission paid for period of time after contract ends or expires