

COSTLIEST MISTAKE NUMBER 1:

MARKETING THE PRODUCT AND NOT THE FRANCHISE

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Costliest Mistake Number 1: Marketing The Product Not The Franchise

It's an old Zen proverb: "When the student is ready, the teacher will appear." And like most things, it's deceptively simple. When someone has discovered the need to learn more about any topic, (s)he'll search out the answers.

You have the answers that potential franchisees are seeking. But what happens when you are not prepared to teach what they wish to learn?

Like all who thirst for knowledge, they'll go elsewhere.

Effectively, that's what happens when franchisors commit **Mistake Number One** in our Ten Costliest Mistakes in Franchising: **Marketing the Product and not the Franchise**.

Your customers love your food, or love your beautiful store in its convenient location. They rave about the quality of your carpet cleaning, or the effectiveness of your pest treatment. You've made your business a success, in part, by marketing your product to those customers. You've created images and persuasive copy to make your customers want to come into your business, or to buy your pizza, or hire you to clean their houses, or to mow their lawns, or to replace their mufflers, or to prepare their tax returns.

You need to market the product, in order to create demand for the franchise in the first place. It only seems natural that you use those same images to sell your franchises.

So, you show carpets being cleaned, or big pictures of food items, or your beautiful store location, or your great looking fleet of delivery vans; but franchise buyers aren't buying your product; they're buying a

lifestyle. They're investing in a new career. You're no longer in the landscaping, or party planning, or storage business. Now you're in the business of selling a business.

And as good as your consumer marketing materials have been, when potential franchisees search for information to help them plan their own futures, and you present photos of happy customers, you're not teaching what potential franchisees want to learn. They're looking for visual and emotional clues to their own futures. You're showing them consumer materials. They want to learn about your business. You appear to be teaching the use of your product.

Your buyers will search elsewhere for their answers.

This mistake leads to missed revenue and lost opportunities.

The Cost of Poor Communication

Given the time and money you put into generating leads, and the cost of developing, printing, and shipping your marketing materials, the wrong message and imagery can be a very expensive mistake.

Perhaps you'll miss out on only one sale per year. Let's look at the costs of your lost opportunities.

Assume a typical franchise would have gross sales of \$500,000 per year. Your royalty is an average 4.5%, and the franchise fee averages \$35,000.

Year One:

Lost Franchise Fee	\$35,000 <- from 1 st franchise
Lost Royalties	<u>22,500</u> <- 4.5% of \$500,000 from 1 st franchise.
Missed Revenue, Year One:	\$57,500

Year Two:

Lost Franchise Fee	\$35,000 <- from 2 nd franchise
Lost Royalties	<u>45,000</u> <- 4.5% of \$1,000,000 from 1 st and 2 nd franchises.
Missed Revenue, Year Two:	\$80,000

Year Three:

Lost Franchise Fee	\$35,000 <- from 3 rd franchise
Lost Royalties	<u>67,500</u> <- 4.5% of \$1,500,000 from 1 st , 2 nd , and 3 rd franchises.
Missed Revenue, Year Three:	\$102,500

Year Four:

Lost Franchise Fee	\$35,000 <- from 4 th franchise
Lost Royalties	<u>90,000</u> <- 4.5% of \$2,000,000 from four franchises.
Missed Revenue, Year Four:	\$125,000

Year Five:

Lost Franchise Fee	\$35,000 <- from 5 th franchise
Lost Royalties	<u>112,500</u> <- 4.5% of \$2,500,000 from five franchises.
Missed Revenue, Year Five:	\$147,500

Total lost opportunity over five years, assuming only one less sale per year: \$512,500.

Images the Franchisee Needs to See

To better display the product, many companies make the mistake of showing a beautiful store layout with no people in it. (It also keeps the clothing of people in the photo from becoming dated). But you're no longer selling mufflers; you're now selling the muffler business. The wrong visual sends the wrong message. Your potential franchisees don't want to see static product shots or photos of empty stores. They want to see action photos of sales happening.

Owning a business is part of the "American Dream." That dream doesn't include stores that have no customers. Photos of empty stores are subliminal signs to a buyer that there is no business. A prospective franchisee wants to see the cash register ringing, as people crowd the store.

Like every other purchase, buying a franchise is somewhat emotional. Your prospective franchisee needs to feel the heat your business is throwing off. Your buyer needs to be submersed into the new life you're offering. Help paint the picture of your buyer and his or her family enjoying the financial rewards of owning his business, as a respected member of the local business community.

Details the Franchisee Needs to Read

Sometimes a franchisee will fall in love with the product. Perhaps that's what attracted him or her to the business in the first place.

But, today's franchise buyers are savvier than at any time in the past. They will look closely at the business as a whole. At the point (s)he's considering buying a franchise, your prospect is only marginally interested in the varieties of sauce on your menu. Your buyer is much more concerned about the services, support, and training that you'll provide.

- Your buyer wants to know that your business, when franchised, will show enough profit to pay your fees and royalties, and still show an adequate return on their investment.

- Your buyer wants to speed the ramp-up time and become profitable as soon as possible.
- Your buyer wants to know there is demand for your products and services.
- Your buyer wants to know that your franchise concept will adapt to other locations.
- Your buyer wants to know that your business model is easy for a new franchisee to learn quickly.
- Your buyer needs to know what kind of support you'll provide, and how much they'll be able to count on that support.

As potential franchise buyers are considering the totality of your offer, they will each have influencers asking them such questions as "*What about support?*" or "*Do you know anything about running a business? How will you learn?*" Your marketing materials must prepare your buyers and arm them to deal with these influencers.

Remember, too, that your potential franchisee is probably looking at several other offerings in addition to yours. Your business needs to feel as if it's the right fit and the best option.

Talk about your experience and qualifications, but only in terms of how the franchisee benefits from them. Assure your potential franchisee that your business model will allow the success he or she dreams about.

Be aware that different jurisdictions have differing legal parameters. Some states, for instance, won't allow you to register, if you use the word "success" in your offering. The images you select for your offering need to imply success from every angle. Help your buyer visualize running a successful business. Help them feel the excitement in this opportunity.

Often, franchise marketing copy doesn't have a strong sell, because it's walking a fine line in an attempt to persuade without violating franchising laws. This is a critical problem, and it requires your marketing

team to work hand in hand with your legal team. Have your marketing materials reviewed by an attorney familiar with the different state requirements.

Effective marketing materials should consist of a combination of emotion, logic, and legal phrasing.

Summary

Speaking to the wrong prospect in your marketing materials is always a costly mistake and one that's easily avoided. Speaking the wrong message to an otherwise qualified candidate is an equally expensive blunder.

The message that brings new customers to your store is not the message to use in your communication with potential franchisees.

Write about franchisee motivations of ownership, independence, and self-reliance. Address concerns of market demand, ease of operation, and return on investment. And be sure that your visual images psychologically reinforce the obvious, as well as the subliminal assurances of your offering.