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Franchisors find slim pickings

Josh Robertson | March 16, 2008 11:00pm

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THE hunt for franchisees has become a battle of the big spenders, with franchisors plunging tens of millions of dollars a year into recruitment. A study by market research firm 10 Thousand Feet found the sector spent \$44.4 million on marketing to franchisees in the year to September 2007.

10 Thousand Feet director Ian Krawitz isn't surprised by that figure, equivalent to \$16,304 per new franchisee and likely to be a record splurge.

"Franchisors are finding it tough at the moment in the market to get new franchisees on board so they're tending to spend quite a bit more to get the result," he says.

Mr Krawitz says any franchisor spending less than \$20,000 a year on marketing will have noticed "a significant decrease in their recruitment performance".

"To me that says in a tough market, if you're not spending then you don't have a share of voice," he says.

Reaching women was a weak point, the 2007 Franchisor Expansion study found, with only 15 per cent of franchisors having a tailored strategy to recruit female franchisees.

Mr Krawitz says Sydney's Kwik Kopy was a company that had successfully changed tack, now pitching to women through magazine advertising.

Women now make up 30 per cent of its prospective franchisees, up from 10 per cent.

"You can see there's a lot of 'ah-hah' moments for a lot of our clients on the back of this, starting to think, 'Geez, there's a huge market we haven't tapped'," Mr Krawitz says.

"I was sitting down just the other day with a franchisor – maybe only 1 per cent of their franchisees are women – and their type of model would be perfect for women in that it has a lot of flexibility behind it."

The internet has become the prime source of leads for franchisors (38 per cent), prompting them to maintain good quality websites, regularly updated and augmented with search engine marketing and



WORD of mouth ... Grill'd managing director Simon Crowe.

optimisation.

As for conversion rates, word of mouth still rules. "I don't think anything beats word of mouth," says Simon Crowe, managing director of Melbourne-based burger franchise Grill'd.

Elton and Cindy Berrage, the franchisees behind Grill'd's first Queensland store at Chermside, were regulars at stores in Melbourne. Mr Crowe says the phone and inboxes have been running hot with franchisee leads since Grill'd entered Queensland.

"To be perfectly honest, I think many franchise systems, particularly with food, dumb down their operations and lose their soul very quickly," he says.

"We're a business that prides ourselves on our culture and soul and we don't want to lose that and therefore the franchise recruitment aspect is absolutely key."

Crowe says prospective franchisees, generally in their late-20s to mid-40s, need four to five contact points with the Grill'd brand before they approach.

They might start at an interstate franchise expo but inevitably wind up on the Grill'd web page, he says.

Boutique Swiss ice cream franchise Movenpick also relies on word of mouth with virtually no recruitment budget, says spokesman Mauricio Alarcon.

"We're limited to very exclusive locations so we don't need to do any mass advertising for recruiting franchisees – that's the advantage of premium retail," he says.

Movenpick plans to add five Queensland stores this year on the Gold Coast and in Brisbane.

In contrast, local mortgage broker Refund Home Loans, recently named Australia's fastest-growing franchise by outlets, targets recruits through TV info-mercials.

Founder Wayne Ormond says many of its 135 brokers nationwide come from "blue-collar backgrounds".

"One of Refund's most productive franchisees earns over \$300,000 per year – people like dealing with him simply because he is not like a slick banker but 'one of them'," he says.

Refund Home Loans franchises go for as little as \$15,000.

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