

Why are you buying? What makes you tick? While most of us are intrigued by our reflections there are some deeper insights to be drawn from the mirror held up to the franchisee arena by 10 Thousand Feet.

**W**e know, for instance, that the food sector has been wildly popular and continues to draw its aficionados: almost one quarter of potential franchisees surveyed (21 per cent) were investigating the food opportunities.

But if there is one sector that seems less flavoursome, it's the coffee franchise, which is attracting just 7 per cent of interest from prospective franchisees after an initial investigation.

*The Franchisee Recruitment Report* conducted last year surveyed more than 570 prospective franchisees; the survey was undertaken by 10 Thousand Feet, a market intelligence firm that caters predominantly for a food and beverage and retail client list.

Following closely behind the food franchise in terms of popularity is the business and financial services franchise option, attracting 18 per cent of interest, with coffee, home services and distributor based franchises all drawing 7 per cent of interest after an initial investigation.

The research also found the golden arches a highly regarded brand: McDonalds was cited as the number one fast food system by 40 percent of prospective franchisees; Subway came in second with 19 percent and the youthful Boost Juice made third place with 10 percent.

### Getting support

So how are these franchising decisions being made? Neither lightly nor quickly, it seems. It will take most prospective franchisees up to one year to make the decision on which franchise to buy and during this critical period, when independent information and guidance is most valued, 40 per cent of prospective franchisees will use *Franchising* magazine to get the most credible information.

For those of you determined to run your own business but who are choosing the franchise option as an alternative to setting up in business alone, field support and sales staff is the prime reason for the choice. Next to that come brand credibility and market intelligence, with business simplicity your third most important consideration in a purchasing decision.

Financial factors are the key driving force for those of you who view a franchise as an option to your salaried employee position. For you, stepping into the realm of business ownership with the opportunity to advance your income, the role of field support and sales staff is secondary, with brand credibility and market intelligence coming in as third most important factor.

Ian Krawitz, head of intelligence at 10 Thousand Feet, opines



"In a good job market prospective franchisees with a tendency towards being a salaried employee need to feel financially secure in their decision. Factors that contribute to this include how other franchisees are performing financially, if they will receive good financial guidance once they become a franchisee and whether they will be supported with local area marketing budgets.

"These financial considerations are not of as great importance to prospective franchisees who have a more entrepreneurial mindset. These individuals are more influenced by what is already in place, recognizing that if they were to start their own business from scratch they would not receive field support, a streamlined business model and a recognized brand."

While the industry at large emphasises the need to experience franchising from a franchisee's viewpoint before making the commitment, the least important elements to any prospective franchisee considering a particular system are encouragement to meet existing franchisees, clear and easy to follow operations manuals, and the fast growth of franchise locations.

**Diversity**

Sixty seven per cent of those surveyed were aged 30 plus, perhaps more surprising was the dominance of men – only 30 per cent of respondees were women.

The Franchise Council of Australia may focus on the Franchise Woman of the Year with the PricewaterhouseCoopers Excellence in Franchising Awards, and a day on women in franchising at the annual convention, but is it preaching to the converted? It seems that even if the women are involved in the decision making process, and may be in a partnership so contributing their talents and time to the business, it is the men heading up the process.

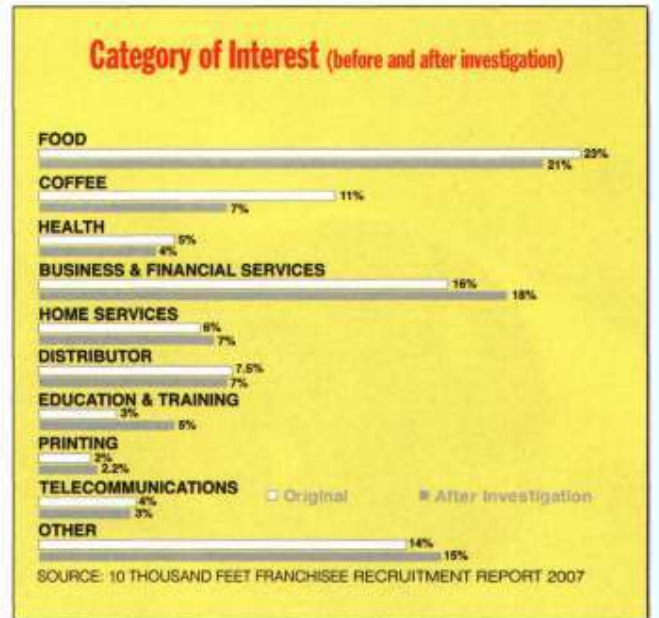
Following the recent *Franchisor Expansion Study* undertaken by 10 Thousand Feet, Krawitz says the female owner-operator ratio is less than of independent small business and reflects on the lost opportunity for franchisors to capture the 33 per cent of female prospective franchisees not being converted.

"Only 15 per cent of franchisors currently have a tailored strategy for recruiting female franchisees," he says. "Looking at ABS stats we can see that 31 per cent of small businesses are predominantly owned or operated by women. Compare this figure to the franchising industry where only 20 per cent of franchises are owned or operated by women."

However he is seeing a shift among some clients' packages and the way they explain the business to counteract this gap.

John O'Brien, chair of the FCA, comments. "What's interesting about the 10 Thousand Feet Franchisor Expansion study is its revelation that only 15 percent of franchisors have a recruitment strategy specifically targeting female prospective franchisees. It is in a franchisor's best interest to develop specific marketing messages to attract female franchisees. Franchising is all about relationships, communication and administrative skills. Women generally are naturally adept in this area, giving them the skills to smash through the glass ceiling in the franchising sector.

"From an FCA perspective, we have a range of initiatives to promote women in franchising. Just last month the FCA Board



**Who listened?**

Graham England of Kwik Kopy is one of Krawitz' clients who saw a need to change his marketing approach on receipt of the report. England admits the company has been fairly conservative, yet has had some very successful female franchisees. But he knew there was more to do.

"I was waiting for the research to come out, it helped me clarify my thought process. I reviewed our sales and marketing and went in and created ads for

generation X, generation Y and females."

The presentation and message are both different for target markets, he explains, in advertising but also the information packs distributed.

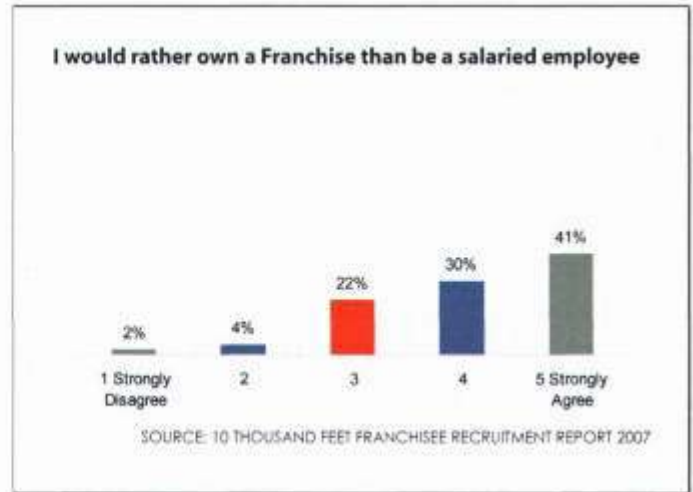
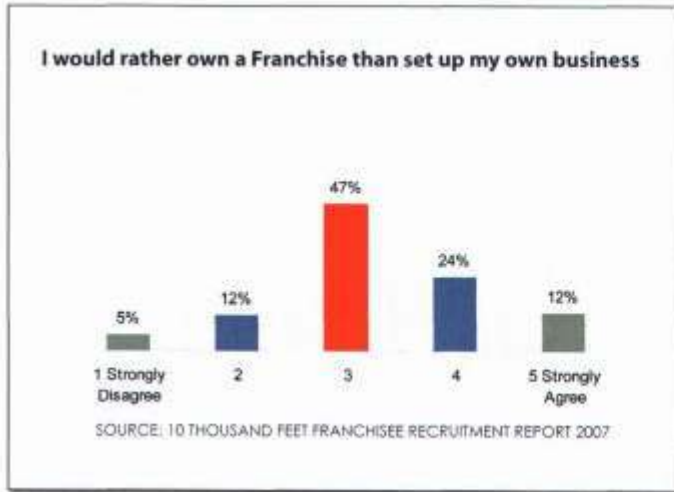
"We've had more enquiries over the last few months," he reports. "It's been very successful so far and I expect more good results."

Enquiries were typically a 90/10 male/female split and are now closer to a 70/30 figure.

moved to give 2007 Franchise Woman of the Year Diana Williams and Chair of the Whirlwind Women in Franchising Forum (Fernwood Women's Health Clubs) representation and voting rights on the FCA Board. Franchisors should be making the same effort to actively address women as a potentially untapped resource for building their business.

"Other reports have found over a third of executives running franchise systems are now women - which is great news.

"What should also really attract women to franchising is that they don't necessarily have to be entrepreneurs. They can buy into a franchise with the brand, administrative structures, marketing and support staff already built-in to the deal. This



business model then really works to leverage women's natural skill set," O'Brien says.

**Strong growth**

The figures suggest there are some keen franchisee prospects among you, with 26 per cent claiming to be willing to work more than 50 hours to succeed, while the bulk cited 30 to 50 hours as a more realistic time contribution. With 34 per cent opting for fewer than 30 hours to achieve their goals, it is to be hoped these prospects are careful in the choice of a franchise business that will not put too great a demand upon their time.

Thirty nine per cent will spend in excess of \$100,000 on a franchise but 31 per cent are looking to invest \$50,000 or less. "Some of our clients are adjusting their models to enable franchisees to get in at a lower cost," says Krawitz. "Some of the solutions include flexible financing and repayment options, innovative royalty fee structures with product (or higher royalty fees) and reduced number of square metres required."

Yet it is in the realm of franchise systems that do not require a shop front that strong growth has occurred in the 12 months to

30 September 2007. A marked growth of 70 per cent for this franchise sector compares with just 46 per cent in growth of bulky goods centres, the next highest increase.

In terms of growth in the number of franchisees for different sized systems, those businesses with 22 or fewer franchises have seen a 63 per cent growth.

So our franchisees are getting younger, but still have some experience; they are still predominantly men, though women in the industry are making their mark but the potential is so much greater than is being realized. And whether you are looking to franchise instead of setting up your own business, or as an alternative to the current job, the support of field staff and admin is highly rated. And this is particularly relevant with less than one third of you committing to more than 50 hours a week to realize the dream; perhaps we will see the greater development of small franchise businesses with a hefty support package and a lower entry fee. ■

*For more information on 10 Thousand Feet 2007 Franchisee Recruitment Report and 10 Thousand Feet Franchisor Expansion Study 2007, check out the website [www.10THOUSANDFEET.com](http://www.10THOUSANDFEET.com)*