



2015 Franchise Local Marketing Trends

Courtesy of FranConnect®

FOREWORD

Amit Pamecha, Founder and CEO, FranConnect

Welcome to the *2015 Franchise Local Marketing Trends Study*! In this new report, FranConnect analyzes the latest attitudes, strategies, and challenges of franchise marketing. You will find exclusive data collected from our annual survey, which is comprised of feedback from over 4,000 franchise CEOs and marketing executives. Explore insights including:

Greatest local marketing challenges
Customer satisfaction measurement **RESULTS** Most effective lead gen activities
Social media reputation management
Managing and tracking local marketing activities

With this analysis, you will be able to benchmark your own business practices. What are you doing right? More importantly, what are you able to improve upon? Leverage this critical information to guide not only your strategic vision but your day-to-day tactical activities. Read on for FranConnect's exclusive analysis on these and other vital local marketing success metrics. And as always, we are here to help. Feel free to contact me at amit@franconnect.com or give me a call at 703-390-0900 x153 to discuss opportunities for you to enhance your local marketing value. We wish you the utmost in marketing success!

All the best,



Amit Pamecha
Founder and CEO
FranConnect

SURVEY PROCESS

Over 4000 franchise CEOs and marketing executives from a broad cross-section of industries were selected and invited to participate in the 2015 Franchise Local Marketing Survey.

Responses were to remain anonymous and reported in aggregate to identify trends in franchise sales and allow organizations to benchmark their sales processes.

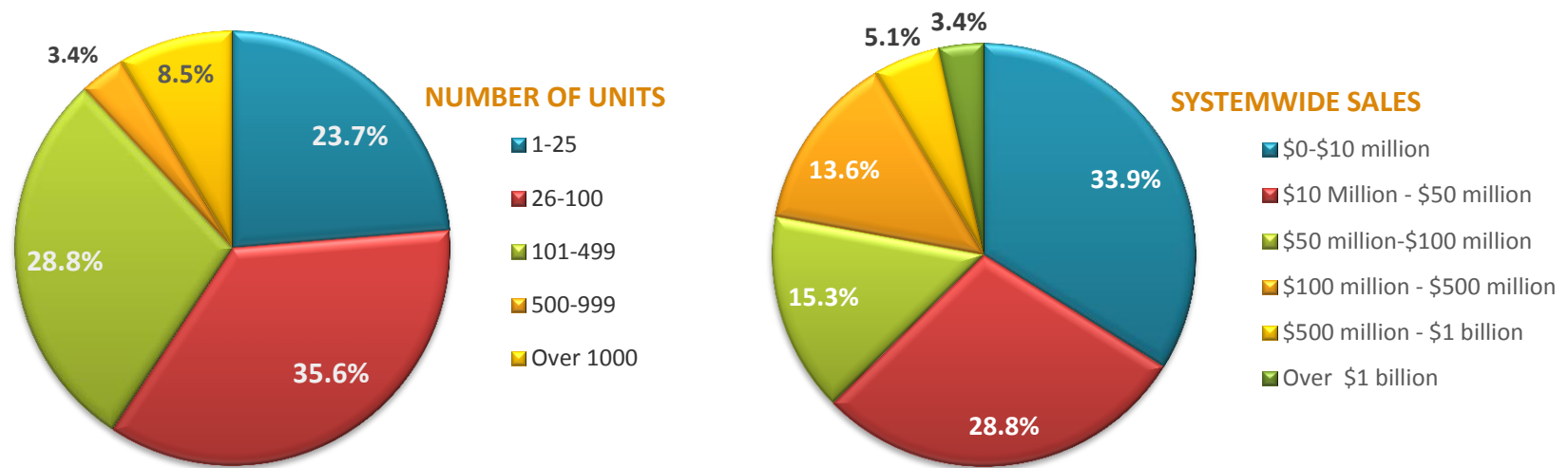
A wide array of questions were asked in order to capture and understand factors that were impacting results, organizational structure, budgets, and best practices to help franchisors continue to meet and exceed their franchisee local marketing objectives.

Please read on for our exclusive results and analysis of the 2015 Franchise Local Marketing Survey.



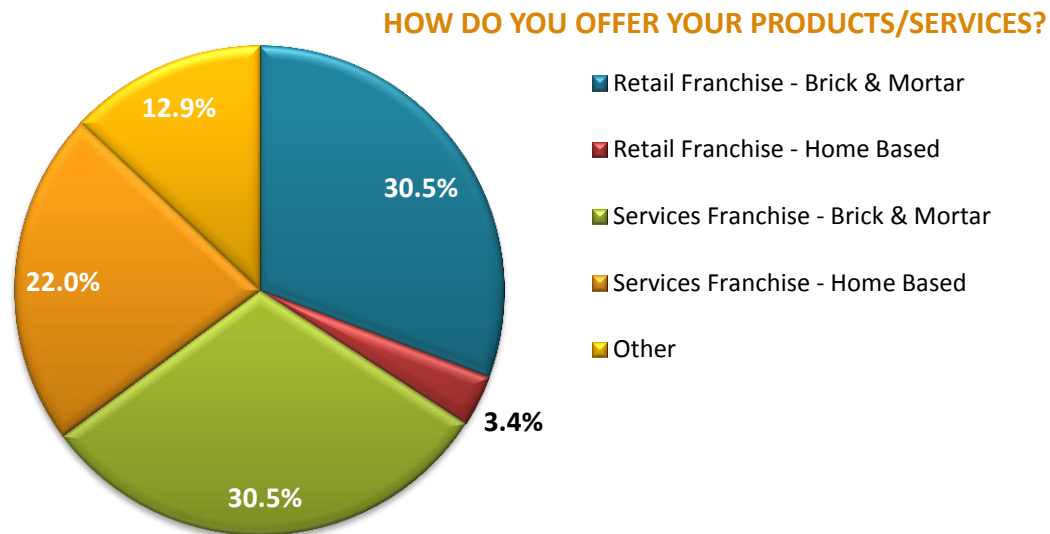
DEMOGRAPHICS OF SURVEY RESPONDENTS

You can see below where the survey respondents fell on the spectrum of system-wide sales and number of units. Nearly 60% were from franchises with 100 units or less, while only 34% said they make \$10 million or less in system-wide sales. Almost one-third of respondents brought in system-wide sales of over \$50M with 14% between \$100 million and \$500 million.



WHAT TYPE OF BUSINESS IS THIS?

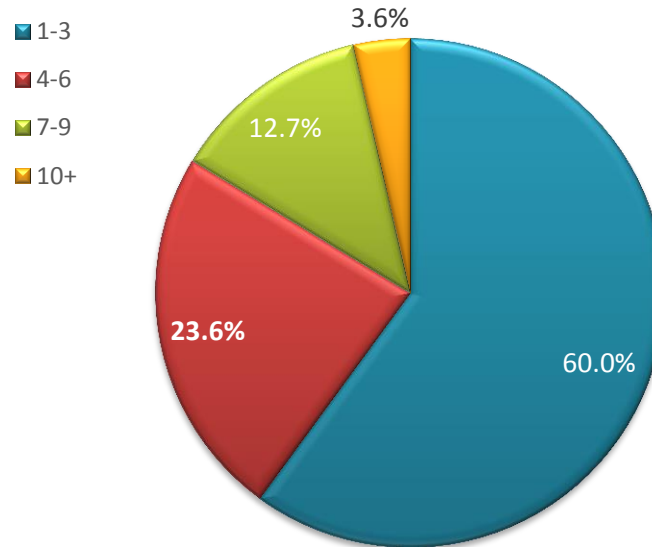
Over 60% of the franchises participating in this survey were brick & mortar. Industries represented ranged from restaurants to children's services to real estate and beyond. Local marketing approach can be impacted based on how the products and services are offered by the franchisee. Most of the respondents who answered other use a combination model of mobile or home-based and actual storefronts.



HOW MANY STAFF MEMBERS ARE PART OF CORPORATE MARKETING?

Excluding the sales team, 60% of franchisors are running with fewer than four marketing staff members. But let's take a closer look. 74% of franchisors with between 26-100 units had fewer than 4 marketers – not unexpected. Perhaps more surprisingly, 50% of franchisors with between 101-499 units fell within that 60%. How do they do it? They have technology and support in place to help them manage every aspect of their marketing programs.

HOW BIG IS YOUR MARKETING TEAM?



SO HOW ARE HOW SATISFIED ARE YOU WITH THE RESULTS OF YOUR 2014 MARKETING PLANS?

Corporate Strategy

Most participants felt satisfied (38.2%) with their 2014 corporate marketing plan, followed by somewhat satisfied (27.3%). About 20% ranked their corporate marketing efforts as unsatisfactory (14.5%) or below (5.5%). Only 9.1% were very satisfied with their corporate marketing plan. 5.5% do not have a corporate marketing strategy.

Local Marketing Strategy

The majority of franchise owners rated the satisfaction of their local marketing strategy as a 3 (satisfied) or better, but what about those who were not happy? Of those who rated their local marketing with a 2 (dissatisfied) or below, 94% percent did not consistently set specific goals for each campaign. Over 40% answered that they never set specific promotional goals – a number we expect to decrease significantly by next year.

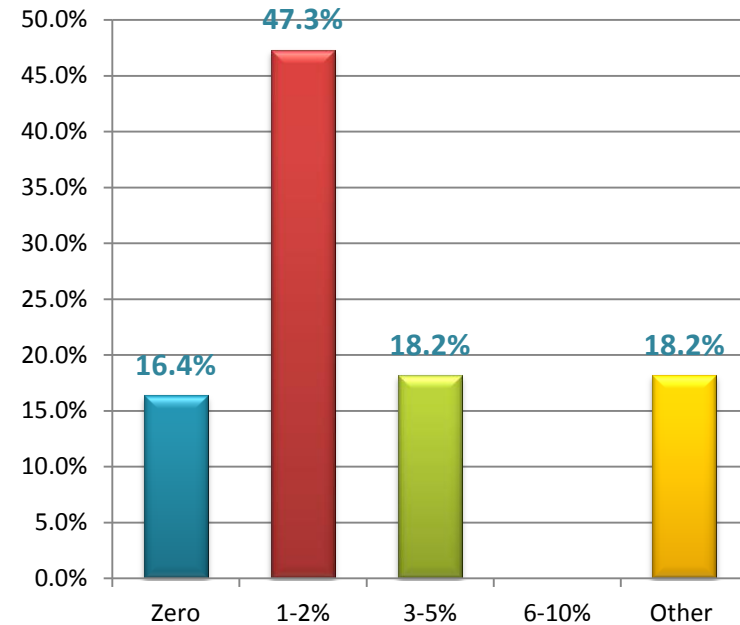


WHAT ARE YOUR ADVERTISING & MARKETING FUND FEES?

As was the case last year, most franchisors' advertising and marketing fund fees are 1-2% of the budget, followed by a tie between 3-5% and other (18.2%). Of those who selected "other," the percentage was less than one or described as a fixed rate.

One thing to note, however, is that there has been a shift since last year. The 1-2% range is actually down by over 10% since last year, with an evenly split movement to zero fees, 3-5% or fixed rates.

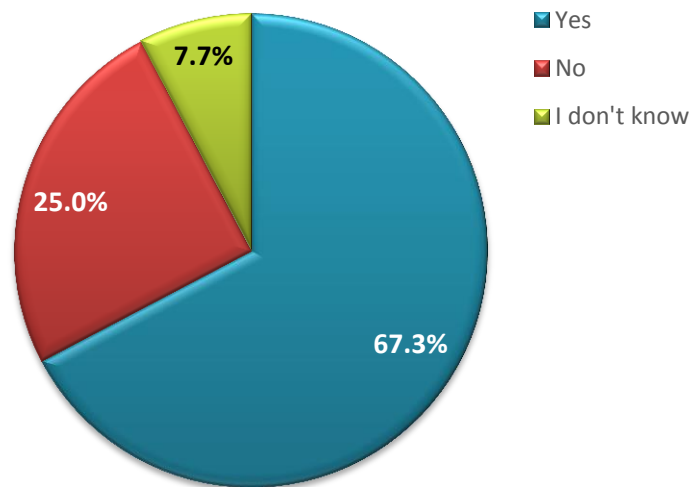
2015 ADVERTISING & MARKETING FUND FEES



DO YOUR FRANCHISEES HAVE THEIR OWN 2015 LOCAL MARKETING PLAN?

Nearly 70% say that their franchisees have a local marketing plan! Twenty-five percent say they do not have one and 7.7% are unknown. Having a plan in place is half the battle. It provides a roadmap for franchisees to follow, ensuring that they leverage best practices.

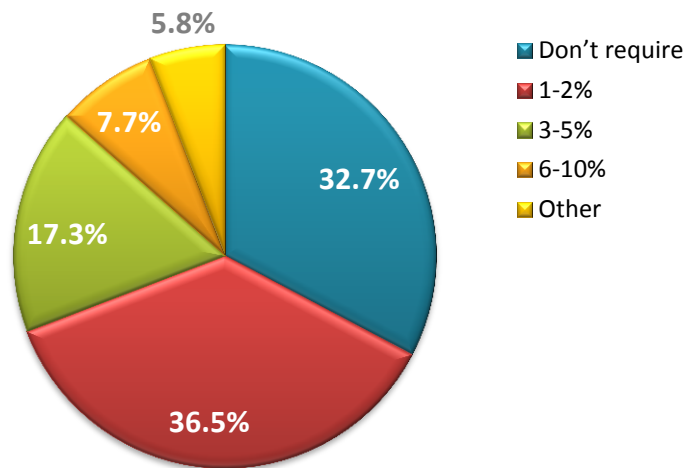
FRANCHISEES WITH 2015 LOCAL MARKETING PLANS



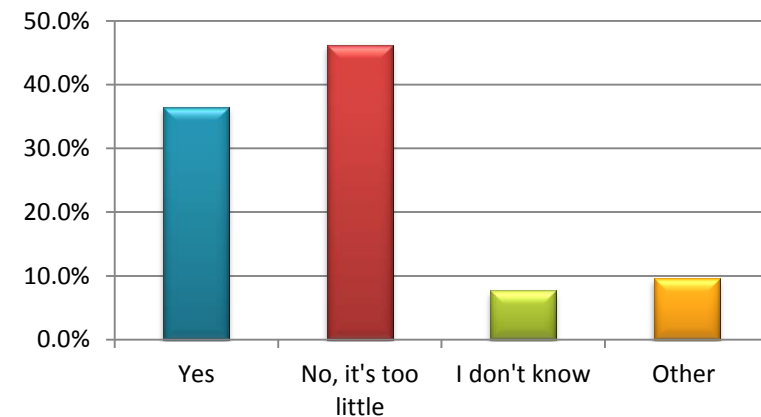
DO YOU HAVE GUIDELINES FOR FRANCHISEE MARKETING SPEND?

For 36.5% of survey participants, 1-2% of revenue is dedicated toward local marketing. Almost one third do not require a specific amount – no change since last year. But of those who have no requirements, 45% also said “no, it’s too little,” indicating a desire to see a shift in that policy. Interestingly, almost half of the participants across the board do not feel that their franchisees’ marketing budget is adequate to compete effectively, a significant shift from last year when only 27% felt that way. As the market becomes more complex, marketing investments will become more and more critical, explaining this swing.

WHAT PERCENT OF REVENUE IS EACH OF YOUR FRANCHISEES REQUIRED TO SPEND IN THEIR LOCAL MARKET?



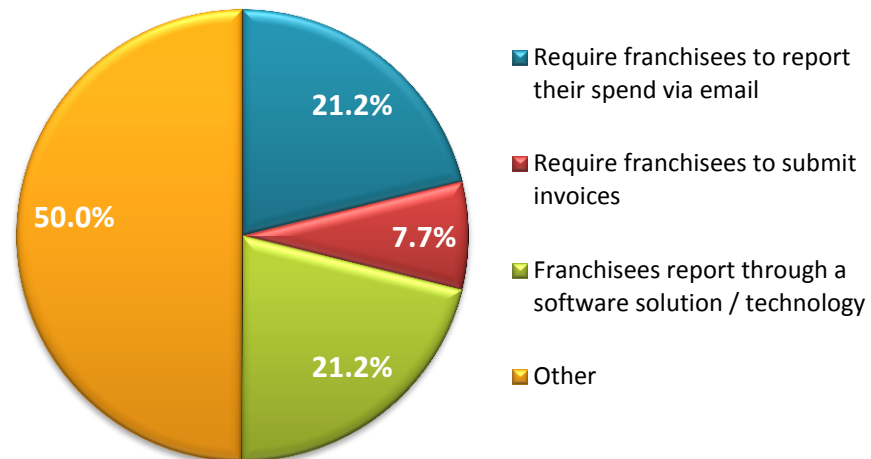
DO YOU FEEL THE AMOUNT FRANCHISEES ARE REQUIRED TO SPEND IS ADEQUATE TO EFFECTIVELY COMPETE?



HOW DO YOU TRACK LOCAL MARKETING INVESTMENT?

Tracking local marketing spend for each franchisee can be complicated without the proper tools. Of the 50% who answered “other,” 70% said local marketing spending for franchisees is either not tracked or not monitored sufficiently, while a small percentage of others capture it through P&L. Requiring franchisees to submit a report via email or track via software both came in at 21%.

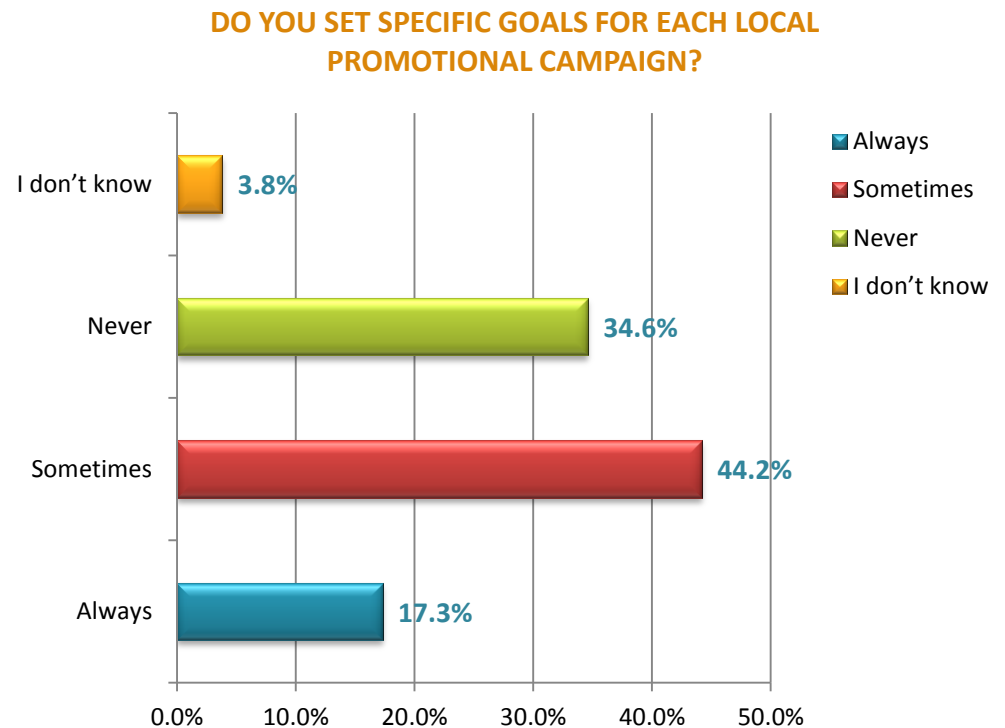
HOW DO YOU TRACK THE LOCAL MARKETING SPEND FOR EACH OF YOUR FRANCHISEES?



GOAL SETTING FOR LOCAL MARKETING INITIATIVES

When setting specific objectives for local promotional campaigns, 44.2% of participants said that they “sometimes” set goals for their franchisees. Surprisingly, nearly 35% said they never set goals. Only 17.3% always plan out clear goals for local campaigns.

37.5% of franchisors who answered “Never” require their franchisees to set their own objectives. Setting objectives *and tracking the success* is critical to achieving your local marketing goals. Leveraging tools to calculate ROI adds a level of control that allows marketing to justify an increase in spending in targeted areas and ultimately, increase quality lead generation.



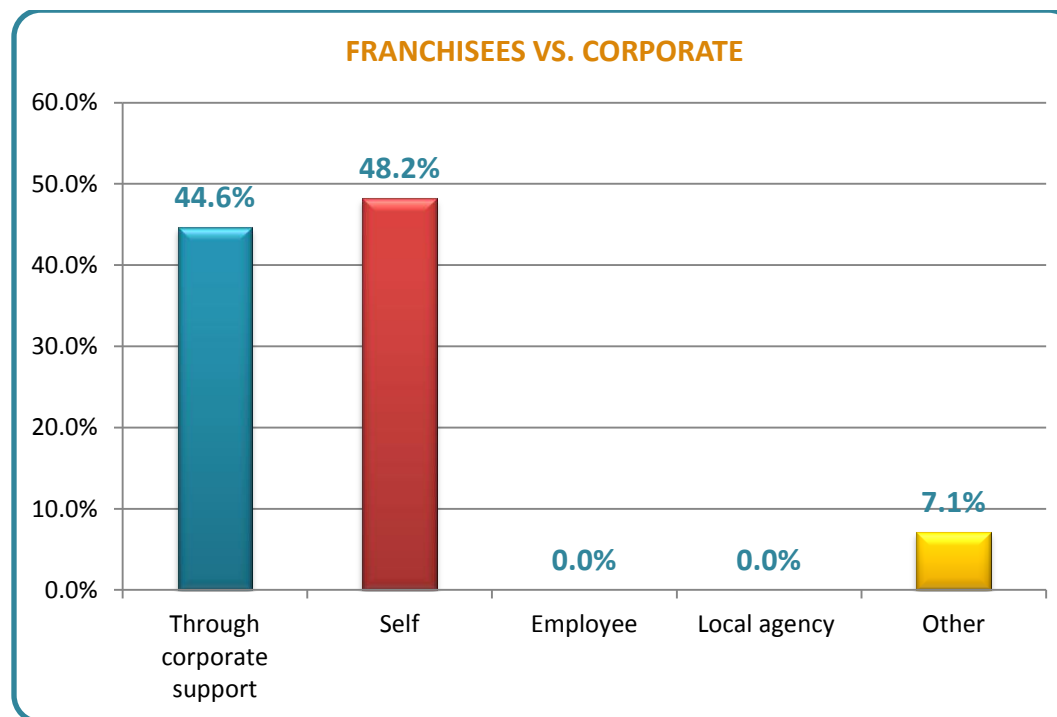
FOR A TYPICAL MARKETING CAMPAIGN, WHAT PERCENTAGE OF FRANCHISEES PARTICIPATE / FOLLOW THROUGH?

Franchisors with 25 stores or fewer had the greatest participation from franchisees in marketing campaigns, with an average of 62%. The next highest was franchisors with 26-100 units; however, more units does not always equal less participation. Franchisors with 1,000 or more units had the third highest participation, while 500-999 stores came in last with less than 40% franchisee follow through.

Franchisors with fewer than **25 units** have the
greatest participation at **62%** while
the total field averages **53%**

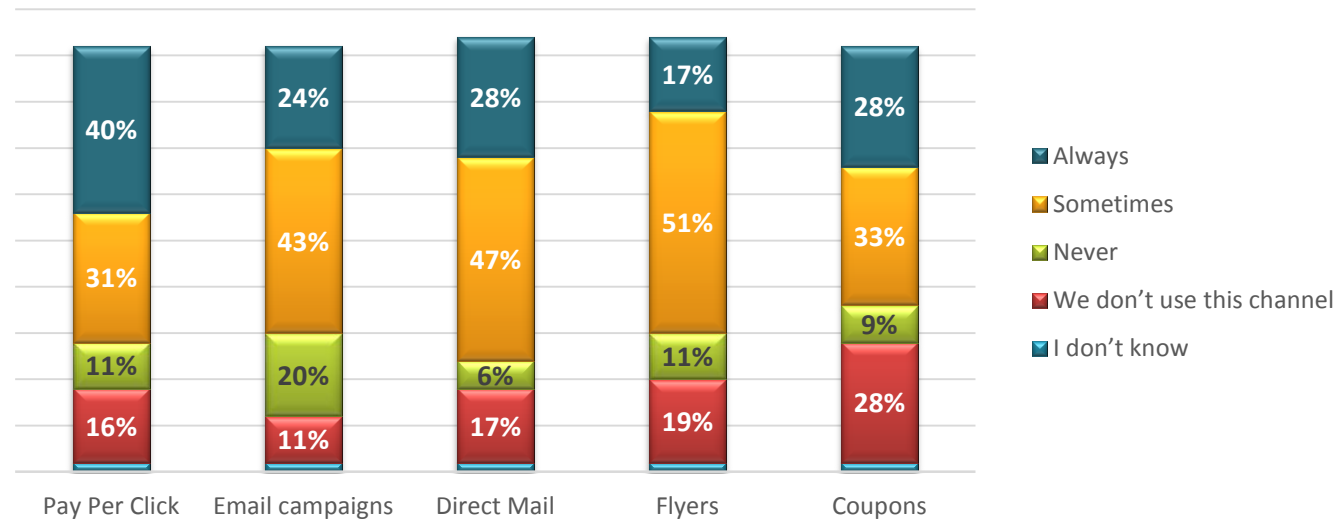
HOW IS LOCAL MARKETING MANAGED?

Almost half (48.2%) of franchisees manage local marketing themselves. A close second is “through corporate support” with 44.6%. 7.1% answered “other,” which typically meant a combination of the two.



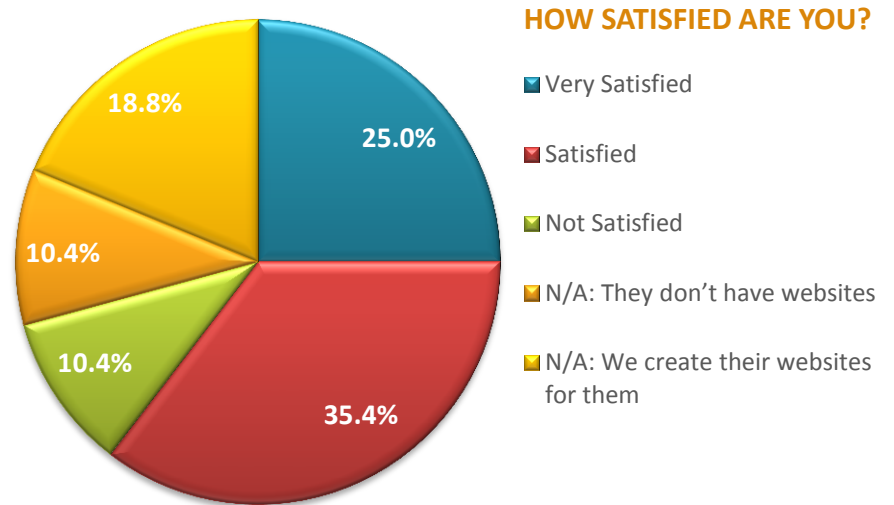
DO YOU MEASURE RETURN ON INVESTMENT (ROI)?

What are you getting from the dollars you spend on your local marketing campaigns? Tracking the ROI on your marketing spend allows you to identify strong performing programs and modify (or eliminate) those that are not giving you a good return. Make sure you have systems in place that allow you to track metrics.



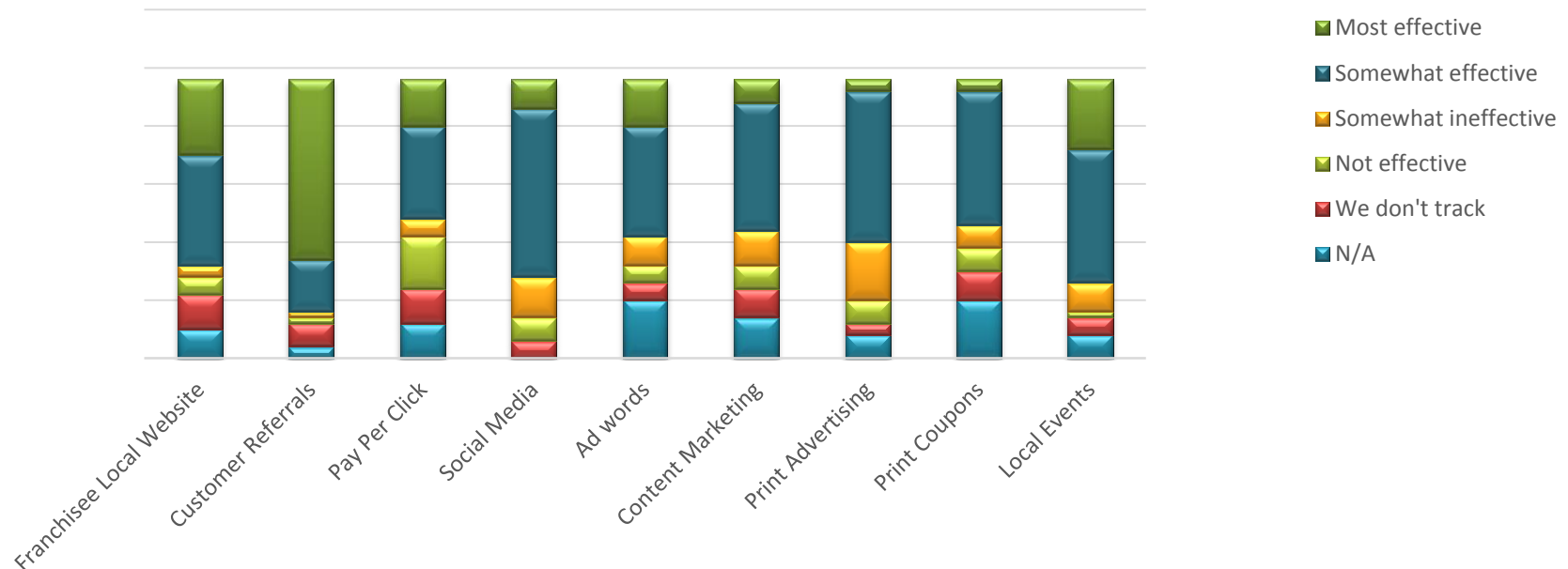
LOCAL FRANCHISEE WEBSITES: DO THEY REPRESENT YOUR BRAND WELL?

35.4% are satisfied with local franchisee websites. 25% are very satisfied, and only 10.4% are not satisfied. Almost 20% of franchisors (18.8%) create the websites for each location. 10.4% do not have local websites. Websites have been proven to be one of the most effective lead sources. The importance of having a local web presence that is consistent with your branding but allows you to create very targeted messaging cannot be overstated.



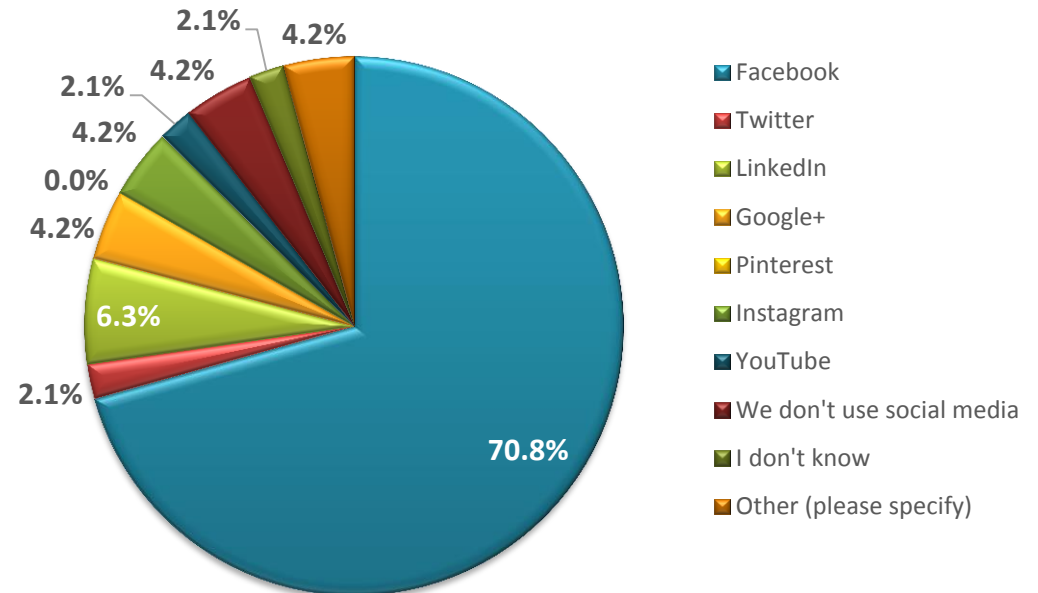
WHAT'S YOUR BEST LEAD SOURCE?

By far, the most effective quality lead source is customer referral, followed by local franchisee websites and local events. Respondents felt that these were the most successful in ultimately leading to sales for the franchisee. Social media and print advertising were reported as “somewhat effective.” This underscores the importance of well-planned communications and outreach, as well as the significance of having an effective online presence. Although we see that social media has not been seen as wildly effective, anecdotal evidence shows that ignoring social media can be a huge mistake. Reputation management has a huge impact on your recruiting, and it is critical to ensure that you have the right systems in place to handle your digital image.



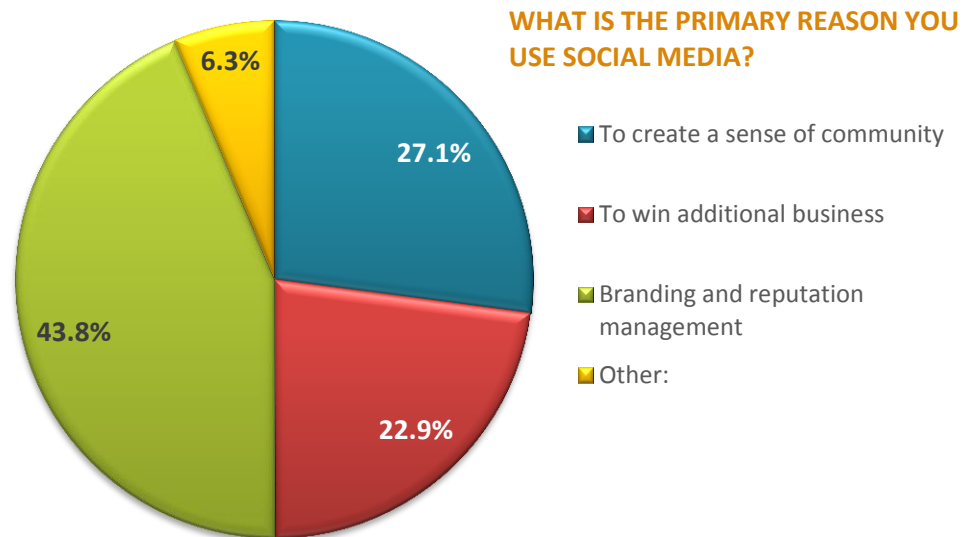
WHAT IS YOUR MOST EFFECTIVE SOCIAL MEDIA CHANNEL?

Once again, Facebook (70.8%) is the clear winner with a 9.3% increase over last year! LinkedIn is a distant second at 6.3% efficiency. This is contrary to what franchisors typically experience with their sales and recruitment strategies where LinkedIn is as important a target as Facebook. The difference is the target market. Consumers behave differently when buying for themselves rather than looking for business opportunities. Facebook engagement is significantly higher with consumers, where people openly recommend (or tear down) restaurants, online stores, specific products, and services.



SOCIAL MEDIA USE

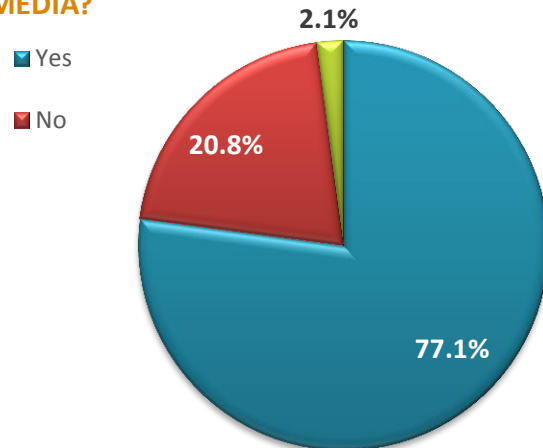
Branding and reputation management (43.8%) is the primary reason businesses use social media. Creating a sense of community (27.1%) and winning additional business (22%) follow behind. None of the survey participants say that they primarily use social media to attain customer feedback, which could potentially be a valuable tool in your arsenal. We expect that to slowly begin to increase as franchisors and franchisees begin to see the value in actively engaging the customer.



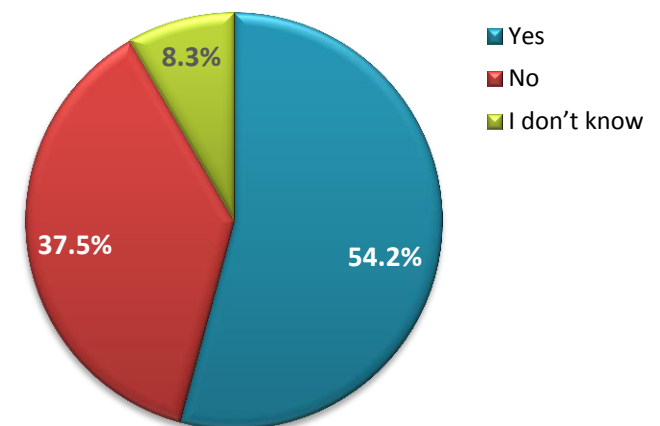
SOCIAL MEDIA: POSTS AND OVERSIGHT

An overwhelming 77.1% report that franchisees post their own content to social media. But perhaps more importantly, with so many franchisees participating in online activities, where is the oversight? More than half of the participants (54.2%) reported they can verify that their franchisees oversee local social media accounts. But over one third cannot verify oversight and 8.3% do not know. Social media can make or break your brand reputation. It is critical to have systems in place that can monitor activity and implement response mechanisms to engage customers online. Which leads to our next question...

DO FRANCHISEES POST THEIR OWN CONTENT ON SOCIAL MEDIA?

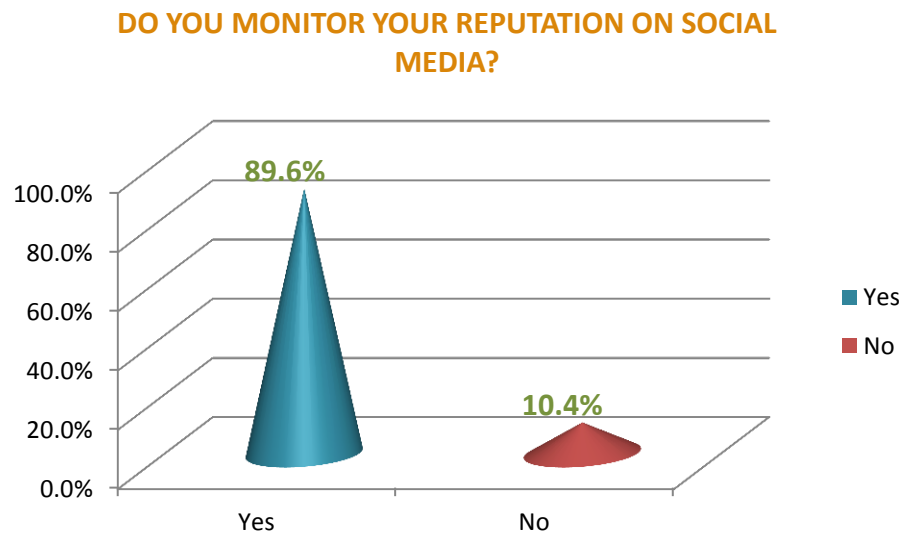


CAN YOU VERIFY THAT YOUR FRANCHISEES OVERSEE THE ACTIVITY ON THEIR LOCAL SOCIAL MEDIA SITES?



DO YOU MONITOR YOUR REPUTATION ON SOCIAL MEDIA?

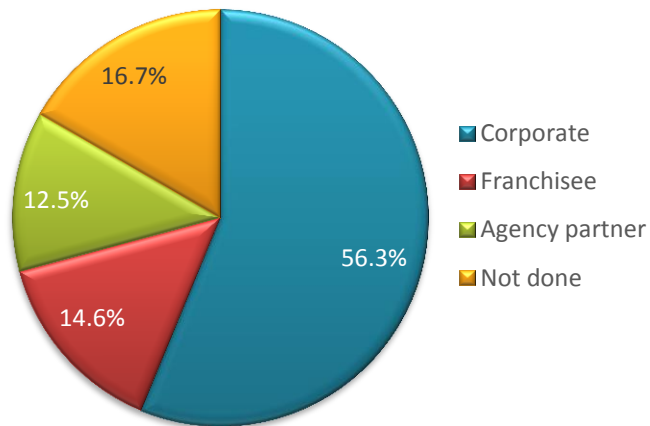
Almost 90% of participants (89.6%) say they monitor their reputation on social media. Franchisors and franchisees alike understand the importance of the role social media plays in protecting their standing in the market.



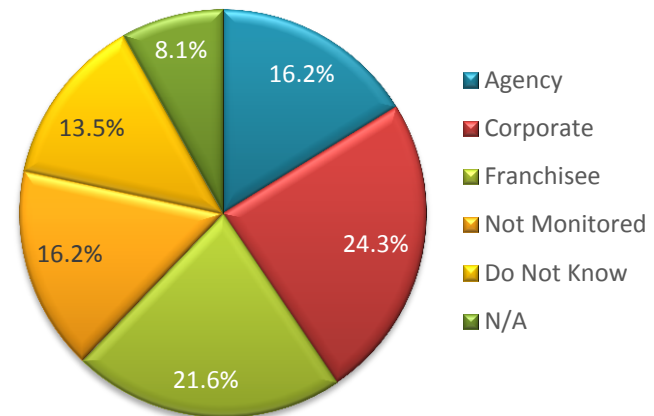
ONLINE DIRECTORY LISTINGS

Leveraging online directory listings for new franchisees are most often created by corporate (56.3%). Franchisees (14.6%) and agency partners (12.5%) also have control. 16.7% say new listings are not done. Of those who actively monitor and manage the online directory listings, over 65% handle it through corporate or an agency partner.

HOW ARE ONLINE DIRECTORY LISTINGS CREATED FOR NEW FRANCHISEES?



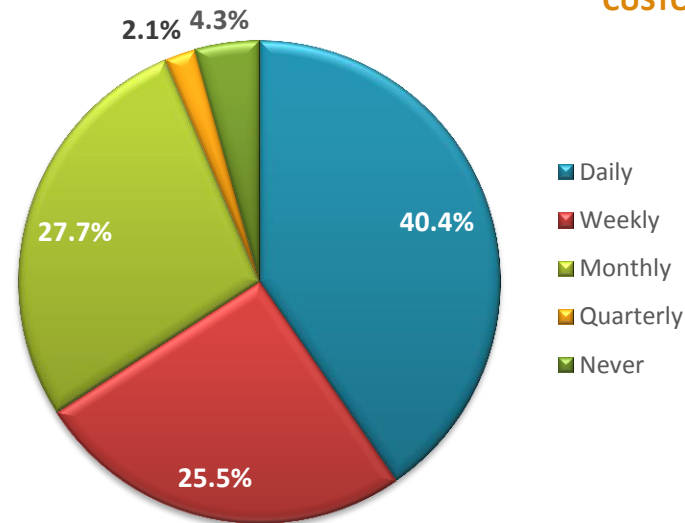
HOW ARE ONLINE DIRECTORY LISTINGS MONITORED/MANAGED?



ARE YOU EFFECTIVELY COMMUNICATING WITH YOUR CUSTOMERS?

Daily customer communication is the leader for this one! 40.4% of participants say they talk to their customers every day. Monthly (27.7%) and weekly communication (25.5%) follow up. Customer communications are clearly a critical part of local marketing. Our data shows us that the most effective communications are typically found when organizations manage outreach through CRM systems.

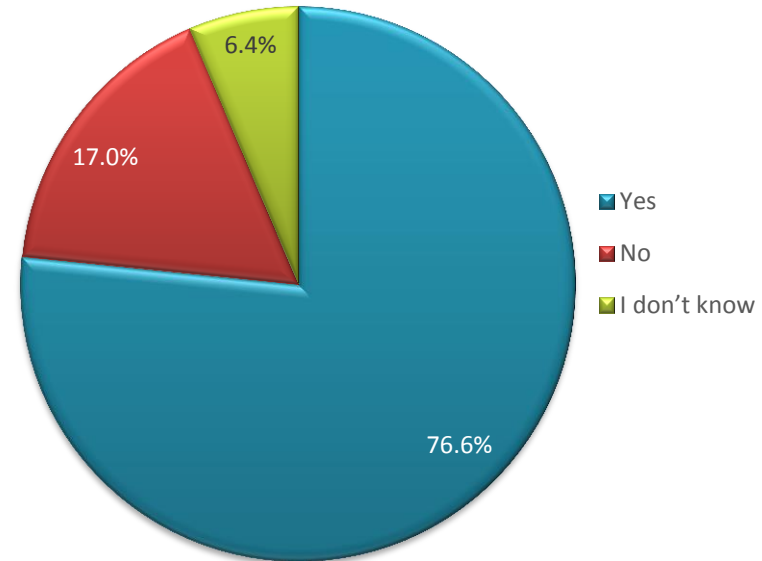
ON AVERAGE, HOW OFTEN DO YOU COMMUNICATE WITH YOUR CUSTOMERS?



EMAIL AS AN ENGAGEMENT TOOL

76.6% of franchisees do, indeed, engage their customers via email. Email can be an effective way to send out electronic coupons, announce special promotions, or even promote local events. It is easy to share, so customers can be encouraged to invite friends to participate or join your mailing list by forwarding the email.

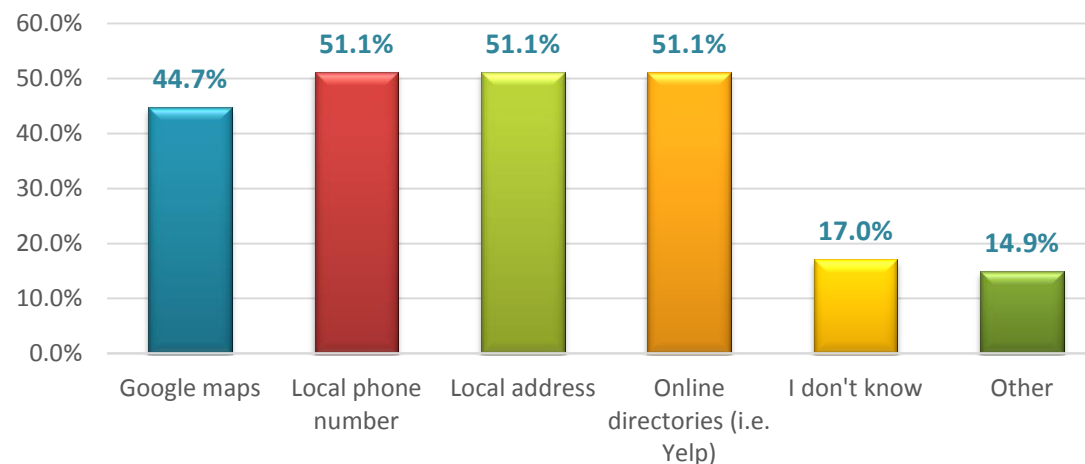
DO YOUR FRANCHISEES USE EMAIL TO ENGAGE THEIR CUSTOMERS?



MAXIMIZING LOCAL SEARCH TO ATTRACT NEW CUSTOMERS

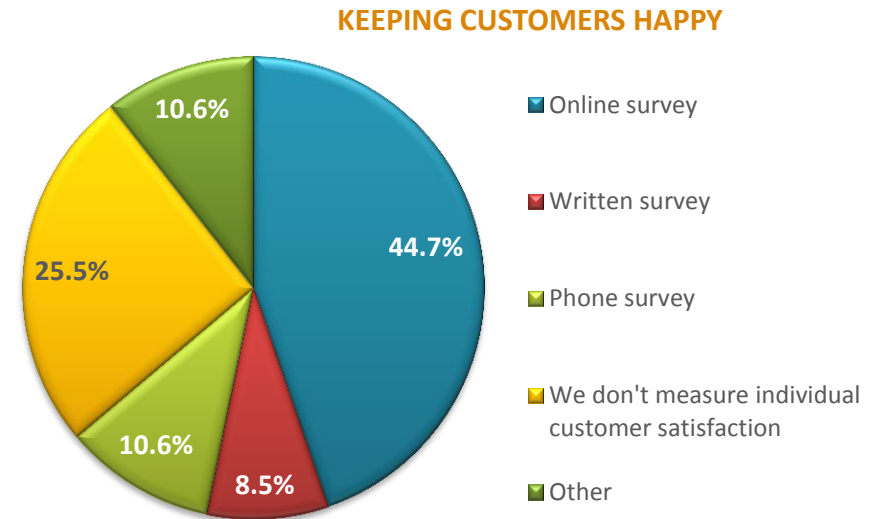
Respondents were asked to choose all options that applied. When searching for new customers in a local search, local phone number, local address, and online directories tied as the three most effective choices (51.1%). Google Maps (44.7%) was not far behind. 14.9% use other sources to optimize their local search. Almost one-third of those who chose “other” use SEO tools through their CRM systems.

WHAT ARE THE MOST EFFECTIVE WAYS IN WHICH YOUR FRANCHISEES MAXIMIZE THEIR LOCAL SEARCH TO ATTRACTING NEW CUSTOMERS?



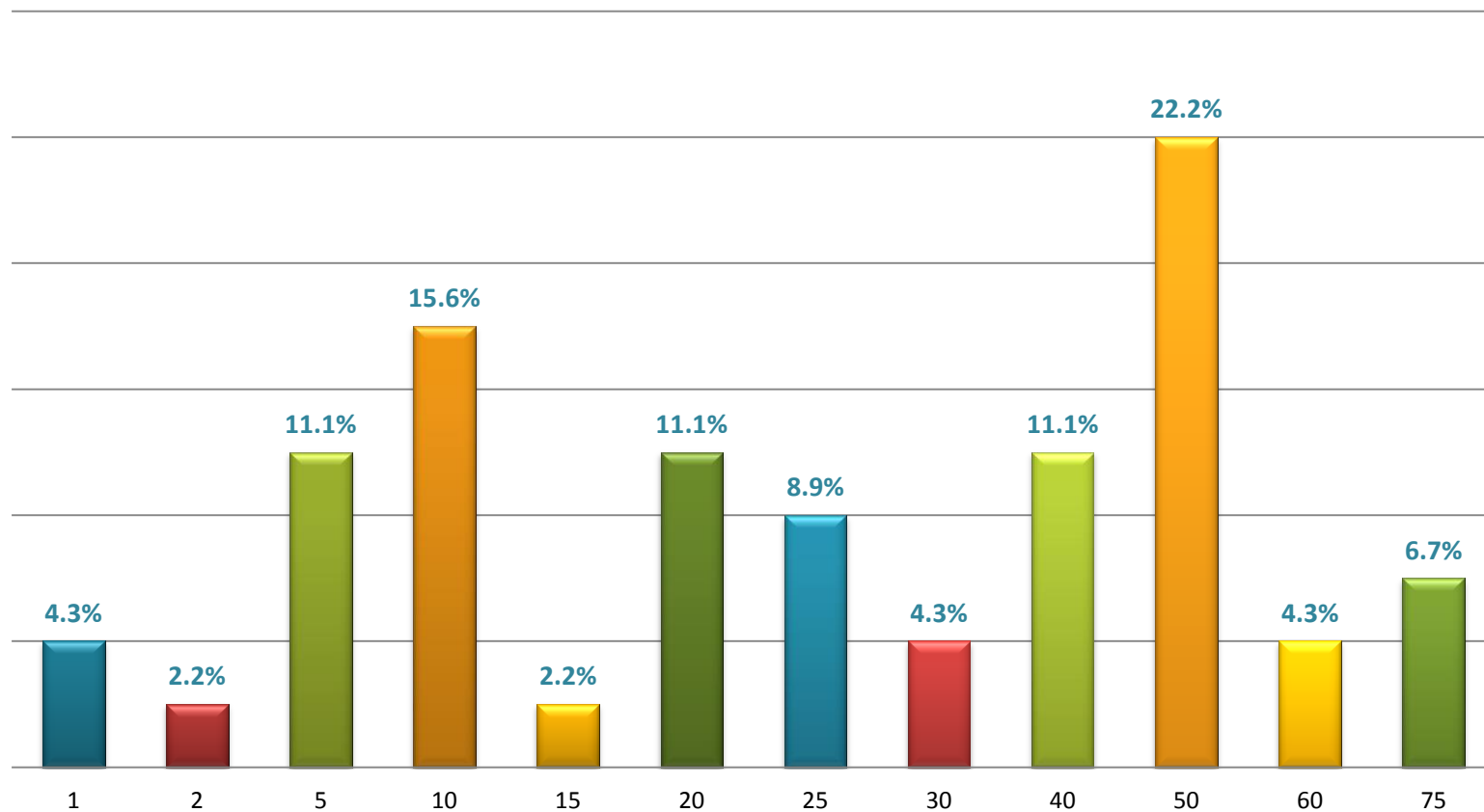
HOW DO YOU MEASURE INDIVIDUAL CUSTOMER SATISFACTION?

Online surveys (44.7%) are the most popular choice when measuring customer satisfaction. Phone surveys (10.6%) and written surveys (8.5%) are two other methods to obtain customer feedback but trail a good distance behind online surveys. Surprisingly, 25.5% do not measure individual customer satisfaction and 10.6% use other methods to track general customer satisfaction, such as mystery shopping, phone calls to a sampling of customers, monitoring reviews, and a combination of all of the above.



WHAT PERCENTAGE OF YOUR FRANCHISEES' TIME IS SPENT IN BUSINESS GENERATION / CUSTOMER ACQUISITION?

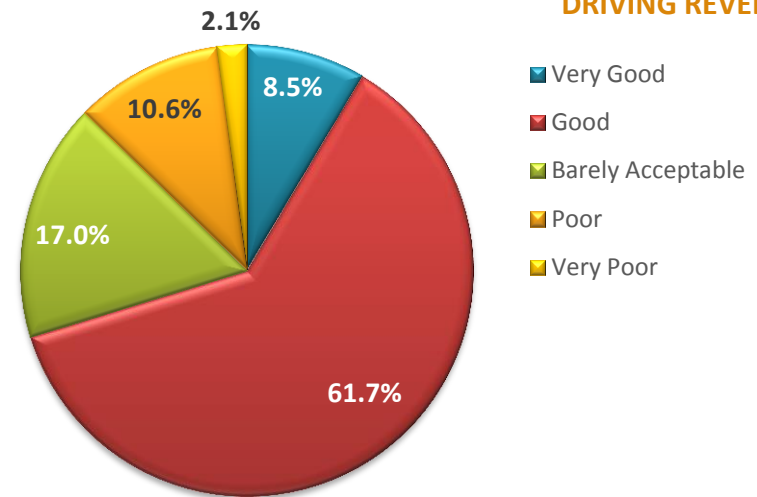
Most survey participants say 50% of their franchisees' time is spent in business generation and customer acquisition. This is where having technology in place to help franchisees more efficiently and effectively implement local marketing can be a huge advantage.



DRIVING REVENUE

Over 70% of respondents say their franchisees are good or very good at driving revenue development. 17% percent say their franchisees' efforts are barely acceptable. 12.7% are rated poor or very poor. As more and more franchisors and franchisees put local marketing programs and systems in place, we expect the Very Good percentage to increase substantially.

OVERALL, HOW EFFECTIVE WOULD YOU SAY YOUR FRANCHISEES ARE AT DRIVING REVENUE?



THE TOP THREE GREATEST LOCAL FRANCHISE MARKETING CHALLENGES?

Far and away the number one challenge for franchise marketing is lack of budget. This is where the importance of tracking metrics and determining ROI on all marketing programs becomes critical. If you can identify the most effective activities within your local markets, franchisees can streamline and revamp their programs, reducing costs and increasing sales.

