

2024

ANNUAL FRANCHISE DEVELOPMENT REPORT

Omni Aggregate Report

Results and Analysis

FRANCHISE
UPDATE
MEDIA

GROW WITH US



Franchise Update Media's Annual Franchise Lead Generation Survey

Welcome to our annual Franchise Lead Generation Survey, an initiative we've proudly led for more than a decade. At Franchise Update Media, we're committed to understanding the evolving landscape of franchising and providing crucial insights that help shape the industry.

Background

For the past 10 years, we have dedicated ourselves to surveying franchisors by delving into their franchise lead generation and franchisee recruitment processes. This annual project allows us to get a comprehensive grasp of

- **Current Trends:** Understand franchisors' current lead generation and recruitment strategies.
- **Emerging Strategies:** Spot what's new and innovative in the world of franchise lead generation.
- **Efficiency Analysis:** Recognize the methods and approaches that yield the best results.
- **Business Outlook:** Gain insights into franchisors' perspectives on current and future business performance.

For those of you who completed the survey, thank you for being an integral part of this journey with us. We hope this survey serves as a tool to enhance your franchise lead generation and recruitment efforts.

Examining the Past, Planning the Future

We surveyed 120 brands for our report. They represent a variety of segments: food, retail food, non-food retail, brick-and-mortar service, and service based on population and territory. The brands plan to grow by a total of 2,024 franchise units in the next year.

Full survey results, including investment levels, unit counts, and system-wide sales reports, will be available in November. When released, the report will document companies that are exceeding, hitting, or missing their goals. It'll feature a deeper dive into the use of brokers to attract new franchisees. In addition, there will be a breakdown of companies selling single or multiple franchises or both. (As a quick preview, 21% of respondents said they sell only single franchises.)

Franchise Lead Generation & Recruitment: Key Takeaways

Franchise Update Media is pleased to provide actionable insights to the franchising community. Here's an overview of the current landscape and significant findings from our survey:

- **Positive Business Outlook:** Franchisors express a buoyant outlook on business growth. However, interest rates and inflationary pressures are obstacles to overcome going forward.
- **Digital Dominance:** In general, digital budgets remain consistent with a continued focus on lead generation through digital channels.
- **SEO & Pay-Per-Click (PPC):** These continue to dominate digital spending and deliver results for digital lead generation.
- **Social Media & Franchise Portals:** Both are potent forces in the digital landscape. Despite a decrease in portal budgets, they're significant sources of successful deals.
- **Broker Networks:** 44% of survey respondents rely on brokers for franchisee recruitment or lead generation. The data shows that broker networks can fill a need in the lead generation process. Brands that exceed goals use brokers as part of their lead generation programs, but brokers are not the sole drivers of leads.
- **Multichannel Media Strategy:** Employing diverse media channels for franchisee recruitment remains a successful strategy. Brands that adapt by directing funds to the most effective channels have higher chances of achieving their goals.
- **Smart Outreach:** Responsive franchisors recognize the importance of meeting prospects on multiple fronts. It's all about being present wherever potential franchisees are looking. This multi-pronged approach ensures a broader reach and higher chances of successful conversions.
- **Cross-Brand Franchisees:** Many franchise brands boast franchisees who are also franchisees with other systems. This cross-pollination means multi-unit operators with diverse backgrounds can apply their hard-earned skills and experience to benefit a variety of brands.
- **The Role of Financial Performance Representations (FPRs):** Most franchisors acknowledge the crucial role of FPRs in their recruitment strategies, and a majority have integrated them into their processes.
- **High Resale Percentages:** Franchise brands have seen significant resales. There could be multiple reasons, including brand maturity and changing market dynamics.

Franchise Update Media's Annual Franchise Lead Generation Survey

Franchise Recruitment Media Budgets & Performance Insights: 2024

The franchising industry is in flux, influenced by global events, economic shifts, and changing consumer behaviors. Franchisors must stay agile, informed, and responsive to these changes to ensure sustained growth and success.

Franchise Update Media remains committed to delivering timely insights into the ever-evolving franchising landscape. Our survey findings suggest intriguing shifts and trends for 2024:

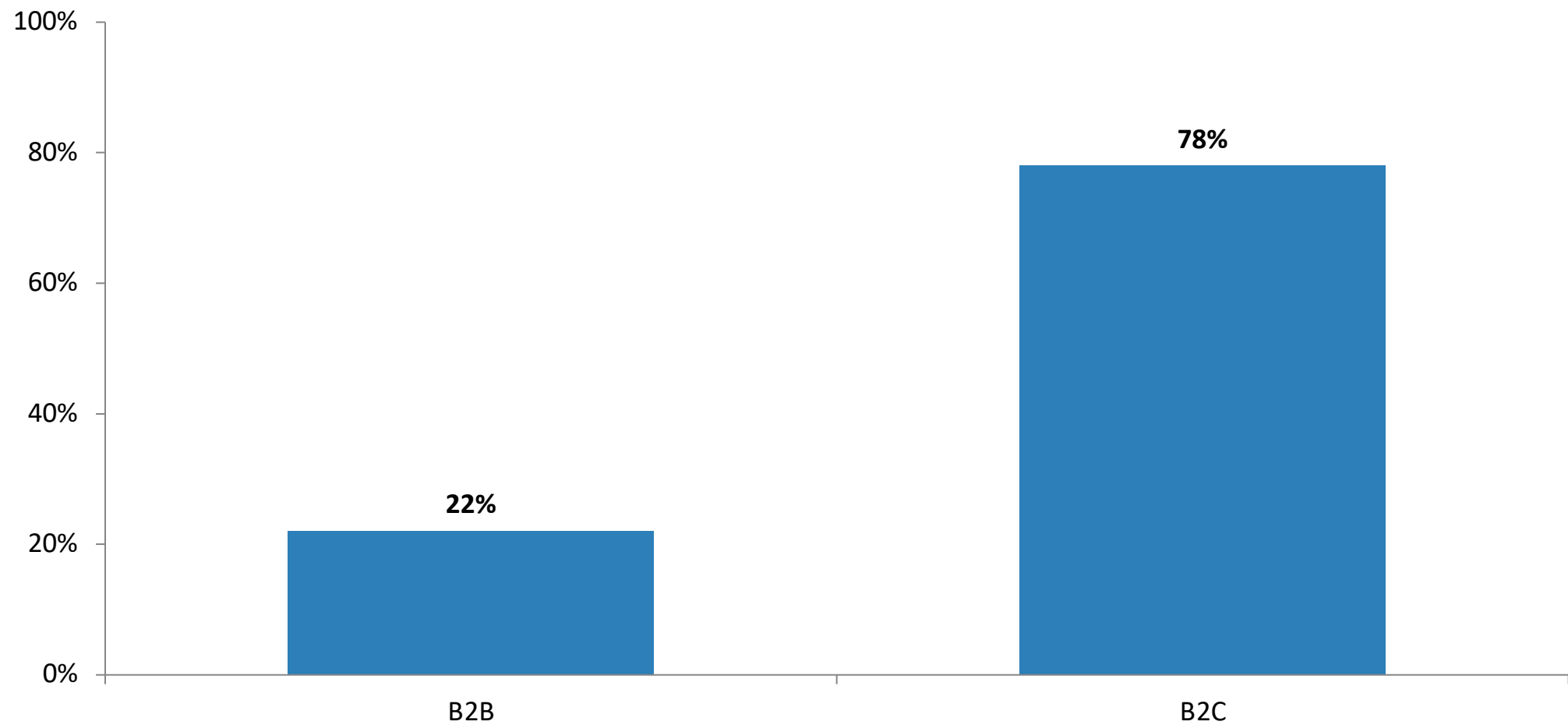
- **Delayed Media Budget Finalization:** It's noteworthy that a significant number of respondents—a larger percentage than we've ever observed—have yet to finalize their media budgets for franchise recruitment by the end of August 2023. The exact reasons for this delay require further exploration.
- **Positive Trajectory:** 53% of franchisors are either on target or exceeding their recruitment goals for the year.
- **Room for Improvement:** Conversely, 47% of respondents find themselves below their set recruitment goals. Future research is needed to investigate specific reasons for underperformance.
- **Social Media Deals:** Social media's influence remains strong in franchise recruitment. A considerable 46% of participants reported securing deals through these channels, emphasizing the importance of a robust online presence and strategy.
- **Adapting to Rising Costs:** 23% of surveyed franchisors have implemented strategies to lessen initial expenses for potential franchisees, including
 - reducing franchise fees
 - cutting royalty fees
 - minimizing build-out expenses
 - introducing alternative build-out options

With the cost of doing business at historic highs, such strategic adaptations have proven beneficial for the franchisors surveyed.

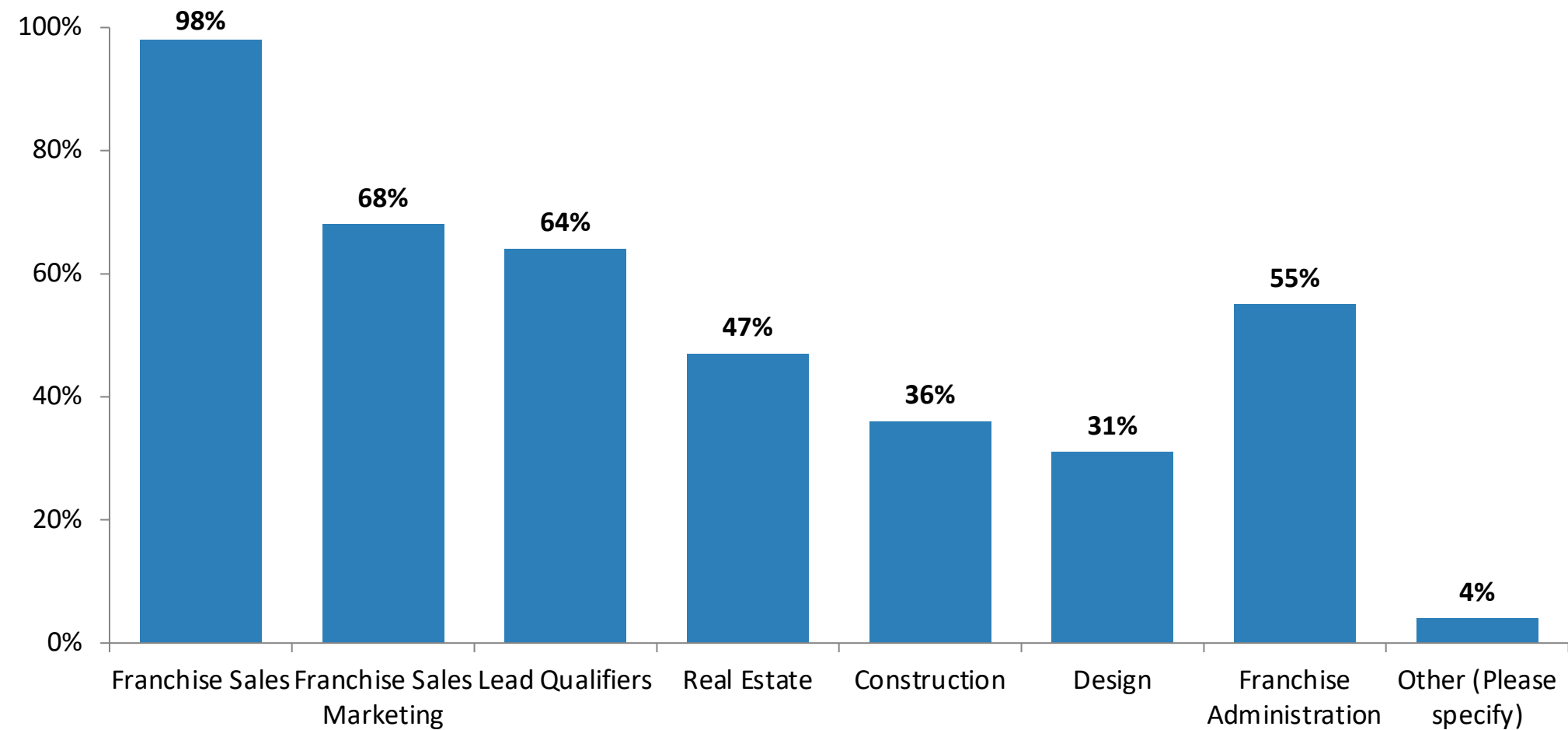
Thoughts for the Coming Year

The franchise landscape in 2024 suggests a mix of optimism, adaptability, and areas that need attention. As franchisors navigate this environment, ongoing insights and analyses will be pivotal when developing successful strategies and approaches.

What primary type of franchise organization are you?



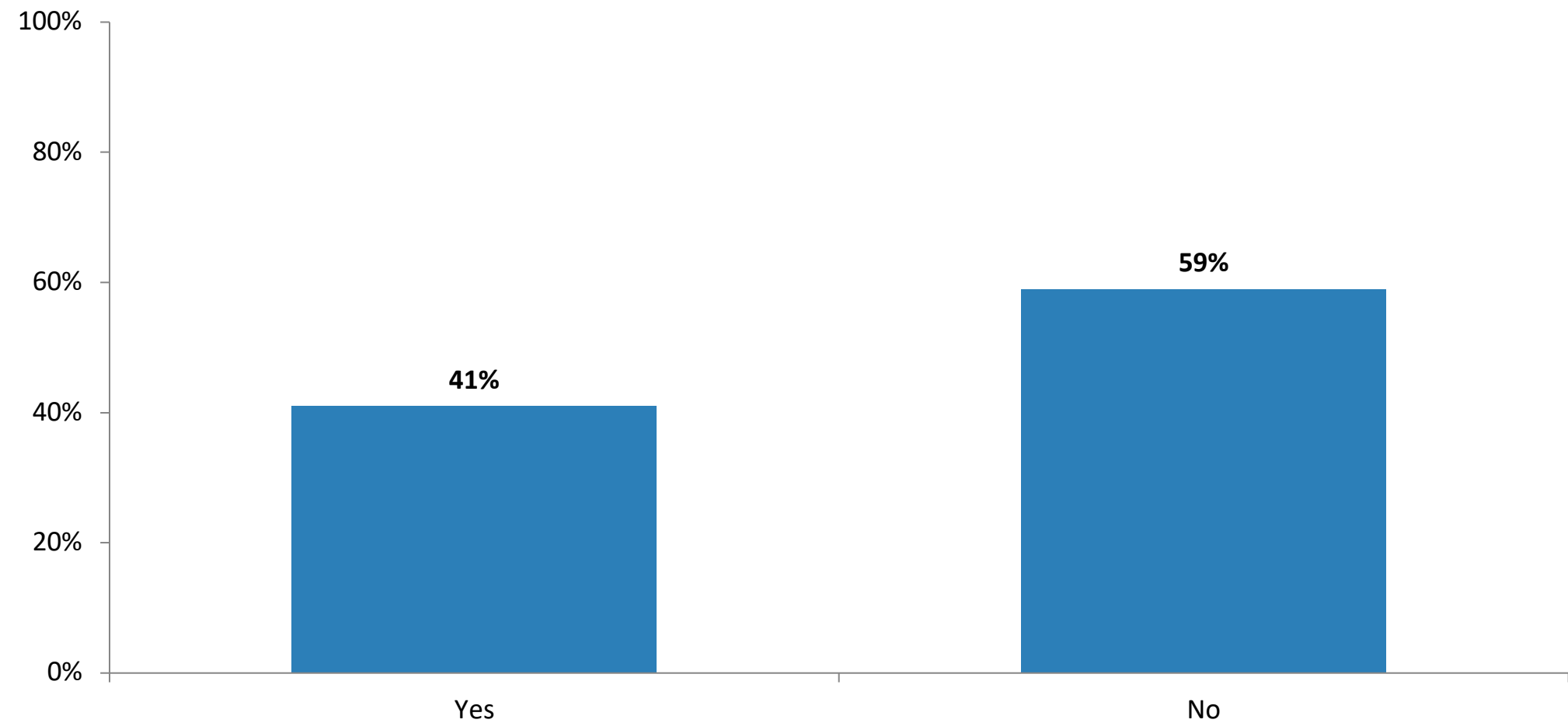
What roles do your development team include? (select all that apply)



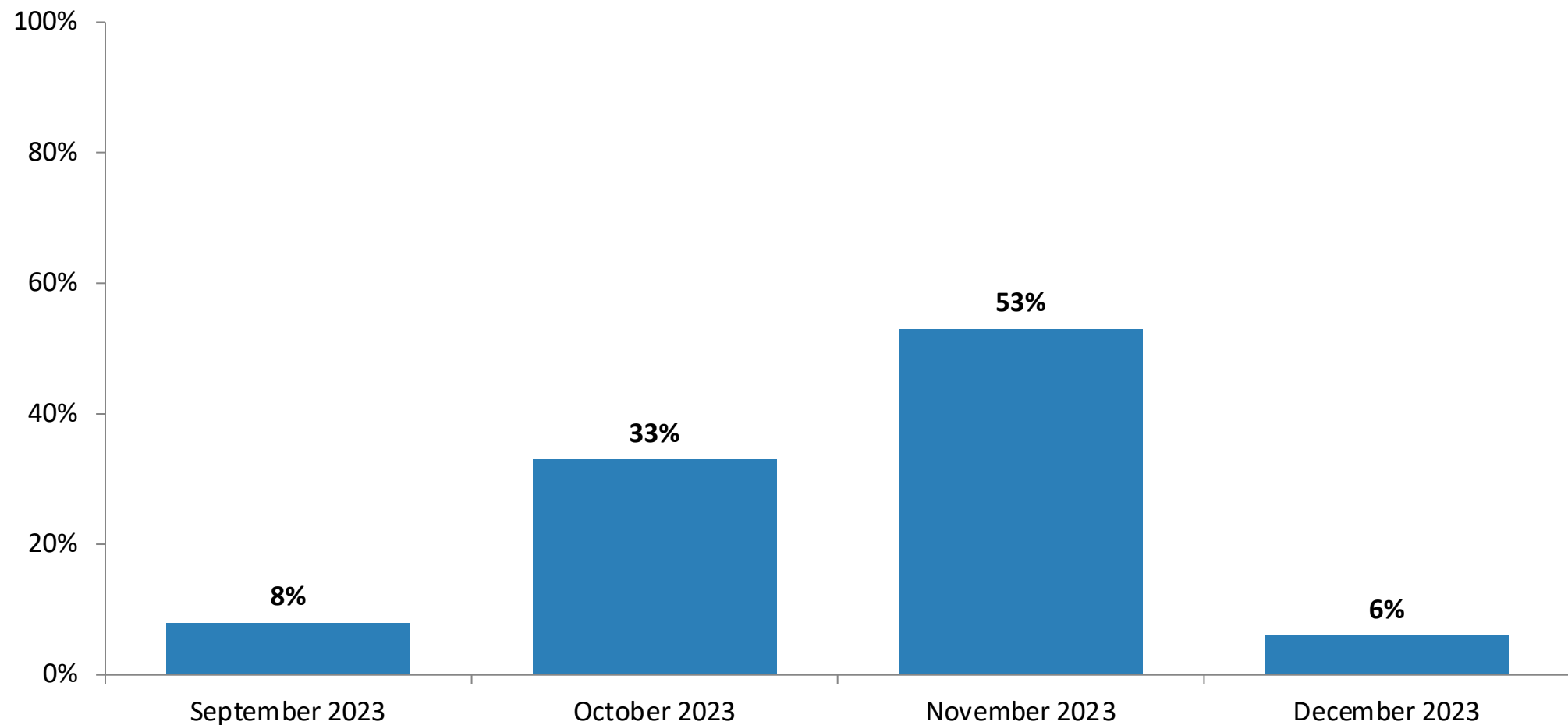
What is your overall franchise development employee budget annually? Include salaries, benefits, and bonuses. Only include employees of your brand. Budget is shown by systemwide revenue and number of units.

Segment	Mean	Median
\$0 - \$250,000	100,000.00	100,000.00
\$251,000 - \$500,000	306,250.00	275,000.00
\$501,000 - \$1M	211,250.00	262,500.00
\$1M - \$5M	165,000.00	150,000.00
\$5M - \$10M	336,250.00	300,000.00
\$10M - \$25M	284,375.00	300,000.00
\$25M - \$50M	288,500.00	250,000.00
\$50M - \$100M	271,833.33	203,500.00
\$100M - \$250M	440,937.50	365,000.00
\$250M - \$500M	1,170,000.00	500,000.00
\$500M - \$1B	1,103,571.43	450,000.00
\$1B - \$3B	1,200,000.00	650,000.00
Over \$3B	3,000,000.00	3,000,000.00

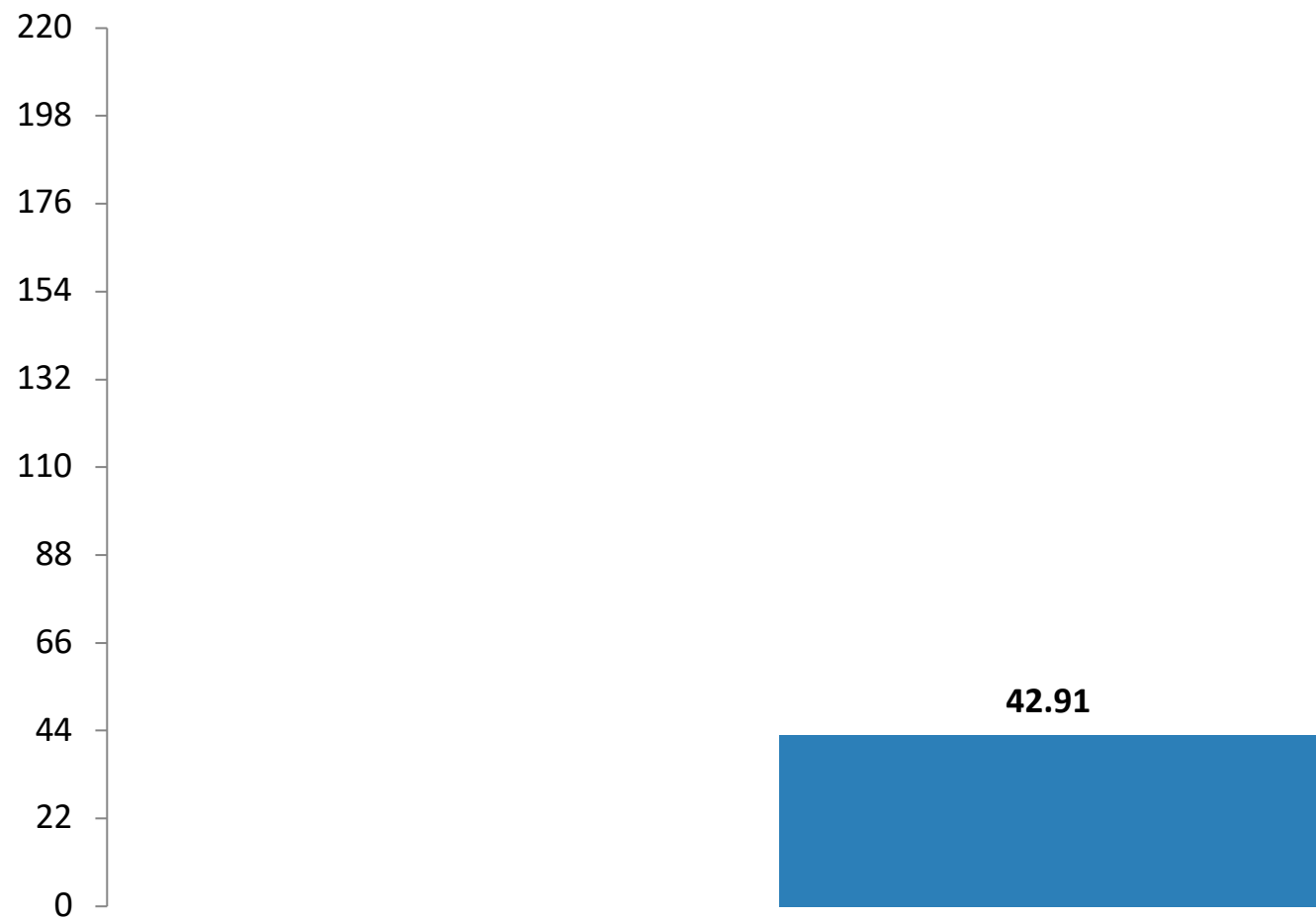
Have you established your franchise sales goals and development budget for 2024?



If you have not established your franchise sales goals and development budget for 2024, what month in 2023 will you do so?

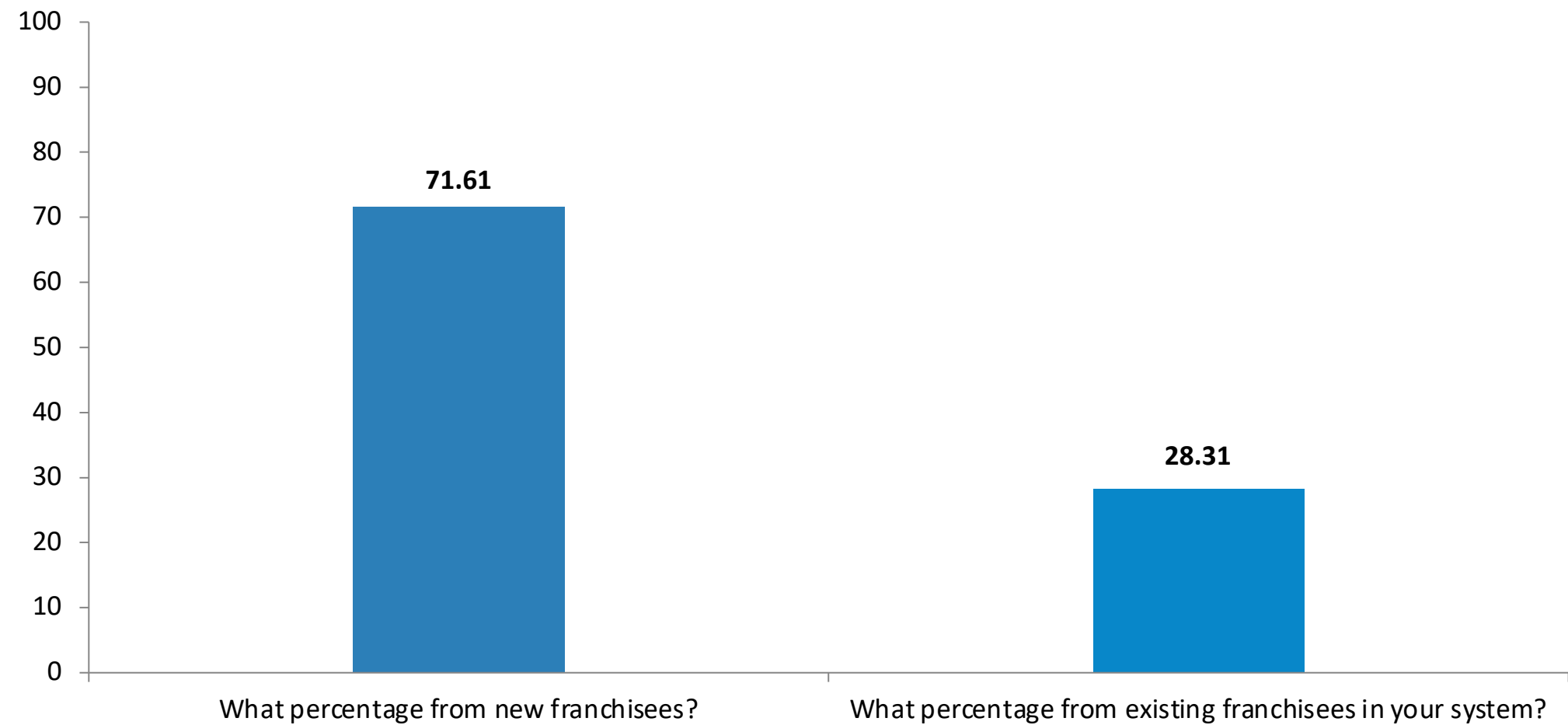


Approximately how many domestic franchise units do you project to sign franchise agreements for in 2024 (include number of units multi-unit franchisees represent)?



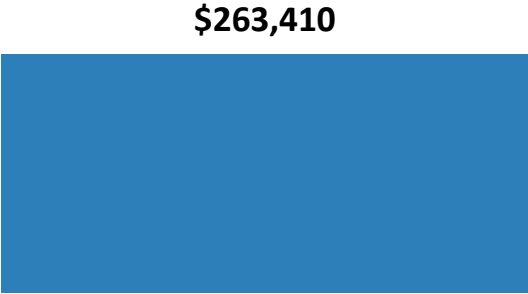
Mean	Median
42.91	25.00

What percentage from new franchisees?



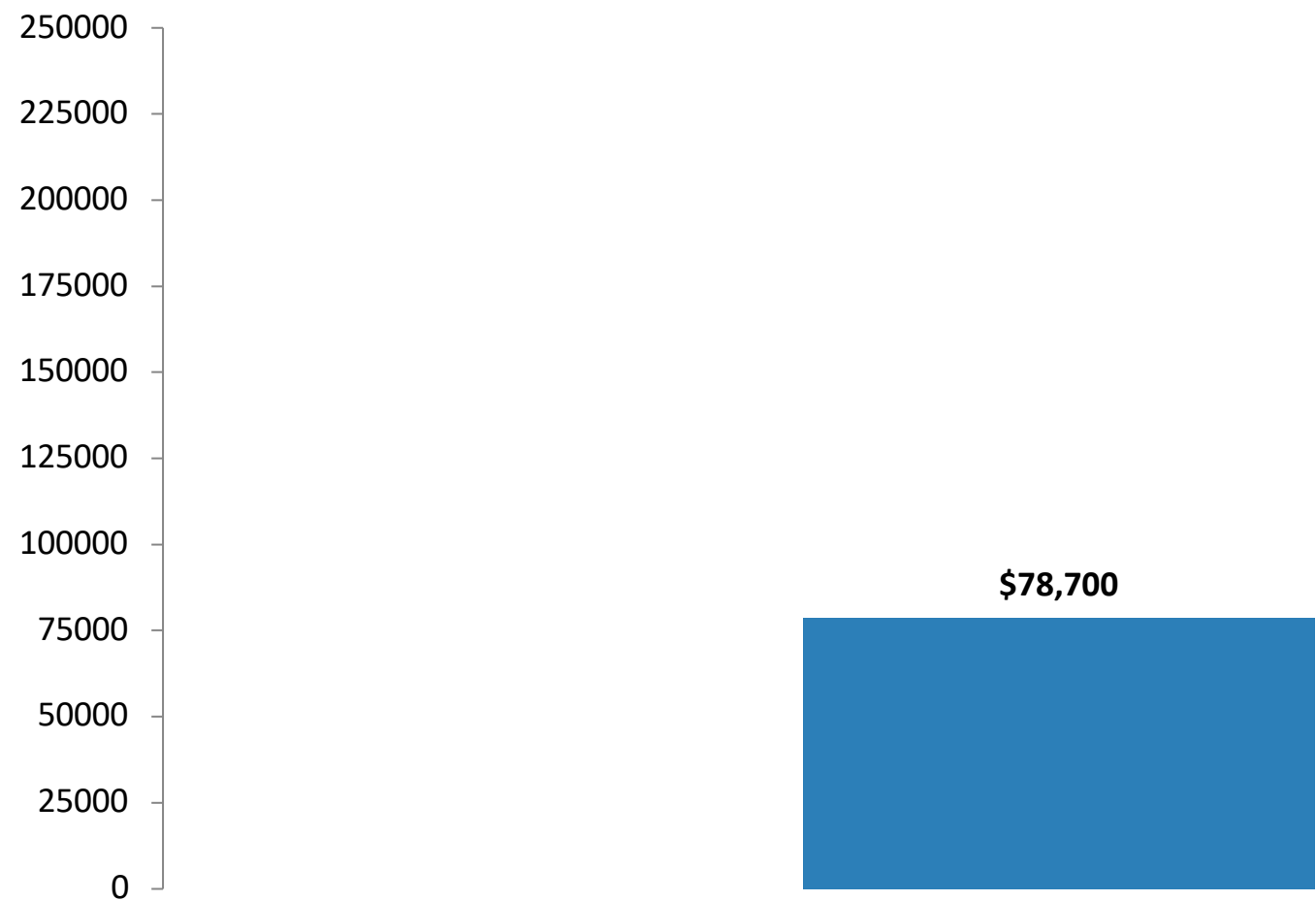
What is your estimated 2024 annual media budget for franchise recruitment and sales?
Include paid advertising/media expenses such as online, social media, print, direct mail, TV, radio, trade shows, travel and expenses and public relations dedicated to franchise recruitment.
DOES NOT include fees for Brokers or FSOs.

981500
883350
785200
687050
588900
490750
392600
294450
196300
98150
0



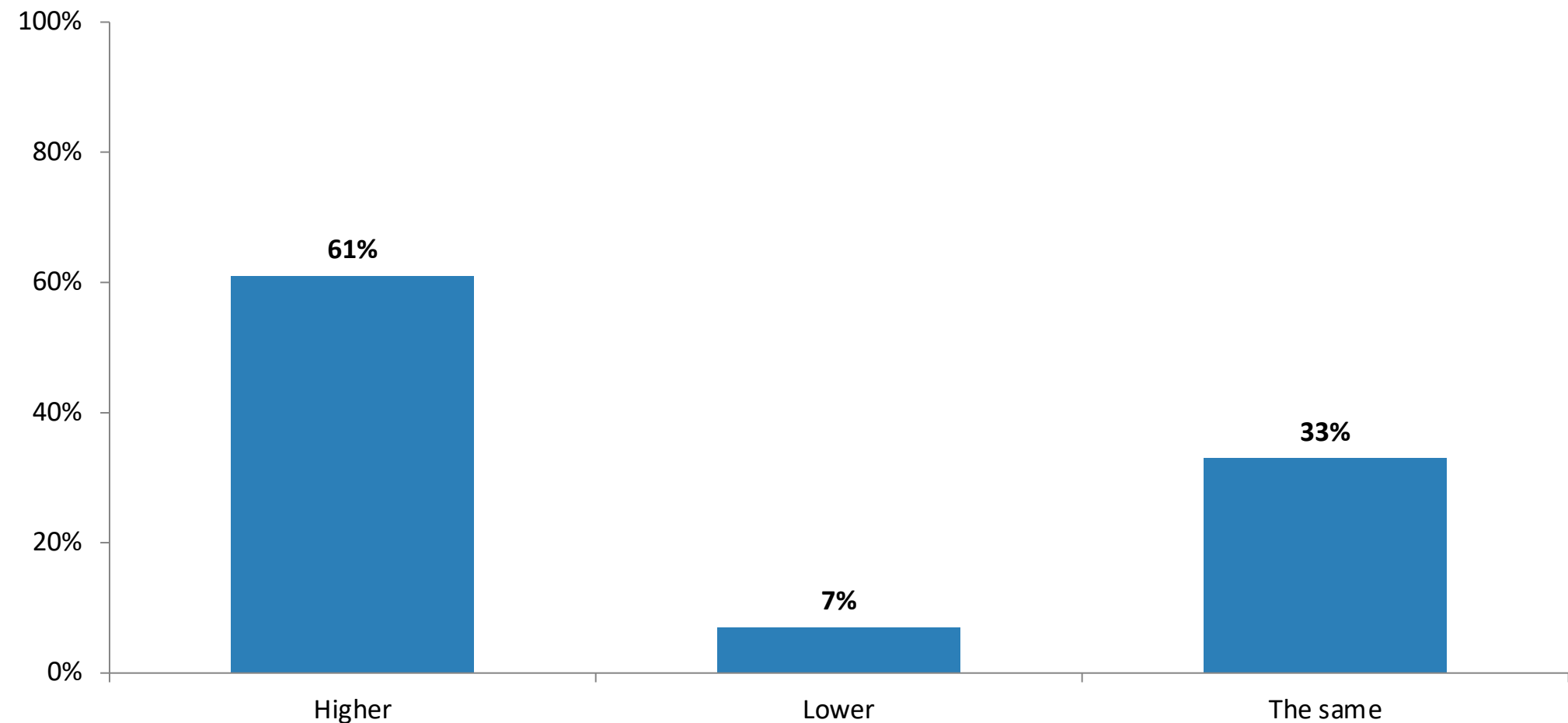
Mean	Median
\$263,409.09	\$185,000.00

What is your estimated 2024 annual budget for brokers you use for franchisee recruitment?
Include broker membership fees, marketing fees to drive leads to brokers, broker conference fees
to also include travel/hotels.
Do not include Success Fees here.

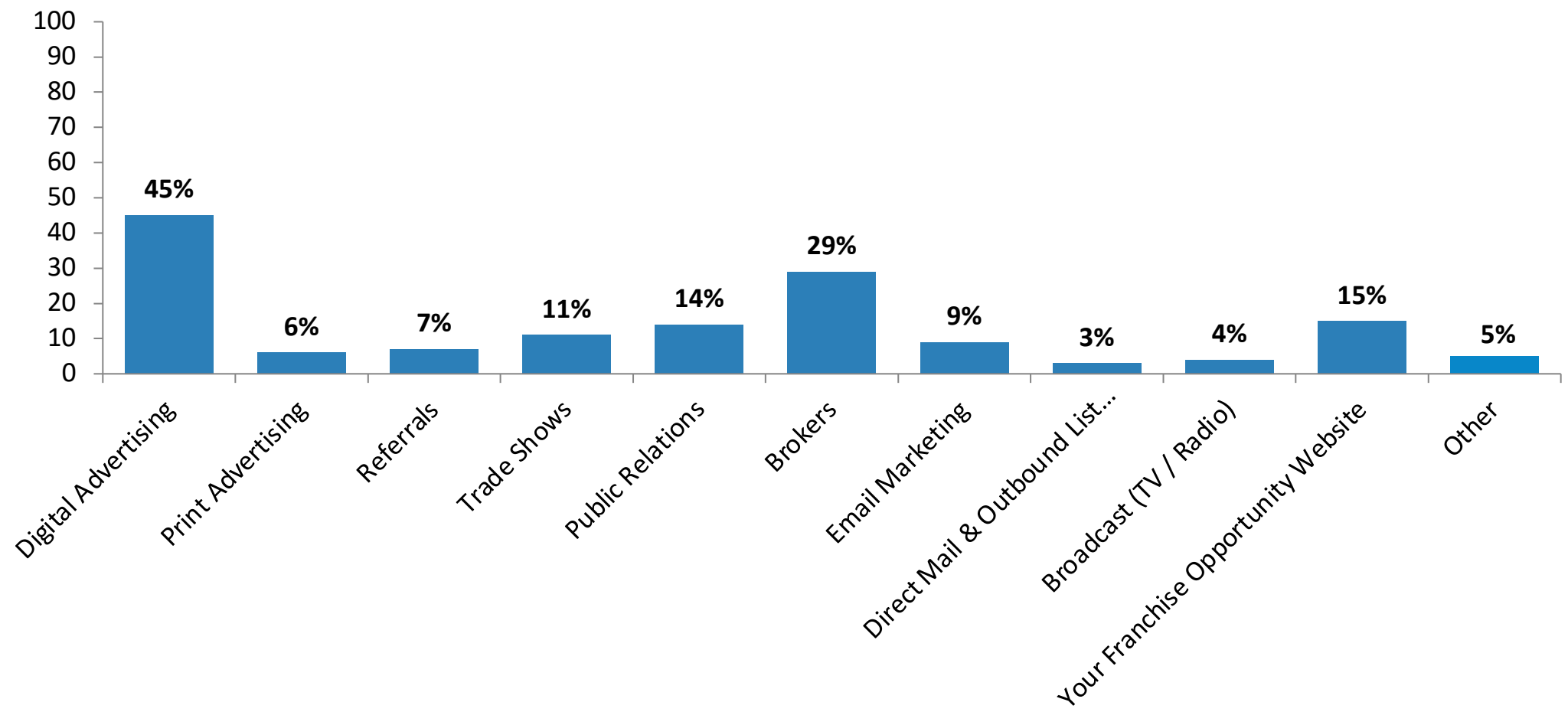


Mean	Median
\$78,700.00	\$50,000.00

Is your 2024 recruitment budget higher or lower than your 2023 budget?



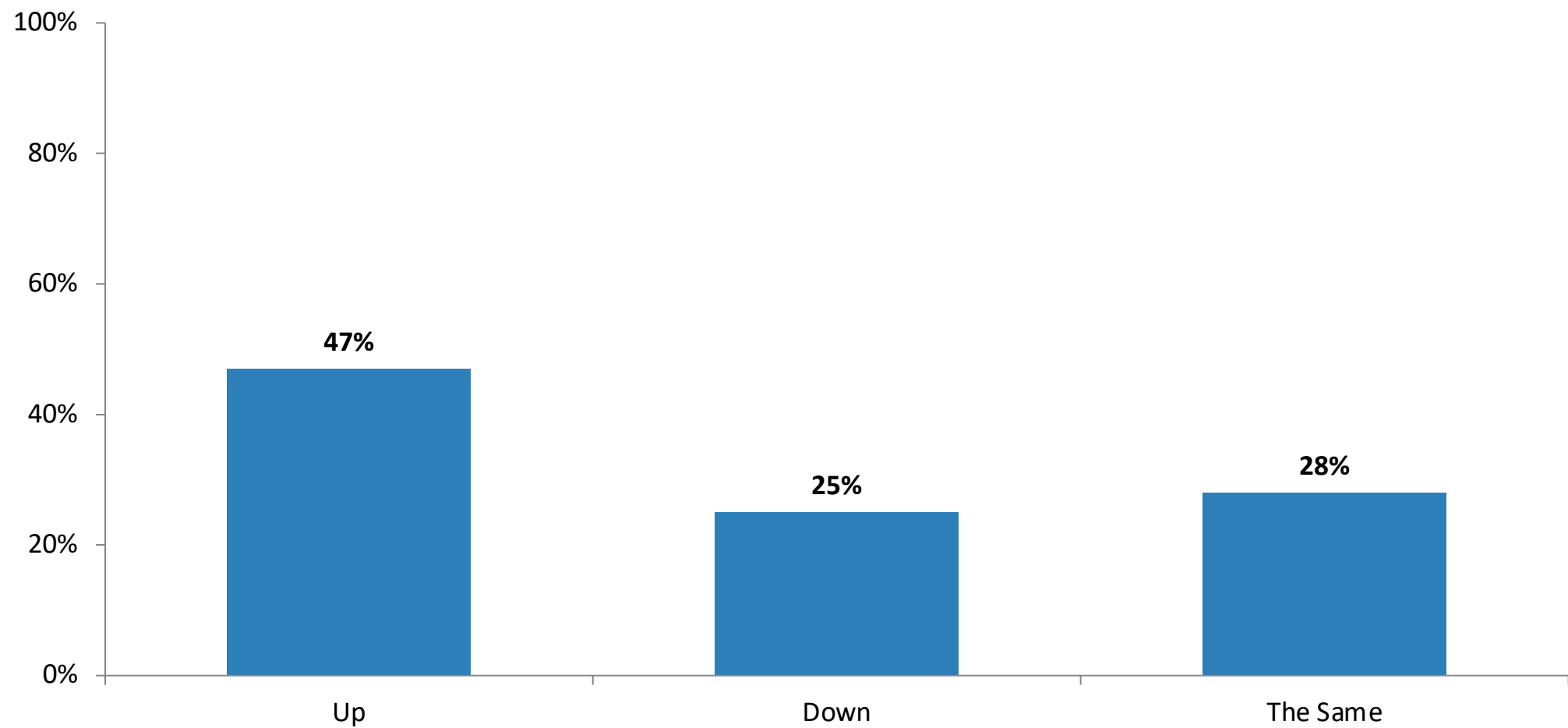
How will the franchise recruitment budget be allocated? (Must add up to 100%. Use a percentage for your answers ie Direct Mail 20; Print Advertising 30; etc)



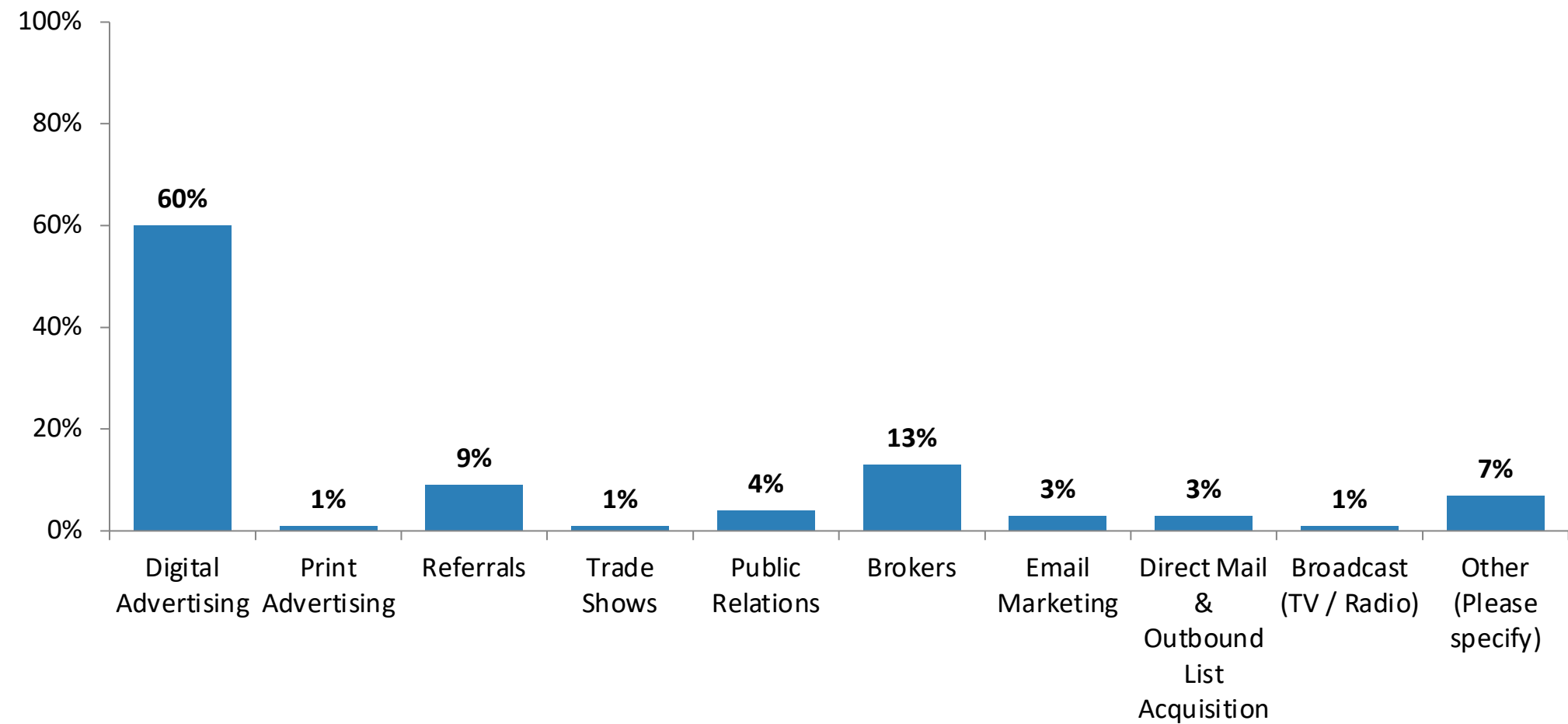
How will the franchise recruitment budget be allocated? (Must add up to 100%. Use a percentage for your answers ie Direct Mail 20; Print Advertising 30; etc)

	Mean	Median
Digital Advertising	45%	50%
Print Advertising	6%	5%
Referrals	7%	5%
Trade Shows	11%	10%
Public Relations	14%	10%
Brokers	29%	20%
Email Marketing	9%	5%
Direct Mail & Outbound List Acquisition	3%	0%
Broadcast (TV / Radio)	4%	0%
Your Franchise Opportunity Website	15%	10%
Other	5%	2%
Total Responses		

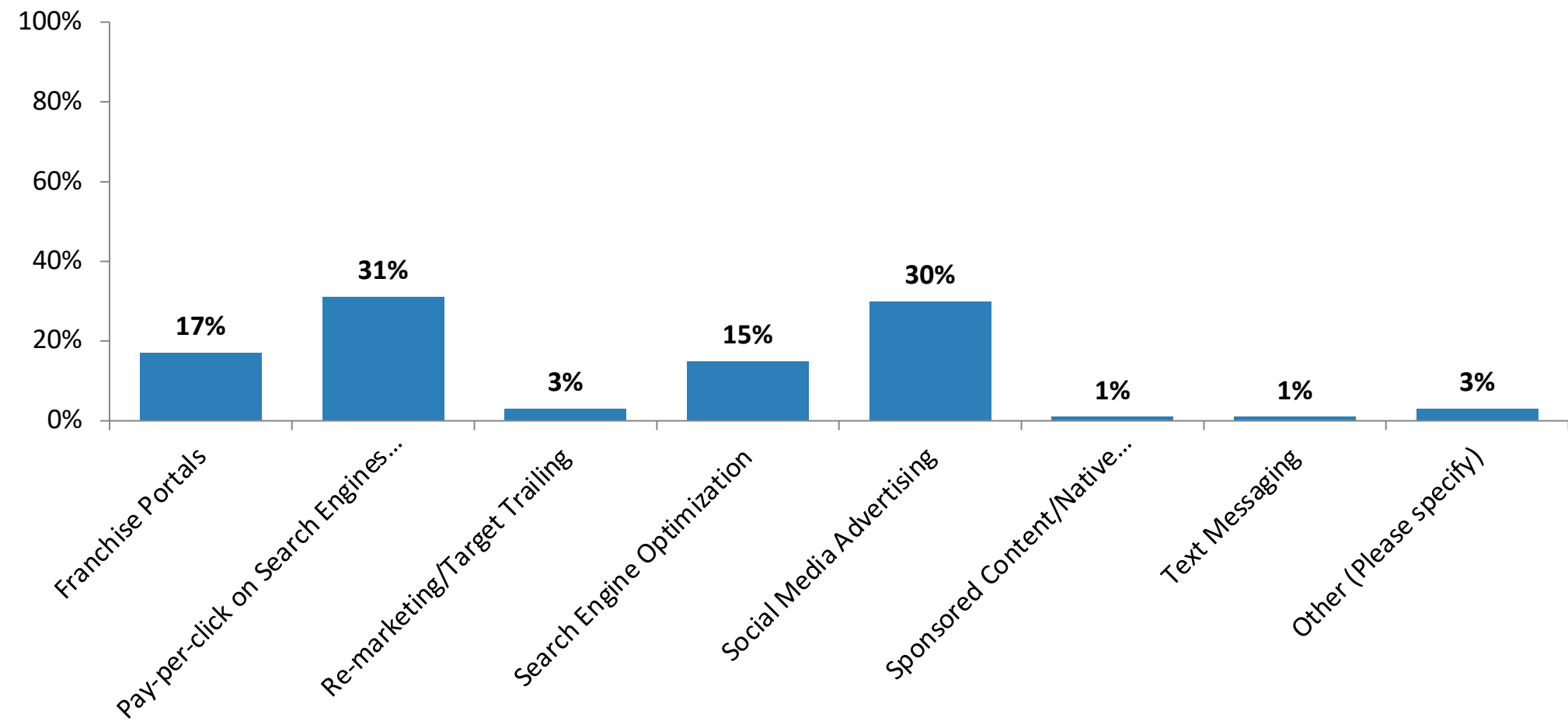
Is the quality of leads in 2023 up or down over 2022?



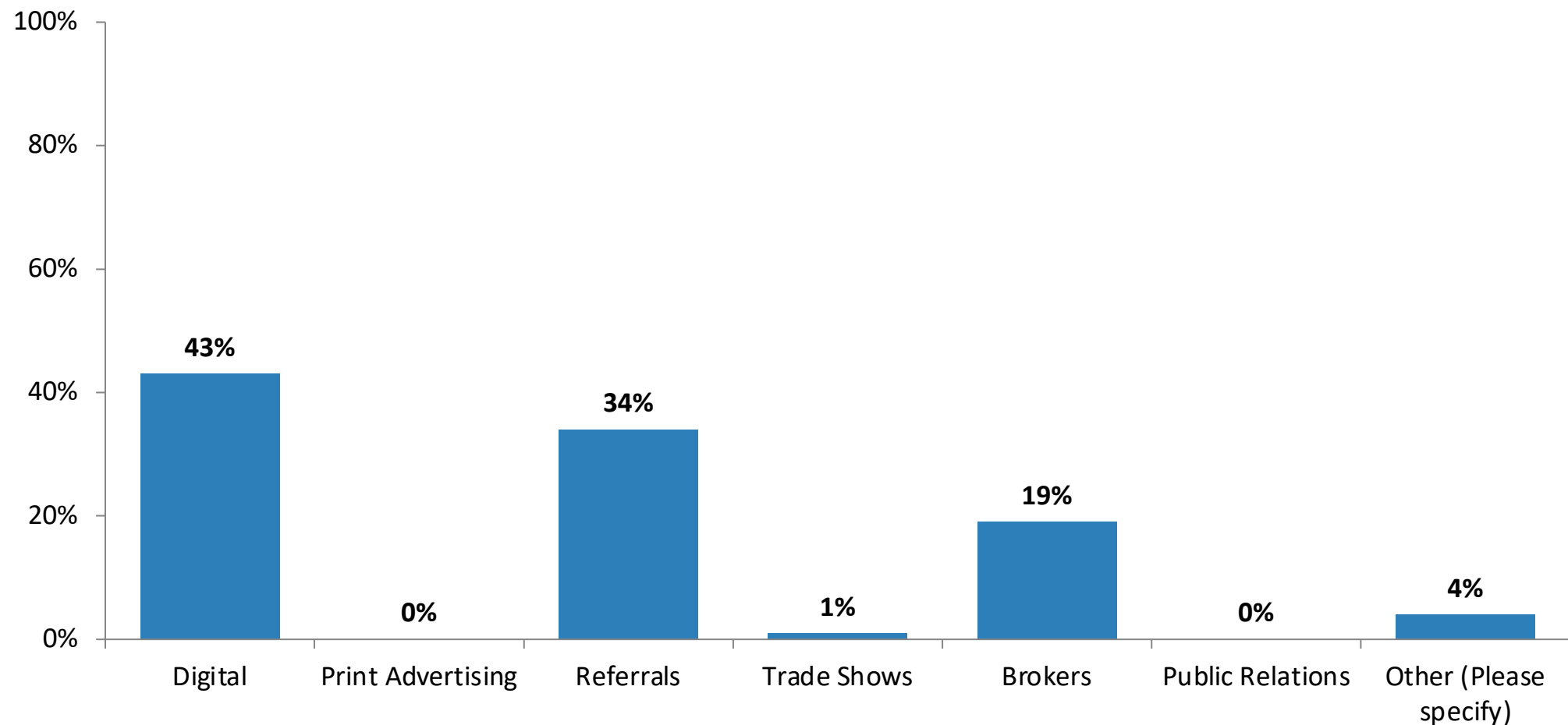
Where are you currently getting the most leads? (select one option)



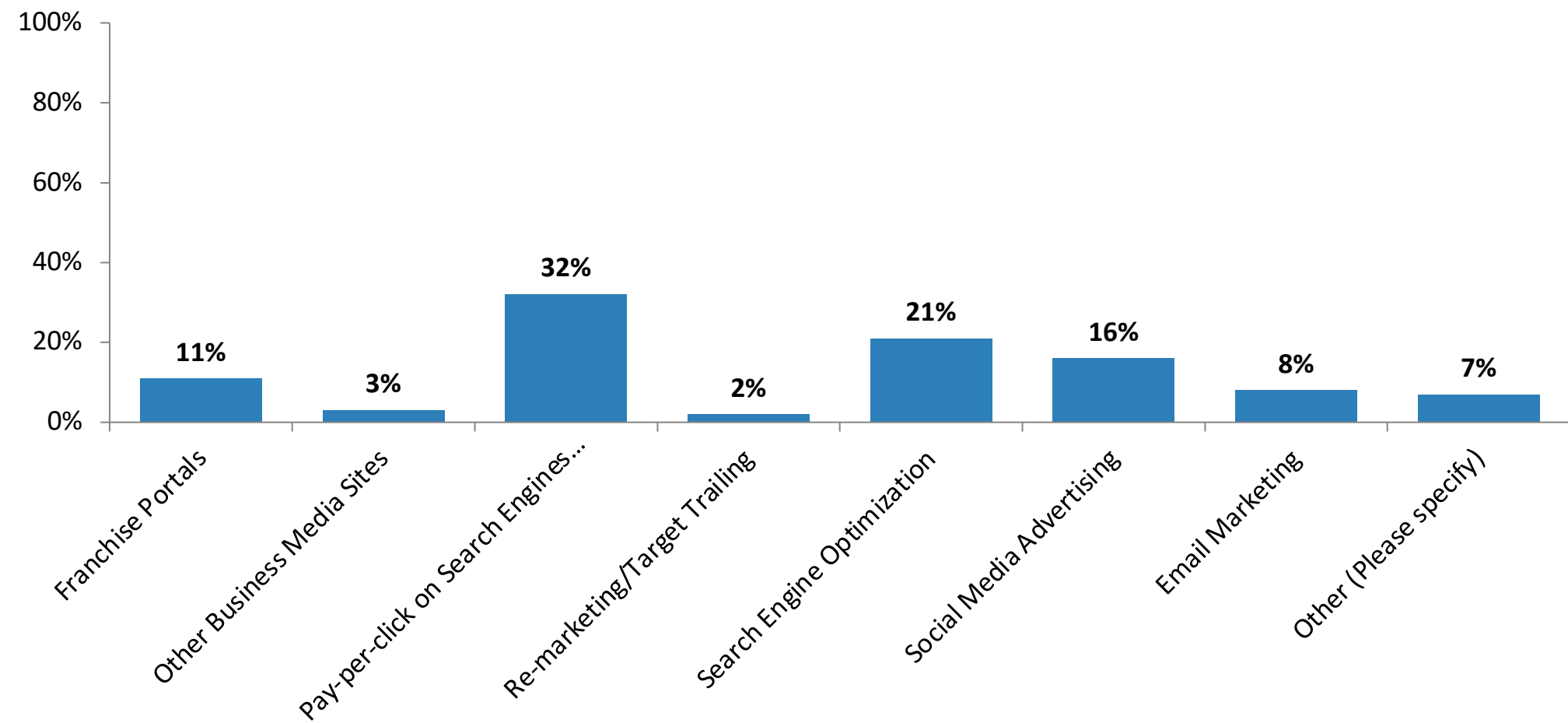
Where are you getting the most Digital leads?



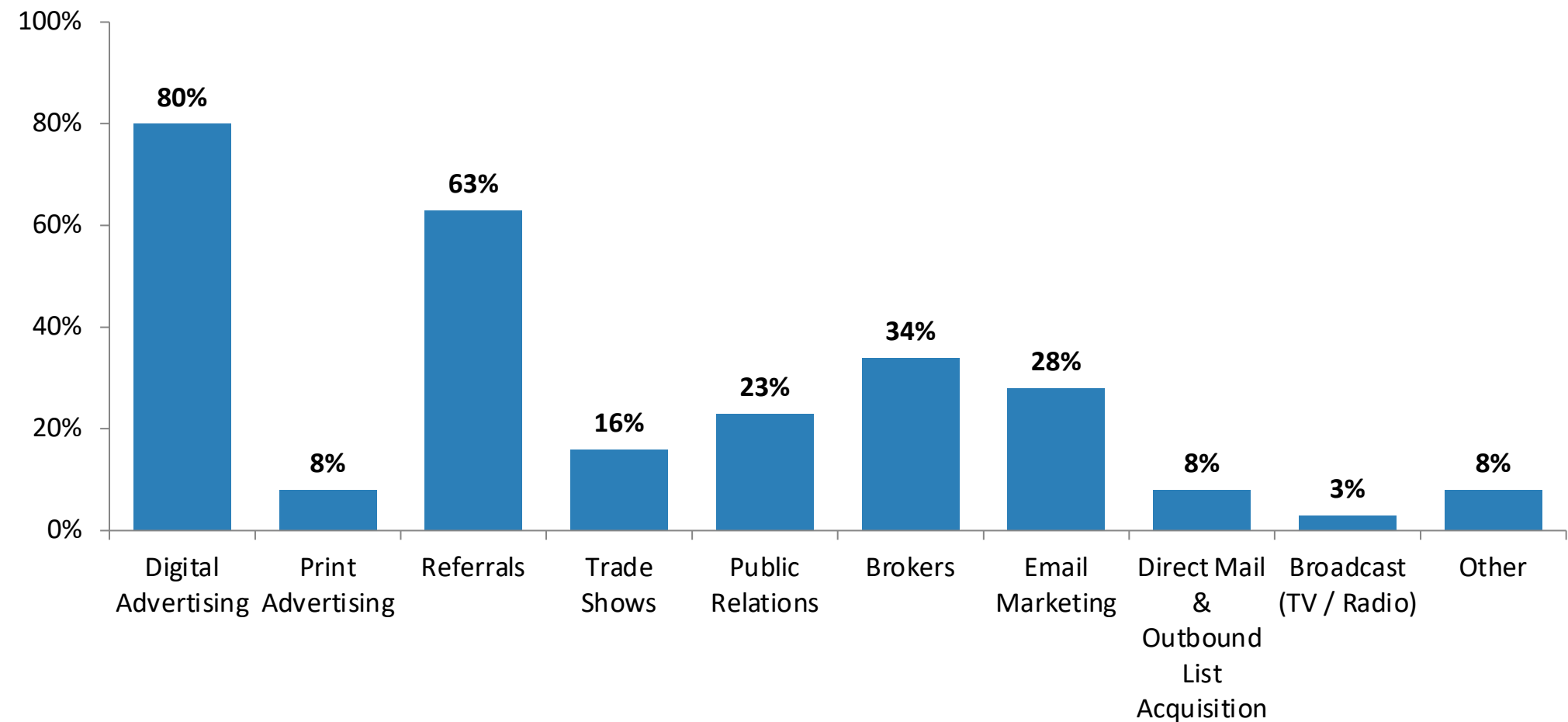
Which of these sources currently has the highest lead to close ratio?



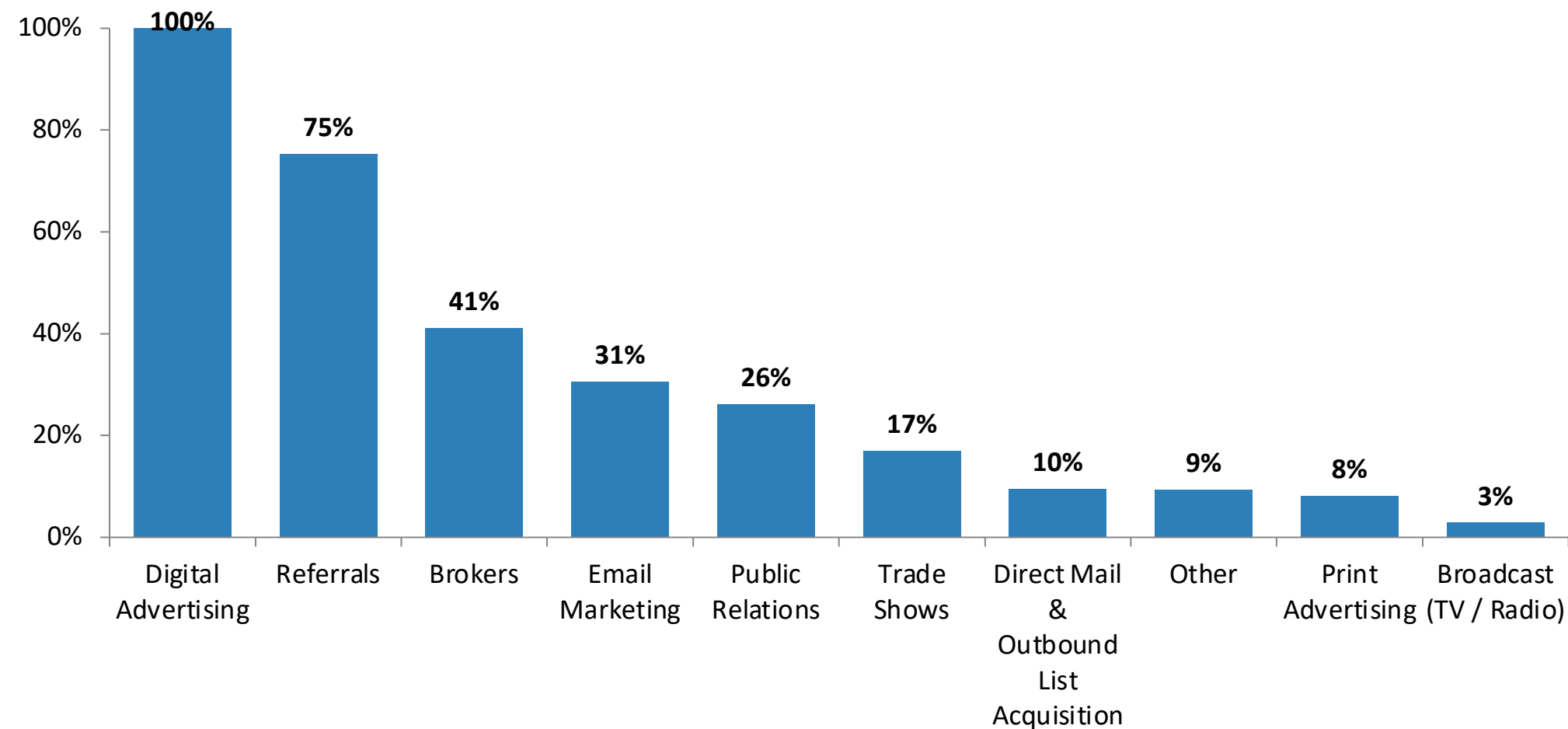
Of all Digital leads, which source has the highest lead to close ratio?



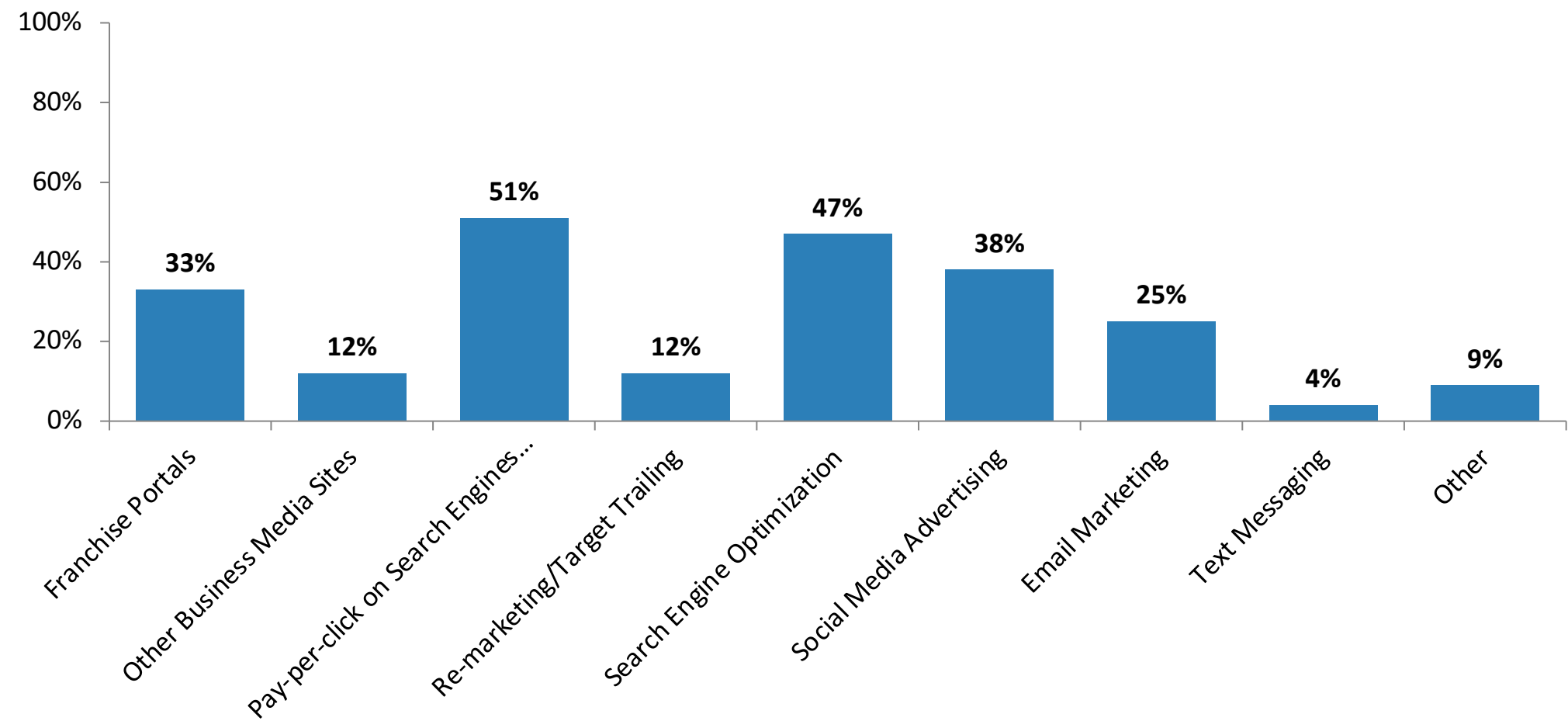
Please select the sources you have closed franchise deals in the last 12 months.
(select all that apply)



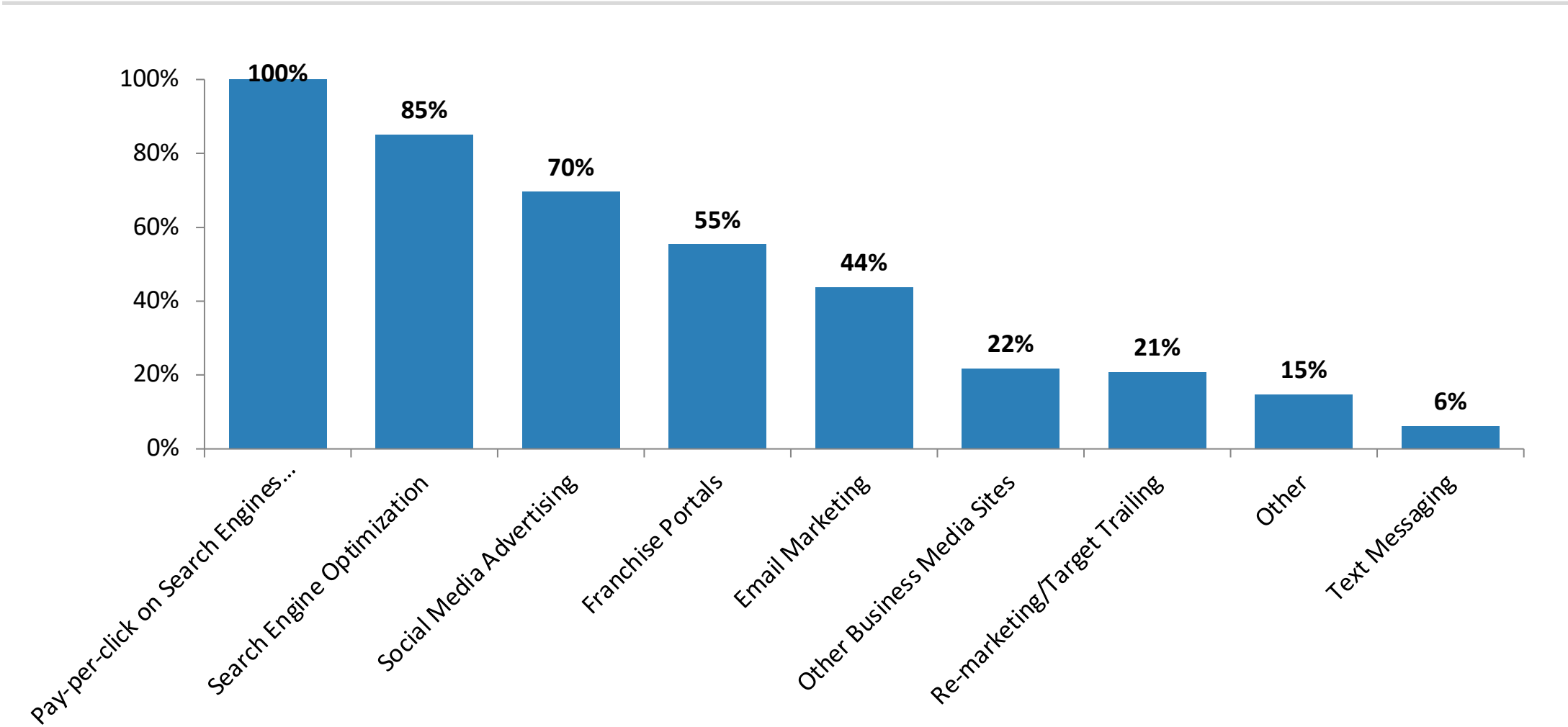
Please rank the sources. 1 represents most closed deals.



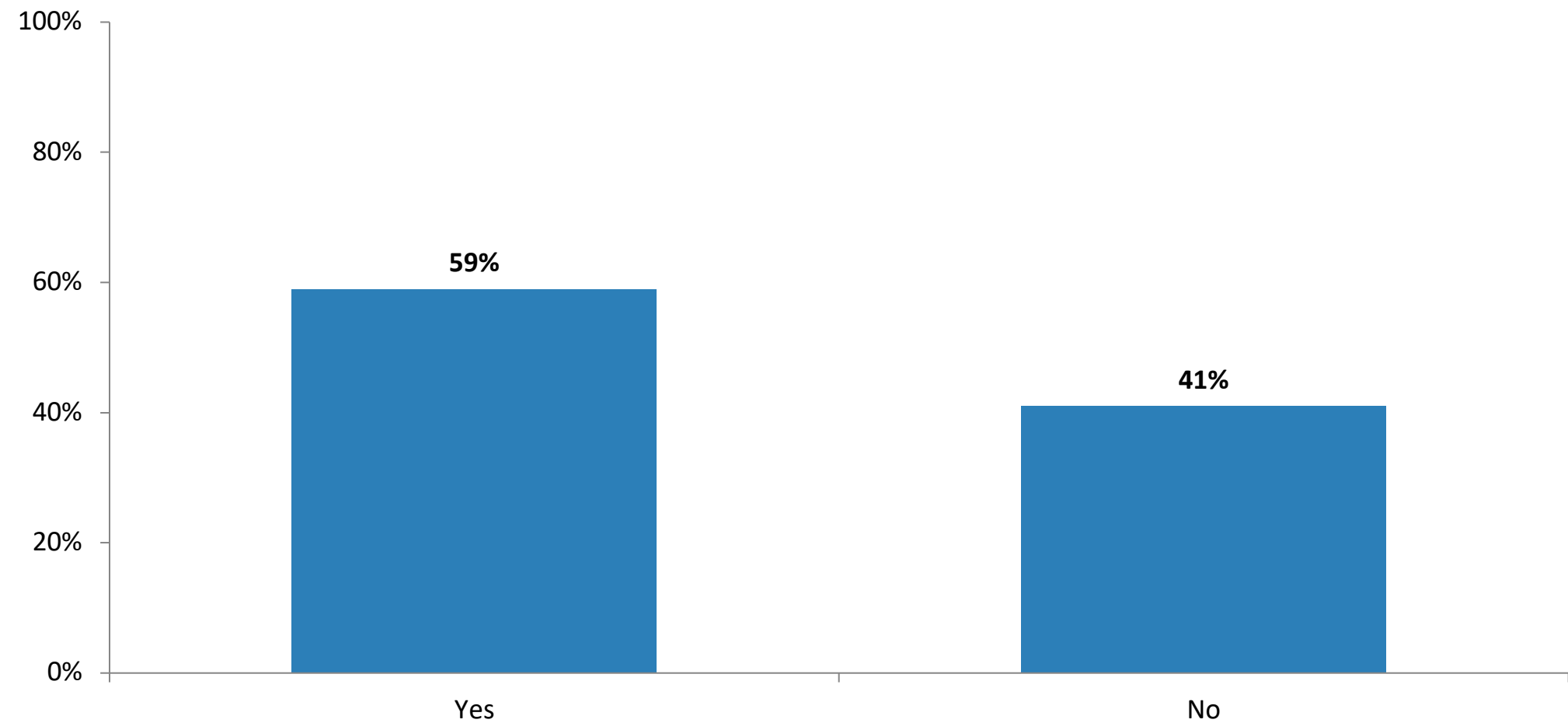
Of Digital deals closed in the last 12 months, from which sources have you closed deals?
(select all that apply)



Please rank the sources. 1 represents most closed deals.



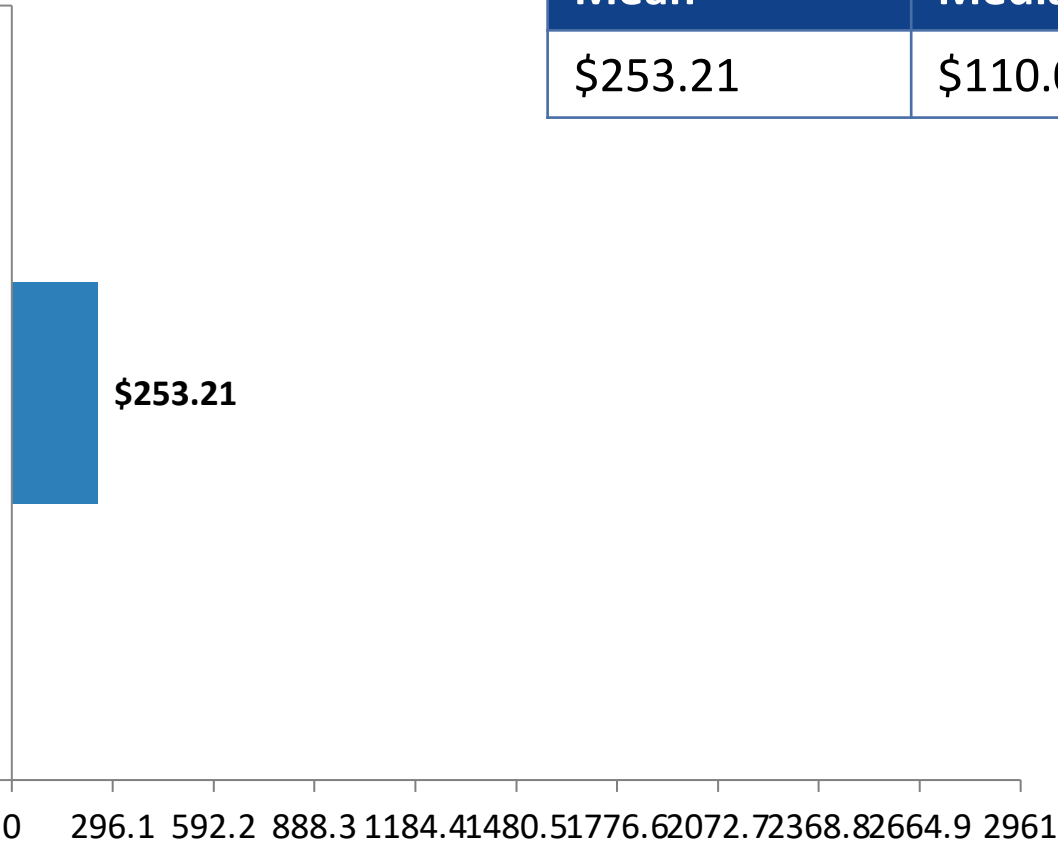
Do you track your cost per lead?



What is your average cost per lead (in dollars)? (Divide your total media budget by total number of leads over the last 12 months or your last fiscal year)

Mean	Median
\$253.21	\$110.00

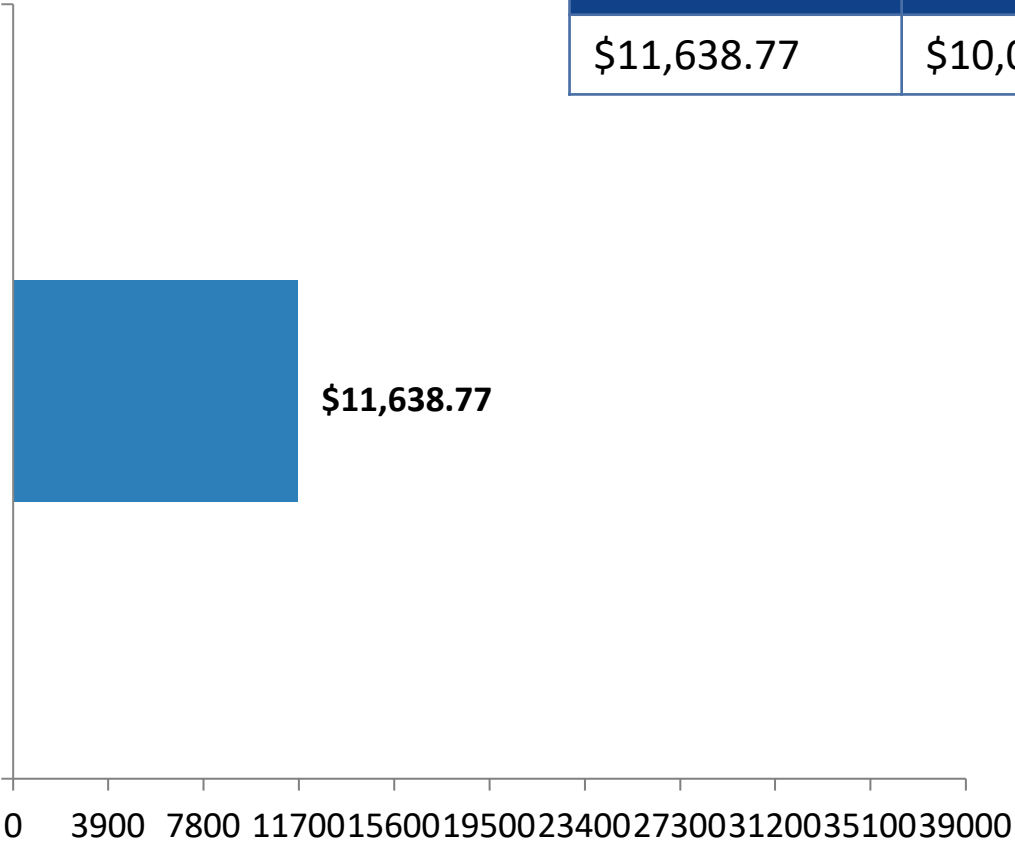
What is your average cost per lead (in dollars)? (Divide your total media budget by total number of leads over the last 12 months or your last fiscal year)



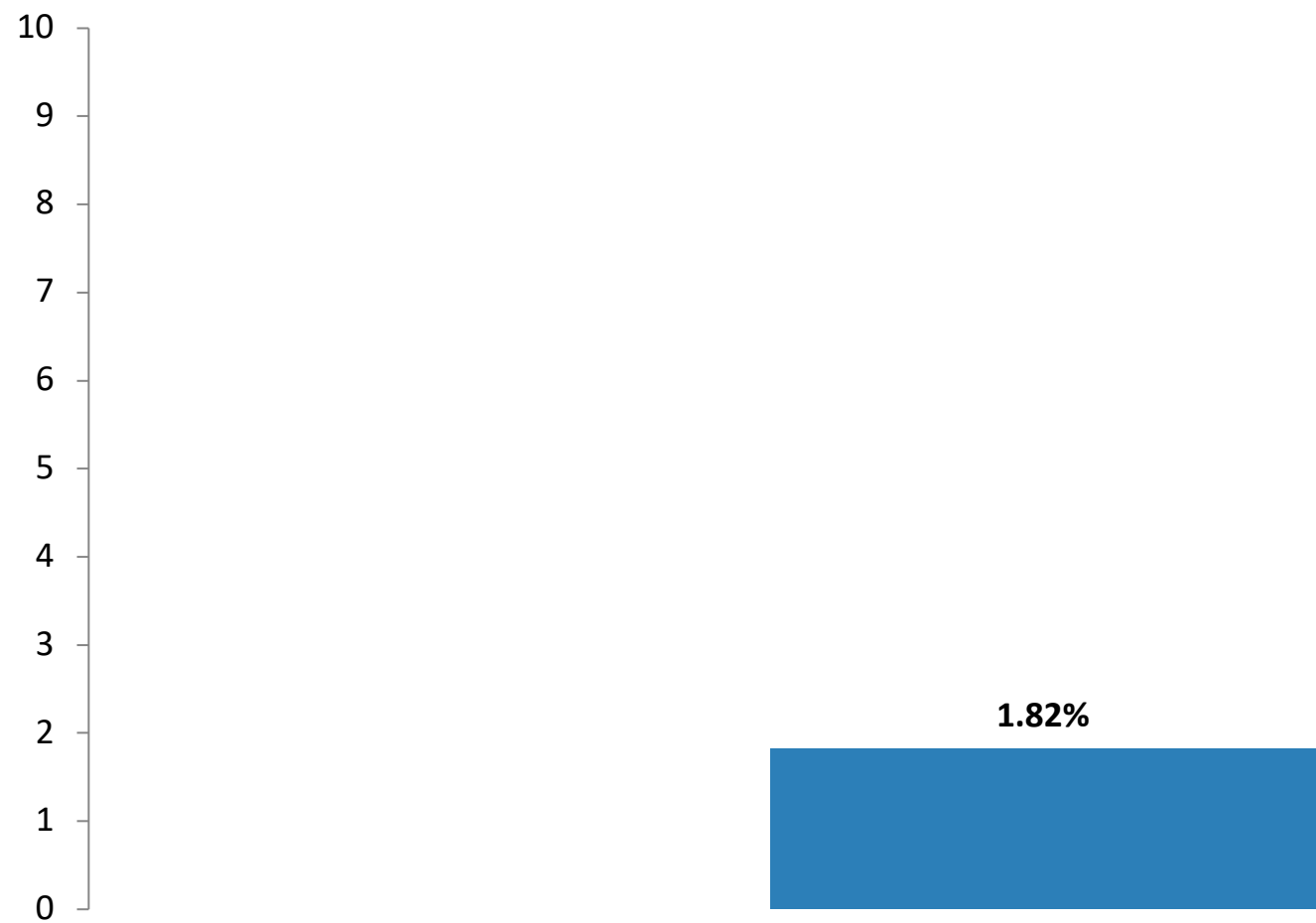
What is your average cost per sale? (Divide your total media budget by total number of unit sales over the last 12 months or your last fiscal year)

Mean	Median
\$11,638.77	\$10,000.00

What is your average cost per sale? (Divide your total media budget by total number of unit sales over the last 12 months or your last fiscal year)

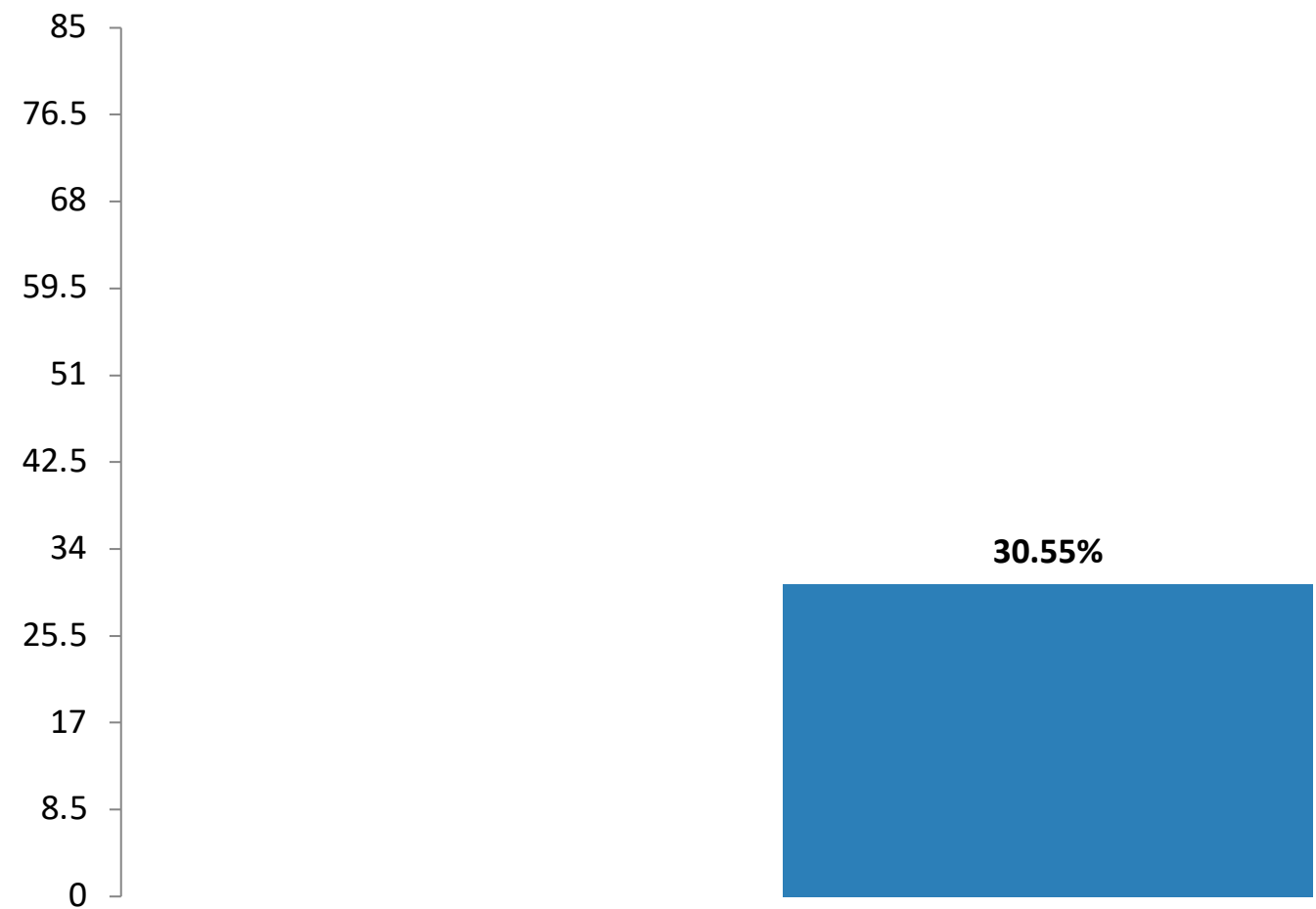


What is your closing ratio of leads to sales in the last 12 months?



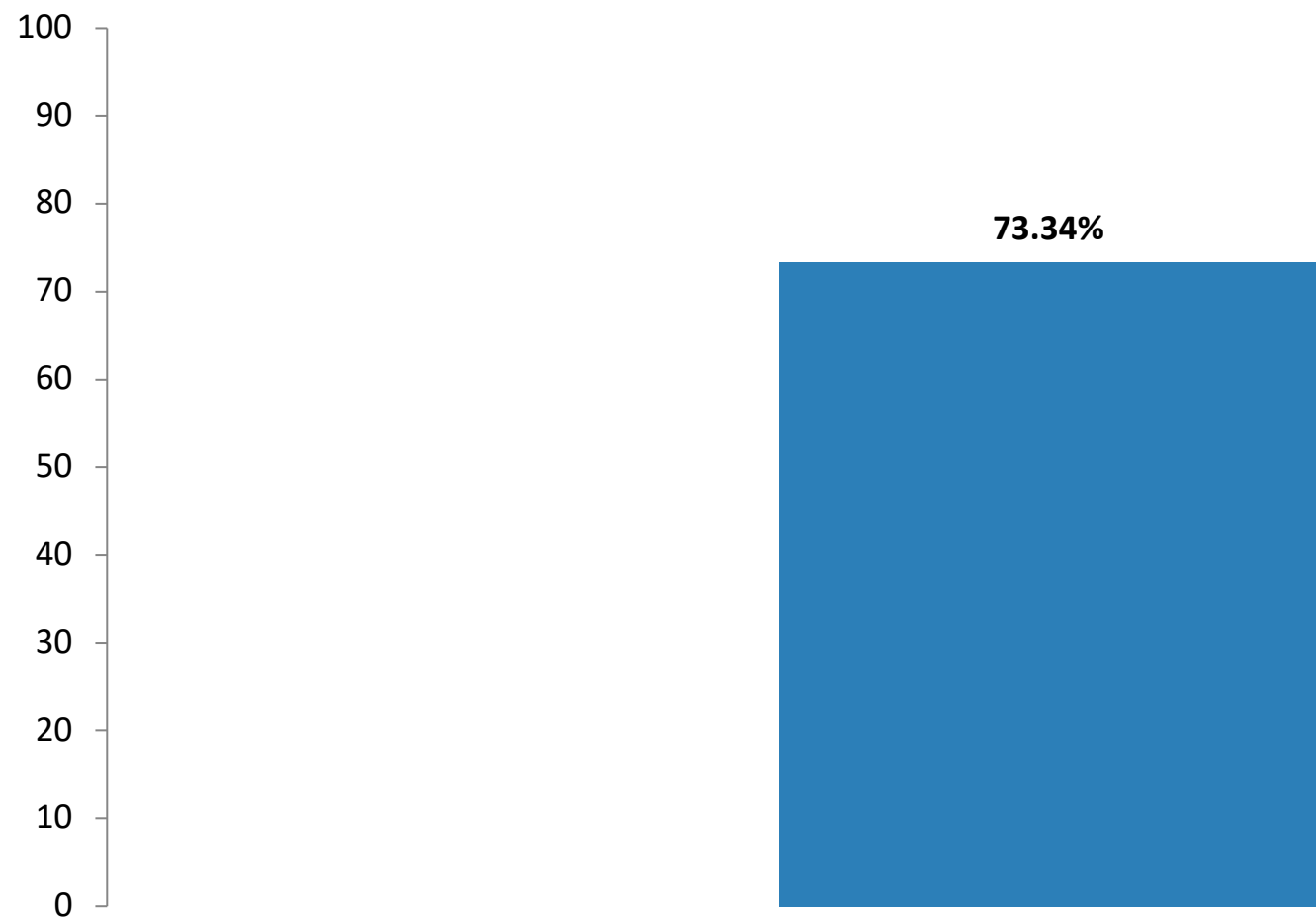
Mean	Median
1.82%	1.33%

What is your closing ratio of applications to sales in the last 12 months?



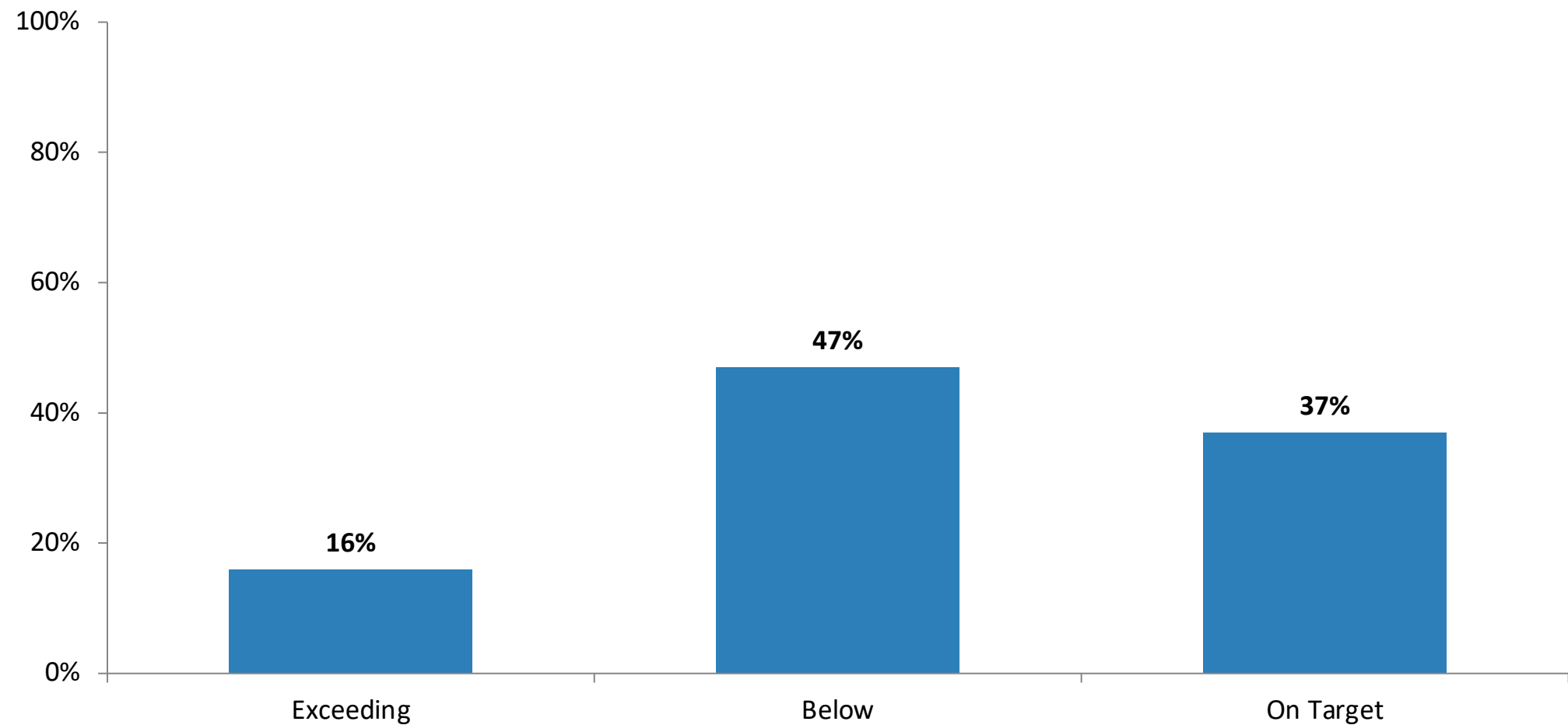
Mean	Median
30.55%	25.50%

What is your closing ratio of Candidate or Meet the Team attendees to sales in the last 12 months?

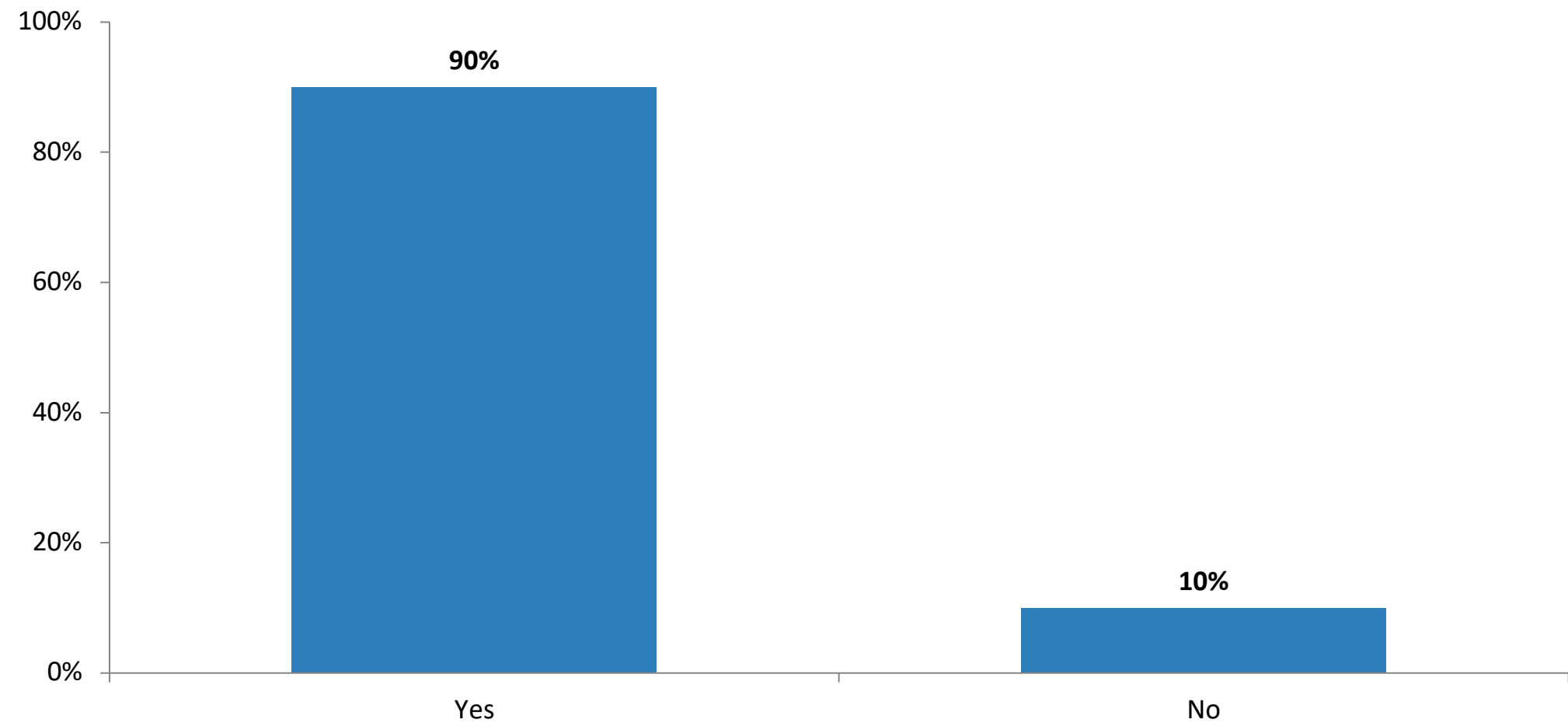


Mean	Median
73.34%	80.00%

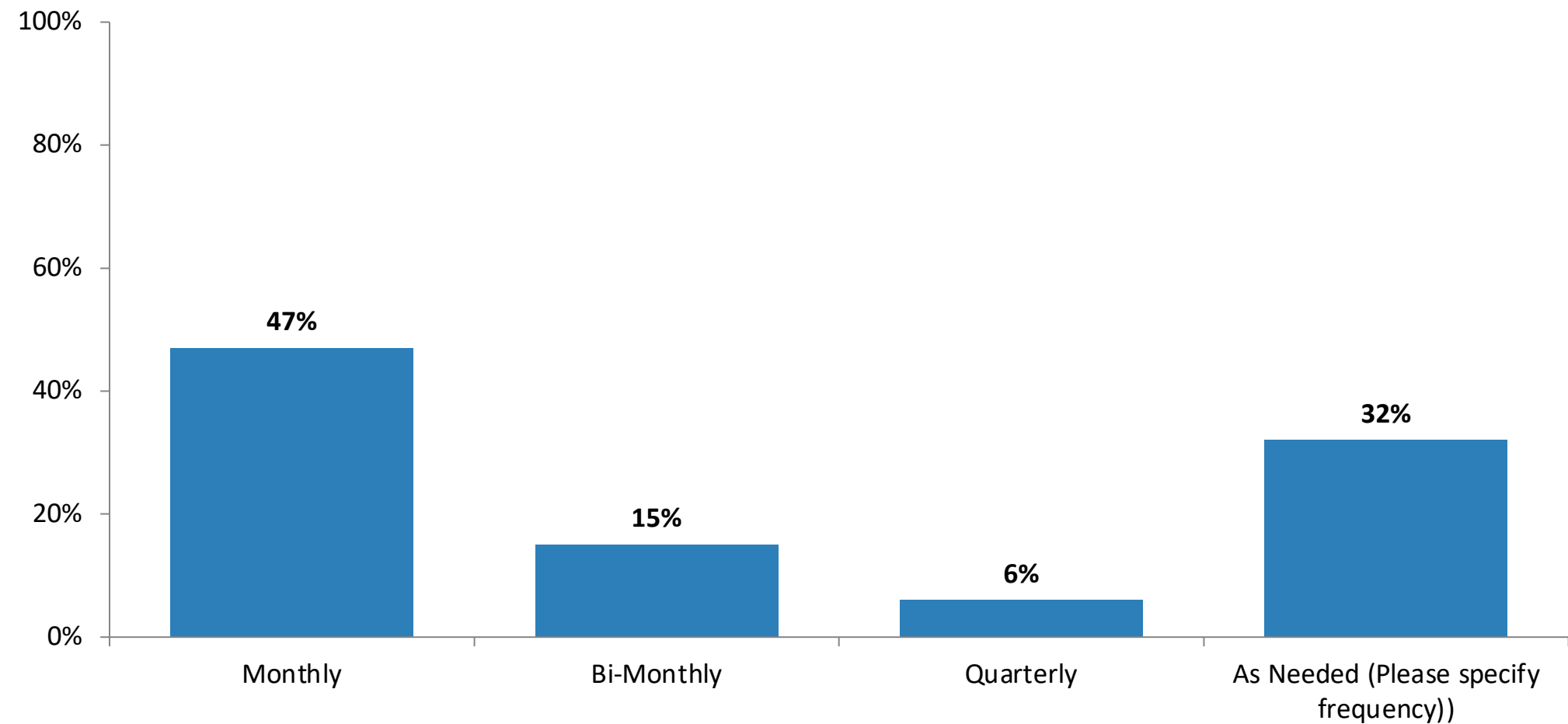
Are your franchise sales for 2023 exceeding, below, or on target with your goals?



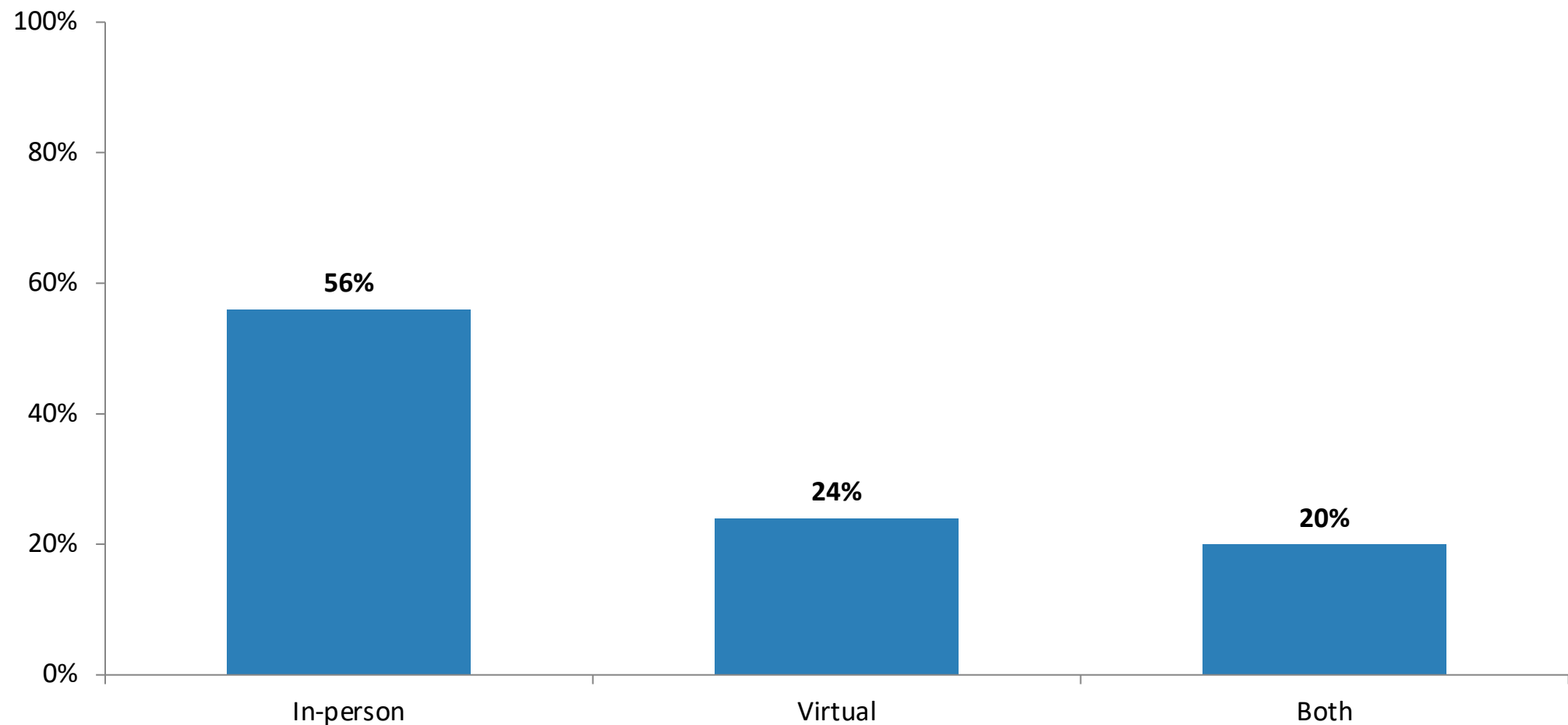
Do you conduct Candidate or Meet the Team Days?



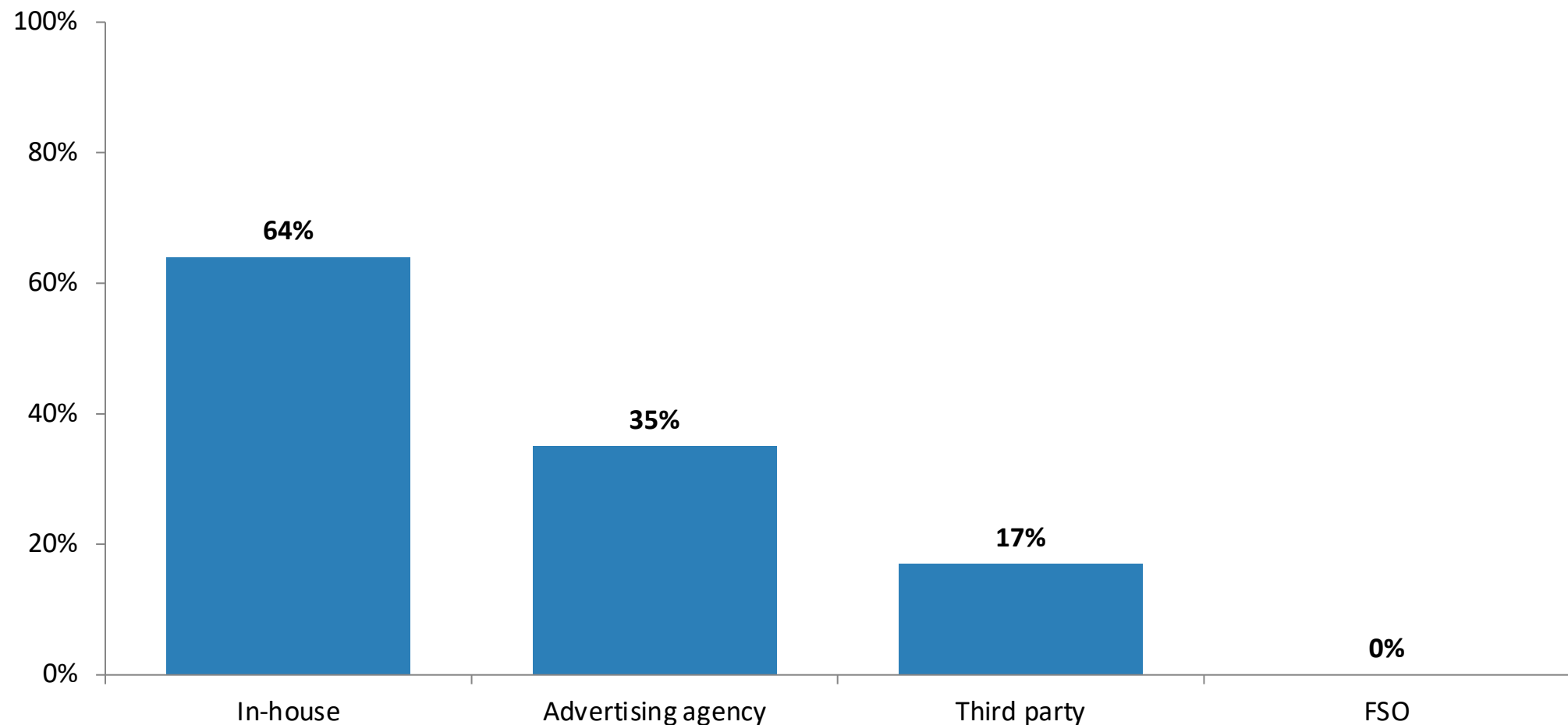
How often do you schedule Candidate or Meet the Team Days?



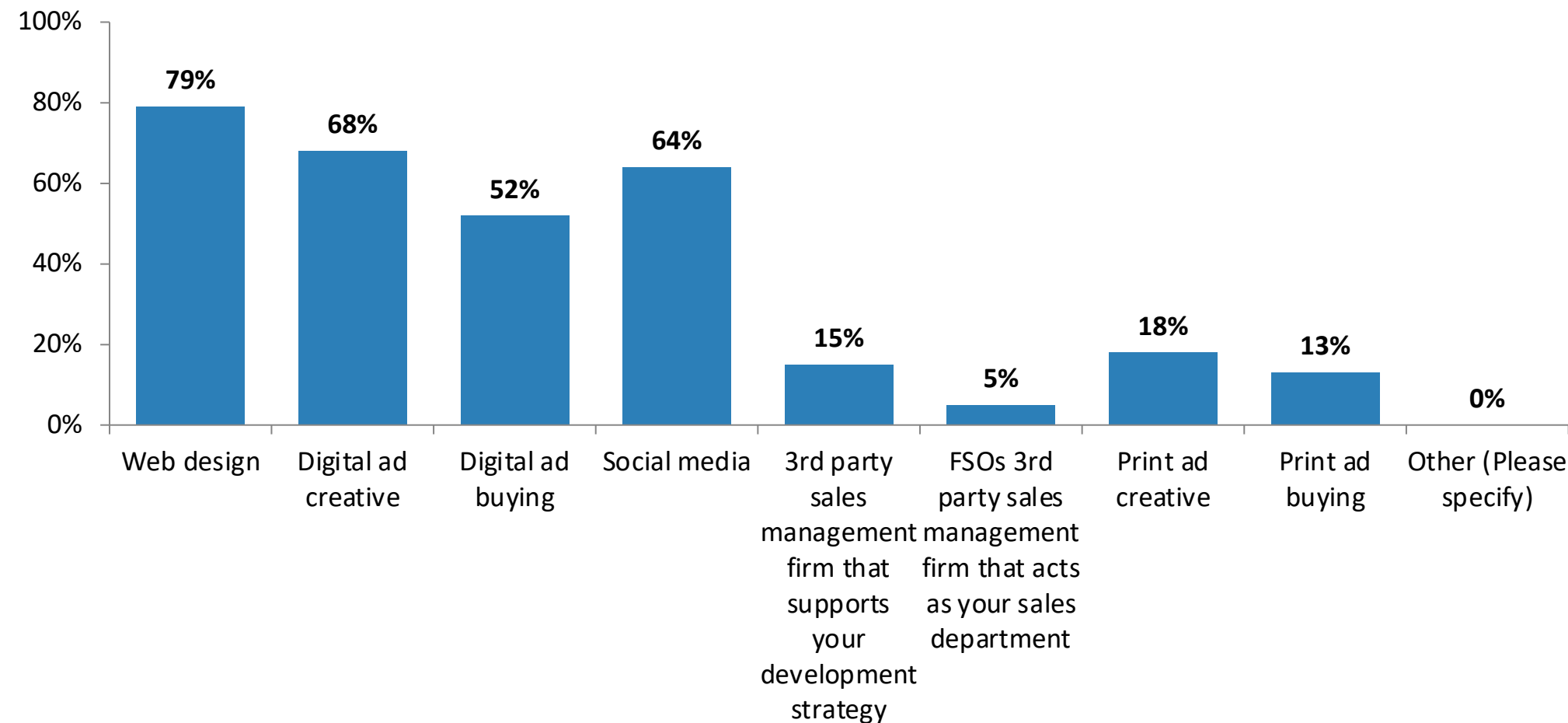
Currently, is your Candidate or Meet the Team Day held:



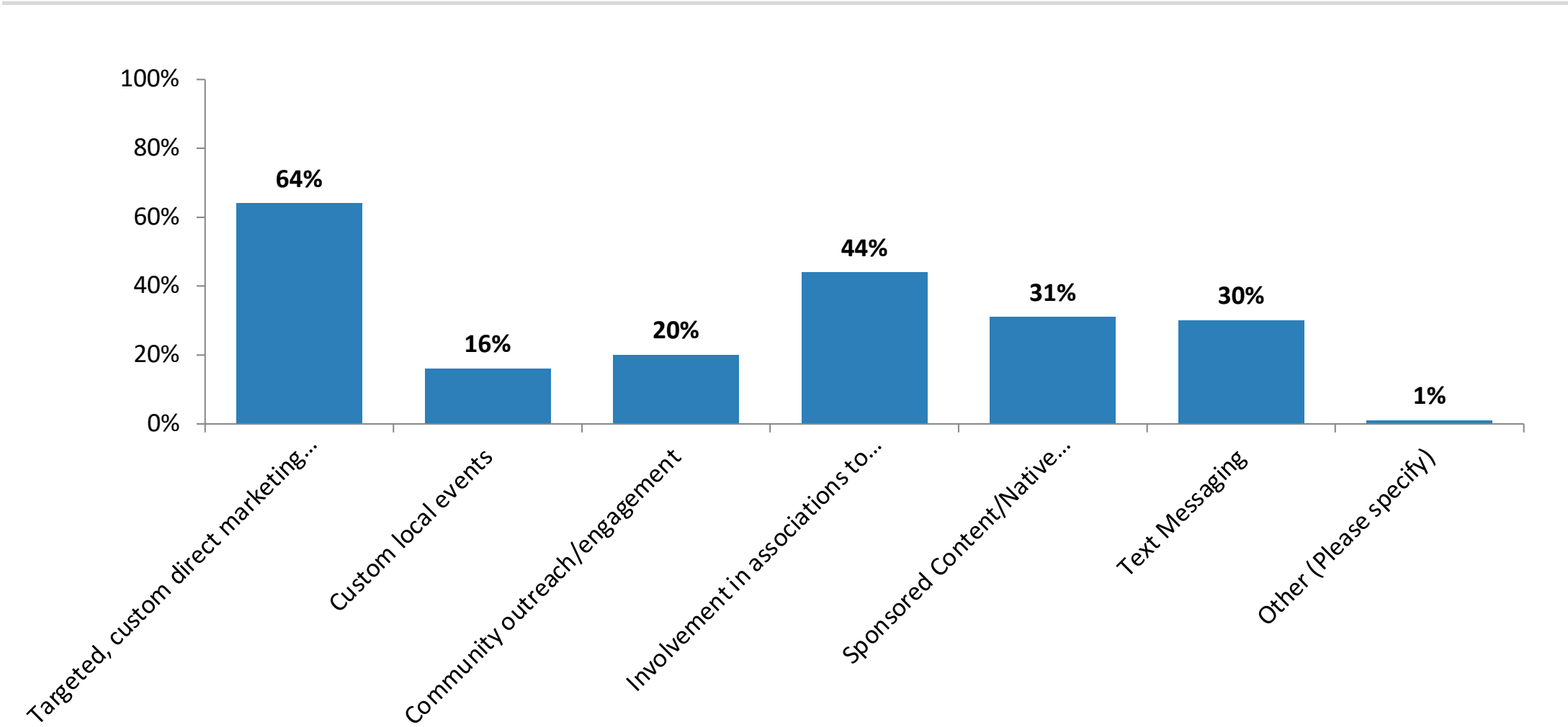
How is your franchisee recruitment advertising buying currently done?



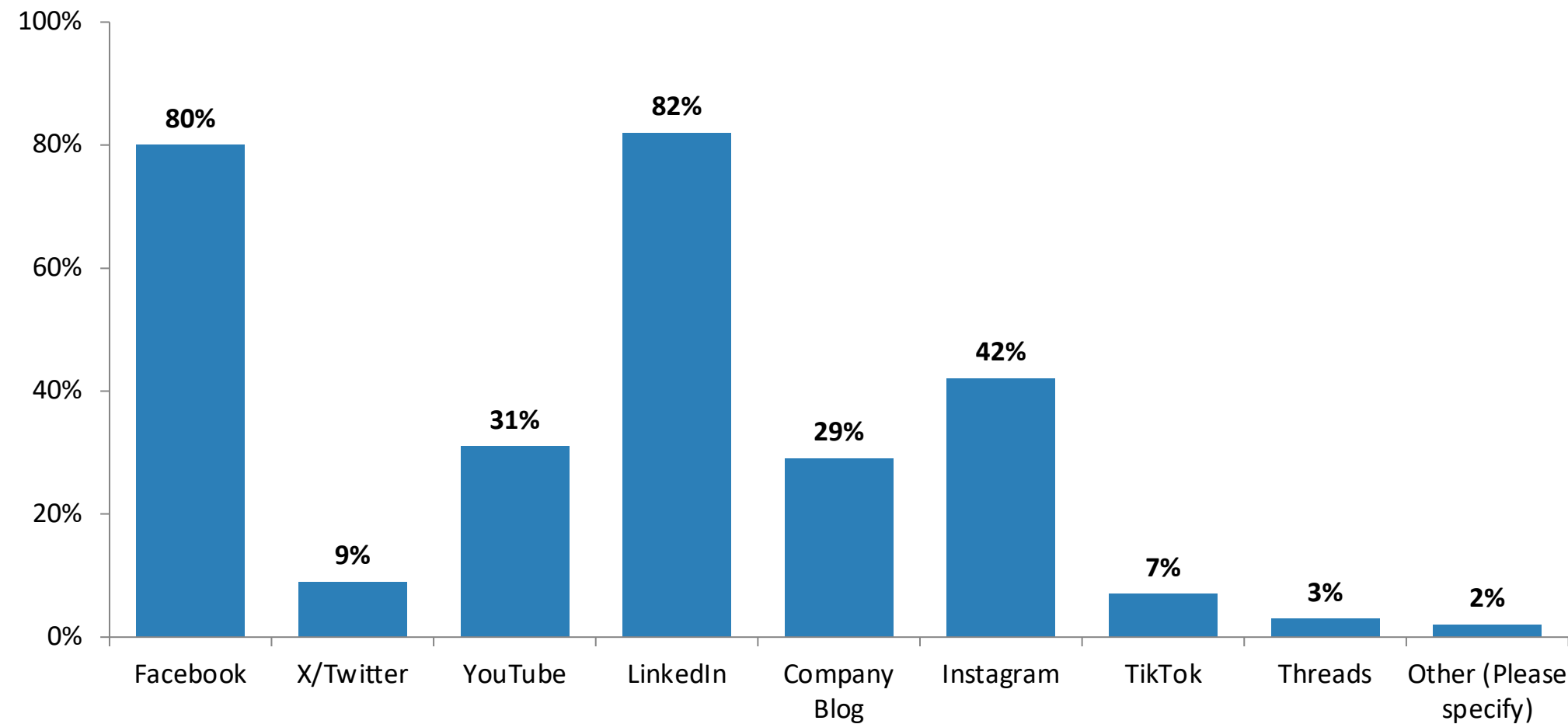
Do you currently use any of the following outsourced development services?



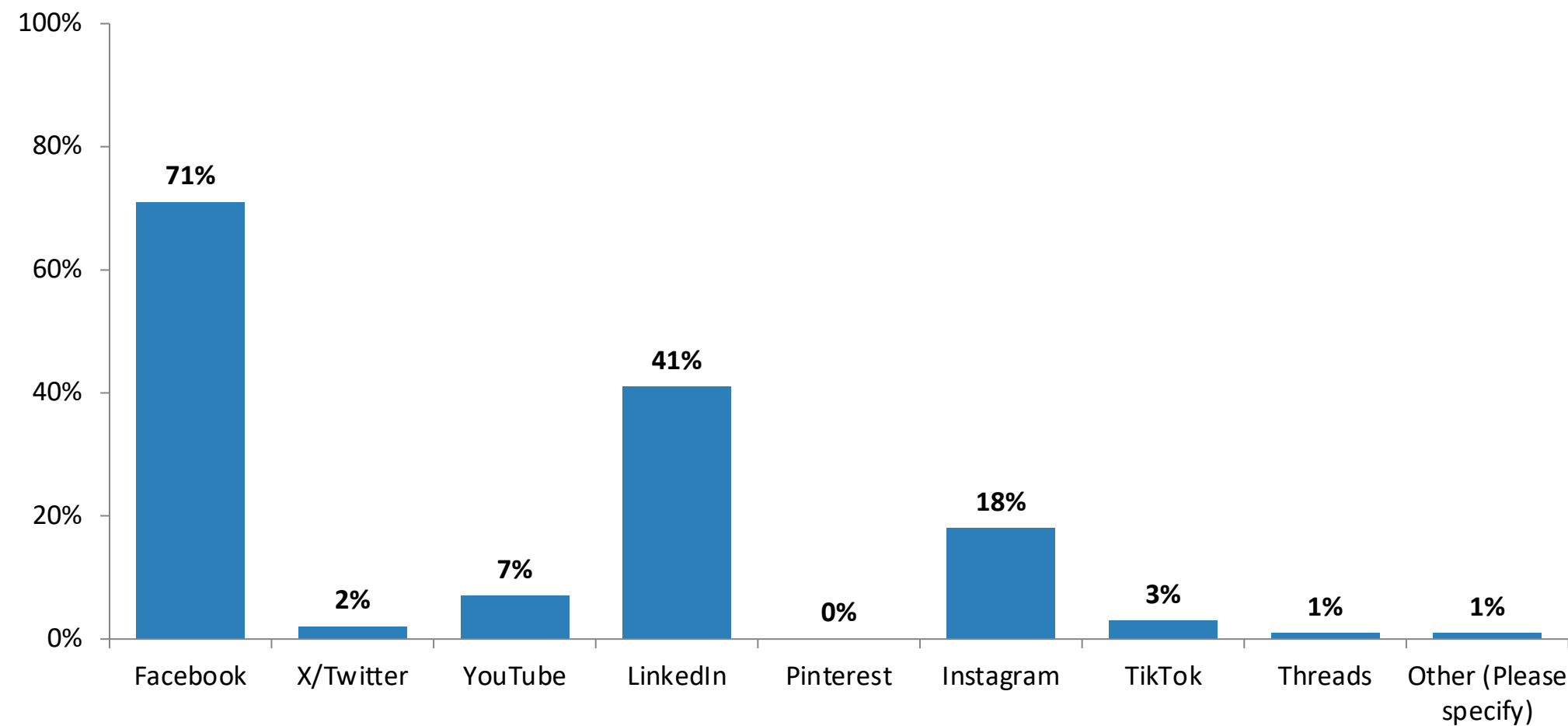
Have you successfully utilized these other recruitment programs in the last 12 months?
(select all that apply)



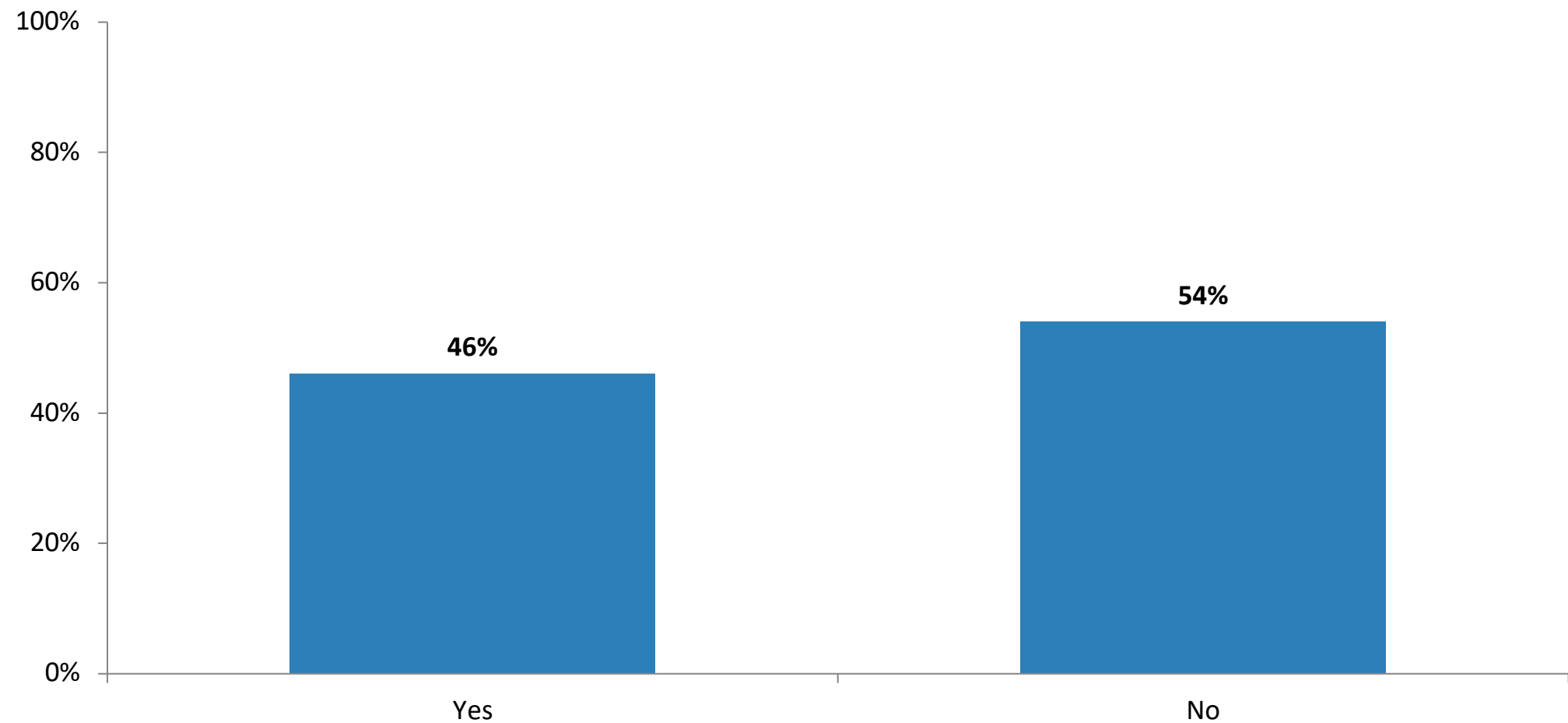
Where are you conducting your social media advertising for franchisee recruitment?



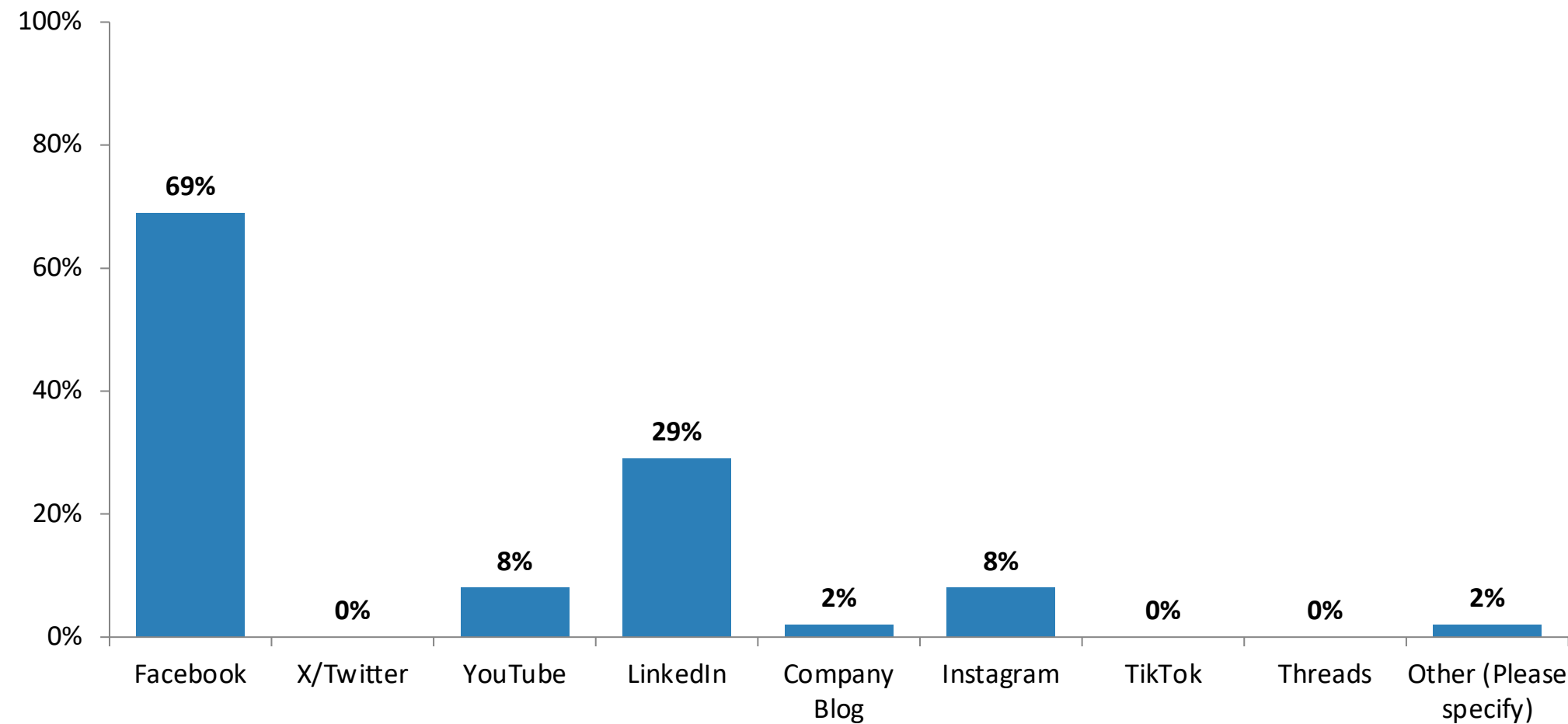
On which Social Channels do you spend the most money for franchisee recruitment?



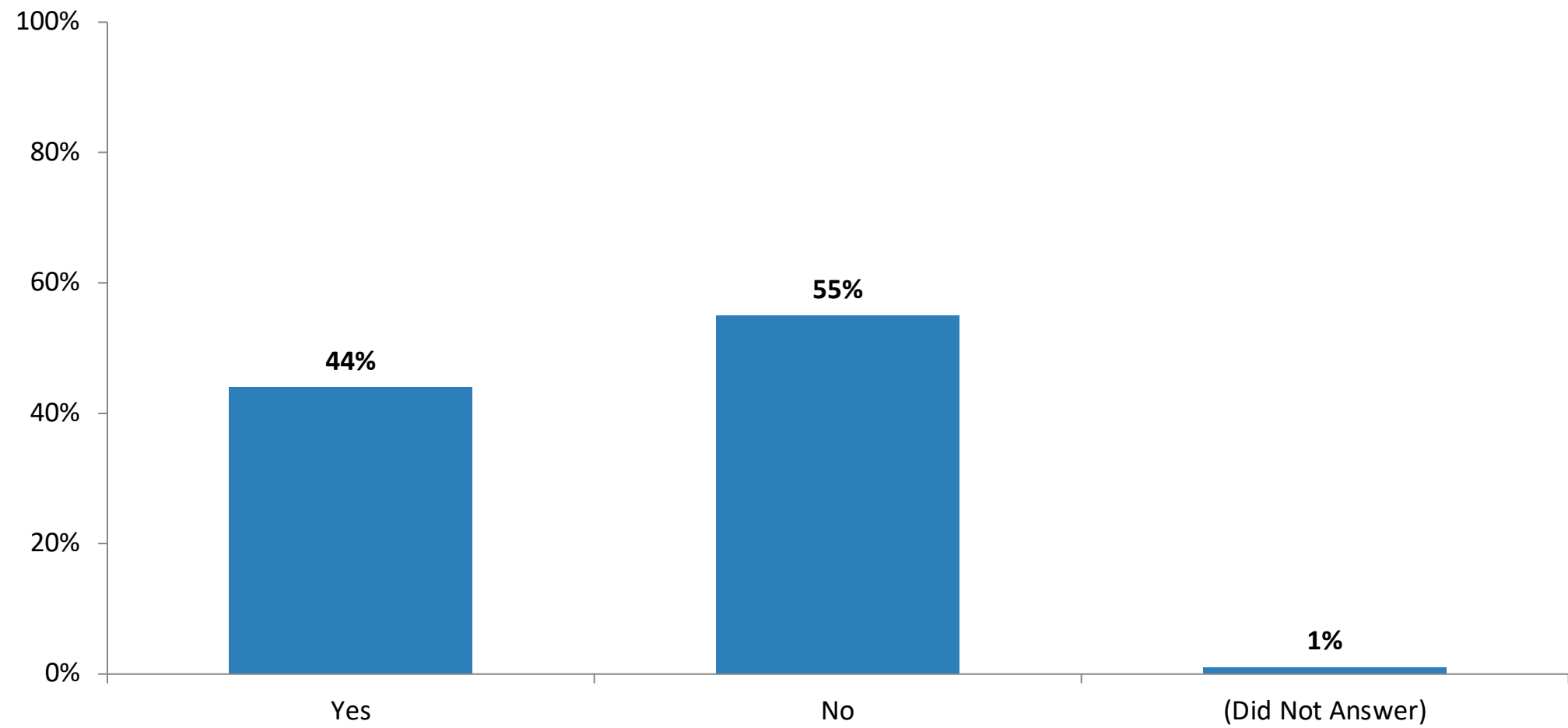
Have you sold any franchises where social media advertising was the lead source?



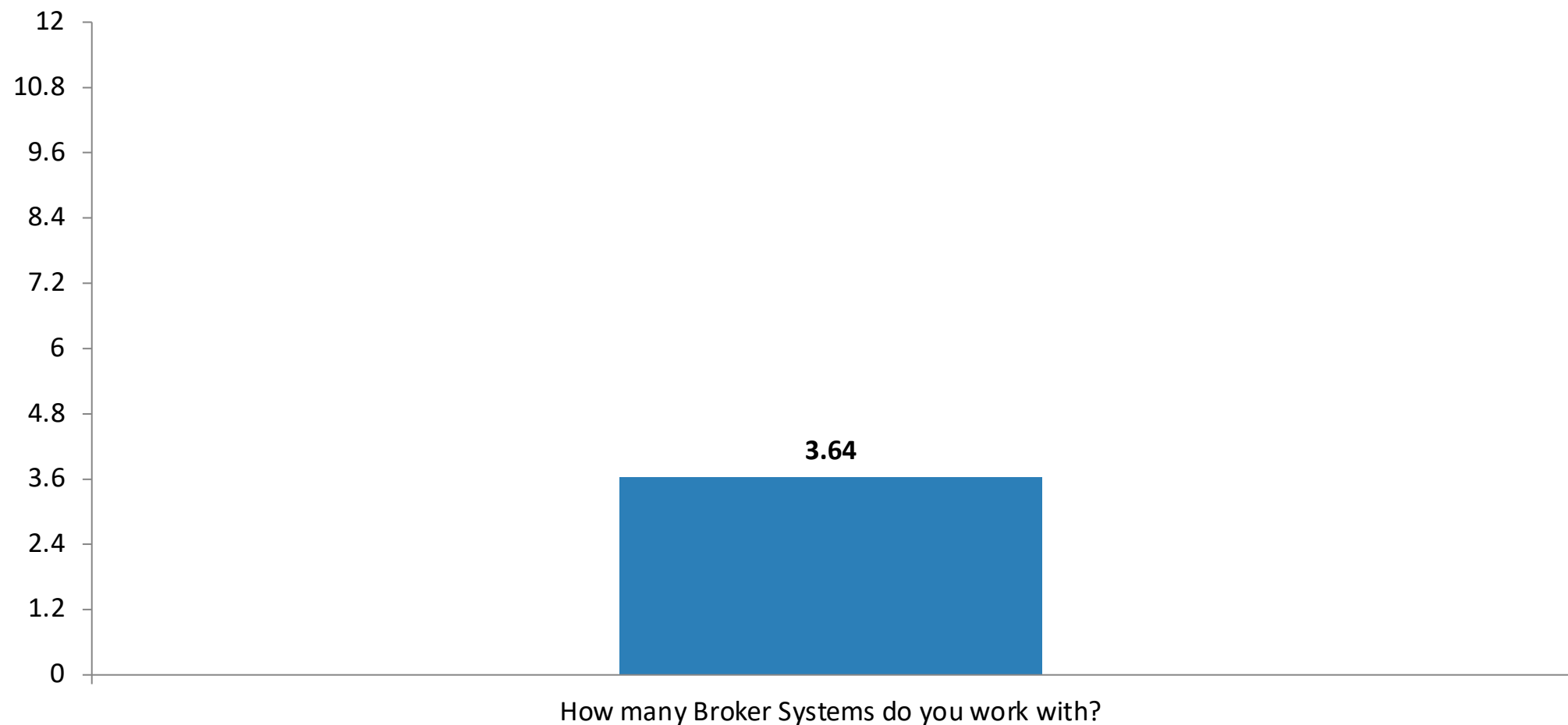
Which social media source(s) produced the most sales? (select all that apply)



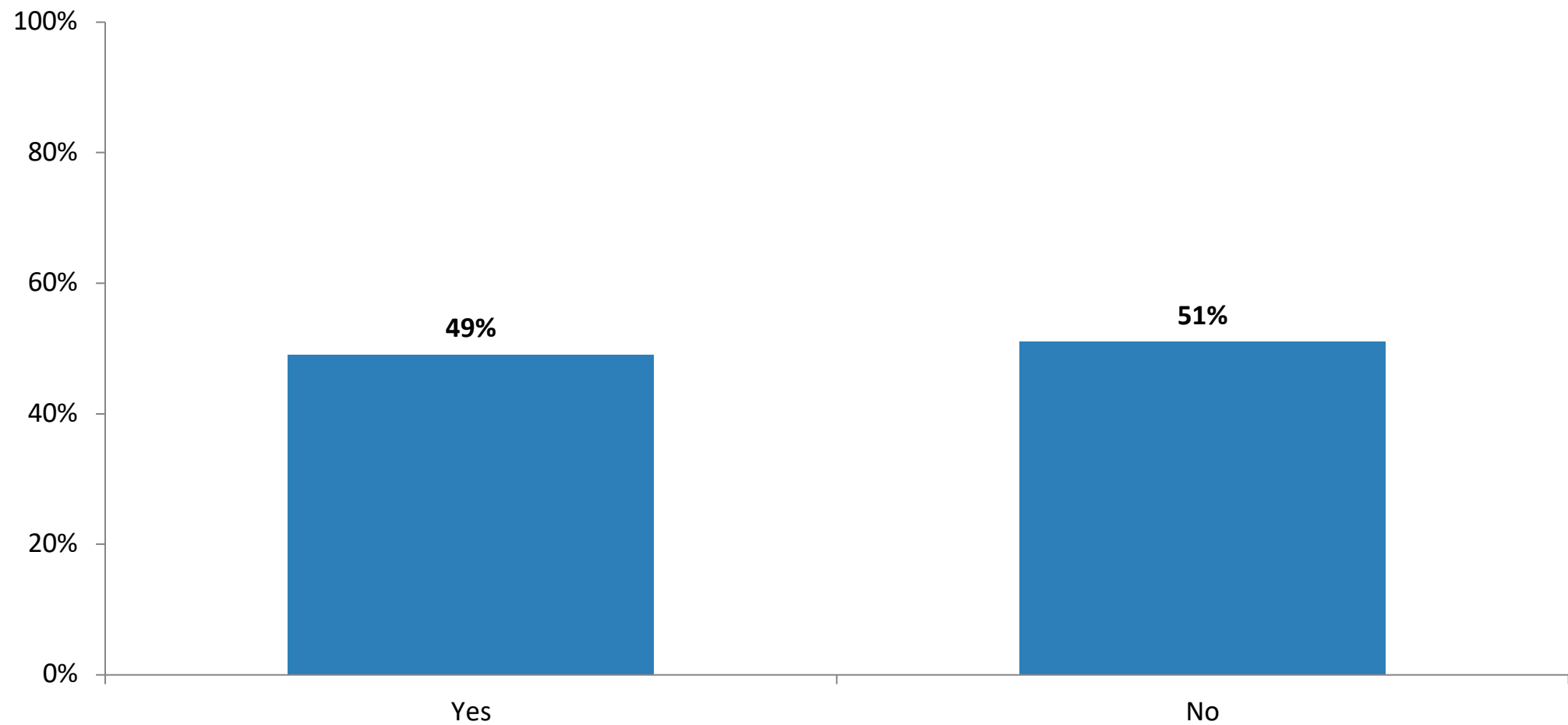
Do you use brokers?



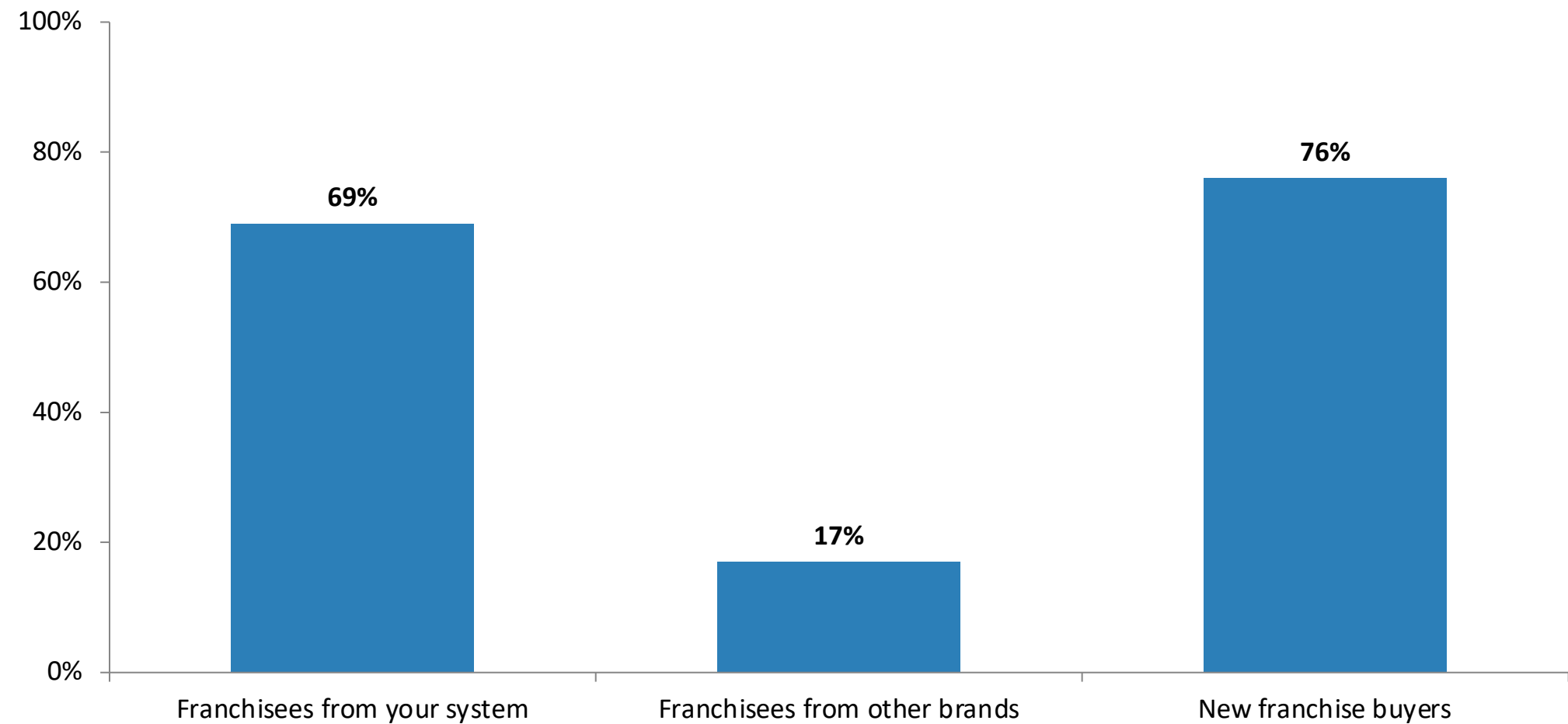
How many Broker Systems do you work with?



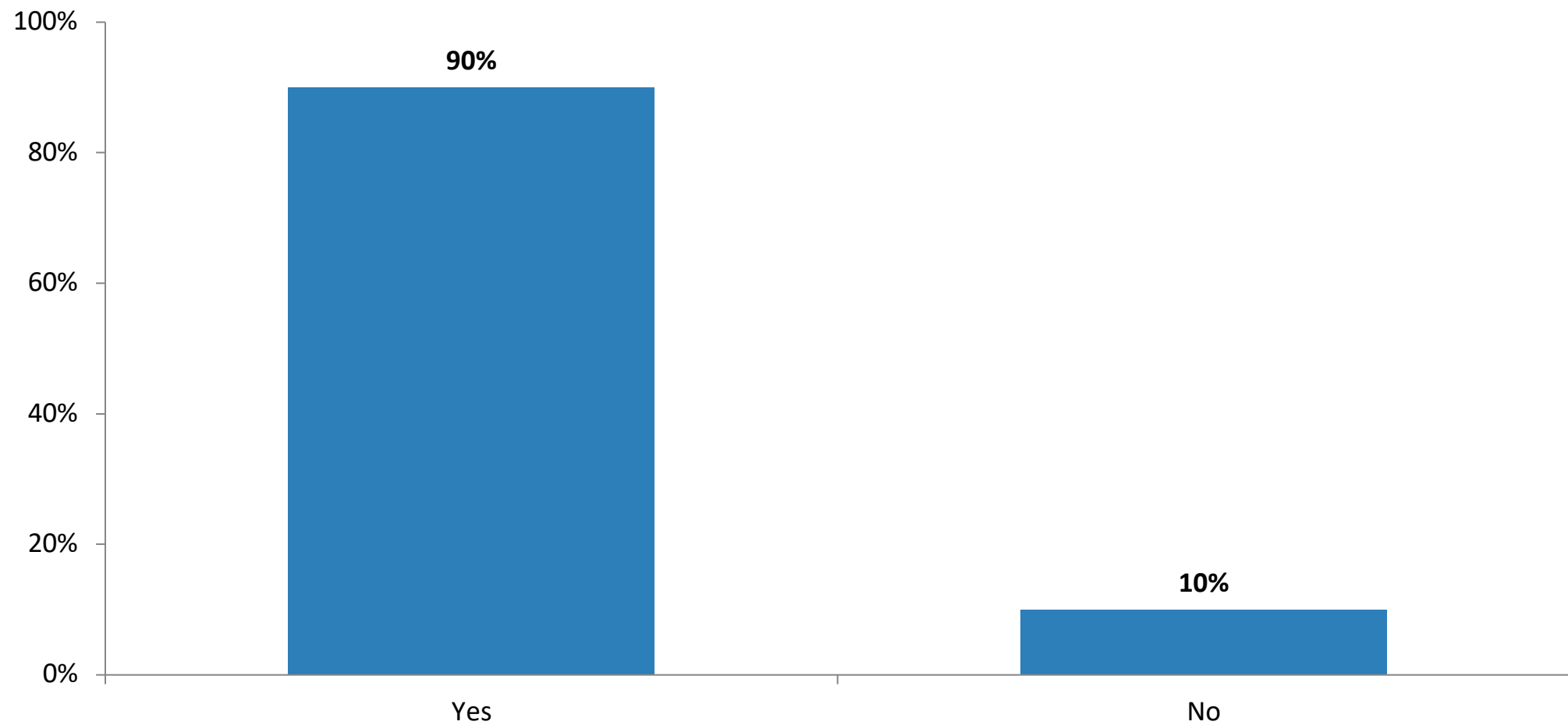
Do you have programs to recruit franchisee buyers for transfers/resales?



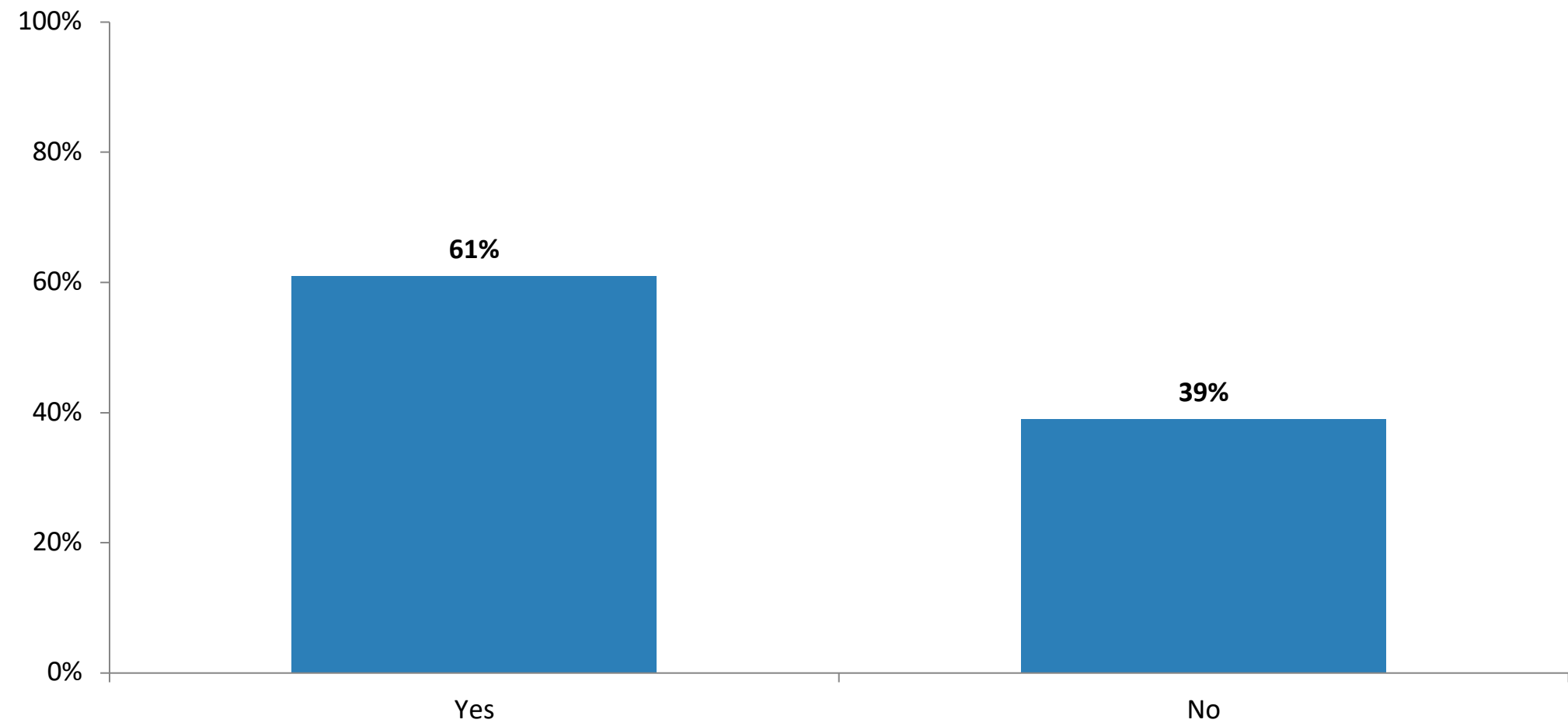
Are transfers typically secured with: (select all that apply)



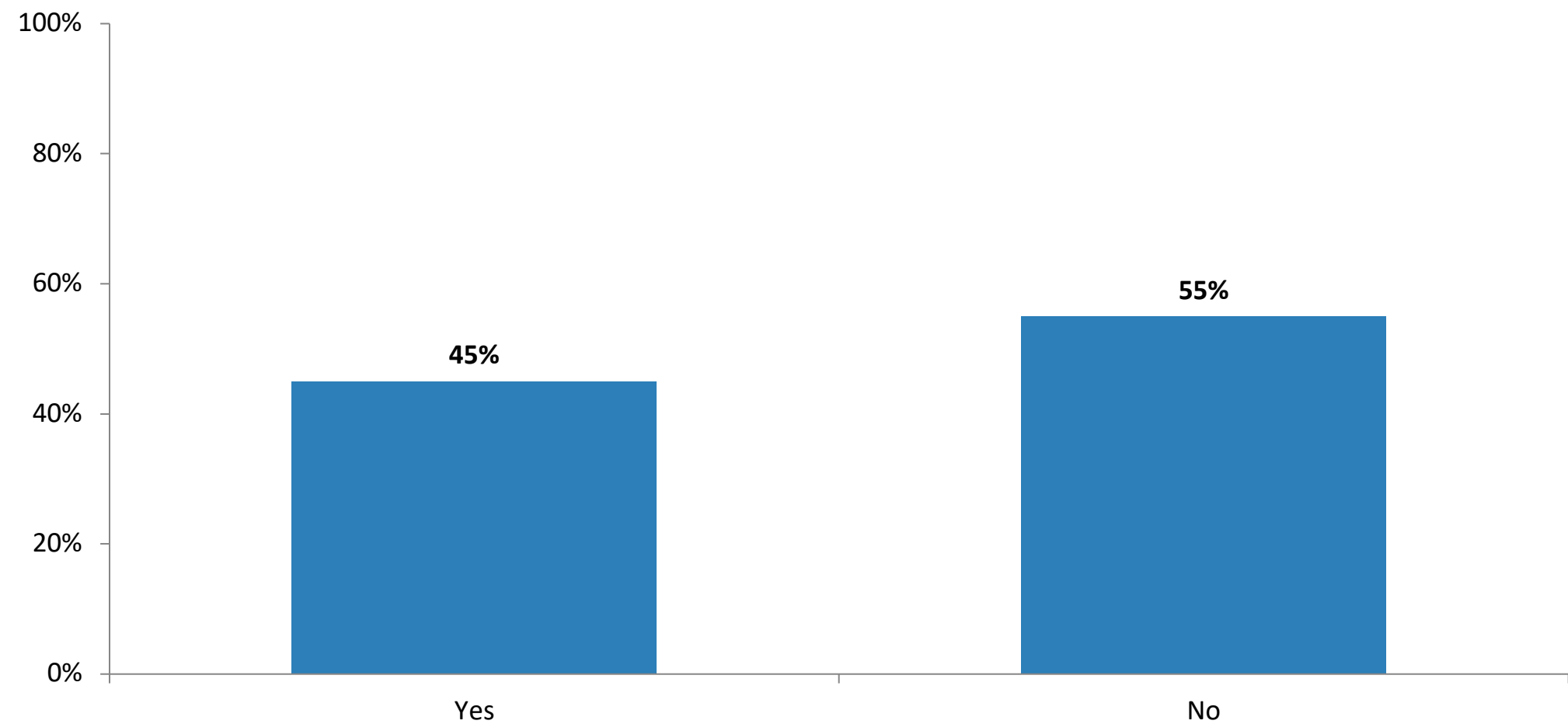
Is your development department involved in your transfers/resales?



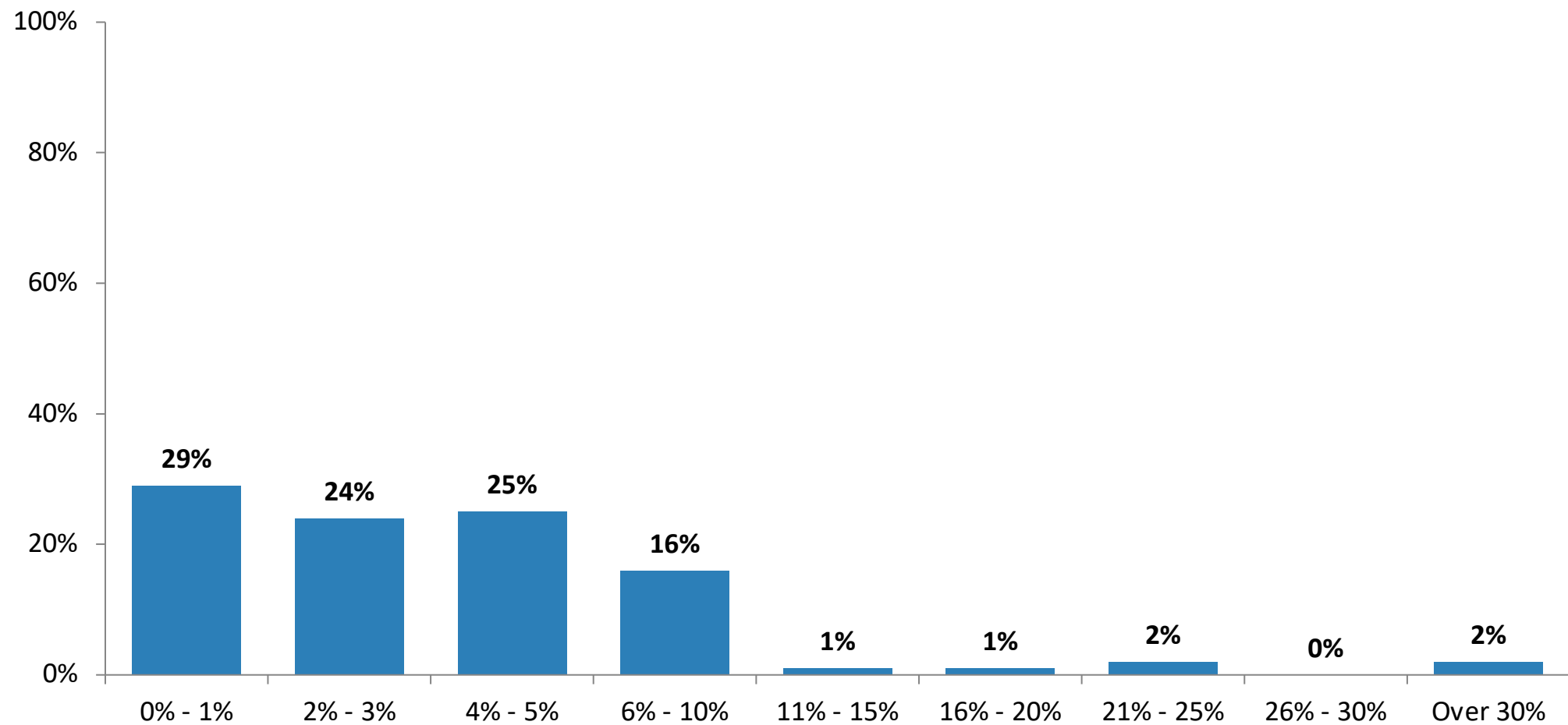
Do you have a formal resale program in place to support your transfers/resales?



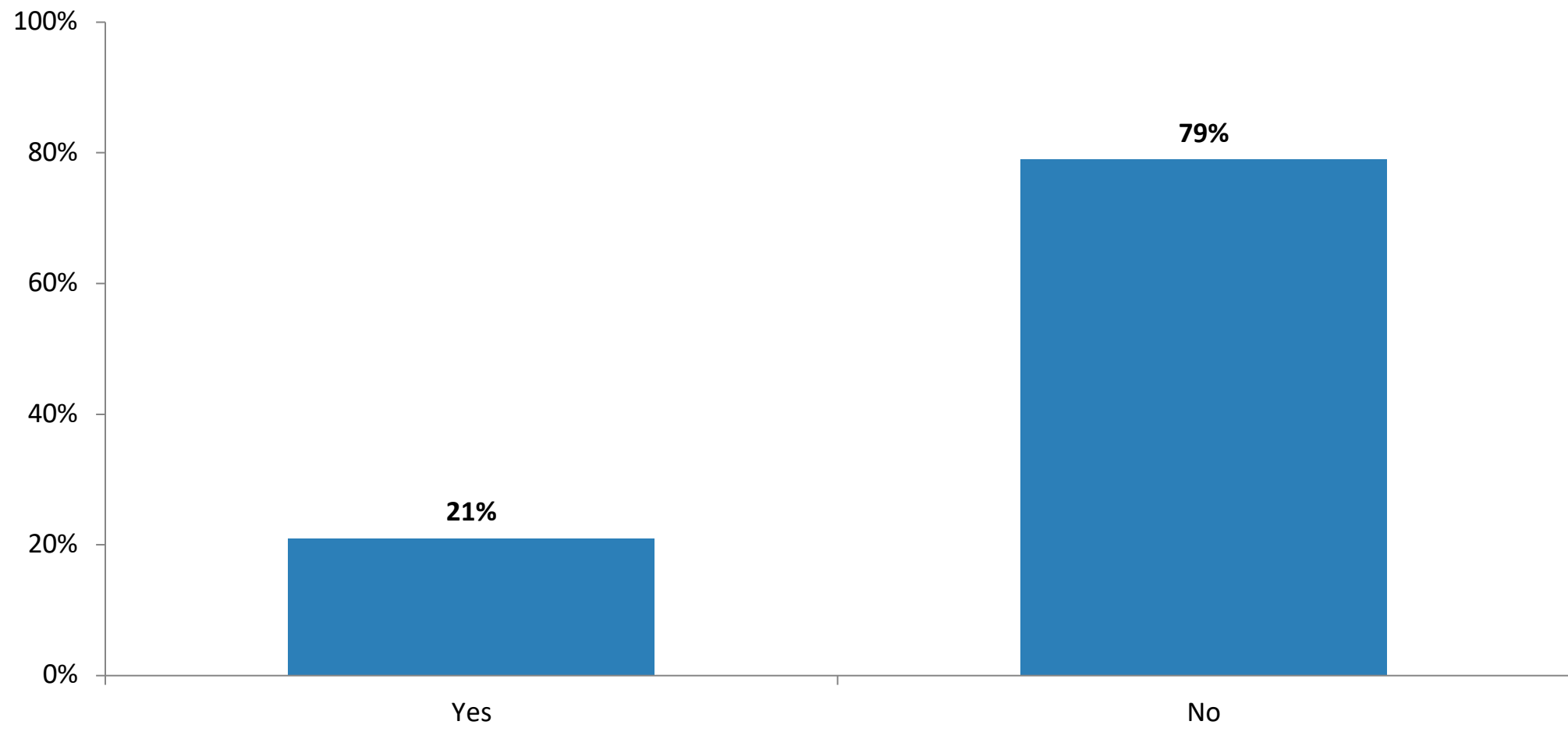
Do you include the resale/transfer agreement in your FDD?



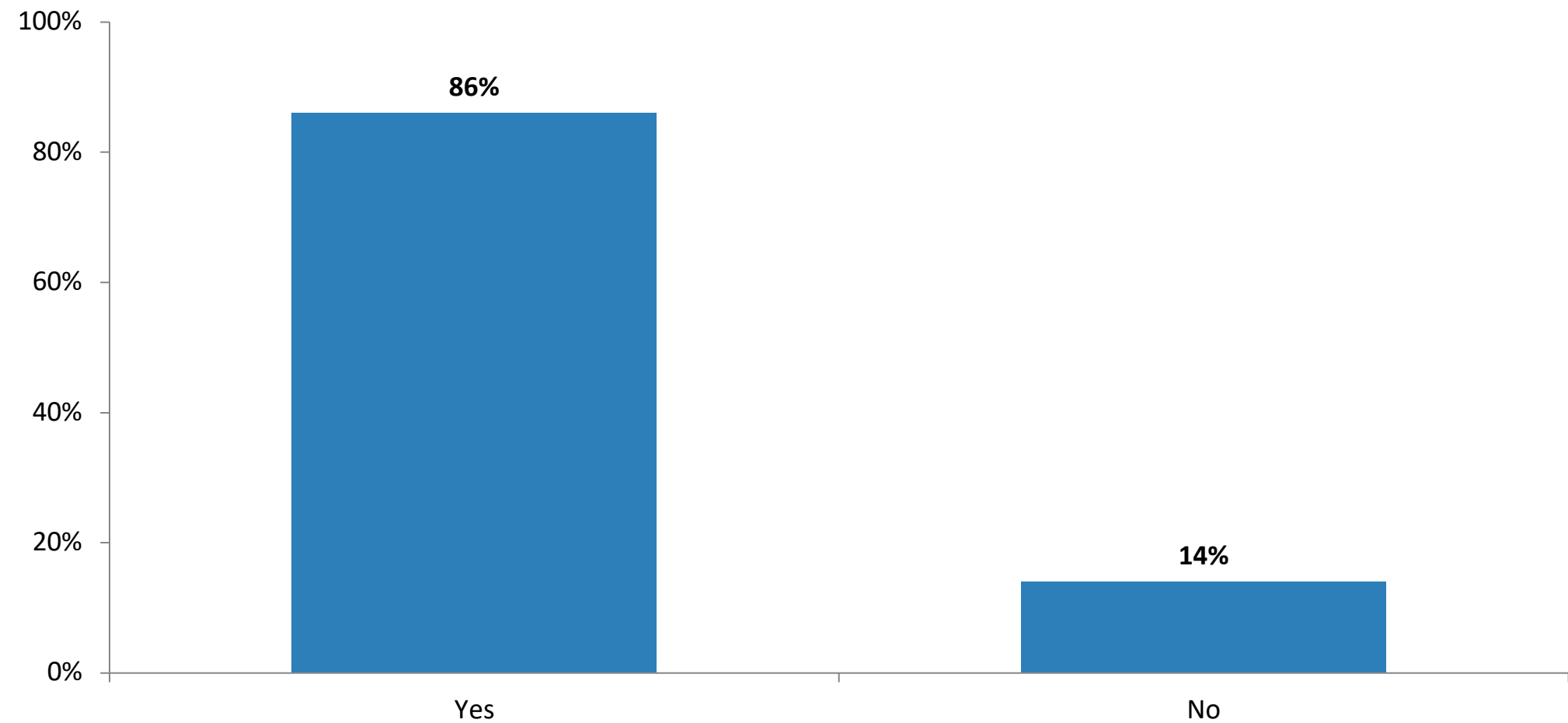
How many franchise resales/transfers are you averaging as a percentage of total operating franchise units or territories? (Select one option)



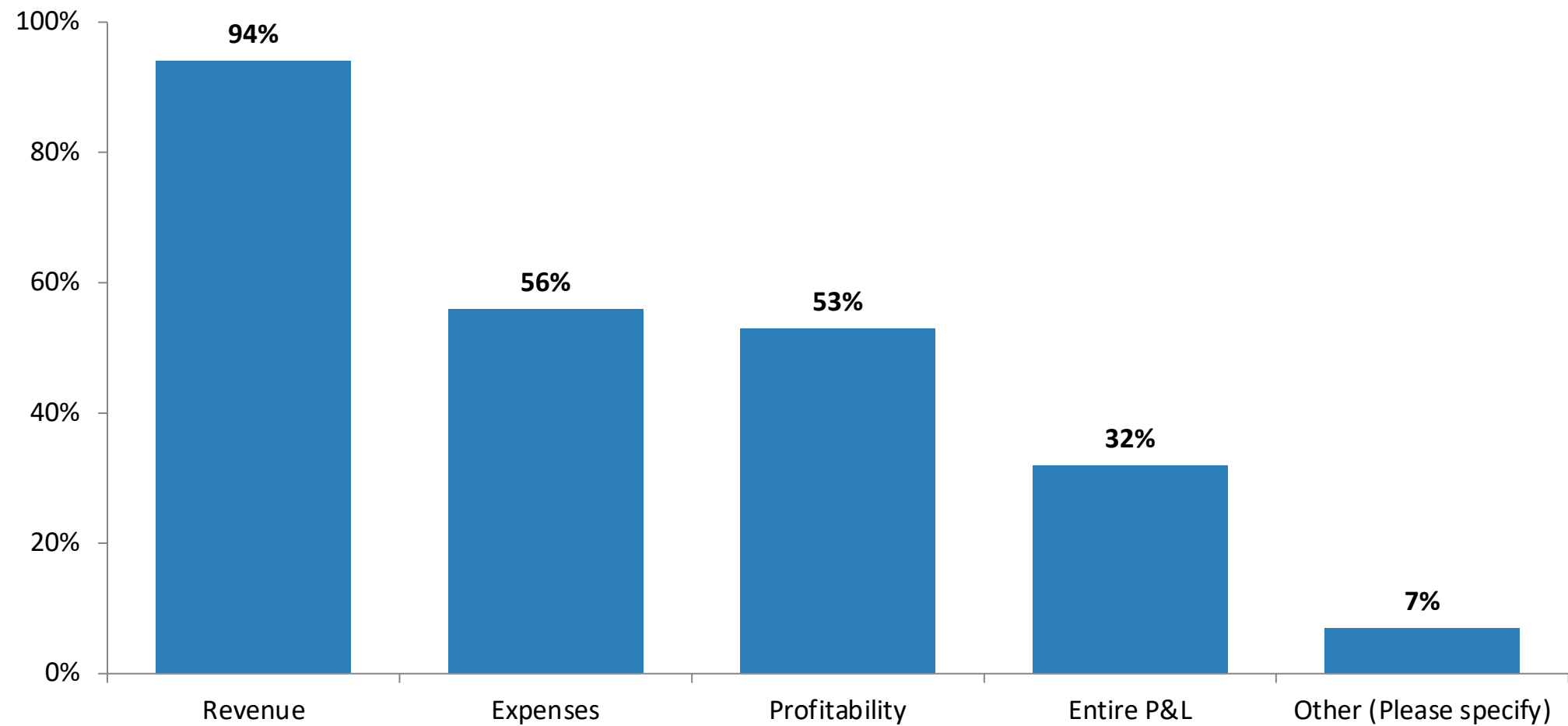
Is this percentage higher than normal due to the lingering impact of COVID-19?



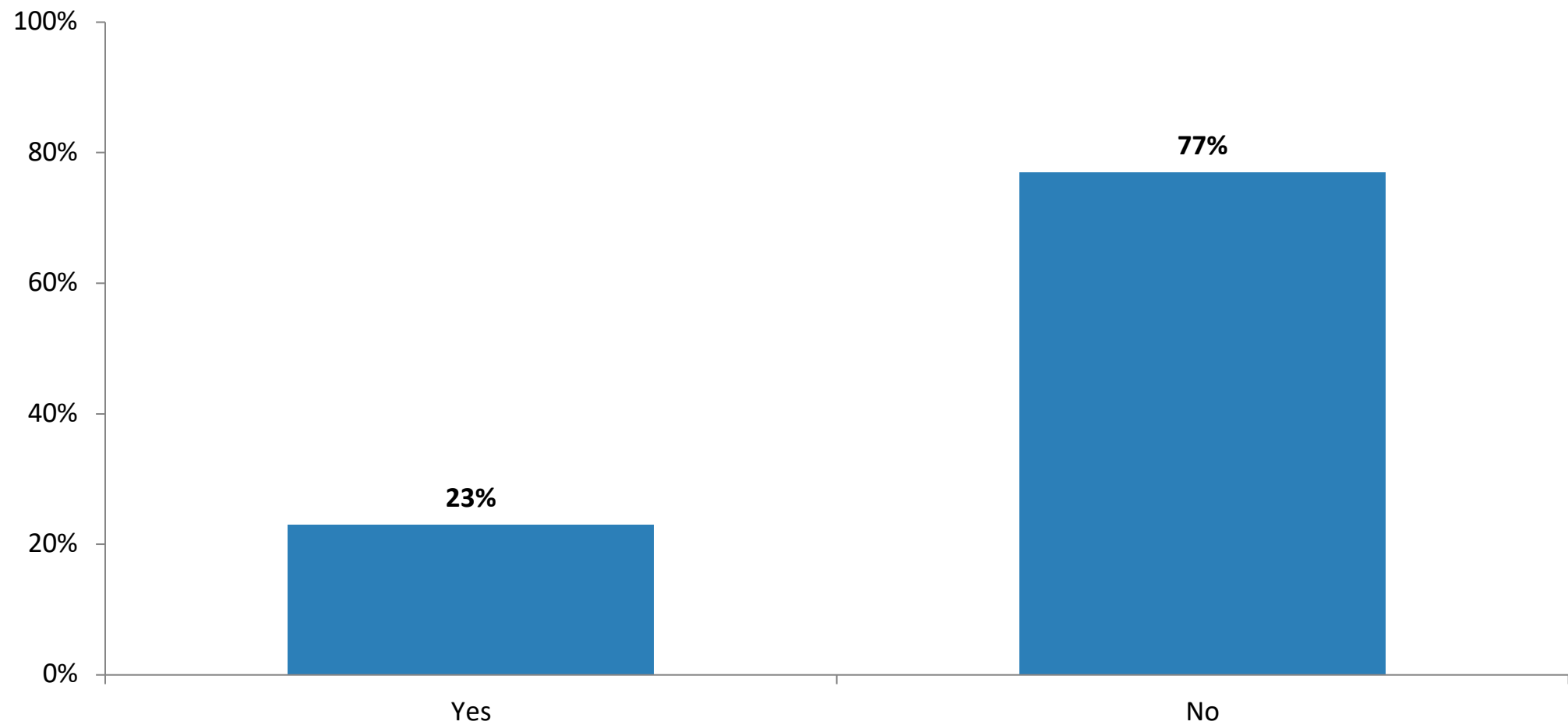
Do you provide FPRs (financial performance representations) in your FDD?



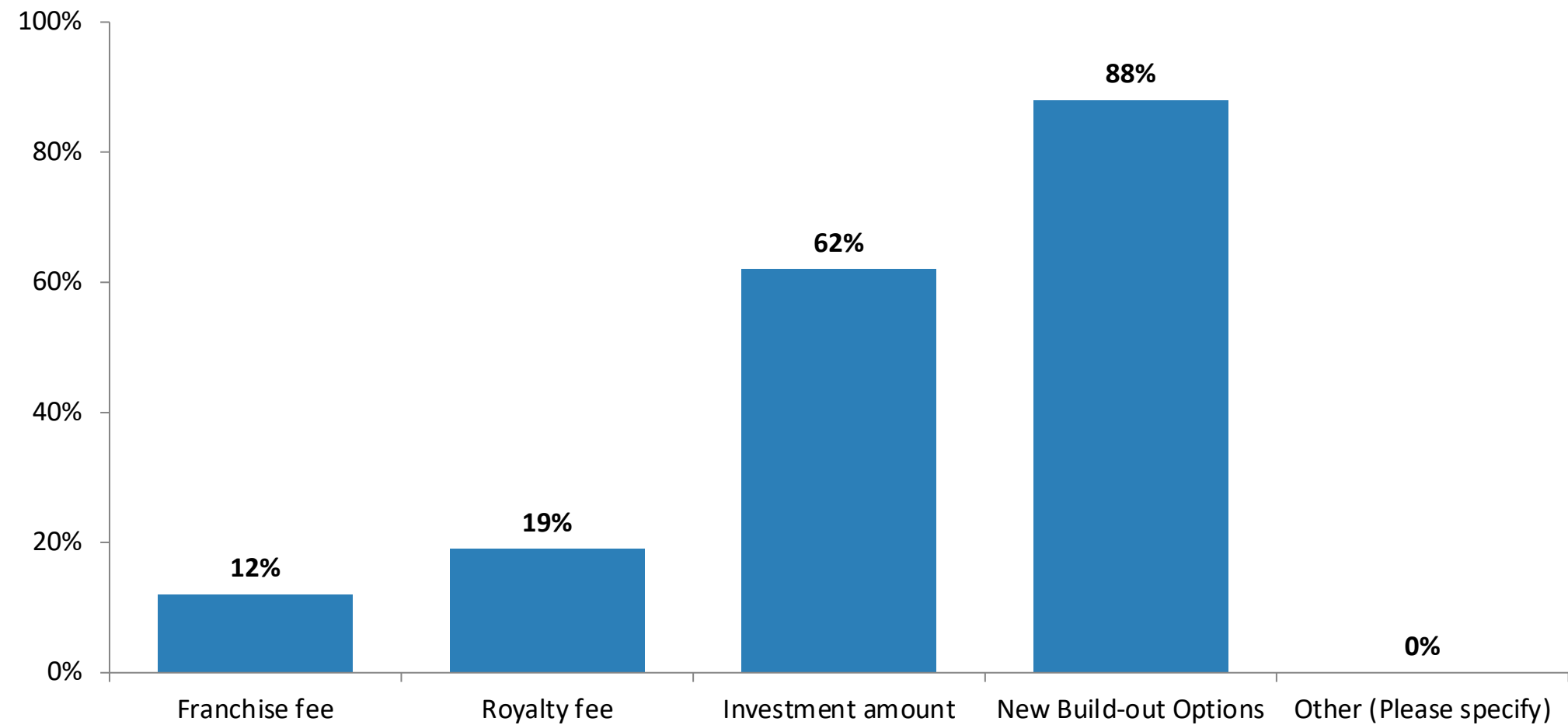
What is included in your Item 19? (select all that apply)



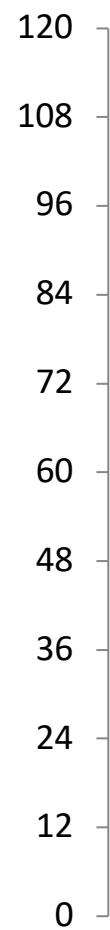
Have you modified your franchise program to reduce franchisee start-up costs over the last 12 months?



What items have you modified (select all that apply)

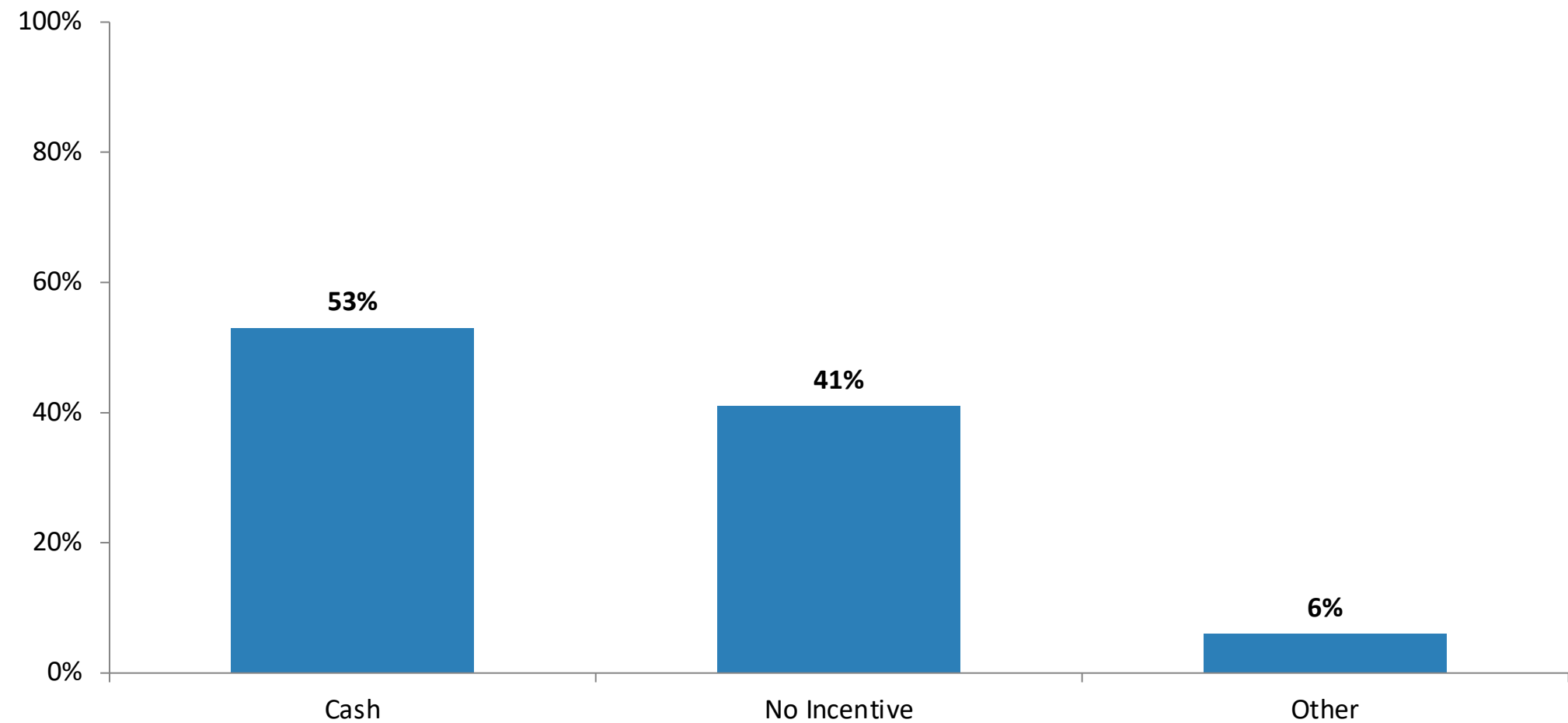


From first contact with a franchise prospect, what is your average closing period (in weeks)?

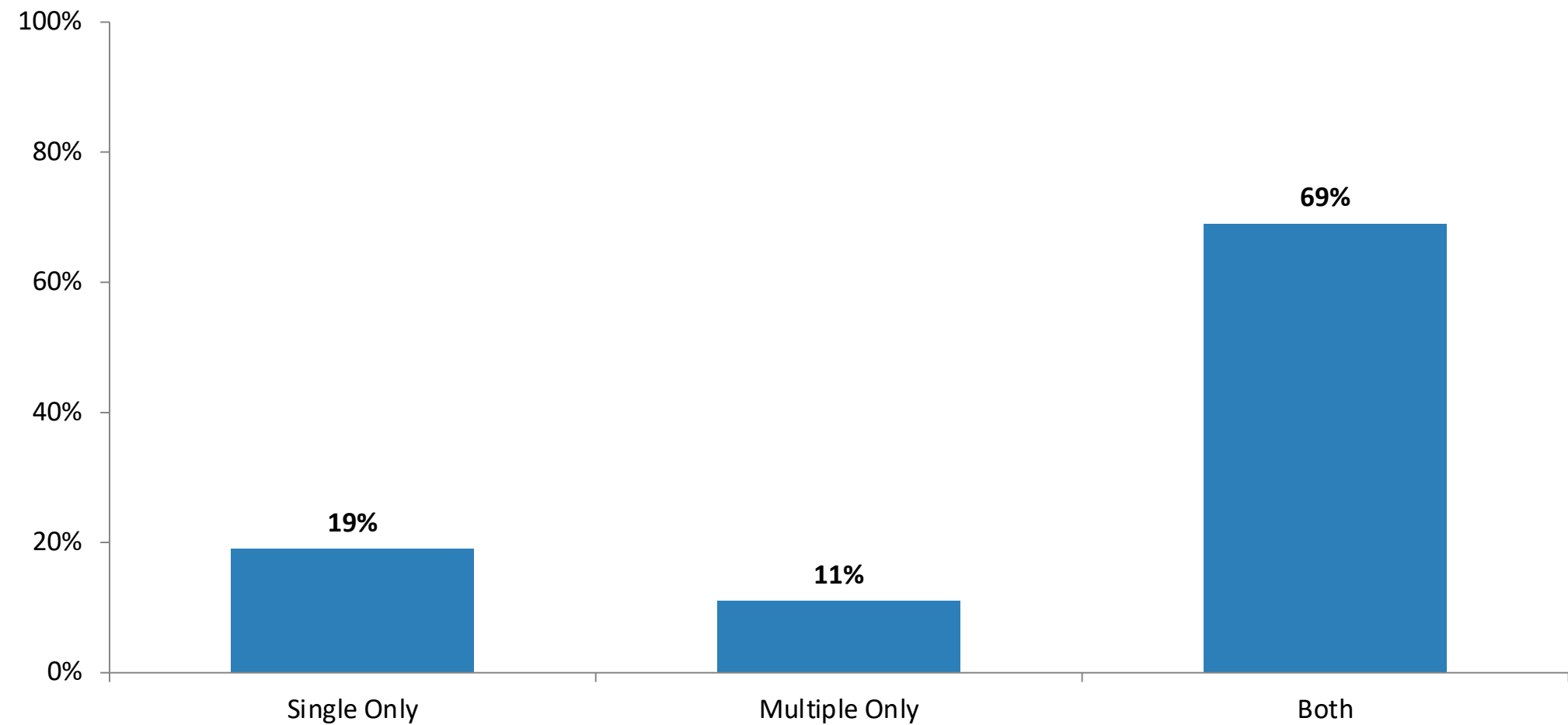


Mean	Median
19.64	12.00

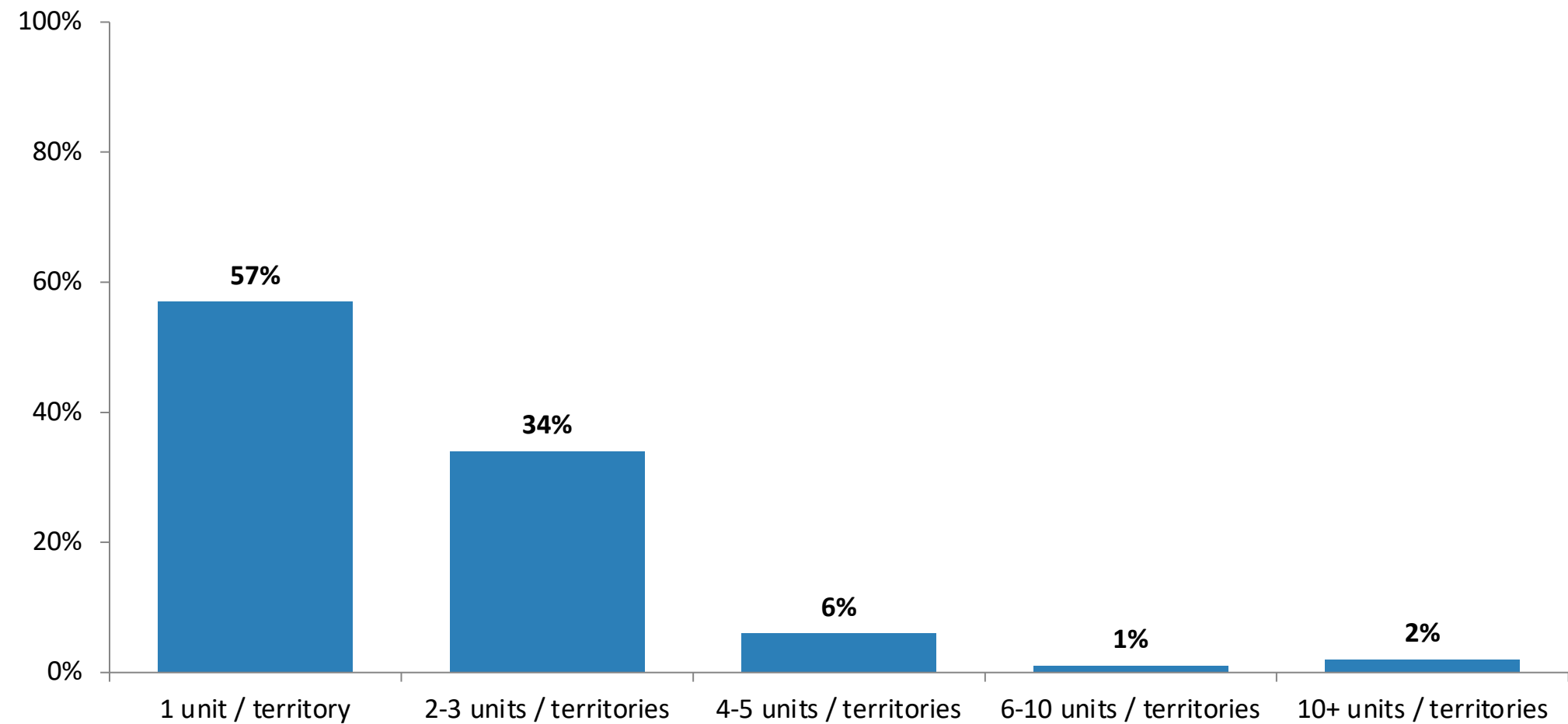
Do you provide incentives to franchisees who refer prospects that buy your franchise?



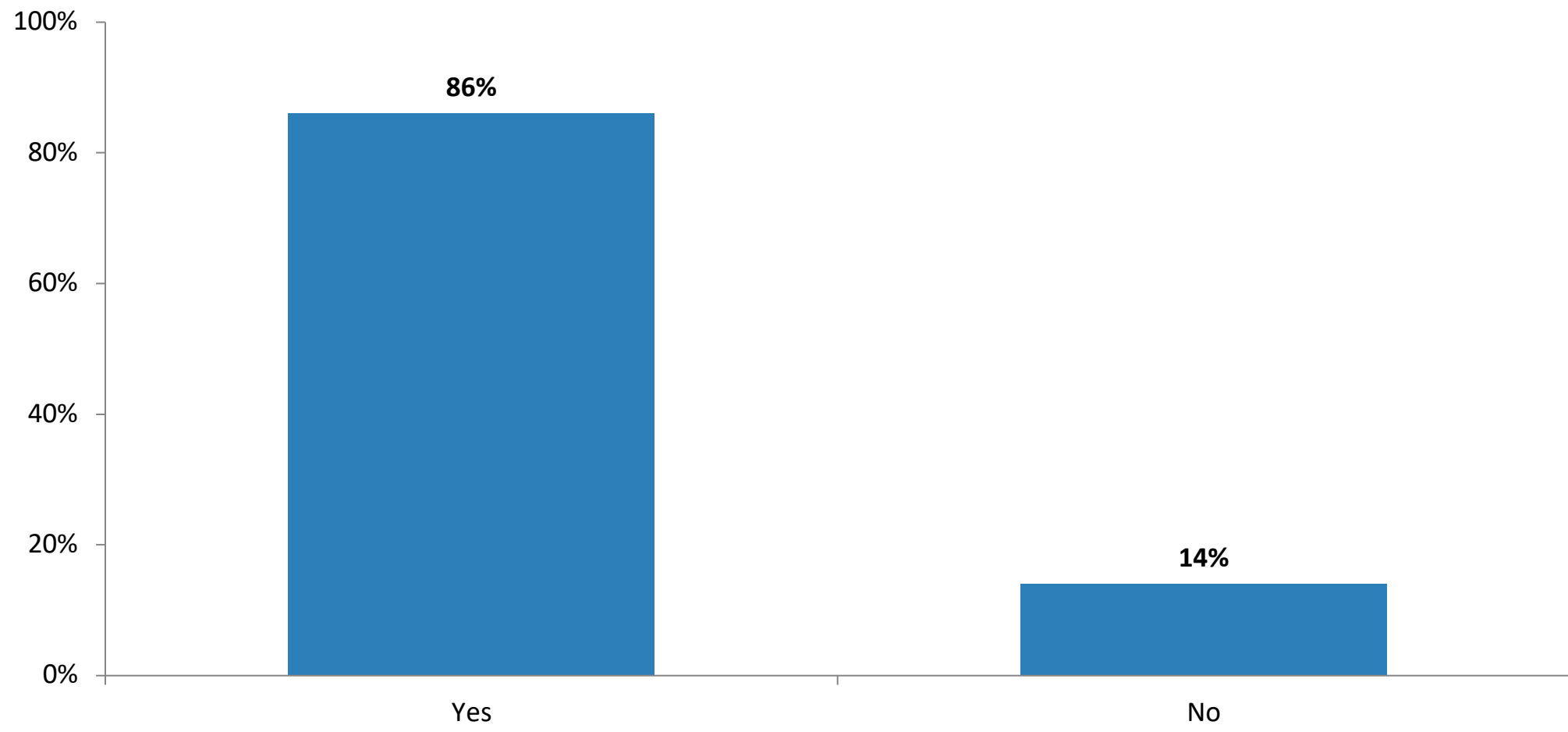
Do you sell single or multiple unit franchise opportunities or both?



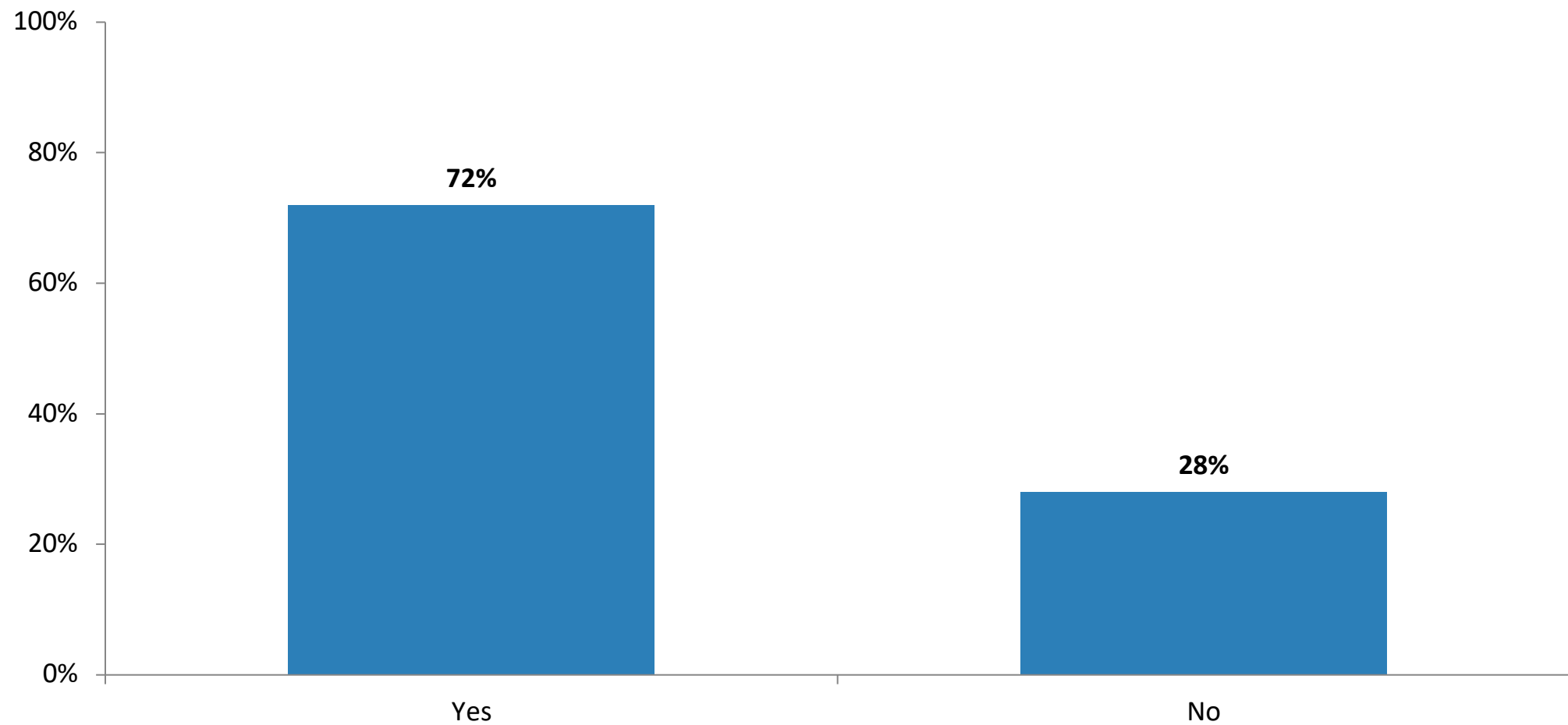
What is your average deal size?



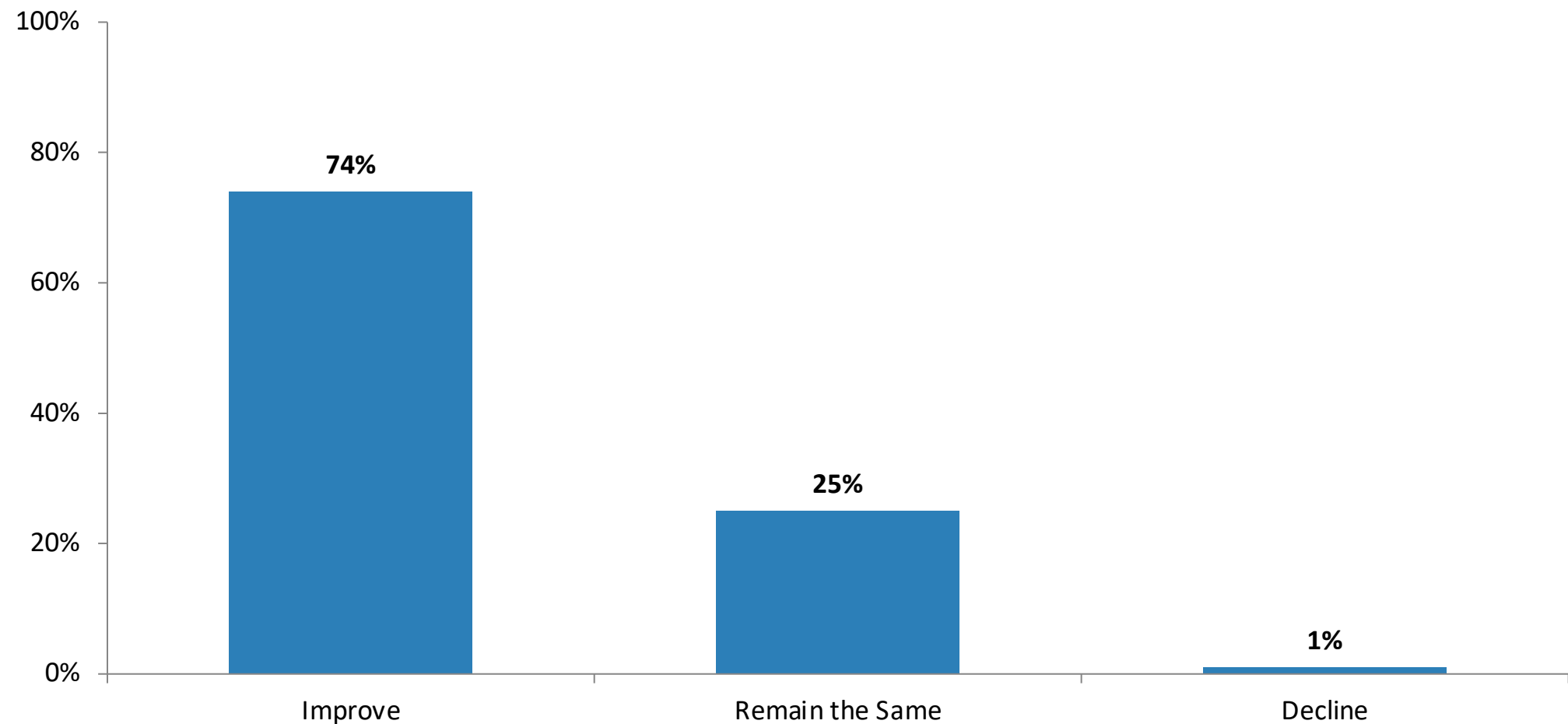
With Multi-Unit Operators, do you have minimum liquidity thresholds that must be met when opening or acquiring new locations?



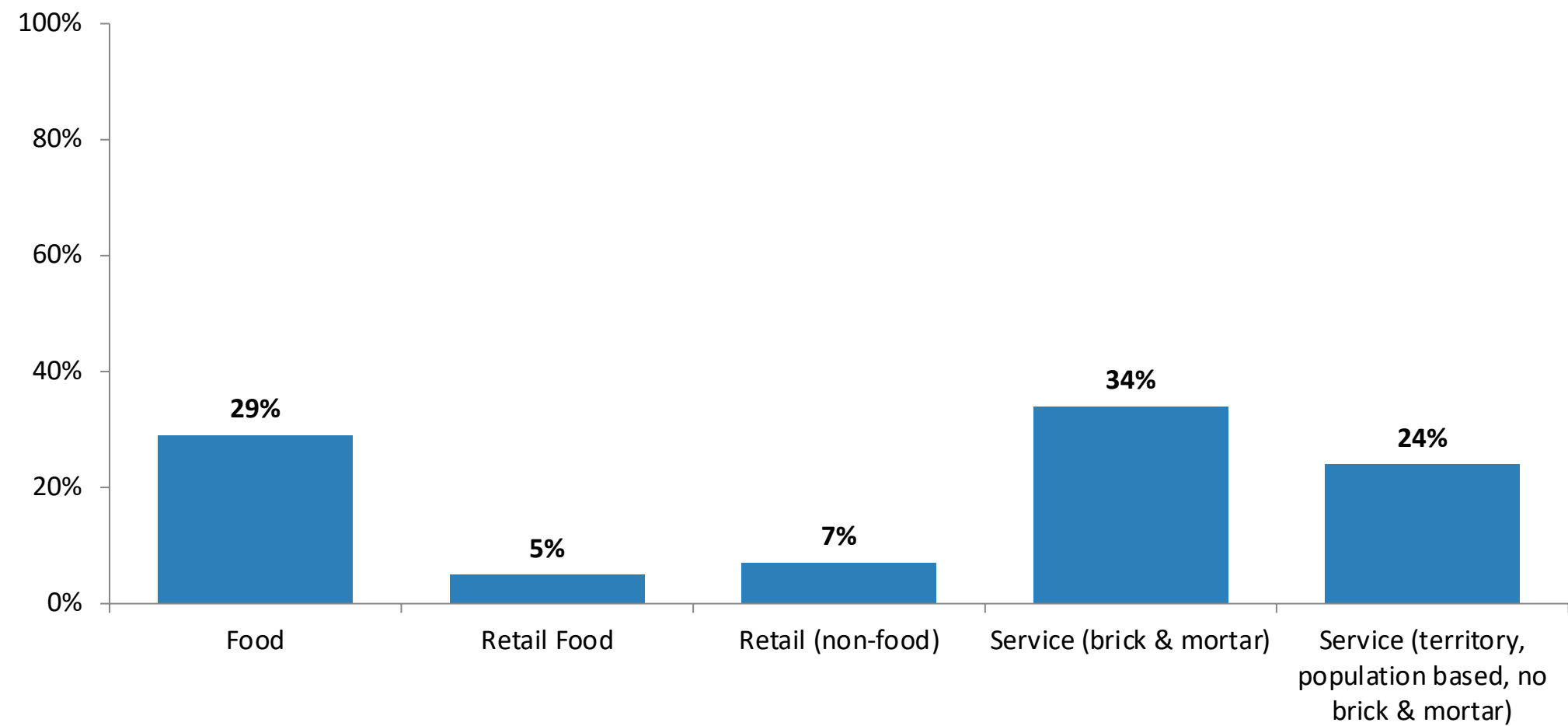
Do you have franchisees that are franchisees of other systems?



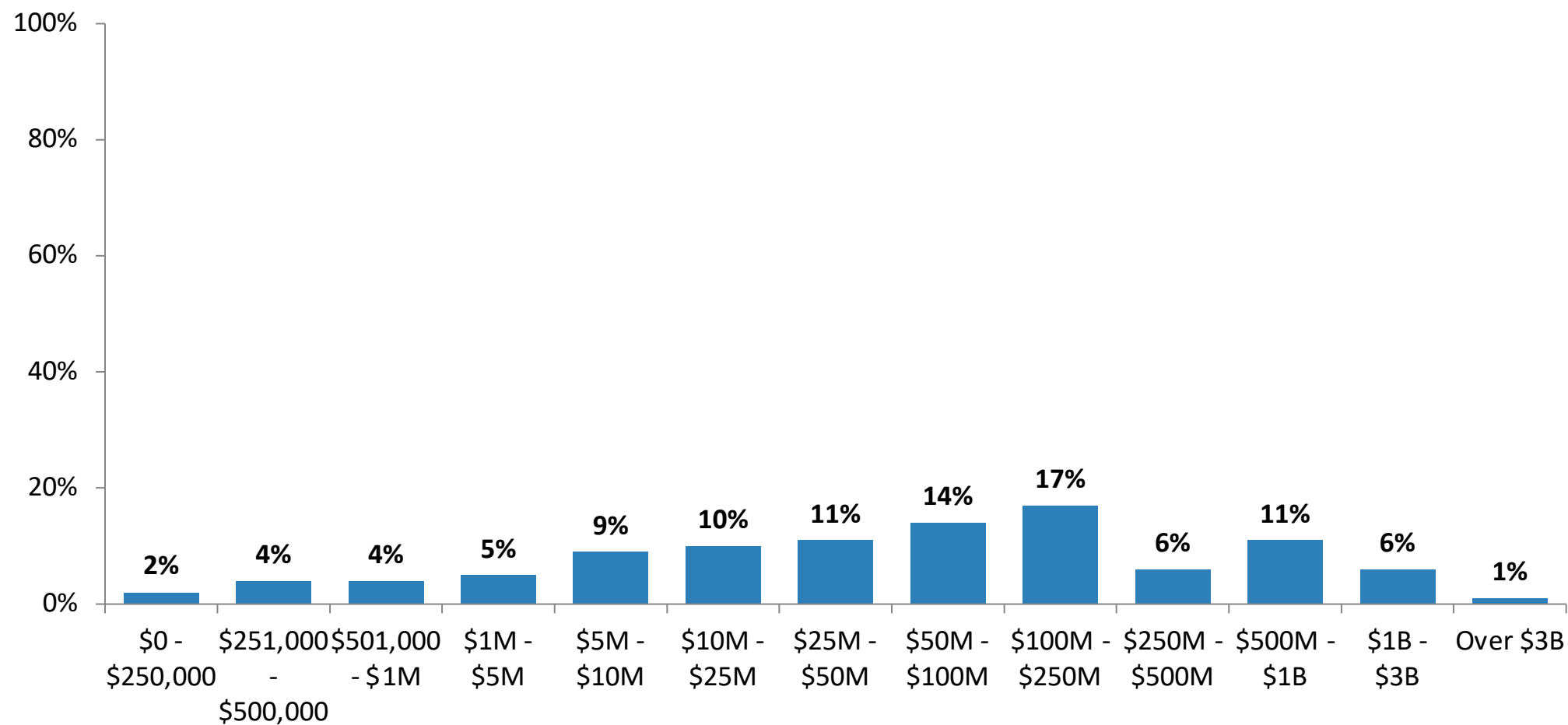
Do you expect same unit sales in the next 6 months to:



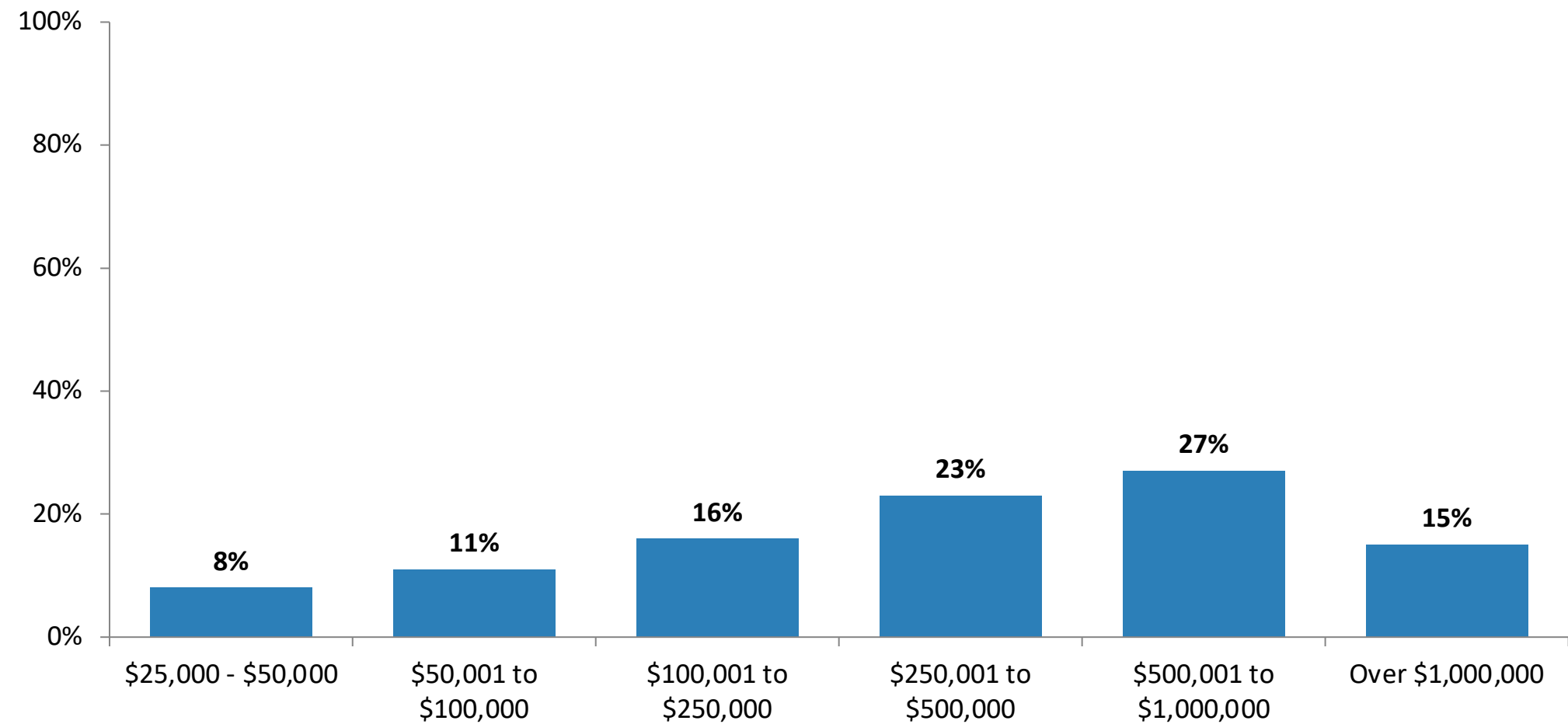
Please select your general franchise category:



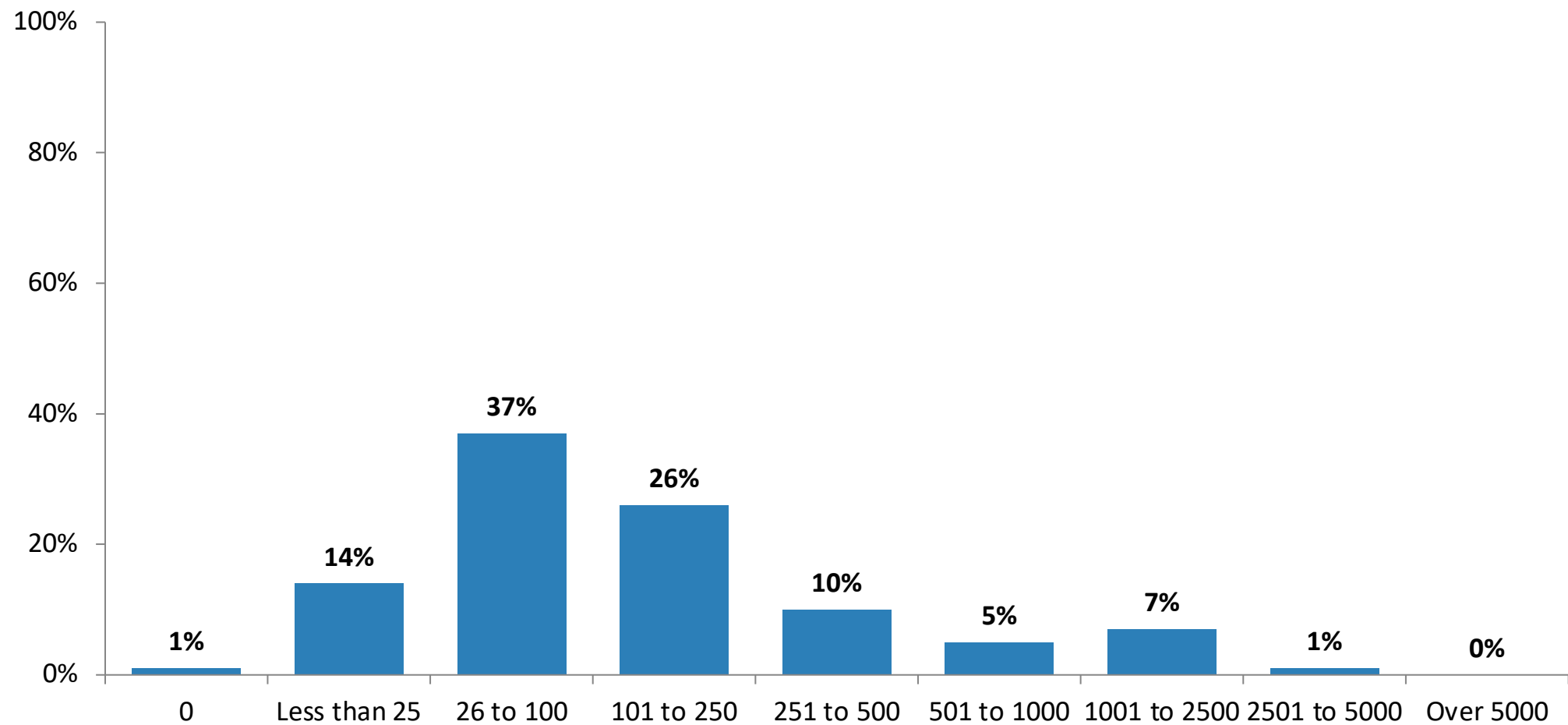
What were your system wide gross sales revenues over your last fiscal year, or 12 months?



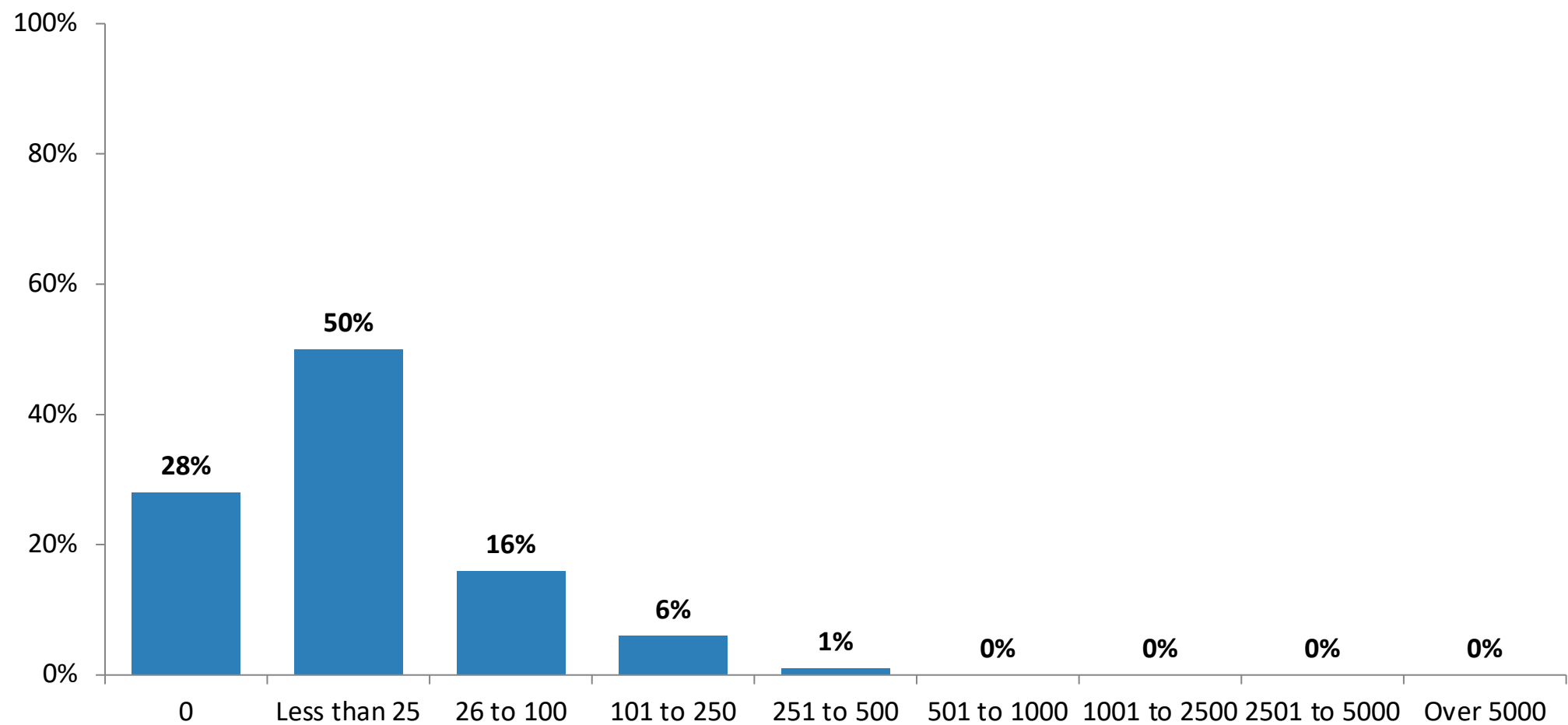
Total franchise investment per unit: (select one option)



Please select the range of domestic franchised units that are operating at this time.



Please select the range of domestic corporate owned units that are operating at this time.



If you have corporate owned units, do your corporate units average more unit revenue than your franchise unit average?

