

Franchisee Motivation Survey Report

In today's economic turmoil, franchising is countercyclical to the economy. As the unemployment rate rises, entrepreneurship is becoming more appealing and more effort should be directed at the media in targeting would be entrepreneurs, not just individuals looking for franchises.

Recently, The Franchise and Distribution National Practice Group of Gowling Lafleur Henderson LLP commissioned a national survey to uncover information on what motivates someone to invest in a franchise. The survey was conducted by The Research Strategy Group, a Toronto-based, custom market research company. A telephone survey of 400 franchisees was conducted nationally, wherein the respondent was the owner or senior manager and the primary decision-maker regarding the franchise acquisition. Roughly half the sample was comprised of people who had owned their franchise for more than five years, and the remainder for less than that.

The study attempted to highlight the attitudes and behaviours relating to the following:

- Motivations for purchasing a franchise
- Characteristics of franchisees
- How to target potential franchisees
- Typical challenges faced in the search for a franchise
- The decision making process for purchasing a franchise
- Primary sources of information for evaluating the offering

Survey Results at a Glance

Considering Alternatives

Franchisees who had also considered opening their own independent business seemed to go through a more exhaustive process of evaluating their options than those who did not consider starting their own business.

Sources of Information For Evaluating Franchises	% of Franchisees	
	Considered Independent Business (N=178)	Did Not Consider Independent Business (N=217)
Talked to franchisees	94	80
Read company material	90	77
Met personally with company reps	87	77
Visited franchise location	87	83

Research company website	60	43
Read franchising publications/directories	53	44
Looked at advertising such as newspaper ads	42	30
* Visited a third-party website	36	21
Listened to company presentation to a group	33	33
Talked to a franchise broker	30	33
* Visited the CFA website	27	15
Visited their booth at a trade show	23	16
In-store advertising	20	22

*Third-party website may also include the CFA website

Border around a number indicates a statistically valid difference.

- *Entrepreneur – Almost half (45%) of franchisees considered starting their own independent business*
- *Males (50%) were more likely than females (36%) to consider starting their own business*
- *Majority of franchisees are 35 years to 44 years (38%), and 45 years to 54 years (31%)*

The survey findings conclude that the number of women looking at franchising has grown more than expected. Franchisors and would be franchisors should, where possible, add elements that would be attractive to this demographic. This could be achieved by supporting charities for women's issues and families, and also by employing women executives.

- Largest single proportion of franchisees had been working as an employee (42%)
- Almost half of franchisees (46%), who had not considered starting their own business, looked at only one franchise opportunity, while a large portion of the other half (34%), looked at three or more opportunities.

The significant number of younger people purchasing a franchise demonstrates that the purchasing of a franchise is a career choice. Because of this, franchisors should consider emphasizing the longevity of their franchisees in the system, their policy about renewing franchisees and their on-going support for franchisees wishing to increase their net worth.

Franchisees who had not considered starting their own business, and who looked at more than one franchising opportunity, were more likely to look within the same industry/sector. Franchisees with investments of \$250,000 or higher also looked within the same industry/sector. These results

reinforce a belief that the more the prospective franchisee is motivated by a need to replace income, the less focused they will be on a single industry or type of business when seeking out and choosing a franchise.

Franchisees who had also considered opening their own independent business went through a more exhaustive process of evaluating their options than those who did not consider starting their own business.

Other results also showed that the majority of franchisees (70%) are very satisfied with their decision to buy, 25% are somewhat satisfied, and 5% are not satisfied. This result supports the conclusion that individuals view franchising as a viable alternative to employment or independent business operation. As previously mentioned, the majority of franchisees are relatively young persons, with a large number expecting to still own their franchise in 15 or more years and the next group expecting to still own in 5-10 years. For many, the next step would be retirement.

Considerations for Buying a Franchise

This segment of the survey was able to provide tremendous guidance to franchisors in tailoring their marketing message to prospective franchisees.

Why Did You Choose A Franchise Instead of Starting Your Own Independent Business?	% who considered starting their own business (N=178)
Name recognition/known business name	22
Franchise support and training	18
Ease of running the franchise	11
The opportunity was available	10
Higher chance of success/less risk	10
The concept appealed to me	9

Why Were You Not Interested In Starting Your Own Independent Business?	% who did not consider starting their own business (N=217)
Starting an independent business too risky	12
Preferred to start a franchise	10
No experience in starting a business	9
Cost of running an independent business too high	8

Franchise offered support and training	8
Too much work involved in starting an independent business	8

Sources of Information for Evaluating a Franchise

This segment of the survey, together with the previous chart on "Sources of Information for Evaluating Franchises", will assist franchisors in directing their ongoing marketing and sales strategies, following initial lead generation.

According to the findings, it is evident that franchisees rely on the company and on the existing franchisees as key sources of information when evaluating various franchise opportunities. On an unprompted basis, respondents also indicated that visiting franchise locations was considered a further key source of information.

Most Credible Sources of Information For Evaluating Franchises	% of Franchisees (N=248)
Talked to franchisees	47
Company sources (Net)	36
<i>Met personally with company reps</i>	20
<i>Read company material</i>	7
<i>Research company website</i>	4
<i>Visited their booth at a trade show</i>	4
<i>Listened to company presentation to a group</i>	2
Visited franchise location	12
Talked to a franchise broker	4

Furthermore, in terms of credibility, it was found that almost half of franchisees consider the existing franchisees to be the most credible source of information when considering franchise(s). This being said, the franchisor can also be a credible source, especially when the potential franchisee can personally meet with representatives from the company.

Sources of Information For Evaluating Franchises	% of Franchisees (N=400)	
	Unaided	Aided
Company sources (Net)	31	

<i>Met personally with company reps</i>	13	81
<i>Read company material</i>	10	83
<i>Research company website</i>	8	51
<i>Listened to company presentation to a group</i>	4	33
<i>Visited their booth at a trade show</i>	3	19
Talked to franchisees	24	87
Visited franchise location	15	84
Talked to a franchise broker	5	32
Read franchising publications/directories	4	48
Looked at advertising such as newspaper ads	3	35
* Visited the CFA website	2	21
* Visited a third-party website	1	28
In-store advertising	1	28

* Third-party website may also include the CFA website

Biggest Challenges in Franchising

Findings suggested that the largest single proportion of franchisees said that obtaining financing was the major challenge they faced when they were deciding whether or not to buy the franchise. Those who had not considered starting an independent business were more likely to say that their key challenge was obtaining financing (49% v. 37% among those who did consider starting an independent business).

The Franchise

Survey findings showed that food service, particularly quick service restaurants, represented a large proportion of the franchisees' businesses. Retail sales tended to have another sizable share of the franchise business. Table service/casual dining restaurants and business-to-consumer service were in the middle, while Other Food was among the bottom grouping in franchise business choices.

About Gowlings

Gowlings' Franchise and Distribution Practice Group is built on the expertise of professionals working exclusively in franchise and distribution law. Our practitioners bring extensive experience in developing franchises and distribution networks from the ground up and represent franchisors, master and unit franchisees, manufacturers, suppliers, distributors, importers, exporters and licensors in the

development and expansion of their businesses. From start-up through to the mature system stage, Gowlings helps business and industry leaders achieve their short- and long-term objectives.

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