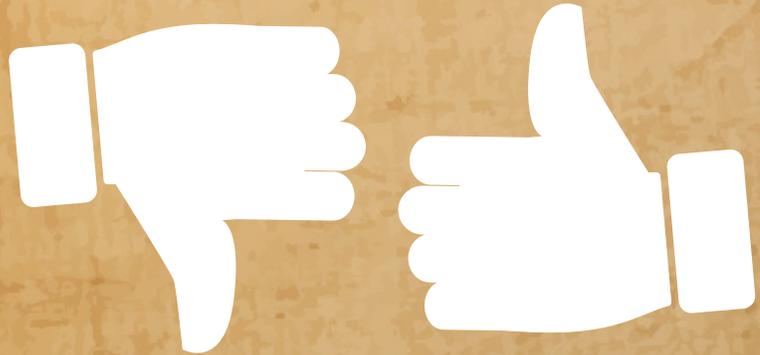


5 DOS AND DON'TS OF OPENING A FRANCHISE



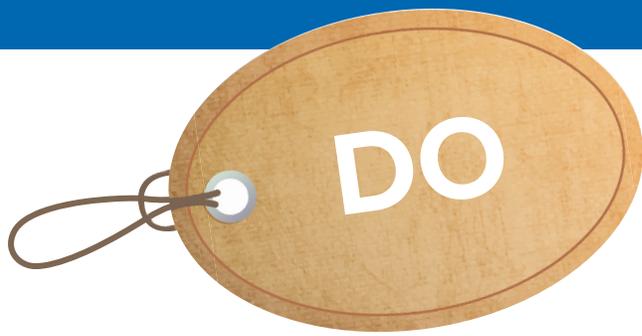
Prepared by:

Congratulations! If you're reading this, it probably means you've taken a big step in your professional career: You've either just invested in a Fully Promoted franchise, are on the verge of doing so, or you're considering the opportunity and have turned to this excellent, free resource to learn more about the world of franchising. No matter what stage you're in, today is a big day.

Of course, no matter the reason you're here, you're looking for more information on what happens once you open your franchise. There's so much excitement revolving around signing on the dotted line, but once you get the keys, you might be left wondering what comes next. Not that there will ever really be a lull in your newfound responsibilities as a business owner – rather, there are so many things to do that sometimes we need a bit of perspective to see the forest through the trees.

With that in mind, we've put together this convenient guide that will walk you through some expert tips on what to keep in mind when opening a franchise.





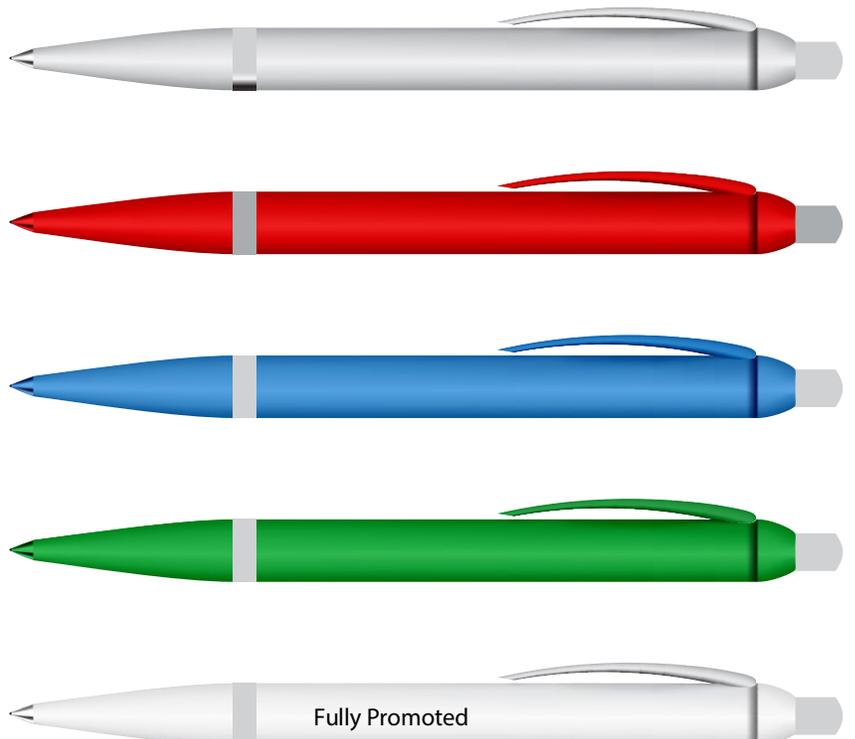
UTILIZE THE POWER OF PROMOTIONAL PRODUCTS

One seemingly never-ending challenge of business owners is the dual responsibility of growing brand awareness and increasing sales. Increased sales are the core of the business, and increasing brand awareness is key to doing so.

But what if we told you there's a simple secret at your disposal that unlocks both? Spoiler alert: there is, and it's utilizing the power of promotional products.

Promotional products are the secret to unlocking more brand awareness and increasing sales revenue in the process, and you'll probably be shocked at just how effective this strategy really is.

Let's dive a little deeper.



BUILDING A BRAND

In a 2012 study¹, 500 random people were polled in a New York airport.

Of those 500, seven in 10 could recall receiving a promotional product in the previous 12 months – a number the researchers expected based on a previous study. And of that 70% who remembered receiving one promotional item, 70% of them recalled getting additional promotional items in the same time frame. It's important to keep in mind what these promotional items act as while reviewing these statistics: advertisements that are handed directly to potential customers.

With that in mind, while it might seem obvious that people would remember getting something for free, consider this: 88% of people who received a promotional product in the last 12 months could remember the name of the company that gave it to them. But of that same group, only 71% could remember a specific advertisement they had seen in the previous week. That's a massive drop-off, and astounding considering the significant difference in recency periods of time compared.

Of the products that surveyed customers remembered receiving, 41% of them were wearable items, with T-shirts being the most popular wearable.

In a similar study² conducted by the British Promotional Merchandise Association (BPMA), 87% of people kept the promotional item they received for over a year – meaning this company's advertisement was constantly present in their homes for that same period of time – and over half (56%) said “their impression of the company improved after receiving a branded promotional gift.”



MORE THAN BRAND AWARENESS

It's not just brand awareness you're building by giving things away, though: You're increasing your potential for sales in the process.

Before their exposure to the free promotional products, approximately half (55%) of the consumers had purchased something from the advertiser previously. But after receiving a free promotional product, a whopping 85% of consumers who received a promotional item decided to do business with that company – either for the first time if they had never done business with them before, or as a repeat customer if they had. Similarly in the BPMA's study, 79% of customers said they would likely do business with the company again after receiving their free promotional gift.

We don't need to underscore how incredible of a leap those numbers are, or how much increased revenue it would provide. The bottom line: It's a lot, all thanks to one simple trick.

The BPMA's results favor this marketing tactic as well, as the return on investment for a promotional giveaway was higher than when using radio or outdoor advertising, and had just as good a return as TV and print marketing.

TAKEAWAYS

So what do these insights tell us?

In short, that people love free stuff, they remember you better and for longer periods of time when you give it to them, it's as good of a marketing tactic (if not better) than anything else out there, and that more people will spend more money on your products.

So the next time you're toying with the idea of a new marketing campaign, consider a promotional deal or giveaway with a branded item.





GET TOO CREATIVE, TOO QUICKLY

There's something to be said about the freedom of being your own boss and the independence that comes with starting your own business. And it's absolutely critical to be enthusiastic about your new venture, believing that you can not only succeed, but also potentially even be the best business owner in your given industry. If you qualify as the type of business owner who believes they can change the game, we applaud your enthusiasm and forward thinking.

That said, it's also probably in your best interest to play the long game, learn the franchise system, and work on implementing your style further down the line. Why? Because when you're franchising, you're working with someone else's tailor-made business that they've worked tirelessly to tweak and perfect. You're paying for the right to utilize their brand and model, which have proven to be successful. So franchisors typically don't want owners who suggest big changes to a proven concept.

Instead, franchisors usually want their potential franchisees to follow the yellow brick road that's been laid out for them, both because they want you to be successful, and because you're representing a brand they've labored over building and promoting. There's a reputation to uphold as part of your contract, and it's easy to see why your franchisor would believe that their way is the best way to keep that reputation sparkling.

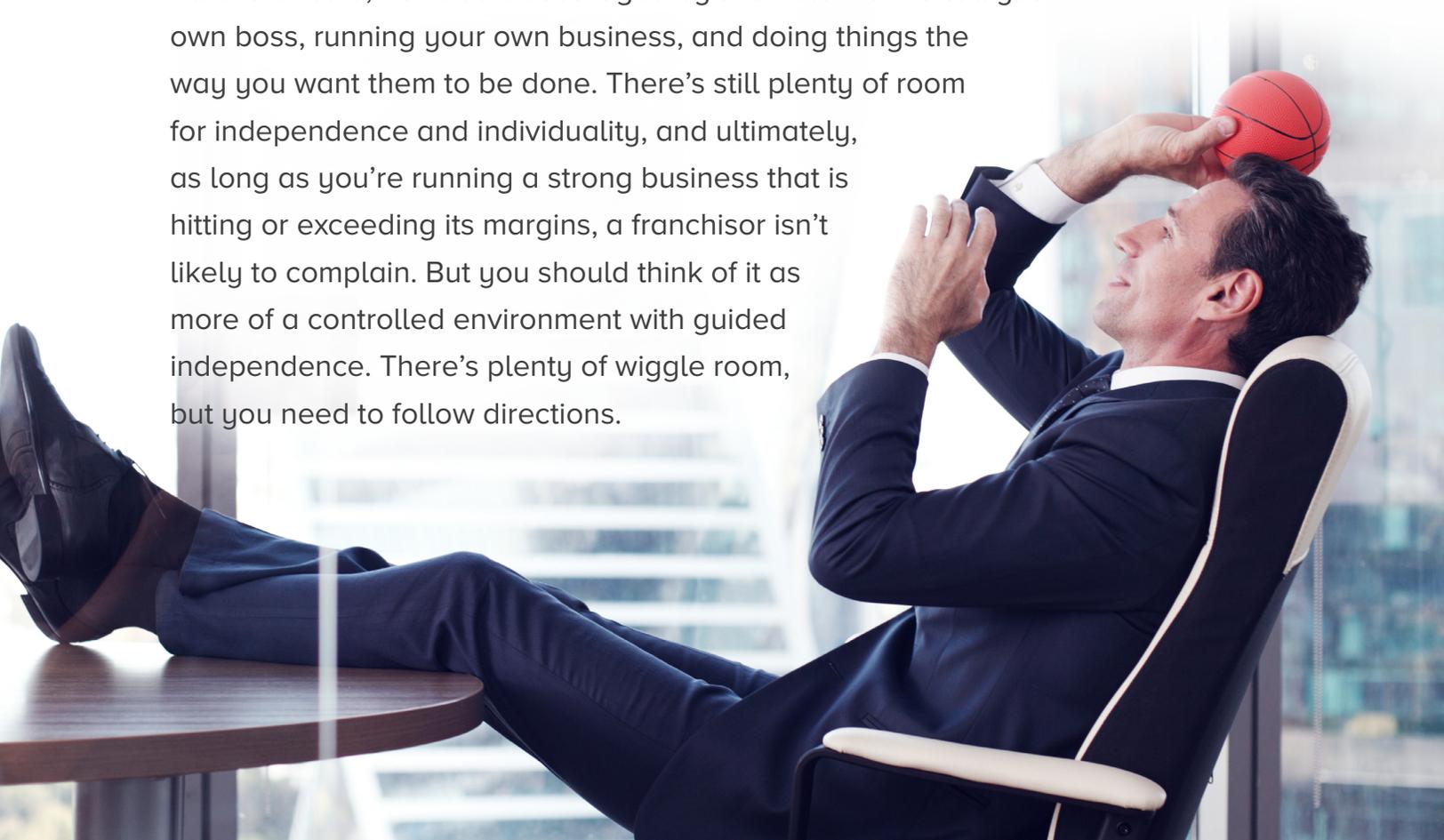
And lest we forget, there's money to be made as franchisors, and whenever there's money to be made, there are rules to be followed. Your franchise agreement almost always includes some type of royalties from gross sales numbers or something similar, which, if you're unfamiliar, basically means that

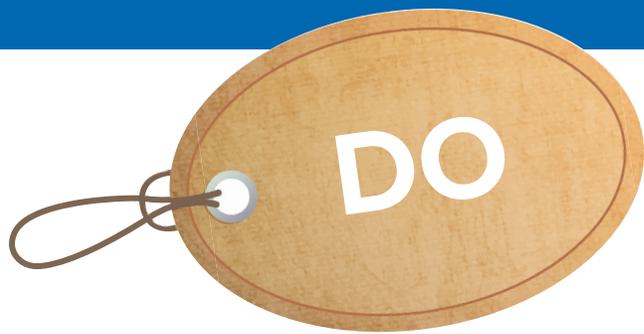
a small percentage of your sales (*typically around five to 10 percent*) is paid to the franchisor each month. Remember that after your franchise fee and initial investment are paid, this is how franchisors make their money – so if you're not successful, neither are they.

While venturing off the beaten path to try and blaze your own trail is certainly commendable, the odds of your success (and, subsequently, the franchisor's profits) go down. When you view franchising through the lens of the people handing you the reins, all of the decision making and minutiae make a lot more sense.

"They definitely want people who will follow a system," one CEO told Inc. Magazine³. "That's why a lot of the people we see in franchising are veterans – because they're used to operating in a regimented system."

All of that said, don't be discouraged by this note. You're still your own boss, running your own business, and doing things the way you want them to be done. There's still plenty of room for independence and individuality, and ultimately, as long as you're running a strong business that is hitting or exceeding its margins, a franchisor isn't likely to complain. But you should think of it as more of a controlled environment with guided independence. There's plenty of wiggle room, but you need to follow directions.





UNDERSTAND THE FINANCIAL IMPLICATIONS OF INVESTING IN A FRANCHISE

It's not an uncommon dream to be your own boss. But if you're exploring how to open a business or whether to invest in a franchise, one of the most important factors to consider is the money. So how much does it cost to open a franchise? Here's a closer look at what those costs might look like.

FRANCHISE FEE

This is your payment to the franchisor for the rights to open one of their stores. This often ranges between \$50,000 and \$100,000 and upwards, but can be lower for very small companies and much larger for the giants of the industry. The cost is typically listed separately for your convenience, but is also generally included in the “total investment” number potential franchisees are given.

LIQUID CAPITAL

These are simply assets that are readily convertible to cash, like stocks, bonds, or other savings. The range for what is required varies, but having liquid capital helps assure investors that in a case of extreme emergency, there's something behind the glass after you break it.

NET WORTH

Usually a larger number than your available liquid capital, your net worth subtracts your total liabilities – like debts, mortgages, outstanding bills, etc. – from your total assets and gives franchisors a better financial picture of your worth before extending an offer.

TOTAL INVESTMENT

This is how much you're projected to need to open your new franchise unit. This number usually includes the projected cost of real estate, equipment, your franchise fee, and operating costs for the first three-plus months of business.

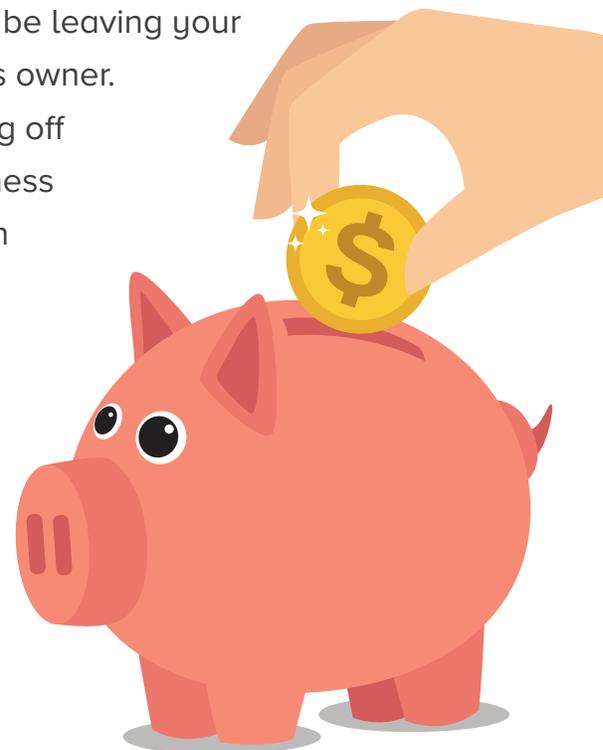
ROYALTIES

If you're trying to calculate your projected profit, you'll need to be sure to discount any royalties. As mentioned previously in this resource, these are monthly payments made to your franchisor, and typically are a small percentage of your total sales. Most often, royalties range between five and 10 percent.

Sometimes there are other fees associated with the cost of franchising. For example, a small portion of your revenue might go into a marketing fund for the entire company to use, or instead, you might be required to spend a certain dollar amount on advertising in your local market each month. Asking about fees and understanding their prices and when to expect them is an important part of the franchising process.

PERSONAL SAVINGS

If you're investing in a franchise, in all likelihood you'll be leaving your current full-time position in order to become a business owner. But by doing so, as we mentioned above, you're cutting off your income. It's prudent to understand that your business isn't going to start profiting on Day 1, and could take an extended period of time to start making a profit – let alone one that is equal to what you were previously making. Before taking the leap and storming into the office with your resignation letter, it's important to pay off any debt, loans, and outstanding bills. Then, calculate your cost of living and budget enough savings to use for at least a year or more to be safe.





FORGET TO PRIORITIZE CUSTOMER SERVICE

Every customer interaction you ever have is the most important one.

Therefore, aim to treat your customers like they have provided you a service, not the other way around. If you remember this golden rule, here's what it can mean for your business:

WHY CUSTOMER SERVICE MATTERS

According to statistics from a 2011 poll⁴, 78 percent of customers reported that they had “bailed” on a transaction or not made an intended purchase because of “a poor customer service experience.”

But instead of looking for a solution to the issue, another report showed that 96 percent of unsatisfied customers voiced no concerns, and that 91 percent of them just chose to never do business with the company again. Only four percent of dissatisfied customers ever voice their displeasure, per the report, which means you might not even realize a customer is unhappy until long after they're spending their dollars with a competitor.

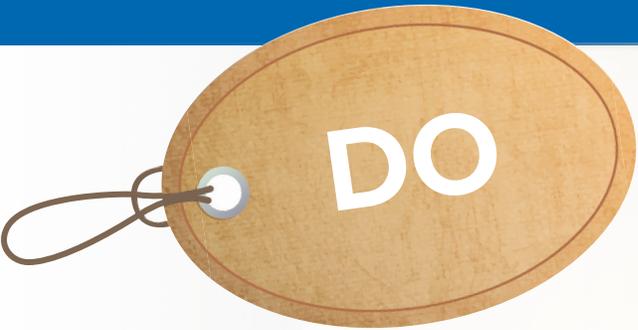
Awareness actually seems to be a huge issue in the customer service landscape. Another survey showed that 80 percent of companies reported that they believe they deliver “superior” customer service, while just eight percent of customers agreed with that assessment. That's a massive discrepancy, and indicative of a larger issue.

However, just because consumers don't usually tell the business they're unhappy doesn't mean they won't talk at all. In fact, data suggests that consumers are 200 percent more likely to spread news of a bad customer service experience to friends, family, and acquaintances than they are a good one.

Further, research shows it takes 12 good customer service experiences to make up for one unresolved negative experience, and that nearly 60 percent of Americans say that they would consider trying a new brand or company simply for a better service experience – even without a negative customer service experience prompting them to make a switch.

On the flip side, seven in 10 Americans reported that they'd be more willing or more likely to spend an increased amount of money with a store or brand that they believe has good customer service.

All of this underscores the need not just for a good customer service solutions plan, but also the practice of excellent customer service in every single interaction. Going above and beyond needs to be the norm, not just something extraordinary, and awareness of best practices needs to be a foundation of your customer service management.



DO

GET SUPPORT FROM FAMILY AND FRIENDS

Last but not least is tip No. 5, and though it's the final bit of advice we'll provide in this resource, it might be the most important piece of knowledge we'll be dropping today: You need the support of your loved ones if you're going to make this work.

Gone are the regular schedules, the 9-to-5s, the knowing exactly what your job entails every day type of responsibilities. You're a business owner now, and that's a huge commitment. Sure, part of the reason you got into this is to make your own schedule and do things at your pace, but that doesn't mean you suddenly have a load of free time available to start lounging around. There's work to be done! Always.

Of course, you already knew that, but we'd be remiss not to mention the impact owning a business has on your personal and social lives. It's critical to find the proper balance that works both for you and your loved ones, and fortunately this new career opportunity gives you a little more flexibility to find it.



Consulting with your family throughout the process will make all of this easier – and it should, right? Owning a franchise is often a decision made with your loved ones in mind. Many are designed to give the proprietor the freedom to spend more time with family – and in some cases, leave a lasting legacy created to provide financial security.

If you suddenly go from leaving at 8 a.m. and being home by 5:30 p.m. every day to being gone for 12 or more hours six days a week, it can throw things off a bit. Routines get messed up, quality time is missed, time spent unwinding and relaxing is completely thrown out the window, and both family and friends get confused and even suffer because of the changes. On the other end of the spectrum, sometimes your newfound flexibility and potential freedom can be taken advantage of and no work will ever get done. There needs to be a conversation, and there needs to be balance.

Consult with those closest to you and rely on the informed decisions you make together, and both you and your business will be better for it.



With these expert tips in hand, you're well on your way to becoming an expert at franchising yourself! You now better understand the importance family plays in the franchising process, how to leverage promotional products to increase sales and brand awareness, why the franchise roadmap is an excellent one to follow, how critical extraordinary customer service is, and what to expect when it comes time to invest in a franchise.

At Fully Promoted, we value the commitment our potential franchisees are making, and want to ensure they understand the process and have the support they need.

If you're ready to take the next step in your franchising journey with Fully Promoted, contact us today!



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Sources

1: Promotional Products Work! <http://www.promotionalproductswork.org/media/1090/promotional-productions-influence-consumer-behavior.pdf>

2: The Power of Promotional Products for Brand Recognition <https://www.brandwatch.com/blog/promotional-products-brand-recognition/>

3: Dos and Don'ts for Franchisees <https://www.inc.com/neil-parmar/3-do-8217-s-and-don-ts-for-franchisees.html>

4: All statistics in this section compiled by Help Scout's "75 Customer Service Facts, Quotes, & Statistics" <https://www.helpscout.net/75-customer-service-facts-quotes-statistics/>