

# Franchising and Distribution: What Motivates a Franchisee to Invest?



Recently, Gowlings' Franchise and Distribution National Practice Group commissioned a national survey to uncover information regarding the motivations of franchisees to invest in a franchise. The study uncovered the attitudes and behaviours pertaining to the following:

- Motivations for purchasing a franchise
- Characteristics of a franchisee
- How to target potential franchisees
- Typical challenges faced during the purchase
- The decision making process employed by franchisees
- Primary sources of information for evaluating the offering

Gowlings brought in a custom market research company, the Research Strategy Group (RSG), to conduct the survey. A telephone survey of 400 franchisees was conducted nationally, wherein the respondent was the owner or senior manager who was 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 survey revealed many important findings including that the age demographic of people opening new franchises is younger than anticipated. The study found that 38 per cent of new franchisees are between 35 to 44 years old. Clearly, purchasing a franchise is a career choice and not just a stepping stone to retirement. Franchisors should consider emphasizing the longevity of their franchises, their renewal policies and on-going support as a potential means of enhancing a franchisee's net worth.

In addition, almost half of the franchisees interviewed had considered opening their own business. Franchisors must consider their competition to be not just other franchisors, but also the lure of becoming an independent business person. To compete against this, franchisors should emphasize the franchise's lower risk, direct more effort towards events that attract would be entrepreneurs (and not just people seeking franchises), provide education surrounding available support/training, and any brand name recognition that the franchisor offers. Company representatives and current franchisees were the most frequently mentioned sources of information.



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## SURVEY RESULTS: (IN ORDER OF IMPORTANCE)

### CHARACTERISTICS OF A FRANCHISEE

- Entrepreneur – almost half (45%) of franchisees considered starting their own independent business
- Males (50%) were more likely than females (36%) to consider starting own business
- Majority are 35 to 44 years old (38%), and 45 to 54 years old (31%)
- Largest single proportion of franchisees had been working as an employee (42%)
- Half of franchisees (46%) who had not considered starting own business looked at only ONE franchise opportunity. A portion of the other half (34%) looked at THREE or more options
- Most (56%) expect to own franchise at least five years

### CONSIDERATIONS FOR BUYING A FRANCHISE

- Name recognition/known business name
- Franchisor support and training
- Ease of running a franchise
- The opportunity was available
- Franchising's lower risk
- Concept was appealing

### FACTORS FOR CHOOSING A FRANCHISE

- Well-known brand
- Convenient location
- Franchisor support
- Unique concept – low competition
- Profitability potential
- Experience in the industry
- Low franchise fees/costs
- Family can work in the business

### BIGGEST CHALLENGES

- Obtaining financing
- Getting enough information to make decision
- Understanding the information received
- Evaluating different franchise opportunities
- Finding enough franchisees to talk to
- Finding enough franchises to choose from
- Finding appropriate store location

### MOST POPULAR TYPES OF FRANCHISES

- Quick service restaurant
- Retail sales
- Table service/casual dining restaurant
- Business-to-consumer service

### SATISFACTION

- Majority (70%) very satisfied with decision to buy

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

○ Circle indicates a statistically valid difference

\* Third party website may also include the CFA website

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For more information on this survey, or on our franchise and distribution team, please visit:

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