

STEPS TO EVALUATING YOUR COMPETITION

Analyzing your competition as a franchisor comes in two forms. The franchisor will of course need to understand who their competitors are in the marketplace. Specifically, what companies will they be competing with when it comes to gaining customers for their franchise locations. The other form of competitor to understand is the 'franchise sales' competitor. These would include all the companies they will compete with when it comes to gaining mind share from potential franchise buyers.





1

Let's talk first about the competition for customers of the franchisees.

The first thing to understand is who are the customers? Are there certain demographic attributes we will want to target with our product offerings, and advertising or messaging? What about specific geographies? Are there certain parts of the country our customers will reside in? Maybe there are certain population densities that will be necessary for the business to thrive. Sometimes age is an important demographic for a business. If you are in the senior care business, you are going to want a certain percentage of the population to be in the age group. If you are providing supplemental educational programs, there should be an adequate percentage of children in the targeted age group to support the business.

Now that we understand who the target customers are, let's make sure we understand who else in the geographic area is targeting those same customers. How do their product offerings and pricing line up with ours? What are they doing in terms of advertising and messaging to potential customers? What level of success are they having? If they are having more success than we are, then we'll need to analyze what changes to make to be more appealing to those target customers.

2

Let's talk about the competition for franchise sales.

We'll need to look at the profile of the potential franchise buyer. That profile will likely be quite different than the profile of the franchise customers. We'll need to understand what the key attributes are for the people we want as our franchisees. Is there a certain financial wherewithal we are looking for in terms of liquidity and net worth? Is there a particular professional background or skill set we are looking for in franchisees? How about age or certain geographies?

Once we understand the attributes for our target franchisee, we can look at other franchise offerings that are targeting the same attributes. Keep in mind, that there will be franchise sales competitors that are in totally different business sectors but are still targeting the same potential franchise buyer. Now we can analyze those competitors and make sure our franchise fees, royalties, total investment level and training and support programs are competitive and allow us to be on equal footing with those franchise buyers!

- Geoff Batchelder, Compass Franchise Group



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