How to Estimate Benchmarks and Optimize Your Franchise's Marketing Performance

The following excerpt is from franchise expert Mark Siebert's book Franchise Your Business*. Buy it now.*

As with all marketing, you need to be able to measure results to ensure your dollars are working to produce quality leads affordably. As a franchisor, the most meaningful measure of success is cost per franchise sale —which in today's marketplace can range between $7,000 and $10,000.

Unfortunately, cost per sale is actually one of the least effective means of measuring success, especially for new franchisors. Here's what to know.

Related: Considering franchise ownership? Get started now and take this quiz to find your personalized list of franchises that match your lifestyle, interests and budget.

Avoid the law of small numbers

To illustrate this law, imagine you have two sacks, each containing 100 marbles. In Sack A, there is one black marble and 99 white marbles. In Sack B, there are ten black marbles and 90 white. If you drew a black marble from Sack A on your third pick while failing to draw a black marble in three tries from Sack B, you would be inclined to believe that Sack A was a treasure trove of black marbles and Sack B was a waste of time.

The problem is that a single anomalous event has skewed your

beliefs because your sample size – three marbles – was not large enough. And in determining an adequate sample size when dealing with small numbers, proper statistical methods dictate you must base the sample size on the number of occurrences of the desired outcome (black marbles), not on the size of the universe (all marbles in the bag).

Measure success by tracking variable costs

For this reason, other measures with greater accuracy must be used in determining results. So while you should certainly track cost per sale, when it comes to media buying decisions, we recommend you also track variables like cost per lead (by media and media type), cost per application, close rate (by development officer) and speed to close. Then, on a quarterly basis, weed out the bottom 10 to 20 percent of your marketing performers and substitute in alternative media.

If you are new to franchise marketing, your best bet is to work with professionals who have a database of this information. Absent that database, you will need to develop an estimate of that information from various public and private sources.

Related: Tips and Strategies for Using the Balance Sheet as Your Franchise Scorecard

Estimating benchmarks

For example, in trying to measure the effectiveness of websites prior to advertising with them, you could obtain information from the media representatives themselves. Or, if you find they are not providing you with the information you need in a measurable format, you could take it into your own hands.

- Log onto TrafficEstimate.com and type in the websites you are comparing. Then simply divide the monthly advertising cost by their estimated traffic divided by 1,000, and you can generate a measurement tool to calculate the cost per thousand (CPM) visitors.
- You can approximate the number of leads generated by applying your overall capture rates to inbound hits generated by a site, allowing you to derive a rough cost-per-lead measure. Your pay-per-click (PPC) capture rates, which are derived on Google by placing a cookie on the appropriate pages, can serve as a rough proxy in this calculation.
- Use the free Google Analytics program to help you measure key indicators across PPC campaigns (including total clickthroughs, conversions, costs per click, costs per conversion, and clickthrough and conversion rates).
- The performance of specific inbound links can be measured through "link coding," in which the link string can identify the specific source even when the click came from a generic source such as Google PPC. A franchisor's capture rate can then be measured with a relatively simple formula: divide the total number of leads generated from your website by the number of visitors to the franchise section of the site.

Critics (and salespeople) may argue these are only estimates, not precise numbers. But in the absence of better information, it is a start. In a recent study, CPM numbers ranged from $7.40 to $263 for two similarly priced sites – and the lower-priced site actually showed page-view estimates that were twice as high as the higher-priced site! It doesn't take a genius to figure out which of these sites is likely to generate better results, yet the latter site continues to attract advertisers.

Related: Is Franchising Right For You? Ask Yourself These 9 Questions to Find Out.

Optimize performance

Once you have established a baseline performance, you can alter variables to optimize performance. For example, you may choose to change the text or landing page (i.e., the first page visitors see on your site), or you may even create a series of landing pages for different inbound links. You may also alter the text in your PPC ads on a keyword-specific basis.

But whatever you do, remember to measure the results and make changes designed to produce improvements. And remember the law of small numbers: Each test must be large enough (i.e., long enough) to provide you with a meaningful measure of impact.

Marketing done right yields predictable results

Franchise marketing can be frustrating. You need to generate large numbers of leads that have very low close rates to be successful in franchise sales – and if you do not know what you are doing, you can spend a lot of money on trial and error.

But if you develop a plan based on a carefully crafted message and a good understanding of your franchise candidate, you will certainly generate leads. And if you have a good concept and continually measure and refine your results, your marketing efforts will generate prospects who will be ready – even eager – to buy your franchise.

Evaluate if franchising is the right move for you and discover how to get started with the help of *Franchise Your Business*.

https://www.entrepreneur.com/franchises/how-to-optimize-franchise-marketing-performance/456316