

Earnings Claims as a Marketing Tool

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Giving the people what they want earnings information. Clearly, the single most important information sought by prospects is the potential earnings of a franchise unit. Despite this fact, less than 20 percent of franchisors publish an Item 19 earnings claim, according to FRANData. Are you missing the boat?

State administrators have shown flexibility in allowing franchisors to normalize data by limiting claims to units which have been open for some period of time, classified by region or type of unit. If they make an Item 19 earnings claim, they may also provide a prospect with a supplemental earnings claim directed to a particular location or circumstance.

Making earnings claims based on alternative measures can highlight favorable attributes of a franchisor's business. For systems that have insufficient data to make an earnings claim on sales, other measures of profitability may cast their opportunity in a favorable light. Some franchisors disclose occupancy rates or yield from a particular amount of product. There are also expressions of customer frequency that may paint a positive picture.

Making earnings claims and multiunit earnings claims may attract existing developers. Many franchisors identify existing multi-unit franchisees as their most targeted prospect. However, only a fraction of the 20 percent of franchisors who make earnings claims present multi-unit data apart from single unit data.

Making earnings claims in the general media can get the word out. Franchisors may give earnings information in interviews to publications in connection with a bona fide news story without making an illegal earnings claim. But, they may only use reprints of such an article containing the earnings information as part of their sales materials, or otherwise direct prospects to the article, if it complies with the UFOC requirements.

Once the franchisees join a system, energy levels are high and incentives are elevated. Further down the road, it can be more challenging for franchisors to maintain that youthful energy, but it is not unattainable.