

What To Know About Partnering With A Franchise Sales Organization



Patrick Galleher Forbes Councils Member

Forbes Finance Council COUNCIL POST | Membership (Fee-Based)

Aug 8, 2023, 07:00am EDT

Patrick Galleher is the Managing Partner of [Boxwood Partners](#), an investment bank in Jupiter, Florida, where he leads sell-side transactions.



GETTY

In the world of franchising, thousands of brands compete head-to-head for customers and franchisee prospects. Whether in the food and beverage, fitness and wellness, home and commercial services, retail, pet retail, senior care or other category, franchisors share a common goal: growth. They want to expand their footprints with the right franchisees to carry their brands forward into the future.

Achieving that desired level of system growth, while simultaneously sustaining healthy unit-level economics, innovating products and services and raising customer/franchisee satisfaction levels, becomes the ultimate fundamental challenge for every franchisor.

That's where the topic of outsourcing franchise sales, or partnering with a franchise sales organization, enters the picture. As an investment banker and advisor to dozens of franchisors at various stages of their growth span, our firm believes FSOs are an answer to the previously mentioned challenge of helping franchisors grow, while letting them focus on developing other key areas of the business.

Brokers Vs. FSOs

Before diving into the specific benefits and potential downfalls of partnering with an FSO, it's important to point out the significant difference between "franchise broker" and "franchise sales organization."

MORE FROM [FORBES ADVISOR](#)

Best Travel Insurance Companies

By **Amy Danise** Editor

Best Covid-19 Travel Insurance Plans

By **Amy Danise** Editor

A franchise broker's role is to provide pre-qualified leads—period. A broker represents multiple franchisors and matches franchisee prospects with the brand that's the best fit. At that point, the broker passes the baton to the franchisor's internal sales team, or the FSO, to handle the remainder of the sales process.

FSOs are especially valuable for franchisors in segments that have already sold out in many broker networks. And it is also important to note that FSOs are well suited for franchisors with strong Item 19s, which is the part of the Franchise Disclosure Document where franchisors note financial performance representations.

When first starting out, many franchisors will try to sell franchises on their own due to not having the capital to build an internal team. Next, they might attempt to hire the "best salespeople" in the field, only to find this cost-prohibitive between recruitment, salary, benefits, bonuses, etc. With an FSO, a franchisor typically pays a commission for each franchise sold. In the end, they could find partnering with an FSO to be more cost-effective than hiring and managing an in-house team.

Guidance At Every Stage

Because we often advise small and mid-sized franchises at pivotal stages of early growth, another benefit we emphasize to these young franchisors is how FSOs allow them to get the quality sales functions of a large franchise and can propel their system to reach its full potential.

To effectively grow your franchise, you must recruit people and organizations that hold the expertise to navigate long-term strategies and development. The FSO positions your franchise to reach its maximum growth potential through a tactical strategy, while managing all the documents, disclosures and "Discovery Day," when you meet face to face with prospective franchisees.

Development And Enhanced Training

FSOs possess an expertise of the franchise model, having worked with various franchisees and corporate teams. This expertise allows them to offer valuable insights and strategies to help your franchise thrive.

One of the significant advantages of hiring an FSO is their ability to provide comprehensive training and development programs for your franchisees and staff. Because they understand the unique challenges faced by franchise systems, they tailor training initiatives to address these specific needs. From onboarding new franchisees to conducting ongoing workshops, an FSO ensures your team is equipped with the knowledge and skills essential for long-term growth.

Maintaining Brand Compliance

An FSO helps ensure each franchise adheres to the established business standards. They conduct regular audits, monitor operational processes, and provide constructive feedback to franchisees, thereby ensuring uniformity across the business. By upholding business compliance, an FSO protects your franchise's reputation and fosters consumer loyalty.

The relationship between the franchisor and franchisees is vital for the success of any franchise business. An FSO serves as an effective communication channel between the corporate team and franchisees. In fact, they often bridge the gap between parties by facilitating open dialogue and conveying essential information.

The Downsides Of FSOs

While hiring an FSO can have many benefits, it is also important to recognize the drawbacks or challenges of bringing an FSO into your organization. One of these drawbacks is the financial aspect. FSOs typically charge royalty fees and commissions based on the number of franchises sold. These costs can accumulate and potentially become a burden for your organization, especially if the FSO charges a high percentage or demands a significant upfront fee.

When partnering with an FSO, you may encounter a loss of control over certain aspects of your business. This can limit your ability to implement ideas or adapt to local market conditions. It's important to evaluate the level of autonomy you desire and weigh it against the restrictions imposed by the FSO.

The key to success with FSOs is hiring the right one. While someone may excel in general sales, franchise sales involve unique challenges and intricacies, so it is important to thoroughly vet a potential FSO to ensure they have the franchise sales experience specific to your industry. Thoroughly researching the FSO's track record, talking to their previous clients and assessing their commitment to your brand's core values ensures alignment among the franchisor and the FSO.

An Opportunity For Effective Growth

As trusted M&A advisors in the franchise space, we have seen many brands over the years that have grown in healthy and unhealthy ways. From our perspective, those who have partnered with FSOs are in much better shape and in a better position for the M&A process. The FSO helps franchise businesses maintain a competitive edge and capitalize on emerging opportunities.

An FSO's expertise can drive operational excellence and business compliance and spearhead a collaborative franchise ecosystem. An FSO will bring in the guidance that allows your leadership team to stay laser-focused on unit-level economics and franchisee performance—two critical factors that drive increased profitability and operational excellence, and also ultimately translates into higher enterprise value.

[Forbes Finance Council](#) is an invitation-only organization for executives in successful accounting, financial planning and wealth management firms. *[Do I qualify?](#)*

Follow me on [Twitter](#) or [LinkedIn](#). Check out my [website](#).



Patrick Galleher

Patrick Galleher is the Managing Partner of [Boxwood Partners](#), an investment bank in Jupiter, Florida, where he leads sell-side transactions. Read Patrick... **Read More**

Editorial Standards

Reprints & Permissions

ADVERTISEMENT