



2020

FRANCHISE Hiring Guide

**Compensation, Benefits
and Employment Trends
in the Franchise Sector**

FBR

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INTRODUCTION

As the saying goes, “be careful what you wish for.” Just a few years ago, franchisors were yearning for less regulation and a stronger economy. Now, with the economy humming along and unemployment rates at historic lows, some franchisors are struggling to grow.

The problem? Top talent – both franchisee candidates and employees – are getting harder to find, and even harder to retain. Many franchise organizations have openings in key positions that they can’t fill. More and more people in the franchise sector are now wishing for “a little recession” to help get strong franchise growth moving again.

In 2018, Franchise Business Review conducted the first-ever **Franchising@WORK** survey*, a study of corporate employees across the franchise sector, to create a benchmark for employee satisfaction specific to franchising.

We created this guide to help franchisors see how their system compares to others in the franchise sector when it comes to salary and benefits and plan your hiring strategy for 2020. Our mission is to help you better understand how you can recruit and retain the best employee talent in order to create and maintain a productive and profitable franchise system.

*The Franchising@WORK study is based on responses from over 1,500 employees representing over 250 franchise brands.

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TOP 5 FRANCHISE EMPLOYMENT TRENDS

What's the price tag on the loss of a valued employee? Aside from the actual cost of recruiting and training a replacement, there are intangibles—the “brain drain” of institutional knowledge, project disruptions and delays, and the psychological toll on the team. Not to mention, companies with engaged employees—those who are invested in the overall success of the organization—have happier customers.

90% 

The good news is, franchise employees are a relatively happy bunch. Overall satisfaction in franchising is high. In fact, **90% of corporate franchise employees find their jobs and the work they do rewarding and satisfying.** The vast majority of employees have strong connections with their team members, and 85% feel that their ideas and feedback are valued by their managers.

However, with unemployment hitting all time lows, losing a valued employee can take a toll. What's more, when a valued employee quits, it's likely you never saw it coming. With so much at stake, let's take a look at a few of the trends and key findings from the Franchising@WORK research.

“My job and the work that I do is rewarding and satisfying.”

1.

COMPENSATION and RECOGNITION are keys to retention.



41%



Compensation is the number one reason employees change jobs, and two in five employees (41%) feel they are under compensated.

29%

What's more, nearly a third of all employees (29%) don't feel they receive the recognition they deserve. Given the current "employees' market", a significant part of your team could be at risk.



Recognition doesn't have to cost anything, yet **NEARLY A THIRD** of employees don't feel they get the praise they deserve.

2.

Customer service NEEDS SOME LOVE.

59%

59% of customer facing employees indicated they did not see a long-term opportunity with their current company.

But, the majority stated that a small raise of just **10% to 15%** would be enough to make them satisfied.

With average compensation reported at just \$14 an hour, a small bump could make a big difference when it comes to employee retention.



Customer service and support employees are most likely to leave.

3.

Millennials are good, but franchising has A GEN Z PROBLEM.

The Millennial workforce may occasionally get a bad rap, but it's Generation Z (those born in the late 90s or after) that hasn't found their passion in the franchise sector yet.

Employees under the age of 25 had by far the lowest satisfaction and engagement scores in our survey, scoring **10% to 33%** below benchmark. That said, brands that can adapt their training and career opportunities to Gen Z can create a significant recruitment advantage.



「 **67%** of Gen Z employees plan to leave their company within two years. 」

4.

THE GENDER GAP is real and it's a threat.

34%

Women's franchise salaries tend to be lower than their male counterparts with similar experience at nearly every level of the franchise organization. The pay gap is widest within mid-level management, where male managers earn a full **34%** more on average than female managers.



The gap shrinks to **8%** at the director level, and all but disappears at the VP level (just **1%** lower for women, which is within the margin of error of the survey).

Discrepancies widen again in the C-suite, with female C-level executives reporting salaries **15%** lower on average compared to men.



27%

Women are underrepresented in senior leadership franchise roles, with women representing only **27%** of the C-Suite in franchising and **33%** in VP/SVP roles.

5.

CULTURE is more than the “cool factor”.



Companies have invested millions of dollars to add a “cool factor” to their culture, creating a marketplace of “keeping-up-with-the-Joneses” benefits packages. But what really matters to employees is a flexible, transparent, meaningful culture.

Before you invest in ping-pong tables, a beer fridge, and napping pods, try focusing on programs targeted at better communication, more transparency, and a fun, yet flexible work environment.



“Our culture focuses on helping the “whole” person, not just what will make him or her better at work.”

Michelle Kemplay, Director of HR, Jason’s Deli

83%

say they agree or strongly agree that their company has a strong, positive culture.

SALARY AND BENEFITS BENCHMARKS

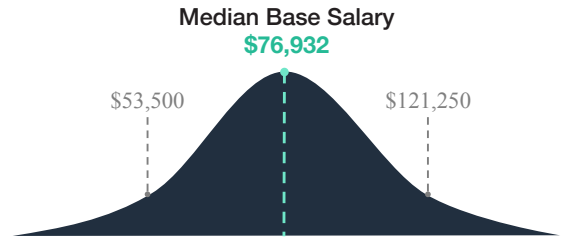
With good talent scarce, you can't afford to make a misstep when negotiating salary. You need to be competitive, but at the same time, you need to make sure that your offer is in line with the pay ranges of other employees of similar roles, experience, and performance—or you risk damaging morale.

Franchise Business Review collected the following salary data to help you benchmark your pay practices and plan your hiring budget for the coming year.

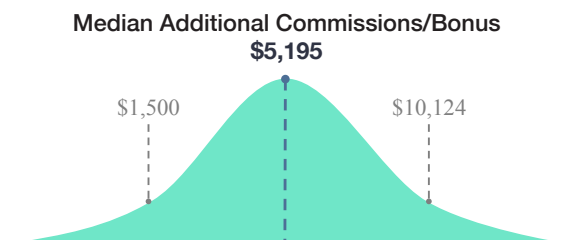
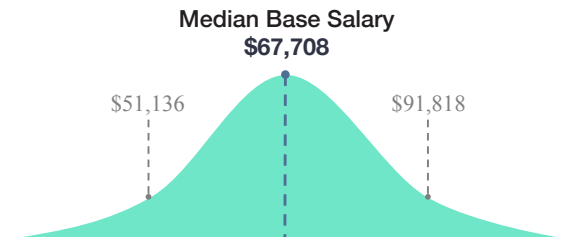
COMPENSATION BY DEPARTMENT

Median Base Salaries, Commissions, and/or Bonuses

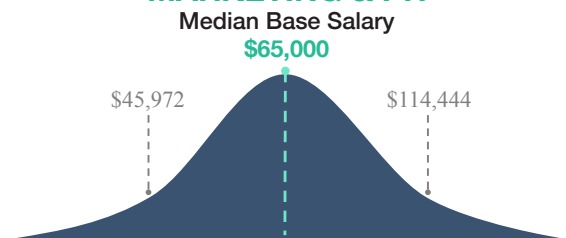
FRANCHISE DEVELOPMENT



OPERATIONS



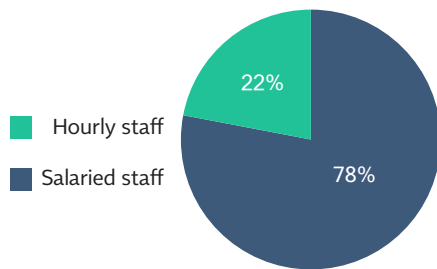
MARKETING & PR





“We have always believed that you can never have too many good people on your payroll! We are constantly looking for better ways to incentivize our team members and to provide exceptional benefit packages at a reasonable cost. We target our compensation to above market rates – paying a premium enables us to stay fully staffed and that pays for itself many times over.”

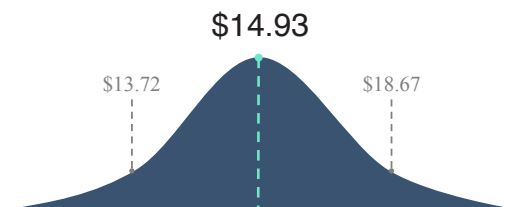
Gordon Logan, CEO, Sport Clips



HOURLY VS SALARIED STAFF

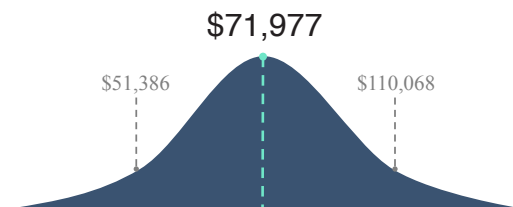
Breakdown of Hourly vs Salaried Staff on Compensation and Engagement

HOURLY WAGE STAFF

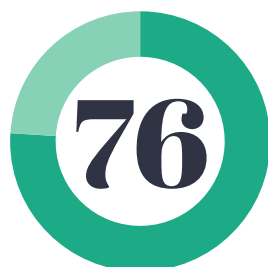


Most corporate hourly staff work in customer service (38%), or administrative support roles (25%). 74% have been with their company for less than 3 years, and for many (40%), this is their first professional job.

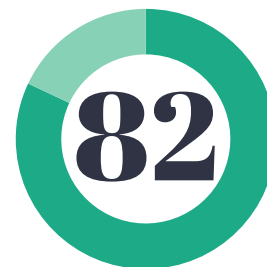
SALARIED STAFF



69% of salaried corporate staff have more than 10 years of total business experience, and seven or more years of franchising experience. Three out of four (75%) hold titles of manager or above.



ENGAGEMENT INDEX

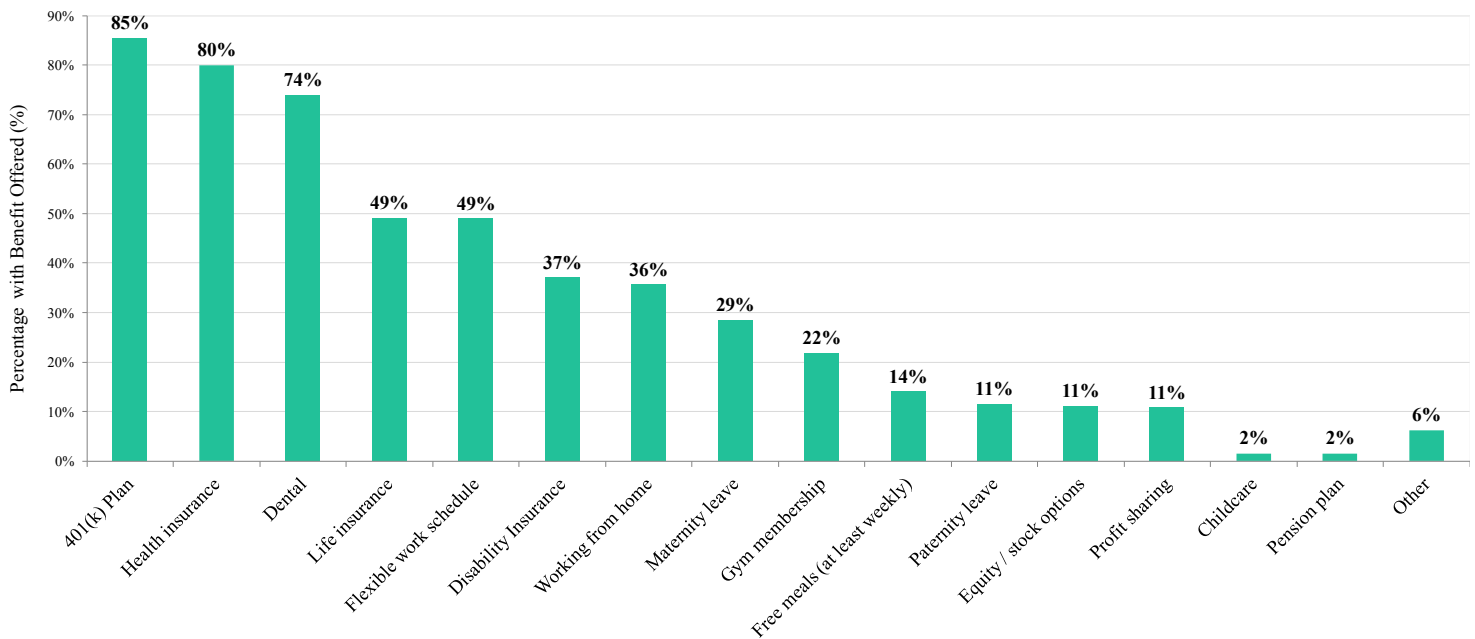


MOST COMMON EMPLOYEE BENEFITS

Breakdown of Benefits Offered to Full-Time Corporate Franchise Employees

There's more to compensation than the actual salary. The benefits you offer can be a make-or-break for some candidates, and it can also be a way to stand out from other employers or an opportunity to sweeten the deal during salary negotiations - especially if you are one of the few companies who offer some of the less common, more innovative perks.

Use the chart below to see how the benefits you offer compare to what employees of franchise companies currently receive.



“Our culture greatly enhances our employee retention process. Our employees have many places they can work, and we don’t have a massive corporate structure that they can easily identify promotion opportunities. The real driving factor of our employees wanting to stay with our company is because they enjoy working here so much that they can’t imagine going anywhere else.”

Dustin Hansen, CEO, InXpress Americas

CONCLUSION

Franchising has a lot to gain. The industry continues to grow at an impressive rate. Research from the International Franchise Association indicates that franchising is responsible for 7.6 million jobs in the U.S. and franchise employment will continue to outpace economy-wide employment growth. [franchiseeconomy.com]

In order to hire and retain the best talent, it's critical to position your brand as an employer of choice.

Franchise Business Review is here to help. Our annual **Franchising@WORK** Employee Engagement & Compensation research is the only source for employee satisfaction, salary, and benefits benchmarking within the franchise sector.

Additionally, the **Franchising@WORK** Awards recognize the franchise companies that have the highest employee satisfaction - an honor that demonstrates your commitment to your employees and the growth and sustainability of your brand.



REAL SOLUTIONS

Looking for a deeper dive? FBR conducts custom employee engagement surveys to help companies like yours identify issues unique to your system and measure the success of employee engagement and retention initiatives. We survey:

- Corporate franchise employees
- Frontline employees at corporate-owned locations
- Employees of individual franchise owners

FBR is the only source for detailed employee engagement benchmarking data specific to franchising. We can provide the business intelligence you need to make smart, effective system improvements and measure success.

Here are some additional resources:

- └ The CEO's Guide to Creating and Maintaining a Positive Culture
- └ 2019 Franchising@WORK Report





ABOUT FRANCHISE BUSINESS REVIEW

Franchise Business Review is an independent market research firm that specializes in benchmarking franchisee and employee satisfaction. FBR has partnered with over 1,100 top-performing franchise companies to help them achieve success through data-driven insights. To find out how you can partner with FBR to drive satisfaction and improve the performance of your system, get in touch with us!

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