



2019 Brand and Franchisee Advertising and Marketing Insights: Ad Spending Forecast and Franchisee Survey Highlights

BIA
ADVISORY
SERVICES

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Introduction

BIA Advisory Services surveys businesses of all sizes that target local audiences with their advertising and marketing initiatives. We also develop a biannual forecast for spending by advertisers of all sizes targeting local audiences in various media platforms and channels.

In this report, we highlight results from those businesses that are setup as a “franchisee or licensee of a national company.”

For this group of franchise licensees, we dig into their advertising and marketing plans, spending, rationale for certain decisions and expectations for 2019 and beyond. We examine past marketing investments and initiatives and those planned for 2019 and beyond. We go beyond the ad spending to get into specific strategies and assessments of how their chosen media channels perform in terms of expectations for meeting Key Performance Indicators (KPIs) and overall Return on Investment.

We'll conclude the report with summary observations and recommendations.

National Brands Get More Lift from Localized Campaigns

LOCAL AS A SERVICE (LAAS) MARTECH PLATFORMS DRIVE SUCCESS FOR BRANDS AND FRANCHISEES

National brands understand the importance of a local market connection to build brand equity. However, there are 210 major media markets in the U.S. For a brand to localize its national marketing campaigns for maximum impact, the effort becomes quite challenging. In addition, many markets are complex and have unique audiences. For example, Dallas-Fort Worth is one media market. However, the Dallas part of this media market can be quite different from Fort Worth in significant ways that can impact local marketing especially by business category and target consumers.

Fortunately, advertising is becoming much more data-rich, making it possible to develop and target strategic consumer segments based on data at the brand and franchisee level. Advertising campaigns that target consumers in national ad platforms often underperform the lift in brand and engagement goals compared to what localized advertising can deliver.

National media investment by brands does help build brand awareness and favorability. But to further drive engagement at the local level, additional local activation can help tie brand favorability to desired outcomes. This includes, for example, knowing where the nearest local franchisee is, regional or local specials and discounts to drive desired behaviors and help launch new product introductions rolled out on a local and regionalized basis.

BIA's "Local as a Service" (LaaS) advisory coverage in reports, conference panels and webinars provides insights into the rise of applying marketing technology ("martech") and data to reducing workflow complexity and friction, improving data-driven targeting, and ultimately driving higher lift in brand and engagement campaigns. LaaS solution providers work with brands to maintain control over brand policies, assets, and business rules as well as facilitating policy-based media activations and co-op reimbursements for franchisees.

LaaS solution providers are elevating the game play for brands and their multi-locations retail outlets in local markets. We see this driving increasing marketing investments in both brand to local direct marketing spend, as well as flowing additional marketing monies through co-op and other market develop fund programs. The ROI for these programs is quite high, driving substantial lift for both brand and engagement campaigns.

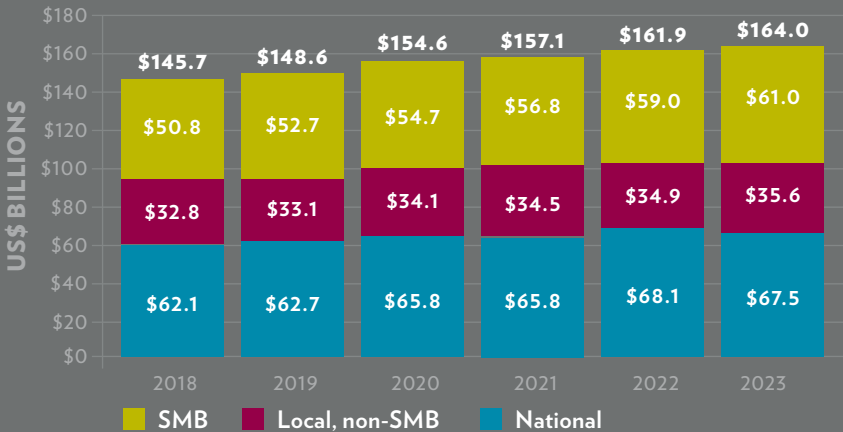
Ad Forecast for National Brand Spending for Targeting Local Audiences

National brands make significant investments to reach local consumers through media channels in paid advertising, both in terms of direct placements at the brand to local level and via franchise co-op, market development funds, and other forms of channel marketing support.

In fact, national brands outspend regional sized businesses and SMBs when it comes to paid media advertising. As the chart below shows, national brands will invest \$62.7 billion in advertising targeting local consumers in 2019. We expect this will rise to \$67.5 billion by 2023.

Figure 1. National Brands Are the Biggest Spenders in Local Paid Media Activation

Local media for national brands rising from \$62.1B in 2018 to \$67.5B by 2023



Source: BIA U.S. Advertising Forecast 2019

BIA SAM™ - Survey of Advertising and Marketing

RESULTS FOR FRANCHISEES

In addition to our advertising forecasting program, each year BIA Advisory Services surveys businesses of all sizes. We include both large and small business respondents in our survey and weight by size and revenue so that the sample represents a local business in the US. Our Survey of Advertising and Marketing – SAM™¹ – tracks business expenditures on advertising and marketing in over 50 paid media platforms ranging from traditional publishers to paid search and social media.

In our SAM study, we define franchisee businesses as those that are, “set up as a franchisee or licensee of a national company.” About a third of our surveyed businesses, 480 of 1,500 businesses, met this criterion. The results we’ll highlight in this section deal with these franchisees.

In this next section, we’ll highlight some findings from BIA’s SAM study.

¹BIA’s Survey of Advertising and Marketing, SAM™, is a trusted resource for local media and tech companies that sell advertising and marketing to businesses. BIA SAM draws its 1,500 sample of business respondents from a mix of nationally-scoped MSAs, which include first- and second-tier markets. The data is weighted to reflect the business census distribution of businesses by employee count. It also closely represents the distribution of local businesses by size of market. Data is collected annually by an independent research firm using a random sample from several online panels of highly engaged businesses.

FRANCHISEES WILL INCREASE AD SPENDING IN 2019

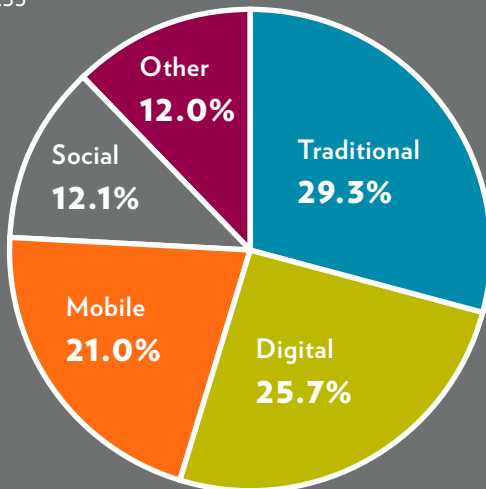
A top finding from BIA SAM is that over 60 percent of franchisees plan to increase their spending on paid media advertising in 2019 as compared to 2018.

Typically, franchisees will use sixteen channels, (higher than non-franchisees who only use an average of 9-10) and spend an average of \$64,000 annually on advertising. This spending varies widely depending on the size of the franchisee. Those with 500 or more employees spend an average of \$4.7 million, versus \$253,059 franchisees with 100-499 employees. At the other end of the scale, franchisees with just 1 to 4 employees spent an average of \$12,588 on advertising in 2018.

Figure 2. Ad Spend By Media Groups

WHAT PERCENT OF YOUR BUDGET IS SPENT ON THE MEDIA YOU USED?

Sample Size = 235



Source BIA Advisory Services, December 2018

More than half (58.9 percent) of franchisees total ad budget is spent on some form of digital advertising. One-fifth (21.0 percent) is spent on mobile advertising, 12.1 percent on social and another 25.7 percent on all other types of digital ad platforms (e.g., online listings, traditional media display ads, etc.).

Local franchisees rely heavily on co-op dollars for their advertising programs. For a majority of franchisees, half to three quarters of the average franchisee's ad budget is covered by co-op programs.

Use of Advertising and Marketing Channels

PAID MEDIA ADVERTISING

BIA SAM reveals that franchisees rely heavily on newer forms of digital ad inventory. Most (84.2 percent) use “targeted social ads” to advertise their businesses. And nearly three-quarters (71 percent) use “mobile location aware” ads.

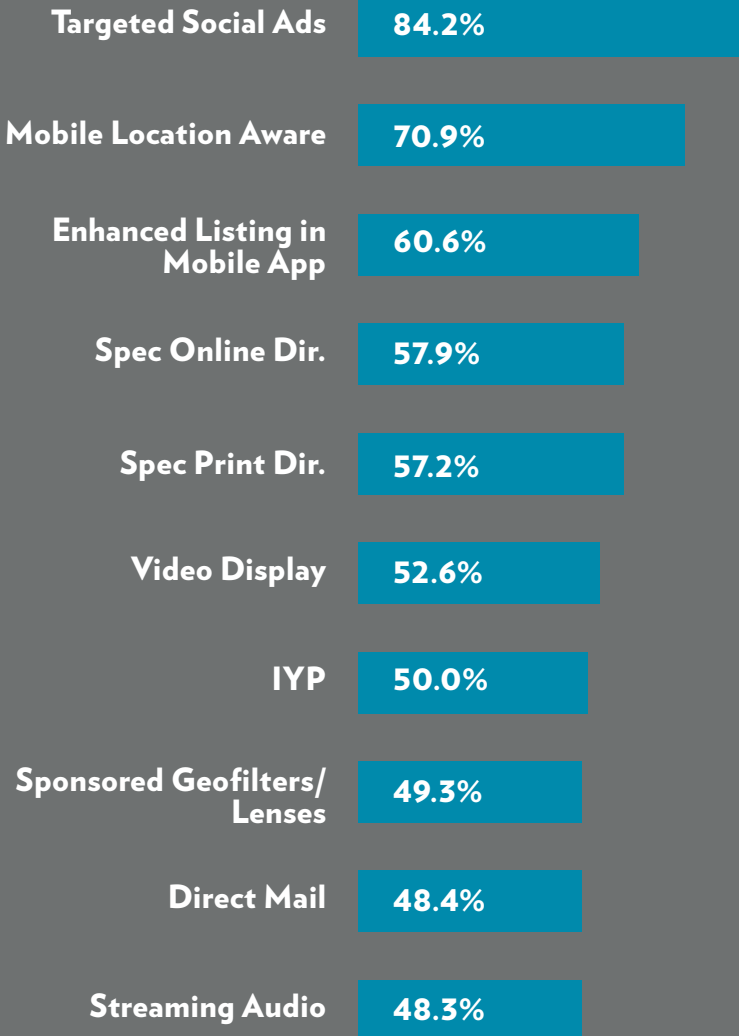
Targeted social advertising campaigns leverage the rich audience profile data that social platforms like Facebook offer. This includes behavioral, geo-targeting and other attributes to reduce the waste factor in ad campaigns by targeting consumer profiles of interest to the franchisees.

Mobile location aware advertising refers to geotargeting and geofencing ad campaigns that identify audience segments by their current locations using geo data from their mobile phones. For example, someone driving by a QSR franchisee in the 11am – 2pm daypart might be targeted to receive an invitation to stop by for lunch. Over a third (35.9 percent) of franchisees offer mobile digital deals and coupons.

Some of the other popular ad channels for franchisees include Direct Mail (48.4 percent) and Streaming Audio (48.3 percent). Pay Per Click (PPC) advertising is used by a third (32.8 percent) of franchisees.

*Figure 3. Advertising: Top Media***WHAT DO YOU USE TO ADVERTISE YOUR BUSINESS?**

Sample Size = 235

*Source BIA Advisory Services, December 2018*

MARKETING MEDIA IN USE BY FRANCHISEES

In addition to paid media advertising, franchises use other marketing channels, as shown in the chart below.

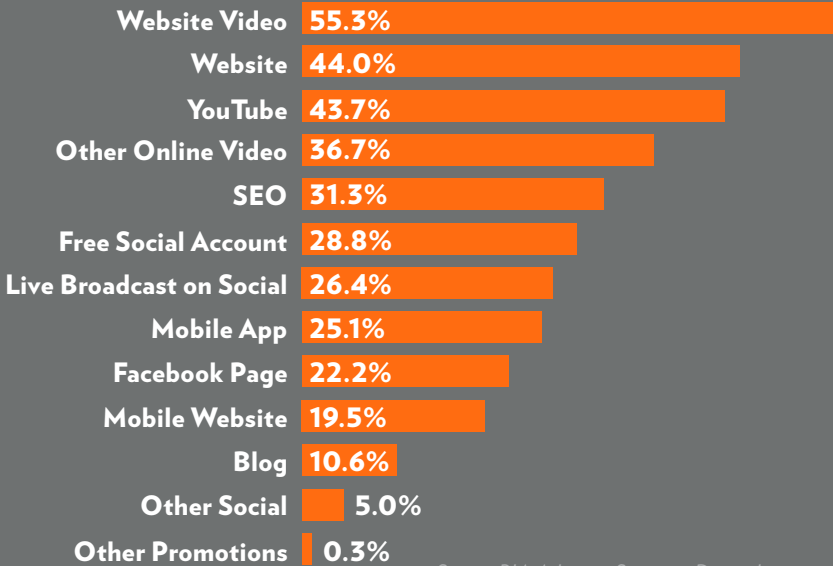
BIA SAM shows that most (55.3 percent) franchisees use video on websites to help promote their businesses. YouTube (43.7 percent) is the next most popular channel for video promotions and about a third (36.7 percent) of franchisees use some other video marketing platform beyond their own websites and YouTube.

A third (31.3 percent) of franchisees invest in Search Engine Optimization (SEO) to drive lift in organic searches by consumers.

Figure 4. Promotional Channels Used by Franchisees

IN THE PAST YEAR, WHAT OF THE FOLLOWING HAVE YOU USED TO PROMOTE YOUR BUSINESS?

Sample Size = 235



Source BIA Advisory Services, December 2018

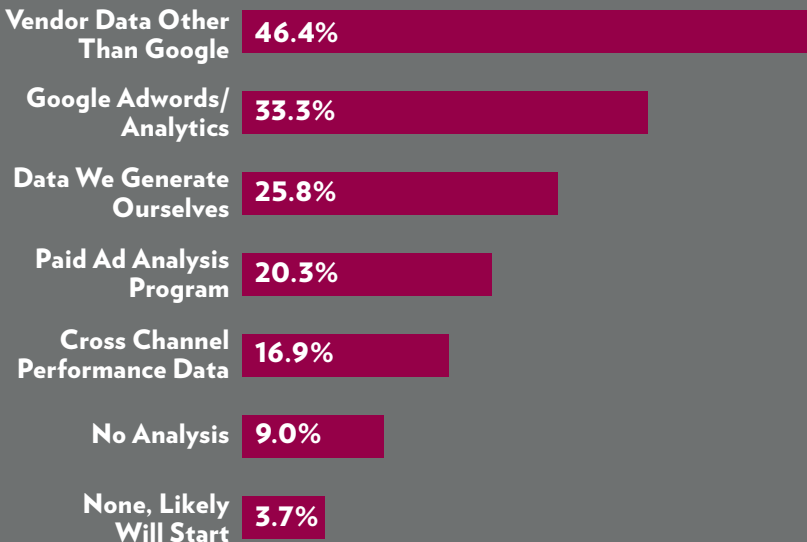
DATA AND ANALYTICS FRANCHISEES USE FOR MARKETING ROI INSIGHTS

Franchisees are becoming more data savvy in determining the Return on Investment (ROI) for their marketing dollars. A third (33.3 percent) use Google Analytic dashboards to track the results of their paid media spending in Google channels (e.g., Google paid search and Google video and display networks). But nearly half (46.4 percent) of franchisees are now using data and analytics vendors other than Google. And a quarter (25.8 percent) of franchises determine marketing ROI from data they generate themselves.

Figure 5. Data Sources for Marketing ROI Analytics

WHAT TYPES OF ANALYSIS DOES YOUR BUSINESS CURRENTLY DO TO DETERMINE ROI?

Sample Size = 235



Source BIA Advisory Services, December 2018

TOP PERFORMING MEDIA CHANNELS FOR FRANCHISEES

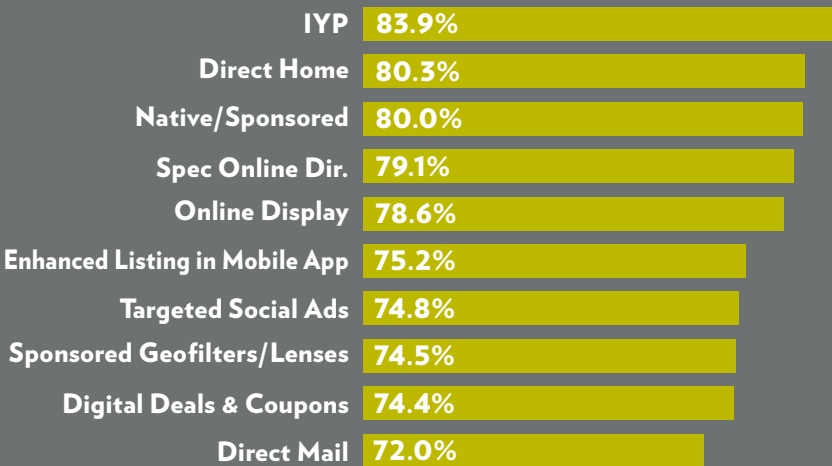
Based on the heavy use of mobile, social and location intelligence ads it appears franchisees see good ROI from being able to target the right consumer segments.

BIA SAM discloses that the top performing marketing channels that deliver “Excellent” (10-19 times ROI) or “Extraordinary” (20+ times ROI) cited by franchisees are Internet Yellow Pages (83.9 percent), Native/Sponsored Ads (80.0 percent), and specialty online directories (79.1 percent).

Three-quarters of franchisees cite marketing channels supporting targeting by “geofilters/lenses” (74.5 percent) and “targeted social ads” (74.8 percent) as delivering either “Excellent” (10-19 times ROI) or “Extraordinary” (20 times or better ROI).

Figure 6. Top ROI Marketing Channels

RATE THE RETURN ON INVESTMENT OF THE MEDIA YOU USE. Sample Size = variable



■ Excellent 10x & Extraordinary 20x+ ROI Source BIA Advisory Services, December 2018

Conclusion

Brands invest substantial resources into building and maintaining brand equity to achieve competitive differentiation, pricing stability, and a sense of value that consumers are willing to pay for. In today's complex, tech-driven and data savvy marketplace, consumers are fickle and more idiosyncratic than ever.

In today's ad environment, three factors are driving the future of brand and franchisee marketing.

1. Local as a Service. Brands rely on national campaigns at their peril to exclusively reach and convert current and prospective consumers. Successful brands are finding they must connect with consumers at deeper levels rather than just distributing marketing assets. They must literally touch consumers in their lifestyles to build the strongest bonds. This implies insightful and data-driven executions of creative, media mix and weight, and activations across both national and local marketing channels.

2. Data Science is Here to Stay. With more powerful and better integrated data, marketing and media platforms, brands and their local franchisees have access to tremendous power. And much of this power can be made available to even the smallest franchisees on a cost-effective basis. The rise of data science, along with the greater availability of behavioral, attitudinal and location intelligence data creates the possibilities for using artificial intelligence and machine language platforms to parse through mounds of consumer signals to develop meaningful and actionable consumer segmentation. In BIA's SAM study of franchisees, we demonstrate how these businesses are relying heavily on tech and data driven marketing channels using

location intelligence for mobile platforms and multiple targeting attributes for social media platforms. It should not be overlooked how these capabilities are shifting media spending and ROI assessments of marketing channels.

3. Brand Spending Targeting Local Audiences to Increase.

BIA's advertising forecast highlights the aggressive growth in brand spending – both in direct media activations and through marketing channels such as franchisee co-op advertising programs. National brand marketing dollars already exceed spending by regional and SMB businesses. This is a significant component of marketing spending. As data, martech platforms, and marketing strategies continue to evolve, marketing investments will be reallocated to data-driven consumer segmentation across marketing channels that have data to show ROI, and using platforms that are powerful, affordable and have user interfaces that fit the needs of today's marketers.

About BIA Advisory Services



Local media is one of the fastest moving industries of our time. BIA Advisory Services has been at the center of it for more than 35 years.

We are the leading research and advisory firm focused on the advertising and marketing marketplace. Our proprietary research, comprehensive ad forecasts and proven advisory services and consulting methods put our clients in the best possible position to compete and stand out in today's multiplatform, interactive world. BIA also delivers a local advertising intelligence platform, [BIA ADVantage](#), to give our clients immediate access to our insights and analysis. Contact us today for more details: info@bia.com.

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About SAM

This report provides results from BIA's Survey of Advertising and Marketing: SAM™. SAM covers local and now multi-location/regional and national businesses that target local audiences in their advertising and marketing. SAM tracks both advertising usage and spend from promotional items to deliver accurate tracking into where dollars are going and it delivers details into traditional and digital ad use and spend. Contact us for more survey results covering your area of interest: info@bia.com.

LET'S DISCUSS.

I hope this BIA Advisory Services report was helpful in your local marketing planning. It would be my pleasure to have a conversation and discuss your local marketing execution approach and challenges.

Please call me at **513-552-0143** or email me at sales@vyasystems.com.



Allan Greer

ABOUT VYA

Leading franchisors partner with Vya to engage franchisees in more local marketing initiatives. We simplify multi-channel marketing execution (digital, print, mail, promotional products) through our marketing resource management system and in-house production services combined with the support of our franchise industry team. With Vya, you can implement turn-key campaigns, address the special needs of multi-unit franchisees, reclaim time spent processing custom ad requests, and more. Learn more at vyasystems.com/franchising.



Simplified Marketing Systems

vyasystems.com/franchising