

Territory planning



By Peter Buckingham*

Every franchised retail chain faces the challenge of how to select sites for expansion for best effect. Here's some advice...

The two big questions we are commonly asked before a territory planning project commences are "How many territories should we make for a particular market", and "How do we make each territory of similar sales potential"?

Whilst no exact answer can be given to these questions, we recommend the following path...

Where does my crystal ball say we are heading?

Firstly ask yourself "What revenue do I believe this concept can generate in five and even 10 years if my business expands as I envisage in my home market"? This will give you an answer and logic like: I have two shops, or I have a small company running three vans in a particular area. I currently am doing \$1 million

turnover from the business and really only covering a small portion of my city. With advertising and promotion, in five years my business plan says we will be selling \$10 million and then 10 years out we should be doing \$16 million.

What should a successful franchisee turn over?

What revenue will make a franchisee successful, based on your knowledge of the business and some form of forecast Profit and Loss Statement? This is definitely confidential information to yourself, and should not be shared / shown to potential franchisees.

You may have an answer like a turnover of \$300,000 will make a reasonable living, but if you are

turning over \$400,000, you will be considered successful and generating a good living (say \$80,000 - \$100,000).

This logic would suggest the following: In five years we should have about 25 territories (\$10 million / \$400,000), and in 10 years around 40 (\$16 million / \$400,000) in our home market.

How big are the major Australian cities?

If we know how many franchises or stores we believe we should have in our home market, we can calculate how many we could have nationally. The table below gives us the relative population and numbers of households for the five major capital cities in Australia:

| City | Population | Households |
|--|------------|------------|
| Sydney (incl. Newcastle / Central Coast / Wollongong) | 4,382,478 | 1,535,205 |
| Melbourne (incl. Geelong) | 3,452,491 | 1,246,333 |
| Brisbane (incl. Gold Coast & Sunshine Coast) | 2,195,094 | 798,162 |
| Perth (incl. Rockingham & Mandurah) | 1,391,303 | 515,152 |
| Adelaide | 1,029,560 | 403,189 |

Source: ABS Census 2006 (Urban Centre / Locality boundaries)

As an idea for proportional representation, if a business had 100 stores in territories across the five

main capital cities in Australia, you should have a distribution along the following lines:

| City | Number of Territories / Stores |
|---|--------------------------------|
| Sydney (incl. Newcastle / Central Coast / Wollongong) | 35 |
| Melbourne (incl. Geelong) | 28 |
| Brisbane (incl. Gold Coast & Sunshine Coast) | 18 |
| Perth (incl. Rockingham & Mandurah) | 11 |
| Adelaide | 8 |

