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Standardizing franchise territory decisions with your own KPIs

A 3-step framework for franchise expansion decisions you can defend in any room.

Get to know how to:

Step 1: Filter Fast with an Estimated Market Size

Step 2: Test Viability

Step 3: Activate your Territory

Introduction

Yet many brands still rely on fragmented methods — intuition, spreadsheets or historical habits.

If you want to make smarter expansion decisions, you need more than intuition. You need a simple, repeatable way to test whether a territory can actually support a franchise unit.

Here are the core metrics franchisors should use — and how to calculate them.
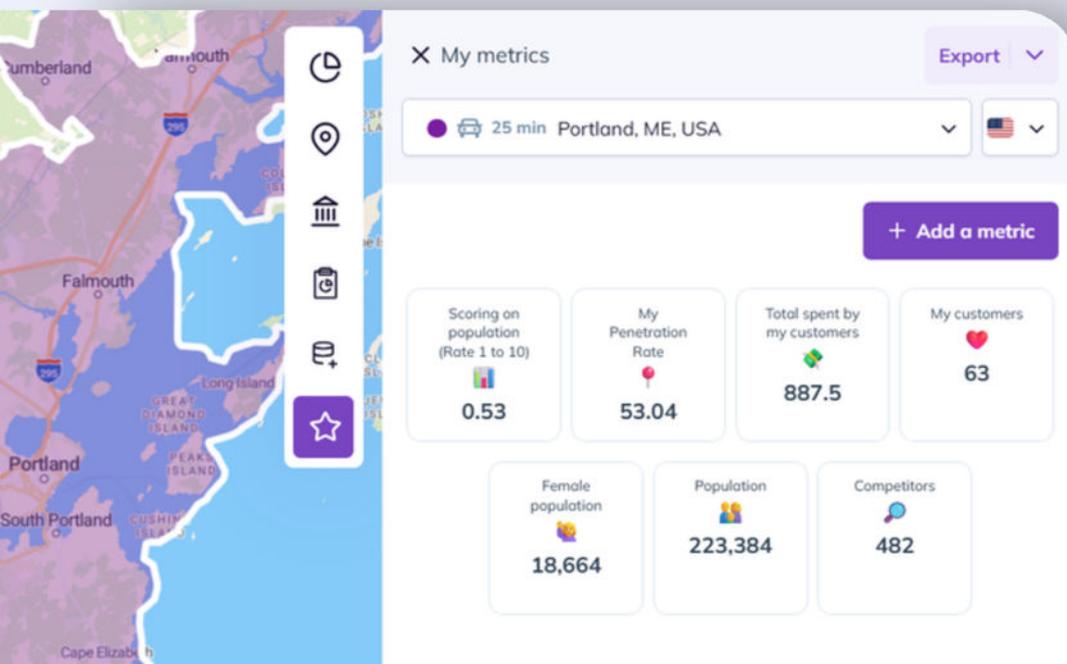
The objective is simple:
    bring more consistency to territory validation
    improve franchisee success probability
    prioritize expansion and investment decisions with confidence

The goal is not complexity.
The goal is consistency.

The franchisors who expand with confidence aren't the ones with better data. They're the ones with a better system on top of it.

Step 1 — Filter Fast
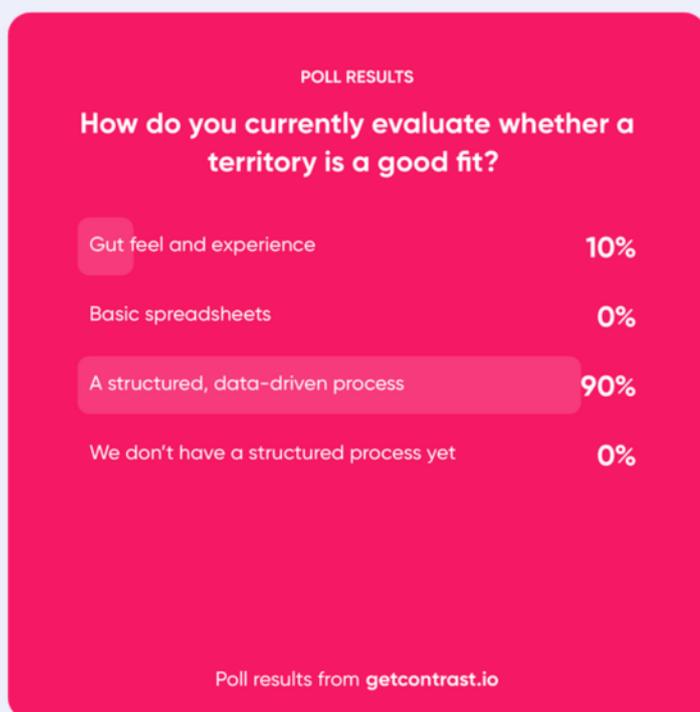
with your core market indicators

Start by validating whether the territory meets your brand's minimum structural requirements.
Three numbers. If any one doesn't meet target, you stop.

Most franchisors begin with simple indicators:

- Population size
- Household income
- A sector-specific metric (e.g. families with children, homeowners, seniors)

This first filter helps you quickly identify go / no-go territories and avoid wasting time analysing markets that are simply too small or misaligned.

POLL RESULTS

How do you currently evaluate whether a territory is a good fit?

Gut feel and experience	10%
Basic spreadsheets	0%
A structured, data-driven process	90%
We don't have a structured process yet	0%

Poll results from **getcontrast.io**

What participants shared during our webinar session:

- 90% of attendees indicated they already use a structured, data-driven process to evaluate territories.

- Only 10% rely primarily on experience or intuition.

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Step 1 — Filter Fast

with core market indicators

MOST COMMON
Generalist Filter

→ **Population**

→ **Median Household Income**

INDUSTRY SPECIFICS
Sector Filter

→ **Daytime Population**

→ **Households with Children**

BRAND SPECIFICS
Custom Filter

→ **Population 55+ with Household Income > $100K**

The basics — Apply to almost every concept:

- <u>Population</u> — Is the market large enough to support a unit?
- <u>Median Household Income</u> — Does the spending power match your price point?

If your customer isn't everyone:

Industry Specifics — Sector Filter:

- <u>Daytime population</u> — If your concept depends on people walking by, not people living nearby
- <u>Households with children</u> — If families are your ICP

Brand specifics — Custom Filter:

- <u>Homeownership rate</u> — If your customer owns, not rent
- <u>Composite Metrics</u> — Population 55+ with Household Income > $100K

Key takeaway:
Your thresholds shouldn't come from industry averages. They should come from your top-performing units — what do they have in common ?
That's your floor.

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Step 2 — Test Viability

Economic viability & performance potential

Passing the filter doesn't mean the territory works. It means it's worth the next question.

Once a territory clears your baseline, you test whether it can actually support a franchise unit — and grow.

Three things to look at:

- how big the market really is,
- how saturated it already is,
- and what revenue it could realistically generate.

POLL RESULTS

How confident are you that a "good-looking" territory will actually perform?

Very, solid validation process	0%
Somewhat confident, not always consistent	63%
Not very confident, we've had surprises	38%

Poll results from **getcontrast.io**

What participants shared during our webinar session:

Despite using data-driven methods, 63% of attendees said they are only somewhat confident that a "good-looking" territory will actually perform, while 38% reported having experienced unexpected underperformance.

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Step 2 — Test Viability

Economic viability & performance potential

How to calculate territory viability metrics

Estimated market size
How many potential customers actually live in this territory?

It depends on your model. For some concepts it's total population.
For others it's a specific subset — families with children, homeowners, seniors, high-income households.

The more precise your ICP, the more accurate your market size.

Where to find the data:
- National census and statistical offices
- Geomarketing and mapping platforms
- Local government demographic reports
- Commercial data providers

The goal is simple: define the minimum market size your franchise unit needs to be viable. If the territory doesn't hit that number, move on.

Competition
A territory can check every demographic box and still be a bad bet — if the market is already saturated.

Look at:
- how many direct competitors are operating in the territory,
- how dense similar concepts are by zip code,
- and where demand exists but coverage doesn't.
  That last one is your white space.

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Step 2 — Test Viability

Economic viability & performance potential

Average penetration rate
What share of the market can your franchise realistically capture?

Most service franchise concepts operate between 1% and 2% capture.
But that number moves depending on:
- Brand awareness
- Competitive pressure
- How mature the unit is
- Marketing investment
- Operational execution

The right way to find your number: look at your top-performing territories.

What were they capturing at year one? At year three?
That's your benchmark, not an industry average.

Always model two scenarios. Conservative first, then aggressive.
The gap between them is your risk range.

   This helps franchisors create realistic performance expectations and avoid over-estimating demand.

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Step 2 — Test Viability

Economic viability & performance potential

Revenue potential

This is where the math becomes a conversation.
Revenue potential translates market opportunity into expected financial performance.

A simplified formula can be used:
Revenue potential =
Estimated market size × penetration rate × average customer spend

To improve accuracy, you can incorporate:
- Actual customer data imports
- Average transaction value
- Purchase frequency
- Historical territory performance

It's not a guarantee. It's a structured way to validate whether a territory can support a franchise unit — and defend that answer in a room full of people who will push back.

COMPETITIVE LANDSCAPE
Spot Your Competitors

→ **By brand names or business type**

REVENUE POTENTIAL
Calculate your Revenue Potential

Estimated Market Size

x Average Penetration Rate

x Average Basket Value
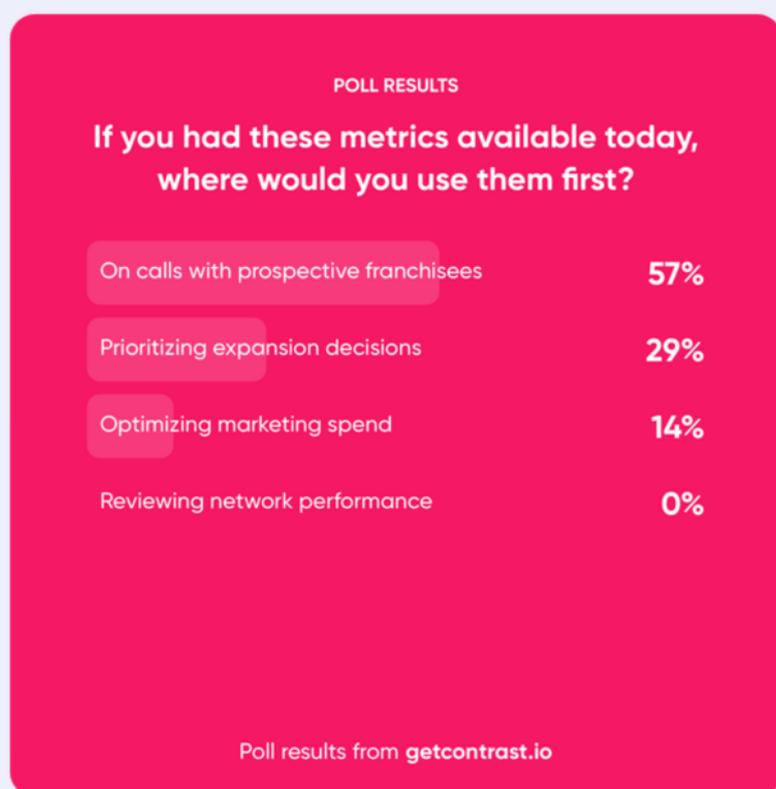
= Revenue Potential

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Step 3 — Activate your territory

Identify high-potential clusters within each territory

Even when a market checks out on paper, opportunity is rarely evenly distributed within a territory. Some ZIP codes will drive stronger performance than others.

Custom scoring models based on your ideal customer profile allow you to move from broad validation to precise operational decision-making.

- Prioritise expansion sequencing
- Select better site locations
- Focus marketing investment
- Align territory design with real customer concentration

POLL RESULTS

If you had these metrics available today, where would you use them first?

On calls with prospective franchisees	**57%**
Prioritizing expansion decisions	**29%**
Optimizing marketing spend	**14%**
Reviewing network performance	**0%**

Poll results from **getcontrast.io**

What participants shared:

- 57% would use them first in conversations with prospective franchisees

- 29% would apply them to prioritise expansion decisions

- 14% would focus on optimising marketing spend

Bonus — Brownie points for perfectionists

Does it look like your best units?

Map your top performers. Find the pattern: population range, income band, age profile, Index Score. That becomes your benchmark — not an industry default, your network's actual pattern.

Every new territory, the question shifts from "does this look good?" to "does this look like us?"

That's the difference between expanding with conviction and expanding with hope.

See your territory on the map.

Pick a territory. Any one.
We open it in Smappen, run it through all three steps live, and you leave with a clear answer.

20 minutes. No slides.

Book with Owen
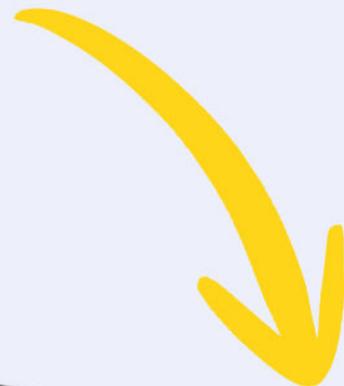
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About Smappen

Grow Your Franchise with Confidence

TERRITORY MAPPING BUILT FOR FRANCHISORS

Define the right territory size from the start
Back every territory decision with real market data
Help every franchisee thrive in their market

Your dedicated contact:

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