

# Franchise update | Q2 2012

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

**Lead!**

*Bennigan's Paul Mangiamele on quarter-backing a comeback*

**Market!**

*Linda Shaub talks quick-draw marketing, recruiting strategies*

**Grow!**

*System responsiveness engages and recruits prospects*

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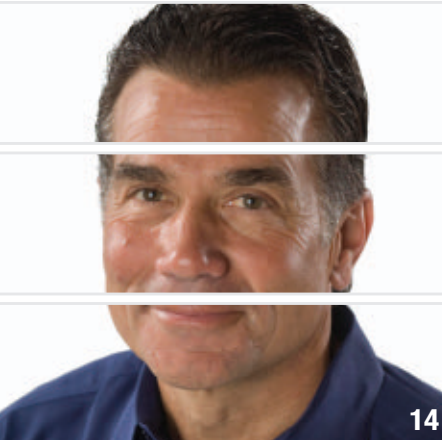
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BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS



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BY KERRY PIPES

## The Right Response

“Franchise system response” is a phrase loaded with potential—both for success and for failure.

In today's franchise recruitment marketplace, it's important for brands not only to get their message out, but to do so as effectively, efficiently, and quickly as possible. After all, your prospects now have access to information around the clock and may come from anywhere in the world. As a result, many brands have representatives who take calls from prospects any time of day or night. Finding great franchisees is highly competitive. But I probably don't have to tell you that.

As we began planning this issue of *Franchise Update* around the theme of franchise system response, it quickly became apparent that even in a changed development environment, fundamentals still rule. The old saying, “First to the door wins.” So does “Business is people.”

All the advanced tools, systems, and strategies in the world will never (ever) replace good old-fashioned, one-on-one conversations with prospects—though they do have tremendous potential to augment, automate, and streamline your sales process. But not to the exclusion of the basic blocking and tackling of franchise recruitment. Sales and development professionals still must engage prospects to find—and sign—the best ones.

Franchise development teams need every advantage they can find. This is where a willingness to experiment with fresh strategies, processes, and methods can play a role. More and more, franchisors are testing innovative methods for reaching prospects, as well as ways to more efficiently—and quickly—disseminate information and engage prospects in the sales process.

The technology and tools available to

franchisors today are simply unprecedented, especially when it comes to qualifying and working with prospects every step of the way. That's important because today's prospects have done their homework, and when they want to know something they want to know it immediately. Technology tools can help with that, but it takes real live people to follow through.

Throughout this issue you will read about brands and executives who are mindful of the importance of responding efficiently—in terms of both speed and providing answers to the questions prospects are asking. And while bringing in new franchisees is essential for system survival and growth, it's also important to remember that so is nurturing the franchisees already operating units.

Franchise system response also is essential in managing a brand's reputation, both online and off. Crisis management and damage control are key components of reputation management. We also take a look at how franchise systems use public relations to respond to crises, from employee misbehavior to food-borne illness that's the fault of a supplier. Again, rapid, carefully crafted responses make all the difference.

In today's 24-hour world of social media, virality, and automated marketing and customer relationship management systems, keep sight of the fundamentals. State-of-the-art technology, innovative sales strategies, and refined processes and systems all are necessary, but at the end of the day what's most important is making the right match, finding the right fit, for both franchisee and franchisor. One of the best ways to do that is by providing timely, relevant responses to prospects and franchisees. When it comes to building a successful franchise system, those could be the most important responses you'll ever give. ■

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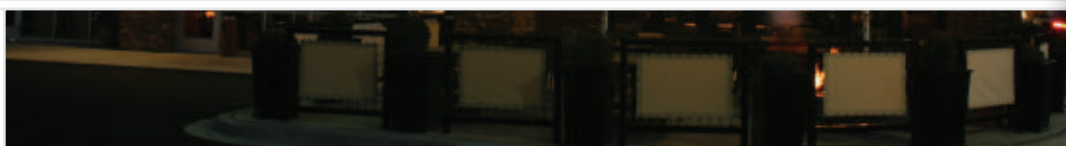
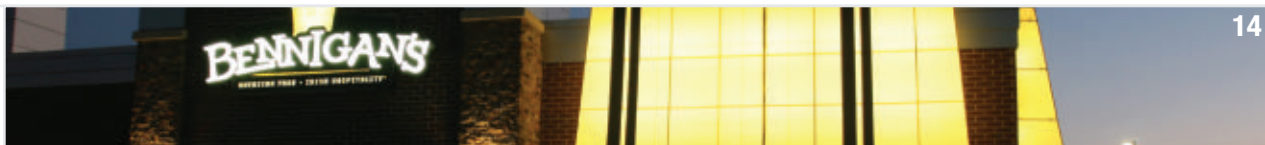
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# Lead

Franchise leadership and management



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King of Checkers set to expand

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Do you have a chief brand protector?



**Quaker Steak & Lube is different not only because of the cars, décor, great food, and best wings. Making memorable experiences is a key part of our culture. As CEO, I am responsible for keeping the organization true to its roots. My unofficial title is Chief Protector of the Brand DNA. It may sound impossible for a geographically diverse chain, but I've found it can be accomplished.** —JOHN LONGSTREET, CEO, QUAKER STEAK & LUBE



# CEO profile:

BY KERRY PIPES

## Right Place, Right Time

Right at Home founder sees continued growth



**A**s a hospital administrator, Allen Hager had personally seen the anguish that families faced when searching for safe, appropriate, quality home care services for their family members returning home.

“There was a gap between the transition of care that was needed and given in the hospital and care that was needed when the patient transitioned back home,” says the 54-year old founder and CEO of Right at Home. His desire to create a healthcare resource to fill this gap led him to launch the in-home senior care and assistance company in 1995, based in Omaha.

That “can do” attitude has been a part of Hager’s makeup for a long time. The West Virginia native’s first career follow-

ing college was in state government. It’s where he first was exposed to healthcare and social programs. It’s also where he learned that the wheels of government turn slowly.

“I like to try to improve things and make things better,” he says. “The longer I was in government, the more I discovered I was more suited to the efficiencies and directness of the business world.”

So he walked away from public service, earned an MBA, and went to work in the private healthcare system, first in West Virginia and then in Nebraska. From 1986 to 1994, he poured himself into healthcare administration. But by the early 1990s, he had begun to consider the plight of the elderly he saw discharged from hospitals every day, returning home with few, if any, resources available for their homebound future.

“The whole healthcare world was changing, and I began to study home healthcare and how I could build a business model to address these growing needs,” says Hager. He was so dedicated to the cause that he became a certified nursing assistant so he could enter the front lines of home healthcare and really see what was going on. He was on a quest for solutions. With the information he collected, Hager put his plan into action and opened Right at Home in 1995.

He spent the next five years living and breathing the daily management of the company. He oversaw every aspect, from hiring caregivers and making cold calls to managing receivables and nurturing its growth. It was not until later that he realized franchising might be a good way to expand his fledgling company.

“I saw the franchise model as providing a way to build scale, how it provided local ownership and contact with clients, and how people could get into this at a relatively low cost,” he says. Hager sold his first Right at Home franchise in 2000.

Today, with 243 franchisees in 5 coun-

tries (the U.S., Canada, U.K., Brazil, and China), the company’s big strategic push is international growth and expansion. Hager says he’s excited to be taking Right at Home’s services to other parts of the world. “People are really the same all over the world, and caring for the elderly at home is not limited by boundaries or borders,” he says.

Hager says a relationship-based culture is one of the organization’s foundational cornerstones. “It’s important to us to be in close, open communication with our franchisees and that we nurture this kind of culture.” This two-way street allows the corporate team to “distill all the good ideas coming in from the franchisees and make the best ideas work for our company,” he says.

Another key to the company’s sustained growth has been its ability to “create a nimble organization that can adapt and change now and moving into the future,” says Hager. “The franchise system will grow if you award franchises to business people with the right motivations, and then treat them as long-term, individual business partners rather than just another number.”

That strategy, a great executive staff and infrastructure, and a growing need for home-based healthcare in the U.S. and abroad put Right at Home in the right place at the right time.

### Leadership

#### What is your role as founder and CEO?

My core role is to create success for the franchisees and the corporate organization. My key areas of focus are strategic planning, organizational culture, and financial management.

#### Describe your leadership style:

Clearly agree on what’s possible, then get out of the way as you challenge to go beyond that.

**Name:** Allen Hager

**Title:** Founder, CEO

**Company:** Right at Home

**Units:** 243 units in 5 countries

**Age:** 54

**Family:** Wife Vivian, two daughters, 20 and 18

**Years in franchising:** 12

**Years in current position:** 12

**What has inspired your leadership style?** I have had great mentors in my life, and read widely on the subject. As well, I have had some negative experiences that have taught me the real world issues that can get in the way of success.

**What is your biggest leadership challenge?** To ensure that I am communicating enough at every level of the organization.

**How do you transmit your culture from your office to front-line employees?** That is the essence of leadership. Great ideas only happen as they move throughout the organization. First, you work as an organization to have a clear vision of what you want. Second, leadership at every level walk what they talk and hold ourselves and staff accountable. This is what staff, franchisees, and their employees respond to.

**Where is the best place to prepare for leadership: an MBA school or OTJ?** I think it's different for each person. An MBA can provide a huge amount of relevant information. Most important is a persistent commitment to learning, to growing, and to taking personal risks.

**Are tough decisions best taken by one person?** That is a final test of leadership. The *process* of getting to the decision should involve much positive collaboration. If your management structure and trust with franchisees is good you will have that. In the final analysis, however, someone has to have that "buck stops here" sign on their desk.

**How do you make tough decisions?** I first seek to clearly define the problem. Often, this is the first stumbling block. Next, I seek to listen and understand the pros and cons and the arguments that buttress competing positions. Finally, I do my own homework and seek out counsel from wise individuals who are not a part of the issue.

**Do you want to be liked or respected?** Nearly everyone wants to be liked, and I am no exception! But the key to effective leadership is earned respect. That is

your first responsibility as the leader of an organization.

**Advice to CEO wannabes:** Find something you are passionate about, and give it everything you have. Then, as you gain mastery of the business, begin to master the craft of leadership and effective management.

## Management

**Describe your management style:** Direct, supportive, and demanding.

**What does your management team look like?** Strong leaders in their own right who are willing to disagree with me and fight for their ideas. We have a great blend of personalities and backgrounds, but all are smart, dedicated, and forward-thinking.

**How does your management team help you lead?** They are in many ways smarter and better at what they do than I am. We agree on a vision and the outline of how to achieve that. Then I try to stay out of the way and get involved at appropriate points.

**Favorite management gurus and books:** My favorite business author is Peter Drucker. He was a genius in understanding the dynamics and the craft of management and leadership.

**What makes you say, "Yes, now that's why I do what I do!"** For our business, it is when I see another instance of a story of growth and great success by our franchisees. And that usually means a story about the great home care we have provided to families in need and the difference we are making in the quality of life for the many thousands of families for whom we are caring.

## Personal

**Exercise in the morning?** I like to get it in early. My wife and I go at 5:30 a.m.

**Wine with lunch?** During the workday, no. Sometimes on weekends.

**Do you socialize with your team after work or outside the office?** I enjoy that very much. Everyone is so busy we don't do enough of it.

**Last two books read:** *The Heart of Darkness* by Joseph Conrad, and *Taking People with You* by David Novak.

**What technology do you take on the road?** iPhone, iPad, and laptop.

**How do you relax, balance life and work?** I love to bike, read, and travel.

**Favorite vacation destination(s):** Fort Myers, Florida; Bangkok, Thailand.

**Favorite occasions to send employees notes:** I like to surprise them.

**Favorite company service:** It's difficult to point to one specific thing. We provide a myriad of valuable support services to families and those in need.

## Bottom Line

**What are your long-term goals for the company?** Right at Home will be recognized as a global leader in innovative care solutions for families dealing with aging parents and disability. We are in four countries besides the U.S. (the U.K., Brazil, China, and Canada) and expect to be in many more as societies around the globe deal with aging issues.

**How has the economy changed your goals for your company?** The economy's challenges have not affected us greatly.

**How do you measure success?** Providing great service to our customers, creating successful franchisees, and providing a place for employees to succeed.

**What has been your greatest success?** My two daughters.

**What can we expect from your company in the next 12 to 18 months?** We continue to work on innovations that will position us perfectly as health reform unfolds in the U.S., and to continue to see strong international growth. ■

# JOHN C. MORGAN BRINGS LAUGHTER, INSPIRATION AND MOTIVATION AS PRESIDENT GEORGE W. BUSH



**An Interview with Dina Dwyer**  
*Chairwoman and CEO, The Dwyer Group®*

**Paul Moore:** "This is Dina Dwyer with The Dwyer Group, a very gracious lady that we met tonight. She hired "W" for their Annual Reunion. Dina, did you enjoy having "W"?"

**Dina:** "He was amazing. It was just so much fun for me to look out into the audience of about fifteen hundred people, to see the look on their faces as he walked onto the stage, to "Hail to the Chief." It was like a look of awe, and then they were grabbing their camera and taking pictures. It was just amazing. I expected the best, and he gave us the best."

**Paul:** "Do you think anybody believed it was him?"

**Dina:** "Yes, I'll bet a good ninety percent, again just looking at their faces, I'd bet a good ninety percent believed it for at least the first three or four minutes."

**Paul:** "What kind of an impact do you think he had as he milled around with folks?"

**Dina:** "You know it's amazing, I think he made people feel very special. There's something about being around someone who looks and acts like a President giving you one on one personal attention, and I think he made a positive difference in a lot of lives today. They're still talking about it. And then the laughter, I think it's so positive for people to laugh and he had them just laughing and really enjoying themselves."

**Paul:** "Now you've met the real President, right?"

**Dina:** "Yes I have I've met president George W. Bush."

**Paul:** "Wow, so this was special for you to have him here today?"

**Dina:** "It was just terrific, and they're a lot alike; really nice guys, funny, but down to earth."

**Paul:** "Would you recommend people hiring him for their event?"

**Dina:** "I would highly recommend hiring John Morgan for any event that you have. He will accommodate you no matter what it is. Whether it's a banquet, because he also performed at our banquet, or an opening session, a business meeting, a church meeting, he can fit any agenda that fits with his standards."

**Paul:** "Thank you Dina."

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**CEO**  
**profile:**

BY KERRY PIPES

# Rallying for Growth

Checkers embarks on aggressive expansion



**R**ick Silva developed a passion and understanding for business early in life. The son of Cuban immigrants, he watched his mom and dad start their own small business from scratch in Miami. He learned about customers, competition, inventory, procedures and processes. Most of all, he learned about hard work and dedication.

“Watching my parents run that business taught me a real passion for operating a business and being successful,” says the 46-year-old Silva—key char-

acteristics that are aiding his tenure as president and CEO of Checkers Drive-In Restaurants, which includes more than 800 Checkers and Rally’s restaurants in the U.S.

Silva has been at the helm of Checkers since early 2007. That’s when he was lured away from his management position at Burger King by the leadership style and philosophies of the private equity group that had just purchased Checkers.

“I liked the way they operated and the vision they had,” he says. “They were interested in processes and procedures and measured results, but also in the people and products that it took to achieve goals and be successful.”

His 13 years at Burger King taught him a lot about succeeding in franchising. He had served as president of Burger King’s Latin America region, and as senior vice president, U.S. company operations, where he oversaw more than 600 company restaurants. During his final years with Burger King, as senior vice president, franchise operations, he oversaw more than 3,300 franchise restaurants.

Silva hit the ground running at Checkers and hasn’t looked back. He says one of the organization’s core values under his leadership has been: “Have the courage to be bold and grow.” He and his team work hard to live up to that standard every day.

When he arrived at Checkers, Silva evaluated his management team and decided to bring in some new executives because, as he says, “The number-one key to success is a great management team.” Another characteristic of his leadership style is setting high standards. He says people can achieve more than they think they can. He is not afraid to set lofty goals because he believes that challenges individuals to do whatever necessary—even change their entire

approach—to reach those goals.

During the past five years, Silva has implemented new systems and processes that have increased system efficiencies, enhanced the menu, and driven growth at Checkers. Under his leadership, the brand has doubled its late-night business from 10 to 20 percent of sales; added wings and desserts to their burger-driven menu; and developed multiple building formats to allow franchisees to open new restaurants in new trade areas with less investment and higher returns. And, says Silva, the brand’s guest satisfaction scores have increased every year since he arrived and are at an all-time high.

Checkers is now on the edge of significant expansion. At just over 800 locations, the brand is aggressively looking for new operators and fast growth in many major markets across the country. “The big chains are already saturated in most of these cities, but we’re just getting started,” he says. “The time is right because our customers tell us they love our food but need locations closer to them.”

And just how many Checkers locations would Silva like to see down the road? “Three thousand,” he says. After all, as he also says, “Have the courage to be bold and grow.”

**Leadership**

**What is your role as CEO?** To focus on providing the vision and strategic direction for our growth.

**Describe your leadership style:** I’m a strong leader with very open and direct communication.

**How do you transmit your culture from your office to front-line employees?** It starts with the corporate values we adopted and live by every day and

<b>Name:</b> Rick Silva
<b>Title:</b> CEO, President
<b>Company:</b> Checkers Drive-In Restaurants
<b>Brands:</b> Checkers and Rally’s
<b>Units:</b> More than 800
<b>Age:</b> 46
<b>Family:</b> Wife Lisa (20 years), children Michael, 18, and Jessica, 16
<b>Years in franchising:</b> 18
<b>Years in current position:</b> 5

begins with me. Examples include the following: “Do the right thing.” “Passionate about serving others.” “Obsessed with excellence.” “Courage to be bold and grow.” “People first with pride and respect.” I include these values in every presentation I make to the organization. Spending time in our restaurants with our employees, franchisees, and guests also helps me share my vision and culture across the organization.

**Where is the best place to prepare for leadership: an MBA school or OTJ?**

Although a strong education is helpful, the best place to learn about effective leadership is through business and personal experiences and by observing and learning from other leaders. Some people are born with more natural leadership skills than others, but great leaders work hard at it.

**Are tough decisions best taken by one person?**

It depends on the decision. First, never shy away from the tough decisions. In fact, seek out the tough decisions because that’s usually where the big risks and big rewards are. As a leader, you need to face those decisions, understand them, and provide the necessary leadership to get to the best answer. Sometimes that requires you to step in as the leader and make the decision yourself. In other cases, it might be best to allow your team to work through the issue and arrive at the best decision aided by your coaching and leadership.

**How do you make tough decisions?**

The resolution has to be consistent with our values and drive the interests of all of our stakeholders: guests, employees, franchisees, and shareholders.

**Do you want to be liked or respected?**

I’d prefer to be respected for my values, professionalism, and commitment to our stakeholders.

**Advice to CEO wannabes:** Hire smart, hard-working executives with strong values. If you’re the one coming up with the best answers, your team is not strong

enough or your management style is keeping the best ideas from coming out.

## Management

**Describe your management style:** I believe in hiring smart executives with lots of passion and a strong work ethic, as well as managing with an open and collaborative style. That allows us as a team to achieve results that would be impossible to achieve individually.

**What does your management team look like?** Smart, flexible, diverse, passionate, and hard-working.

**How does your management team help you lead?** They challenge me and each other. They trust each other so we can have open communication to find the best answers.

**Favorite management gurus and books:**

I prefer business periodicals like the *Harvard Business Review* and keeping up with the latest business and trade news.

**What makes you say, “Yes, now that’s why I do what I do!”**

When I see an executive or employee achieve something they never thought they could achieve. That moment is incredibly satisfying and rewarding for me.

## Personal

**Exercise in the morning?** Yes! When I’m at home, I’m up at 4:45 a.m. for a workout. I feel best when I work out in the morning.

**Wine with lunch?** Never, but I love wine with dinner on weekends.

**Do you socialize with your team after work or outside the office?**

We spend lots of time together at work and during our business travel. We enjoy each other’s company, have lots of laughs, and know each other very well. That said, we all have healthy personal lives so weekends are typically spent with family and friends.

**Last book read:** *What Matters Now* by Gary Hamel.

**What technology do you take on the road?** BlackBerry, iPad, and laptop computer.

**How do you relax, balance life and work?** I exercise, spend time with family, and participate in local auto track events.

**Favorite vacation destination:** Triple Creek Ranch in Montana.

**Favorite occasions to send employees notes:** Anniversaries and birthdays.

**Favorite company product:** A Big Buford with fries finished off with a Strawberry Cheesecake Sundae.

## Bottom Line

**What are your long-term goals for the company?** We want to take everything we learned in 2011 and apply it to 2012 and beyond. Our long-term goal is to grow to 3,000 restaurants while maintaining a commitment to our values and stakeholders.

**How has the economy changed your goals for your company?** It forced us to find new ways to grow our sales, profits, and spur new restaurant growth.

**Where can capital be found these days?** Many business people and investors are sitting on cash that they need to invest. A Checkers/Rally’s franchise is a great place to invest that capital.

**How do you measure success?** Results, not activity.

**What has been your greatest success?** I’m proud to have created and developed an outstanding leadership team at Checkers/Rally’s.

**What can we expect from your company in the next 12 to 18 months?** We’ll continue to evolve and grow in order to find new ways to increase restaurant-level sales and profits while adding new restaurants to our system. ■

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BY PAUL MANGIAMELE

# Anatomy of a Turnaround

# Bennigan's

## reclaims the integrity of an icon

### PART 1

**E**veryone loves a good comeback story, and I am honored and humbled to be at the helm of a classic turnaround tale.

Norman Brinker, the casual dining innovator and icon behind Bennigan's, was a wonderful friend and mentor in the business. Thirty-five years ago, he and a team of hard-working executives, many of whom grew within the business and later became CEOs of concepts we know today, built a successful brand with great integrity. When I took over as chief executive of Bennigan's Franchising Company in May 2011, I had nothing but respect for this beloved brand and the franchisees who invested their money and talents into it.

Like many casual-themed brands, Bennigan's became a victim of brand drift over time, moving away from the core elements that made it famous in the late 1980s. But a nostalgic public was hungry for the high-energy experience they fondly remembered, and the stage was set. It wasn't just time for a turnaround; it was time for a renaissance. How did we do it?

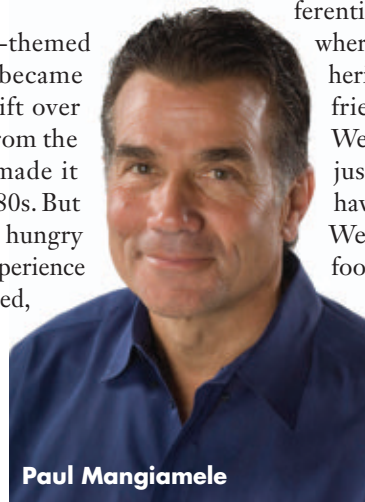
#### First things first: analyze this!

Our quest to restore the integrity of an icon began with a six-month analysis of our situation. We had to be willing to look at every piece of the business—from operations, design, and marketing to franchisees, real estate, and supply chain. Once we knew where we were, we could put the right teams, strategies, and tactics together to get where we wanted to be. And then our mission became both clear and possible: create a "legendary" brand experience for every guest, every meal, every day.

This is our rallying cry, and a very important part of bringing all constituents together and working toward the same goal. For Bennigan's to rise up from a sea of sameness and differentiate itself, it has to know

where it came from, its roots, heritage, and legacy. We are friendly Irish hospitality. We bleed green. We don't just have bartenders, we have rock star mixologists. We don't just have great food, we have chef-driven, unique favorites like the Monte Cristo and Turkey O'Toole.

This shift in thinking and action requires alignment of the whole team. Ev-



Paul Mangiamale



ery line cook and hostess must believe. I like to say we are business athletes. What do I mean by that? World-class champions don't just play their game, they *live* it. They give their entire heart, mind, and body over to the pursuit of perfection in their chosen sport. To truly create a "legendary" brand experience for every guest, every meal, every day, we must *live* Bennigan's. It takes every member of the team working 25/8 to put us ahead of the curve.

### Connecting the dots

We defined who we are and how we were going to restore integrity to a great brand. We had a mission, and we knew our focus had to be on the food and the high-energy experience, both for our external guests and our internal guests, the employees. We rolled out a remodel at the Bennigan's flagship restaurant in Chicago, pouring all of our key learnings from both our analysis and the wisdom of our franchisees into menu optimization and increased operational standards. Servers were retrained to achieve flawless execution. Classics like the Big Irish Burger were brought back to the menu along with innovative, new American fare. We created a new Brand Ambassador position, someone who takes our Irish hospitality into the local community. Gone are the days when you just unlock the door at 11 a.m. and wait for your guests to walk in.

Sales at the Chicago restaurant went



up 25 percent—a phenomenal performance in an industry that's flat to negative. One of our franchisees embraced these key initiatives and the prototype remodel and saw a significant double-digit increase as well. These successes, including a remodel and renewed focus at another corporate-owned location in Appleton, Wisc., demonstrated to our franchise partners that if we deliver on our "legendary" mission we can rebuild loyalty. A return to our roots is also a return to rebuilding an emotional connection with our guests. Transactional customers become lifetime guests, and that loyalty leads to a compelling franchise model.

In Part 2 of "Anatomy of a Turnaround," I will share our plans for taking this renaissance beyond our four walls. Nontraditional real estate

opportunities and new ways of marketing mean more people experiencing our friendly Irish hospitality. Part of our renewed focus is looking toward expansion through a fast-casual model called Bennigan's on the Fly. New branding we are introducing will allow for development in airports, hotels, hospitals, cruise ships, universities, and other nontraditional locations.

Last year we signed franchise agreements to develop more than 30 new restaurants, with plans to open 12 new locations domestically and internationally in 2012. Flexibility in real estate is key to this expansion, with our new prototype offering a smaller format designed to fit different site options beyond the freestanding pad.



Rekindling the fire of a great brand has been rewarding work, both for our corporate team and our franchise teams in the field. We brought the focus back where it belongs: on the people, the food, and the experience. Our clear, singular mission has resulted in a renewed energy, allowing us to add new chapters to a success story that began 35 years ago. Keep reading in the months ahead. It's going to be legendary. ■

**Paul Mangiamele**, *Bennigan's president and CEO*, was hired to take over the brand in May 2011. Contact him at 469-248-4419 or [www.bennigans.com](http://www.bennigans.com).





JOHN LONGSTREET  
CEO, QUAKER STEAK & LUBE

## Culture Cash

Staying true to the founder's vision pays off

BY JOHN LONGSTREET

It's a familiar scenario: a successful concept is born from a family-owned restaurant where everybody knows your name and embodies a particular culture.

But success can ruin everything. The business can grow or get acquired or go public. Suddenly, the original team members are a number to human resources and the culture is reduced to rules and regulations.

That *could* have happened when Quaker Steak & Lube expanded beyond its original location in a former gasoline station. Its culture of delivering fun could have been compromised. Yet, research shows 53 percent of our guests still come for the fun atmosphere. Guests say they "feel good" when leaving.

Quaker Steak & Lube is different not only because of the cars, décor, great food, and best wings. Making memorable experiences is a key part of our culture. As CEO, I am responsible for keeping the organization true to its roots. My unofficial title is Chief Protector of the Brand DNA. It may sound impossible for a geographically diverse chain, but I've found it can be accomplished. Here's how.

- **Let your culture evolve organically and fiercely protect it.** The founders knew from the beginning that a fun, unique environment would appeal to a wide range of guests, and they remain involved as "culture officers." For example, we've discussed going to uniforms. Servers wear a Lube shirt (some from years ago when they started) with jeans, shorts, or khakis. A founder said, "We are *not* a uniform environment. We're random, fun, nonlinear. Our guests don't wear uniforms. Neither should the servers." Rather than a formal corporate culture description, we simply use "fun" as a litmus test for every idea we consider.

- **Recruit franchisees who understand and value your culture.** Franchisees must buy into our culture because it is everything to our collective success. We are Best Wings USA, the best in class. We are a restaurant that focuses on fun. There's a special event almost every night. That's what differentiates us from competitors. We can't export it from the support center. Restaurant general managers have to believe the most important thing is to serve guests and that happy employees lead to happy guests. It won't work otherwise.

- **Reinforce culture with your own actions.** Potential franchisees feel The Lube's culture from the first moment on Discovery Day—if not sooner. For instance, when they fly into the Pittsburgh airport, I often pick them up myself. When they arrive, they cannot help but smile when they spot a huge 1985 Freightliner truck perched on the roof of the support center and a life-size version of "Coop," our chicken mascot, dressed in a race car driver suit, inside welcoming them. We also keep in mind

that franchisees are our customers, and we are responsible for providing *them* with a great guest experience. For example, we've worked to become more transparent. What we in the support center know, franchisees know. We like to think we share more than other franchisors. It all comes down to the fact that every week, only one person is writing a check, and that's the franchisee. I think many franchisors have lost sight of that.

- **Keep corporate policies to a minimum.** As the company grew, there was an inclination toward thicker policy and procedure manuals, but that can defeat a fun culture. Often, as companies grow, departments such as human resources or legal try to take over by creating too many policies. All of the support departments need to be enablers—not roadblocks—of success in the field. If our company remains philosophy-driven versus policy-driven, we can become bigger but still feel small.

- **Allow operators flexibility to make your culture their own.** We can provide the tools, menu, events, and décor, but then we need to get out of their way. The franchisee's role is to apply The Lube's culture in a way that is relevant to their communities. Our "Lubies" (Quaker Steak & Lube's self-named fans) count on the basics, but they also expect each Lube to have uniqueness. The GM, franchisee, and team members create each location's spirit, and that's what makes Lubies feel good!

It's tough to communicate a consistent message throughout a building, let alone across a country. As the brand's Chief Protector, I believe it is critical to keep messages simple and to focus on the "whys" behind why we do things versus the "whats" that we do. As for the restaurant's future, the most important thing is to find franchise partners who live our vision and share our dream. ■

*John Longstreet joined The Lube as president and CEO in 2010. He previously was an executive with ClubCorp and Intercontinental Hotels Group. He also served as mayor of Plano, Texas. Contact him at 724-981-3123 or [www.quakersteakandlube.com](http://www.quakersteakandlube.com).*

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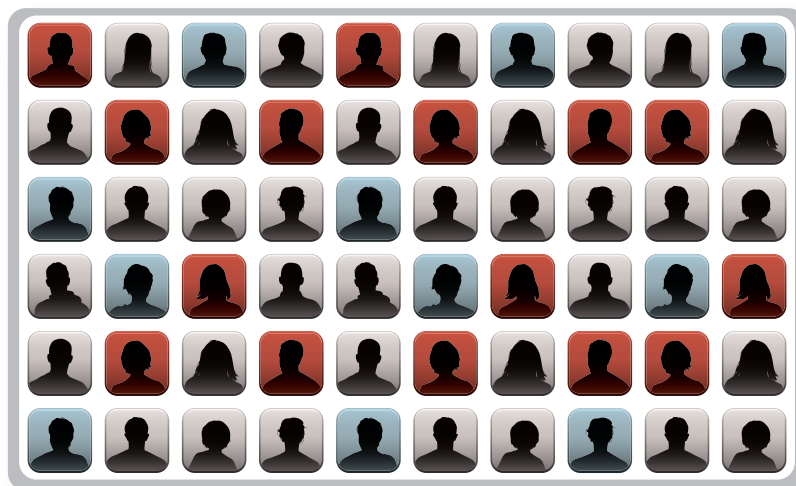
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# Market

## Consumer marketing initiatives

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PR is a key part of reputation management

### CMO Q&A: 28.

Interim Healthcare's Linda Shaub on being quick, concise, and on message



**“We are living in an environment of instant gratification. Quite simply, we don't want to wait for anything, especially when it comes to requesting information... If you don't respond quickly, it's almost guaranteed that your competitors will.”** —Linda Shaub

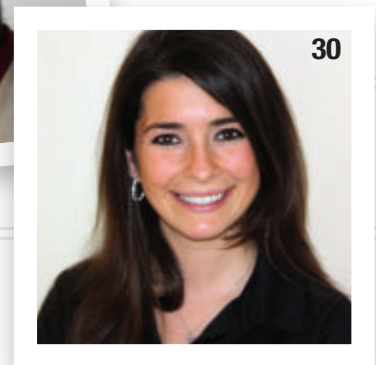
### CMO Roundtable 30.

“From a marketing perspective, what are the keys to improving franchise system response for existing franchisees and customers?”



### Legal Perspective 32.

Resolving disputes is better without court



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Balancing the old with the new

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Eliminate root causes to improve key performance scores

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**Jennifer Kushell**  
*Young & Successful Media/YSN.com*

Jennifer Kushell is the President of Young & Successful Media and founder of YSN.com ("Your Success Network"), a leading destination for career exploration, professional development, tools and resources for young professionals and entrepreneurs around the world. Author of the NY Times Bestseller, *Secrets of the Young & Successful* and *The Young Entrepreneur's Edge*, Kushell started her entrepreneurial career at 13. Today she works with a wide range of corporations, trade associations and universities and as a speaker and strategic consultant and is a recognized thought leader on the emerging global workforce. Called "The Career Doctor" by Cosmopolitan and a "guru" of her generation's entrepreneurial movement by US News & World Report, Kushell has appeared in front of over 300 million people via major media such as CNN, CNBC, BBC, NPR, The Wall Street Journal, USA Today, BusinessWeek, Entrepreneur, and Seventeen.



**Scott Klososky**, *Speaker, Business Consultant, Writer*

Scott Klososky, a former CEO of three successful startup companies, specializes in looking over the horizon with how technology is changing the world. Scott's vision and ability to see trends in emerging technologies allow him to be a thought leader who applies his skills to help organizations thrive, leaders prosper, and entire industries move forward.

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# AGENDA at a GLANCE

## TUESDAY, JUNE 26

8:30am - 12:30pm

Boot Camp: How to Embrace Social Technology to Strengthen Your Brand,  
Program Leader: Scott Klososky, *Author, Speaker, Business Consultant*

8:30am - 12:30pm

Boot Camp - Creating a "Customer Mania" Culture  
Program Leader: Ed Waller, *Co Founder, CertaPro*

12:30pm - 2:00pm

Lunch in Sponsor Networking Gallery - Exhibits Open

2:00pm - 3:30pm

Opening General Session: Chairman's Welcome

Opening Keynote - Delivering Extraordinary Customer Service  
John DiJulius, *Customer Experience Speaker, Author & Consultant*

**Concurrent  
Break-Out  
Sessions**

**TRACK 1  
Customer Relationship  
Management:**

**TRACK 2  
Franchisee Buy-In,  
Delivery & Results:**

**TRACK 3  
Marketing  
Execution Strategy:**

**TRACK 4  
Brand Development  
& Rejuvenation:**

3:40pm - 4:30pm

How Franchisors  
Predict and Measure  
New Customer  
Acquisition

How to Get Franchisee  
Buy-in to Marketing  
Initiatives

How to Deliver  
Local Marketing  
Magic

The Power of PR

4:40pm - 5:30pm

General Session: Technology Unleashed: Experience the Future Now

5:30pm - 7:30pm

Welcome Reception in Sponsor Networking Gallery - Exhibits Open

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# AGENDA at a GLANCE

WEDNESDAY, JUNE 27				
8:00am - 9:00am	Breakfast in Sponsor Networking Gallery - Exhibits Open			
9:00am - 10:00am	General Session: Gen-Y! Understanding Who Is Delivering Your Brand Keynote Speaker Jennifer Kushell, <i>Young &amp; Successful Media/YSN.com</i>			
Concurrent Break-Out Sessions	<b>TRACK 1</b> <b>Customer Relationship Management:</b>  How Does Social Media Contribute to the Customer Experience? The Good, the Bad and the Ugly	<b>TRACK 2</b> <b>Franchisee Buy-In, Delivery &amp; Results:</b>  How Franchisors Can Effectively Communicate, Execute, Monitor and Measure Marketing Strategies	<b>TRACK 3</b> <b>Marketing Execution Strategy:</b>  Creating Customer Experiences with Four-Wall Marketing	<b>TRACK 4</b> <b>Brand Development &amp; Rejuvenation:</b>  Using Consumer Research to Drive Brand Development
	10:10am - 11:00am	Ensuring Customer Satisfaction and Retention	Marketing Automation for Franchise Networks	Marketing to Your Mobile Customer
11:10am - 12:00pm	Lunch in Sponsor Networking Gallery - Exhibits Open			
12:00pm - 1:45pm	General Session: Capitalizing on Traditional Marketing Power			
Concurrent Break-Out Sessions	<b>TRACK 1</b> <b>Customer Relationship Management:</b>  Brand Delivery – How Do You Know the Right Message Is Consistently Delivered to Your Customers?	<b>TRACK 2</b> <b>Franchisee Buy-In, Delivery &amp; Results:</b>  Administering the National Advertising Fund	<b>TRACK 3</b> <b>Marketing Execution Strategy:</b>  Best Grand Opening Campaigns	<b>TRACK 4</b> <b>Brand Development &amp; Rejuvenation:</b>  Leveraging Your Front-Line To Champion Your Brand
	3:10pm - 4:00pm	Closing Conference Mindshare - Million Dollar Ideas		
4:00pm - 5:00pm	Closing Reception - The FRANTastic Creative Marketing Competition & Award			
6:00pm - 8:00pm				

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# damage control



## Crisis management takes planning, managing, and communicating

*“What seems to have changed is a couple of yahoos in a pizza joint sticking cheese up their nose can threaten a global brand.”*

**T**hat comment, attributed to a Nightline reporter in 2009, neatly summarizes a growing problem facing franchise brands in 2012: how to manage their brand’s reputation—both online and off—in the 24/7 crucible of news, online reviews, and social media.

“He’s right, that’s exactly what can happen,” says Rhonda Sanderson, president of Sanderson & Associates in Chicago. “From the top of the food chain to the bottom of the food chain, what control do you have hiring \$9 an hour kids?”

No matter how good your training is, controlling the behavior of all your front-line staff all the time simply is not possible. And for most customers, their only exposure to and experience of your brand is your front-line staff. That’s one big reason franchisors should

have damage control policies in place—before a potentially disastrous event occurs that affects the reputation of their brand. And that’s one of the reasons they hire PR firms.

“Our job,” says Brad Fishman, CEO of Fishman Public Relations in Northbrook, Ill., “is to protect the franchisor and the franchisee—to protect the brand.”

“The best crisis communication is being prepared,” says Lorne Fisher, CEO and managing partner of Fish Consulting in Hollywood, Fla. As a former boss used to tell him, “Bad things happen to good companies. It’s just a matter of when.”

And when that “when” happens, having an up-to-date plan ready to go can make all the difference between being buffeted by events and the media, and taking control of the situation to protect your brand’s reputation.

The world is moving too fast and there simply are too many people posting online in too many places to keep up. And with YouTube-ready cameras and video recorders everywhere, every

minor incident has the potential to spiral out of control through the megaphone of social media... at which point events take on a life of their own. Not what you want to happen.

Crisis management and damage control can be divided into three basic parts: planning, management, and communication. First, have a plan (and a team) in place. Second, manage the situation (e.g., if it’s contaminated food, remove it immediately and begin an investigation into its source). Third, communicate: internally to employees and franchisees; externally to the public, media, customers, and stakeholders.

### Have a plan

“One of the things we express to our clients all the time is for them to have a crisis management plan in place,” says Fisher. At a minimum, he says, the plan should include franchisor preparation and training, a communication protocol (who should be called first, who speaks for the company, etc.), and hav-

ing a crisis management team in place at corporate to be sure every aspect of the plan is implemented, updated, and ready for action.

What he *doesn't* want a client to think, he says, is "Call the PR guy and he'll spin it." Instead, call the PR guy as part of the crisis management plan. And, depending on the situation, also call your lawyer.

"You want to have a plan in place so if you can't avert the disaster you can at least hit the ground running," says Adam Siegelheim, an attorney with Stark & Stark, a law firm based in Lawrenceville, N.J. "When everyone knows what to do, you can minimize the damage." The lawyer's job, he says, is to anticipate any kind of scenario and the level of risk involved.

So is PR's, says Fisher. "Look at the most likely crisis scenario and the most outlandish scenario and be prepared for anything," he says. "It's worth it. Have the plan ready."

Fisher also recommends establishing different levels for crises, and having a plan for each. For example, level 1 might be a cash shortage at a register, and level 4 a murder at a franchisee's site. "You should have a protocol for each level, including who is involved," he says. And any protocol or manual should have a section on how to deal with the media during a crisis—from a phone call to a walk-in with a camera—and what to say and what not to.

After all that is in place, he says, the next stage is to conduct a training with every person along that chain. That training can take place through the usual channels: field support staff, conventions, POS systems, online, etc.—but it has to happen, and it has to cover every employee potentially on the firing line if a crisis occurs. "Training is key here. None of this works if no one's been trained," says Fisher.

### Managing the situation

Although managing public perception to protect your brand's reputation is a critical part of damage control, deal-

**"From the top of the food chain to the bottom of the food chain, what control do you have hiring \$9 an hour kids?"**

—Rhonda Sanderson



ing with the actual situation could save lives, or at least lawsuits and lost sales. PR also plays a role here. In addition to creating a plan and protocol for his franchise clients, Fisher helps by addressing specific scenarios of potential PR disasters.

For example, a food-borne illness is linked to one of the brand's restaurants. It's crucial not only to have policies in place for communication, but also to have *processes* in place to account for anything and everything that occurred. "You have to do your detailed research to find out what really happened," says Fishman.

If a potential crisis occurs late at night or halfway across the world, should you get top executives out of bed? "If something happened, in most cases the answer is yes, the CEO gets woken at 3 a.m.," says Siegelheim. "What we're trying to do is contain the incident and whatever

ripple effects may result."

This late-night scenario is more likely today than in the past, with restaurants open into the wee hours and around the clock, as well as the increased time zone differences as regional brands go nationwide and global. Beijing, for example, is 12 hours different from Boston, Louisville, or Florida. And with the Internet, anybody can post anything anytime they want. That's why, says Siegelheim, if a crisis situation arises, "It should be very clear how to reach everybody."

### Communicating your message

"There could be potential legal consequences as well, so you want to control your communications," says Siegelheim. "From top to bottom, everyone should be aware who's going to speak." And above all, don't panic.

Before responding publicly, take a deep breath and assemble your team. "You have to look at the situation and analyze it," says Siegelheim. Is it isolated to one franchisee? Could it affect the entire system? If a customer claims to have to have gotten sick from food in one of your restaurants, is it the only complaint over some time? If so, he suggests, "You say it's an isolated incident at an independently owned and operated restaurant, and customers should have no concerns over the entire system."

"You have to be prepared for any crisis," says Fishman. That includes having a central person responsible for coordinating any public response. "We've had to deal with situations where there were robberies," he said, even murders. When a situation arises, the first phone call should be from the franchisee to corporate. Then, says Fishman, "Call in the experts who can help you. We craft these messages all the time." Legal, he says, "should definitely be involved."

### Training and follow-through

After formulating a plan, establishing a protocol, and training the top-level responders, the challenge for the franchisor is communicating that throughout the organization intact. By the time all

**“Don’t hide behind ‘No comment, no comment. Urge corporate to come out with a statement.’”**

—Brad Fishman



this trickles down to the front-line employees, much can be lost.

“We have a simple plan, because no one has time to pull out a manual when the press walks in the door,” says Sanderson. That’s why her 10-step guide is posted where every employee can see it. If a phone call comes in from a reporter, or a news crew from a local television station shows up unannounced, the plan is readily available to review before anyone speaks on the record.

The plan, says Sanderson, is intentionally short and simple, resulting in easier, more effective training and retention. Rule 4, for example says: “Never give an answer of ‘no comment’ or ‘we can’t answer that.’” Although that is far less risky than speaking off the cuff, “No comment” implies the employee is hiding something, ignorant, or both, she says. “Employees at the counter are not sophisticated and don’t know what to say or do.”

Even with a simplified 10-step program, there are several places people can drop the ball, especially when surprised by an irate customer or persistent reporter.

## damage control

For example, in a “crisis averted” story Sanderson tells, a young employee at a pizza franchise got a phone call from a mother saying that her 18-month-old had just bitten into a piece of pizza and found the tip of a razor blade. “Oh thanks, we’ve been wondering what happened to that,” said the employee.

The point? The employee admitted liability immediately. Whether he was serious or just joking; whether an 18-month-old should be eating pizza; whether the story was true or a scam doesn’t matter in the court of public opinion, where a denial or “No comment” often is perceived as an admission of guilt. That never should have happened, all three PR professionals agree.

And while franchisors should have a plan in place, says Fishman, “You can’t always have a plan that matches the situation.” Nevertheless, franchisors must be prepared to respond when something does occur. “Don’t hide behind ‘No comment, no comment,’” he says. “Urge corporate to come out with a statement.”

“If you don’t know what the cause is, say so, and that you’re addressing it,” says Fisher.

“Do mistakes happen? Are you going to have problems?” asks Sanderson. “Yes, but you have to have procedures in place, such as, ‘Hold on, I’ll get the manager. I’m sorry.’” And the manager has to be trained as well. “I would reserve all commentary for managers. It has to be part of their training, whether from a PR firm or an in-house department,” she says.

“You can have the greatest plan on paper, but it has to get down to the store level,” says Sanderson. “Make damage or crisis control one of your top five training priorities.”

### “Social” changes everything

Since the Internet is (virtually) forever, one of the biggest differences in what franchisors and their PR and damage control teams must deal with is the sheer persistence of what appears online, as well as the volume.

“This is the first time that companies

can engage with their own customers without having them come into their location. That’s the good news. The bad news is the same sentence,” says Sanderson. “Any customer, any time, can comment whenever they like on your product, service, or the behavior of your employees.”

Pre-Internet, no matter how bad a situation might become, it would blow over eventually, displaced by newer events and the public’s short attention span. However, once something is posted online, it doesn’t completely disappear, even after it is “taken down.” Corrections and retractions are a positive step, but that doesn’t mean they will appear on the first search page, while negative news and comments (true or not), remain.

“In most cases these events kind of disappear themselves, but what’s online doesn’t,” says Fishman. This creates a raft of new problems. “The biggest one we’re worried about right now is SEO rankings, because those things don’t go away.” One of the biggest questions he gets from clients comes after they do a Google search on their brand and past problems or negative postings appear on the first search page: “How do we make it go away?”

**“Bad things happen to good companies. It’s just a matter of when.”**

—Lorne Fisher



# damage control

**“You want to have a plan in place so if you can’t avert the disaster you can at least hit the ground running.”**

—Adam Siegelheim



“Reputation management” companies claim they can help by having negative postings removed, and SEO companies can work to insert positive postings to push negative postings off the first search page. Fishman says he’s skeptical of the efficacy of some of the claims made by these companies, but defers to their technical expertise.

“Everyday crises we can handle,” says Fishman. “The biggest issue we’re going to run into is online. People used to forget. Now it’s possible to find everything they want—good, bad, or indifferent.” Most people, he says, never get past the first page. The goal is to push those negative comments off the first search page.

If one of your restaurants is slammed on Yelp, says Fishman, talk to your customer base, urging them to go online and make comments too. Don’t tell them what to say, but do urge them to write. Enough positive comments will, in theory, push the negative ones onto page 2 and beyond. The same idea holds for comments posted on Twitter and Facebook.

“Review sites are fueling more and more comments and opinions from consumers, which roll up into search engines,” agrees Fisher. “Focus on what’s being said and how you can participate in the conversation, not only pushing out positive news, but responding to negative comments. You have to manage your online reputation every day.”

### Social media policy

There’s also a danger of social media abuse from within the four walls to consider, as seen in the growing list of “pranks” and other misbehavior by employees, even by well-intentioned franchisees. In addition to training for external and customer relations when bad things happen to good companies, creating a social media policy—and monitoring and enforcing it—can go a long way toward preventing the kinds of situations that require damage control.

“Social media can come at you from customers, competitors, and your own employees,” says Siegelheim. “You want to have a very well-structured social media policy that is communicated to all your franchisees and their employees.”

There’s a tendency for people to relax in the informality of social media, he says. Yet the impact of something posted on Facebook, YouTube, Twitter, or Pinterest can have a very formal effect in both the court of public opinion and the court of law. “The franchisor has to step in and have a very well-defined social media policy for employees to follow,” he says.

### Consider the source

The credibility of the poster or blogger is another factor to consider. If you have one negative commenter and dozens praising you, people will take the single bad one with a grain of virtual salt.

As Will Rogers said almost 100 years ago, “All I know is what I read in the papers.” For today’s potential customers—and franchisees—all they know is what they read online. Thus, paying attention to what happens online is mandatory for franchisors... within reason.

“Most people have come to the conclusion that you can’t keep track of everything,” says Fishman. “But if you get a lot of comments on the same thing, you want to let people know you’re doing something about that.”

“You do *not* have to answer every single sentence written about you,” says Sanderson. “However, if there is a complaint online that you feel is unjustified, it behooves you to respond in very quick order before more comments are made.”

“You don’t have to respond to everything, but you should monitor everything,” says Fisher. “If someone has a legitimate issue (and legitimacy is subjective), it probably deserves a response.” However, he cautions, “If someone’s response is so heated, or a rant, you could cause more problems by addressing it than by leaving it alone.”

Some franchisors have taken to using text analysis programs to sift through online comments for keywords they consider important to their brand and reputation. These programs can search online for those keywords, sort them, and provide alerts to franchisors whenever specific words are found.

If you do feel the need to respond, how soon is soon enough? Response time will vary with the level of the crisis, says Fisher. “Immediate is important, but if the situation is something that you truly need some time to assess, you might take several hours.” However, he says, it’s important to respond the same work day. In the interim, there is an opportunity for an immediate response stating that the company is looking into the details and will have a response by day’s end. “You can respond right away, but you have to be intelligent and responsible, and not be too quick to admit fault.”

How to respond? In PR terms, says Fisher, it’s all about the “three Rs”: respond, repair, and reward. For example, a standard response to a customer complaint or criticism might be to apologize and suggest they contact you offline, at which point you make a concerted attempt to repair the situation. The reward could be the transformation of a negative situation and the creation of a newfound brand advocate. ■

BY KERRY PIPES

# Quick on the Draw

Today's franchise system response must be quick and concise

**L**inda Shaub is CMO of Interim Healthcare, a network of 332 franchise locations providing medical staffing and in-home care services in 43 states. Shaub oversees the company's marketing, development, and execution as it relates to customers, franchisees, and prospects. We asked her about changes in today's franchise prospects, how they receive and process information, and about the importance of staying in tune with existing franchisees. She says there's no question that when it comes to reaching prospects, a quick franchise system response is a necessity. She also says it's important to keep your message simple, to constantly promote and communicate, and to use efficient systems and technology to reach prospects before the competition does.

**Describe your role as franchise CMO.** The job of the chief marketing officer (CMO) is to help increase the level of sales for the company, while at the same time enhancing and improving the positioning and image of the brand. I oversee different areas related to the marketing functions of the company, including marketing communications, advertising, public relations, website, and social media. I also am involved with new product development and marketing support for franchise development.

**What role does a quick franchise system response strategy play in reaching prospects and assisting franchisees?** It plays a key role in that everything is moving at a much more rapid pace. Responding to inquiries quickly, whether from prospects or existing franchisees, is critical. Without

systems in place, this becomes much more challenging.

**How is speed of connection important for today's franchise buyers?** We are living in an environment of instant gratification. Quite simply, we don't want to wait for anything, especially when it comes to requesting information or a personal response. At the same time, franchising is highly competitive. If you don't respond quickly, it's almost guaranteed that your competitors will.



**How are you reaching prospects today? What has changed?** We are now in the 21st century. That means potential franchisees are coming with a much greater knowledge than ever before. They have done their homework—gone to the franchise website, read any reviews about the franchise, and checked out their LinkedIn and Facebook pages. This increases the

importance of having good websites and maintaining a strong presence with social media.

**How have prospects and their demands changed in the past 5 to 10 years?** Prospects have become more informed and have a better idea of what they are looking for. They have compared franchise concepts and are able to see a much larger picture when it comes to franchise opportunities. It's not only competitive in your own industry, but in others as well.

**What marketing strategies are you using to better engage prospects and keep them engaged?** We're using a variety of strategies, and it's important to point that out because marketing has become more complex. We engage prospects through our E-Tour, an online overview of our franchise system and the value of the opportunity we offer. We are just about ready to take this to the next level with a system that will be even more engaging. It's an E-Tour, but it moves a prospect through a process of exchanging information, so it's very interactive. Also, there will be an online portal for direct communication. We think this will be a tremendous step in better qualifying prospects. So the process becomes much more efficient and effective for both the prospect and the franchisor.

**What tools do you use to provide information to prospects after initial contact and throughout the process?** Our E-Tour is how we obtain information from the prospect and provide information to them. Once our online portal is available it will become the main source of communication. Of course we will continue to have telephone conversations as well.

**How is technology helping you reach and communicate with**

**prospects more quickly and effectively?** Technology is making a huge impact. We are instantly aware of when prospects visit our site and take our E-Tour. We can reach out to them at any point in the process. It makes our communication much more immediate.

**What are the hot marketing-related issues you're facing with your franchisees?** For us, it's primarily two issues. The first is how to differentiate the business in a highly competitive market. We are always looking at how we can differentiate ourselves and provide more value. This includes making sure operations, training, marketing, and sales are all connected. The second issue is how to prioritize your time. As I said before, marketing is becoming more complex. We have many more channels and only so much time and money. Our offices are small businesses, so they need to be very efficient and make sure they are getting the best return on investment and return on engagement.

**What is changing in terms of how, where, and why existing franchisees need your marketing assistance?** Our business is in the health care industry, and regulations are continually changing on both the federal and state levels. The franchisees are looking for more strategic guidance. Since they are overloaded with information, they need basic "how to" information that is very clear and concise. They also need information to help guide them in how to engage in new channels such as social media.

**How are you meeting the marketing-related demands and needs of your franchisees more efficiently and effectively?** We are using technology to help us communicate and to provide ways for easily accessing tools and applications. And we are using focus groups and committees to gain input and help increase communication.

**What technology tools are helping you meet the needs of your franchisees?** We have redesigned our

websites using completely new architecture. We have a content management system that not only allows us to more efficiently add or change content, but that also gives our franchisees a much better tool for managing their local websites. We have a very robust intranet that allows our franchisees access to all of our programs, manuals, marketing, and sales materials. We have applications like Ad Builder, which helps them easily create their own ads. We have a document management center with hundreds of print-on-demand marketing collateral materials. And we have a social marketing technology platform that streamlines the process for updating Facebook and Twitter.

**How does social media factor into the marketing needs of your franchisees?** In our business of home care, it's not something that a lot of our franchisees have been too involved with. They are pressed for time and it's hard

to quantify time spent on social media. They are just starting to dip their toes in the water. It is something that is definitely on our radar.

**What are the three most important keys to providing your franchisees with quick and effective marketing solutions?** I would have to say: (1) keep it simple, (2) continuously promote and communicate, and (3) integrate with operations, training, and sales so everyone knows everything in order to successfully execute.

**From a marketing standpoint, what's the most challenging part of the franchise system response?** Probably making sure we continue to look at things from the customer's point of view and keeping our prospects focused and engaged in the exchange of information. At the end of the day we want it to be the best possible fit for both the prospective franchisee and the franchisor. ■

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## From a marketing perspective, what are the keys to improving franchise system response for existing franchisees and customers?

**Ron Parikh**  
CMO, Genghis Grill Franchise Concepts/  
The Chalak Group



We have three strategies in place for communicating and providing tools to franchisees. First, we provide weekly calls with our low-volume units.

This is a good way for us to discuss their marketing strategies every week. We believe that with open discussion our franchisees feel comfortable and stronger in marketing our brand to our fans. With coaching and guidance, it opens the flow of communication. Brian and Jeff Durbin, our Genghis Grill franchisees in Ellisville, Mo., are a perfect example. They are more of a lower-volume store, and with weekly marketing calls and guidance they had a 5 percent comp sales increase the next year. They were also named Franchisee of the Year at this past year's convention, based on customer service, number of complaints, comp sales, secret shops, and overall operations.

Our second strategy involves discussing local store marketing practices on monthly webinars. We do company-wide webinars to update our system on what's going on in each department. As for the marketing department, we make sure to let others have the spotlight for 5 to 10 minutes to share successful marketing ideas and stories. There is more credibility when you have your team sharing with each other.

Third, it's important to have marketing tools readily available. We provide a file library and print-on-demand service for our franchisees to use at their convenience. Should they ever need marketing documents such as business cards, coupons, and flyers, we have approved artwork and templates they can use.

As for reaching out to customers, we have four different methods for staying in contact with them:

**1. Email marketing.** We have merged

our email database with our loyalty program. We currently have 750,000 fans in our database, and we use this as an effective tool to communicate our news and deals.

**2. Social media.** We are heavily penetrated in social media. We use the social media channels to communicate to our fans and find out what they are thinking, as well as to engage in conversations with them.

**3. Customer loyalty.** We focus on our "lost" customers (customers who haven't been back in 90 days) with our "We Miss You Campaign," where we offer them a free bowl on their rewards card to get them to come back.

**4. We listen.** Every Monday the corporate executive and leadership team comes together to discuss the weekly complaints that have come through, and we make sure to follow up with the customer within 72 hours.

**Nikki Sicilian**  
Director, Marketing and Development  
Buffalo Wing Factory & Pub



We have continued to focus on the basics of the restaurant industry, especially during these economic times, and on including ways to reach our customers.

Keeping with the basics, we look to develop personal relationships. It's simple, inexpensive, and effective. This is the focal point of our marketing method and philosophy. While we are still in the infancy stage of franchising, our corporate stores have 20-plus years of success, with increasing store comps each year. The store-level performance has allowed us to invest in a foundation and plan for nationwide expansion.

Developing relationships remains the strongest part of our culture. We implement this approach in many scenarios, from recruiting prospects to carrying out social media campaigns. It's all about

the community, and we are devoted to finding franchisees who are community-focused. Part of our qualification process tests their commitment to our culture before signing.

Our current plan projects one franchise business consultant per 10 locations, above the industry standard. This arrangement will ensure quick approval, implementation, and feedback of local store marketing and marketing co-op campaigns. These consultants will have the ability to help franchisees develop marketing programs that are in line with the brand's mission, vision, and core values. As a franchise that plans to grow regionally and then nationally, brand awareness is a huge focus.

Our current plan and budget are developing. We initially focused on developing our website. This was our first opportunity to explain how Buffalo Wing Factory is different in the mature category of the restaurant industry. Increasing retention is about consistently serving the consumer great food.

At the restaurant level, easily executed loyalty programs have worked well. For example, we play "Wingo" with our customers, and lunch regulars receive "Frequent Fryer" cards"; are enhancing our programs with companies like LivingSocial; continue to increase social media programs as they grow and prove results; will increase traditional advertising methods where they are proven effective; will continue to increase community activities, such as wing eating contests, charity involvement, high school programs, and local business programs; and will begin PR movements where it makes sense to increase local consumer awareness as we grow.

This all may sound simple. However, with the economy as it is, and being in a mature market, continuing our progress with loyalty and retention programs has allowed us to be ahead of schedule compared with many new brands. ■



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# Legal perspective

BY JAMES MULCAHY  
AND STEVEN EMMONS

## Dispute Resolution: Protecting the Franchisor

Keep your brand out of costly lawsuits

**D**espite the best intentions and *bona fide* efforts of reasonable clients, not every lawsuit is avoidable. Certainly not in these litigious times. Franchisors must be prepared to defend their companies wisely, tenaciously, and efficiently.

In franchise systems it can go like this. A mistake was made, or might have been made. Well, at least, it's alleged to have been made, and the allegations come from one or more disgruntled franchisees. Despite your objective review of the situation and face-to-face meetings with these franchisees, they simply won't accept your very reasonable conclusion that nothing wrong occurred or, if it did, that no one was damaged. Why are they being unreasonable?

It could be they're acting in good faith and things simply appear very different from their perspective. It could be there's so much emotion behind their claim that they've lost all objectivity. Or, it could be they believe there to be more leverage against the franchisor than actually is there. Of course, it could be something else, too. In any event, they're not settling. You're not interested in paying tribute. And the battle begins.

### The law suit cometh

Franchisors should consider the following checklist in determining an initial course of action to minimize the possibility of conflicts escalating into litigation or, where the lawsuit has already been filed, to quickly assess their options before getting deeper into the litigation.

- Early assessment of the dispute: identify and evaluate favorable and unfavor-

able facts and available legal arguments and procedures.

- What is the potential for good or bad publicity? What impact will this type of publicity have on your business, customers, and employees?

- What would be the likely effects on your business of sustained litigation, e.g., monopolization of internal resources, distraction of key employees, and costs, both hard and soft.

- Financial capabilities of the plaintiff and legal expertise of opposing counsel.

- Settlement potential, given your business priorities and objectives and the anticipated wants and needs of plaintiff and plaintiff's counsel.

- Your ability to convey a clear message to plaintiff that you are fully prepared to defend to the end; this includes hiring defense counsel with a history of significant jury trial success.

By having an experienced trial lawyer on your side from the outset, you unambiguously communicate to the plaintiff that you are prepared to go the distance, unless plaintiff offers very attractive settlement terms. With experienced trial counsel representing you, the option to proceed to trial or settle is yours every step of the way, and your negotiating position gets stronger as the trial date approaches.

### Alternative Dispute Resolution

Over the past decade the use of mediation and arbitration (together called Alternative Dispute Resolution, or ADR) has grown significantly as an alternative to litigation. ADR can offer several distinct advantages, including more focus on the merits of the dispute (by keeping

it confidential and out of the public's view), more control over scheduling, and more say in the selection of the decision-maker over the dispute. Let's take a quick look at their respective pros and cons:

- **Mediation** (using a neutral party to facilitate settlement discussions) is faster and less expensive than arbitration or litigation, but it functions well only when both parties desire a fair resolution and are dealing in good faith. You should be able to determine in short order whether your opposition is there to find a fair resolution, or instead is seeking unwarranted settlement terms or informal discovery, or simply playing for time.

- **Arbitration** (hiring a private individual to decide the outcome of the dispute) can be faster and less expensive than litigation (no guaranty though). However, arbitration generally comes at considerable sacrifice: potentially less rigor in the legal analysis of the case and very restricted rights to appeal. With those assets that matter most to the franchisor's success (trademarks, trade secrets, etc.), you need all the protection available, including appeal rights. So for disputes involving those items, steer clear of arbitration. For disputes that are significant but don't involve the family jewels (for example, certain franchise terminations), arbitration may work best.

As a franchise executive, you have a business to run. Don't let disputes distract your team unnecessarily. Get disputes resolved quickly, reasonably, and without creating a reputation for your company as an easy target. To make that happen, you'll want to be prepared and well represented by experienced counsel. ■

**Jim Mulcahy** is the founding and managing partner of *Mulcahy LLP*, a firm dedicated to franchise and distribution law. He has more than 30 years of experience, is a seasoned trial lawyer, and is former general counsel of *American Suzuki*. **Steve Emmons** has more than three decades of experience and is the former general counsel of *Taco Bell*. He handles the transactional side of franchisor needs, including drafting documents, disclosure and registration, and expansion and impact issues. Contact them at [www.mulcahyllp.com](http://www.mulcahyllp.com) or 949-252-9377.



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# Marketing channels

BY MELINDA CAUGHILL

## Turning “Old” into “Gold”

It's time to rethink your marketing media

remember learning a song as a little girl that has stuck with me ever since. The tune was about friendship and is one you've probably heard too. The lyrics are, “Make new friends but keep the old, one is silver and the other's gold.”

As I watch the franchise world court- ing shiny new mar- keting channels such as social media and QR codes, I can't help but hear that song again. Yes, it certainly is impor- tant to learn about and incorporate the newest channels into your marketing mix. But as the song hints, this doesn't mean you should abandon your “old” marketing media friends.

Traditional mar- keting media are old, but the results they can generate are still gold. You just have to keep a fresh approach to using them. Here are three tips to mine the ROI (gold) from your old marketing media.

**1) Treat each marketing contact with a customer as though it were your last.** Ask yourself... “If I knew this was my last chance to reach this cus- tomer, would I do anything different?”

Would you use the same offer they've seen—and turned down—30 times before, or create something new

and unexpected? Instead of saving \$1 on an ice cream cone, how about try- ing something like, “Get your picture taken with the cows that help make our famous ice cream!” You could make it a fun event with a petting zoo or cow mascots and post the photos on your social media sites (as well as in your store).

If you run an auto service busi- ness, you could con- tinue giving your loyal customers that standard 10 percent off. But if you re- ally want to make an impression, it's going to take some- thing more. Maybe you could try team- ing up with a local masseuse to provide the most stress-free oil change in town: “Get a free chair massage while you wait!”

**2) Use the “old” marketing medium in an unexpected way.** One of the best ways to make an older marketing medium new again is by simply breaking the rules. For example, if you're a day care franchise that's been running a postcard campaign the past 6 months with only mild success, why not try taking that budget and testing something unusual?

For instance, send a blanket to new moms letting them know that when they

need quality child care, your business is a “security blanket” for them. Or, if you're running a billboard about the opening of a new hamburger restau- rant, show a giant, branded hamburger box on the top of the billboard with just two words in giant print on the board: “Opening Soon.” The day the restaurant opens, change the billboard: open the box to show a giant burger inside, and reveal the company's logo and location on the board.

**3) Take a calculated risk.** No marketing medium, new or old, can guarantee results. That fact alone has been the death of many new ideas for old media. No matter how great your marketing strategy may be, companies often decide they just can't afford the risk. Before you make a similar deci- sion, it's a good idea to double-check the numbers in your risk calculation... just to be sure. Here's how to do it.

Let's assume your average direct mail campaign nets an average return of \$3 for every \$1 spent. Decide how low you can allow that first number (average return) to fall. For example, let's say you could afford to let that number slide as low as \$1.50 return for every \$1 spent, half your typical result. That's great news! It means you could use half of your budget to run your typical campaign while allocating the other half to testing a new approach. Then, even if the worst happens and the new strategy is a complete bust, you're still hitting the numbers you need. Alternatively, you could end up with a new—and now proven—direct mail approach generating even more ROI for you than your old approach ever did.

Whatever you decide to do, the bottom line is this: If you've been taking those old marketing media for granted, maybe it's time to see them anew. You may just wind up striking marketing gold. ■

*Melinda Caughill is Partner, Strategic Marketing at Third Person, Inc., a marketing, advertising, and web design company based in Milwaukee. Contact her at [melinda@third-person.net](mailto:melinda@third-person.net) or 414-221-9810 x302.*

BY JACK MACKEY

## Responding to Feedback

Eliminate root causes to improve key performance scores

**G**ood or bad, customer feedback is a gift. So much so that almost every franchise system asks customers to comment on their experiences, and even to rate them.

There are predictable reasons customers want to give you feedback. Some will have bad experiences. You can bet on it. And they'll want to tell you—and then expect you to do something about it. But only a few franchise systems are really good at anticipating and responding to this challenge.

What I mean is that a lot of franchise companies will respond to complaints, but only in a very tactical way. They install systems to alert them when customers complain. Managers are then held accountable to call the unhappy customers and “solve the problem.”

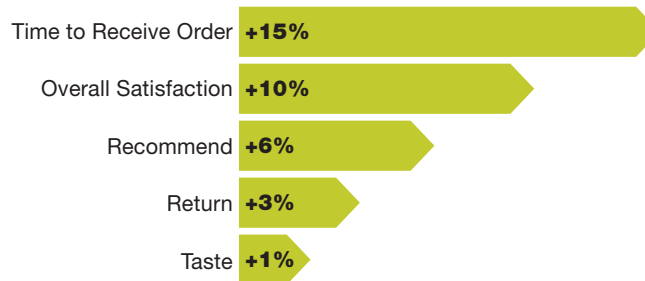
Of course, this kind of one-off, after-the-fact approach to problem-solving is not nearly as effective as identifying the root causes of recurring problems. The best-managed companies systematically eliminate the root causes of problems that they learn about through customer complaints. Here's an example from a regional sandwich chain that started with a big problem around the issue of slow service. But the story ends with happier customers and increased revenue. All from analyzing their customer feedback to create their “get-well” plan, not just with apologies, but by eliminating the root causes of customer dissatisfaction—and defection.

**1) Situation.** For most fast-casual restaurants, speed of service is a critical part of business and a key driver in creating satisfied customers. So when this medium-sized chain discovered they were

underperforming in this critical area (they were dead last in SMG's Benchmark Database for fast-casual concepts) they knew they had to take action. But before they could fix the problem, they had to know what was causing the sluggish service.

**2) Action.** To find the source of the slowness, we conducted a text analysis on the open-ended responses to their customer satisfaction survey. With more than 2,000 customer comments just about speed of service, we were able to identify four different subcategories: receiving the order, placing the order, payment, and delivery. We also analyzed the sentiment

**Change in Top Box Scores**  
(New Process minus Current Process)



of each comment and categorized them into three types of customer feelings about their experience: positive, neutral, and negative.

In the eyes of customers, the most negative aspect of speed was the time it took to pay. Among the many comments about speed of service, 3 in 10 (28 percent) customers responded with some type of negative comment about the speed of the payment process. Here are a few actual comments: “It takes too long to pay for my meal.”; “I was done with my chips before I even paid!”; and “Why do I need to pay after I get my sandwich?”

When customers mentioned issues with the speed of payment, their Likelihood to Return scores were 15 percentage points lower than when customers

didn't mention speed of payment. This was significantly worse than scores when customers mentioned other problems with speed. These findings indicated that improving or changing the payment process would eliminate one of the root causes of customer defections.

**3) Results.** So the company tested a new process in just a handful of locations. Instead of customers ordering and paying after receiving their meal, customers would now order, pay, then receive their meal. This really wasn't very hard to change.

Restaurants that implemented the new payment process quickly saw higher scores in Speed of Service, Overall Satisfaction, Likelihood to Return, and Likelihood to Recommend—without seeing a decrease in Taste of Food, another key driver for this franchise.

But it's not just about increasing scores, it's also about profits. By making this change to the payment process, franchisees now are able to serve customers more quickly, going from four minutes per order to less than one minute per order. As a result, restaurants using the new system have seen a 3 percent increase in sales from one quarter to the next. To top it off, the franchise has improved in SMG's Benchmark Database, going from last in Speed of Service to fifth.

At this regional company, they anticipate receiving customer comments, including complaints. They systematically aggregate those comments. Then they use text analysis to identify the root cause of any problem that ruins the customer experience. They try new ways of doing things until they can prove, with real customer data, that they have fixed the problem permanently—and system-wide.

Is that what you're doing? ■

**Jack Mackey** is vice president and chief evangelist for SMG, a worldwide customer experience management firm that improves performance for multi-unit companies. You can request a complimentary copy of Five Things We Learned from Talking to 500 Million People at [www.smg.com/research](http://www.smg.com/research).

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# Grow

Franchise development intelligence

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# THINK FAST!

BY DEBBIE SELINSKY

## In franchise recruitment, quick system response wins the day

In this tech-obsessed world, franchisors seeking to recruit the next generation of top-tier franchisees are engaging prospects through a constant flow of communication. The goal is to give those prospects the information they want, in the form they prefer, and as quickly as possible, because in 2012 they have to.

“The one who responds the quickest gets the business, especially on leads that come in through your portals and websites,” says Kevin Drudge, who manages franchise development for Maaco Collision Repair and Driven Brands. “Our goal is to get back to them within 24 hours, preferably sooner. The prospects who are serious will stick with the first couple of systems that demonstrate interest in them, and we want them to be ready to make a decision within 30 to 45 days. It’s important

to keep them on a clear path, because as soon as you relinquish the process, you lose them.”

One more thing to consider, says Drudge, is that you can’t reach prospects before your competitors do—unless you are where your candidates are, with what they need when they want it, which often is on the move. “You’ve got to



**Brian Sommers**

the “right people in the right positions,” says Brian Sommers, vice president of franchise development for Jersey Mike’s Subs, based in Manasquan, N.J. “We have two people who field all the calls and all the Internet traffic. You prequalify by talking with a live person, not just completing a form, and very quickly you’re moving



**Kevin Drudge**

be all over mobile, making sure that the collateral material in your process is clearly defined and formatted to be read easily on the BlackBerry, iPad, and smartphone,” says Drudge.

Franchisors also must be prepared to respond quickly when new prospects contact them. That’s why development teams must be sure they have

on to meetings with our area directors and executive team.”

And, since you only get one chance to make a first impression, “The front end of the process needs to be well orchestrated and directed,” says Dick Mueller, vice president of franchise recruiting for Austin, Tex.-based Sport Clips. He says his company relies heavily on the dedicated franchising website it built last year.

“It takes prospects to a virtual brochure window, a self-driven tool to find



out about Sport Clips. At the end of the windows is a request for a single-page confidential profile. They can fill it out and submit it, and the sales rep covering the territory they live in contacts them that day or the next," he says.

Lori Merrall, national director of franchise sales at Scottsdale, Ariz.-based Massage Envy, says that for speed and efficiency her company relies on a good franchisee-oriented CRM system. "It's a fast world today," she says. "That's why we try to get back to a prospect within a couple of hours of the initial contact."

Las Vegas-based Nothing Bundt Cakes has a "secret weapon" in franchising director Jenna Barber, according to Debbie Shwetz, company co-founder—and Barber's mother. "Jenna is passionate about responding within a few hours of an inquiry. She's always on calls and never reschedules," Shwetz says. "Franchisees at our final meeting talk about that again and again, citing her interest in them, her follow-up, and her dedication to their role in the company as reasons for their commitment."

Barber, 30, who has been involved with Nothing Bundt Cakes since she was 14 and has a college degree in communication, jokingly agrees that she's a "responsive girl" who is "in love with her job" and has a phone attached to her hip at all times. She even gives strong leads her cell phone number so they can find her 24/7.

Barber has developed a sort of sixth sense about prospects and their pace. "I've learned when not to crowd prospects and when to give them more time," she says, adding that she always gives them two weeks for franchisee validation. "Another thing I do that makes a big difference is to tell them up front that I'm here to educate them and to facilitate the investigation process. They're immediately more comfortable when they don't feel like they're being 'sold.'"

In addition to her conversational style, Barber says she takes a "very real" approach with prospects. "I'm not here to paint a rosy picture. Running a bakery is hard work, and I want them to have a complete and realistic picture of what it's like. If having heard that, they decide it's not for them, then that's a good thing for both of us."

**Develop a process**

At Nothing Bundt Cakes the recruitment process has evolved into a more effective system in recent years, says



**Dick Mueller**

Barber, who managed a company bakery before moving to franchise recruitment. One of its most important assets is the company's partnership with Process Peak, she says. "Process Peak helps me facilitate the communication process. They created our branded virtual brochure, which divided a lot of information into manageable chunks. Most important, they help me engage candidates in a process that will show me from the start whether they can follow a process at all. Since that ability is what franchising is all about, it offers me good insight."

Process Peak also sends candidates 24-hour reminder emails before their phone appointments with Barber, as well as reminders when they have tasks to complete. "It means I don't have to babysit or hover," she says.

Barber begins her relationship with prospects immediately, calling within a few hours of their initial inquiry. (She offers prospects in the Las Vegas area an early face-to-face meet-



**Lori Merrall**

ing.) After pre-qualifying prospects and completing the application and non-disclosure agreements, she begins the educational process, setting the first appointment time for going through the six sections of the virtual brochure. Those one-hour appointments are usually set up five days apart. Between sessions, Barber

sends emails or other messages letting the candidate know she's available for questions and conversation.

"These sessions set expectations for the rest of the process, and I make sure to let them know that these are mutual interviews. They want to know the company they choose to work with just as we want to know them," says Barber, who asks candidates their preferred form of communication and uses it whenever possible.

If these sessions are to engage candidates, she adds, she must bring her A game every time. "I have to remember that no matter how many times I've had this conversation, this is their first time hearing it. I can't seem bored or dispassionate. It takes a lot of energy, and there are times when I don't feel it, but they're never going to know it, because we want them to feel like part of our family. Candidates have told me how much my enthusiasm for the concept and the company has helped them through the process. I believe that's one reason our conversion numbers are so strong."

When candidates reach the final stage, they travel to Las Vegas for what the company calls the "final executive review day," says Barber. "We don't call it Discovery Day or Meet the Team Day. We want them to know this is an important, serious business meeting with our executives."



**Jenna Barber**

**A need for speed**

Jersey Mike's has also developed a recruitment system that's strong on speed, efficiency, and good communication, according to Sommers. "Most of our prospects are already well informed and have done some due diligence. They've already been into our stores and have checked out the website," he says. "As soon as they fill out our first form, our prequalification representative contacts them. Our rule of thumb is that the contact takes place in under 24 hours." In most cases, he says, it's within one to three hours.

In addition to working with prospects to complete applications and financials, the sales rep begins screening each one for the Jersey Mike's culture. "The reason our system works so well is that we're all on the same page here. The prequalification guys are looking for the same things the development VPs, area developers, and CEO are looking for," says Sommers. "In addition to having the capital and business experience, prospects have to be passionate about our brand—and they have to be aligned with our core values, which include giving back and making a difference in people's lives."

After a complete application with financials is in the hands of the franchisor, prospects meet with a development vice president and then an area developer in the local market. "At this stage, we have an FDD review and lots of questions are fielded," says Sommers. "We've given them the document very early on and provided any information that isn't already on



**Debbie Shwetz**

our website so that they have all the information they need to fully understand the agreement. We do this because we know the only surprises people like are birthday parties."

This phase of the process can be completed as quickly as in a few days, he says, depending on how responsive a prospect is in filling out forms and providing financials. "At the same time, we're very selective. We're looking to protect our brand."

Prospects who pass muster with the vice president of development

**"Buyers have changed to more of an investor looking for an opportunity and are often still keeping their primary jobs. They're not in a huge panic to buy a franchise tomorrow."**  
—Marc Kiekenapp

and area developer are then placed in a store to give them a better idea of what a day at Jersey Mike's is really like. "At this point, it's a two-way street. They're evaluating us, and we get to evaluate them to see if they're a good fit. They can work in the store for a couple of days or more than a week. It's up to them. We want them to take as long as they need to see if this is what they want to do," he says.



**Marc Kiekenapp**

Once a mutual deci-

sion has been reached, the franchisor and the new franchisee discuss areas and contracts. If everyone is in agreement, this step can be fast-tracked. The most time-consuming part of the process is the prospect's due diligence, says Sommers. An important part of that due diligence, he says, is "finding answers to questions we can't answer" about earning power and sales. "We give our prospects a complete list of our franchisees and their contact information. We tell them to talk to or visit as many of them as they can. We want them to get the full story and to know what they're getting into."

In the end, "What's unique about our system is that by the time candidates reach the top level of our company, they have already been screened on three levels. We call that top level a final folder review." Also, he says, every candidate goes through an in-depth interview with the founder and the CEO before a contract is signed. He says Jersey Mike's is not afraid to engage strong candidates by letting them know that the company is "excited" about them.

**A new breed of buyers**

Marc Kiekenapp, president and founder of Scottsdale, Ariz.-based Kiekenapp & Associates, advises franchisors to modify their sales processes and to be more flexible to accommodate a new breed of prospects. "I'm seeing more sophisticated buyers, with whom the research process has almost doubled from three to four or five months," he says. "Buyers have changed to more of an investor looking for an opportunity and are often still keeping their primary jobs. They're not in a huge panic to buy a franchise tomorrow. They also need time to line up real estate and wait for their financing to clear."

Scott Haner, director of franchise recruiting for Louisville-based KFC, says it sometimes takes several months to reach a signed contract. And that's fine with him. "We're talking about 20-year



agreements, so it's more important to me to have qualified candidates going in with their eyes open about both the opportunity and the challenge," he says.

"Ultimately, we want a relationship that lasts," says Haner. "We want them to take care of our brand today and in the future. Pete Harmon, our first franchisee in 1952, still has 300-plus stores. By the time we get through our recruiting process, we know that candidates are qualified and that their mindset fits with our culture. It's no win to have someone get into the business and go upside down a few months down the road. It costs us more when that happens."

At Maaco, Drudge believes flexibility is important. However, he says, there's a time, in the name of efficiency, to back off from a prospect who seems indeci-



**Scott Haner**

sive. "If we ask a prospect to fill out a questionnaire and we're still waiting for it three weeks later, we wonder if they're serious. We explain that talking six months before they're ready to make a decision would be preliminary

because the market and the availability of territories can change. If they're ready to make a decision in three to six months, we suggest setting up a time closer in to talk further. Unfortunately, we've had to streamline our staff and with how busy we all are, sometimes that's the most efficient way to handle things."

And at Sport Clips, Mueller says he also has learned how to separate the "wheat from the chaff" early in the pro-

**"We're talking about 20-year agreements, so it's more important to me to have qualified candidates going in with their eyes open."**

—Scott Haner

cess. "We talk to them and learn about their goals and objectives. We're not selling white socks at Walmart. One size doesn't fit all. Bringing the wrong person into the business does no one any favors. As an industry, we've got to get away from the idea of selling franchises and focus on the recruitment role." ■

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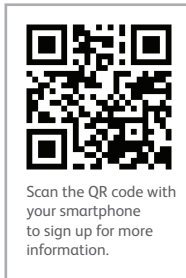
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# Challenge the pros

## What are you doing to improve the speed and effectiveness of your responses to prospects evaluating your system?

**Steve Cox**  
Vice President, Franchise Development  
i9 Sports



To better position us to reach our 2012 goal of doubling franchise awards, we recently revamped our lead follow-up processes to increase the speed and effectiveness of our prospect follow-up.

Step one was the implementation of Captivate from FranConnect. Prospects want a lot of information before they are willing to fully engage. With the implementation of Captivate, we are providing prospects with more information than ever. Our Captivate virtual brochure provides them with the emotional hook needed to engage them, while also providing them with the nuts and bolts of our opportunity, which allows them to determine (1) if investing time in the discovery process makes sense for them, and (2) if they qualify to engage.

Step two was hiring a lead qualifier. His job is to engage prospects through a series of three telephone calls and three emails over a 10-day period. Prospects reached are asked a few pre-qualifying questions, and their basic questions are answered. Our qualifier not only invites all new prospects to a weekly webinar we host, but for those ready to engage immediately he also offers an opportunity for a one-on-one call with a development specialist.

Step three is for me to host the weekly webinar for new prospects. This allows us to reach out to prospects who haven't yet engaged fully with our franchise development team, but who are interested in learning more about the franchise opportunity. Since I am both our vice

president of franchise development and an i9 Sports franchisee, I look to bring some real-world answers to our prospects in these webinars. The webinar focuses on who we are and provides an overview of the opportunity and the support we provide, followed by a Q&A session. The call is wrapped up in one hour. The following day our qualifier is on the telephone working to schedule a follow-up call with those who attended. We send an email to those who missed the call, with a link to a recording of the webinar.

Step four is a drip email campaign designed to (1) keep us top-of-mind with those looking at different opportunities, and (2) serve as an ongoing touch point with those who may be great prospects but who are not quite ready to engage.

We believe these four steps will increase our speed of follow-up, make us more effective, and allow us to hit our goals.

**Jim C. Brown**  
Vice President, Franchise Development  
Comfort Keepers/CK Franchising



The in-home care sector of franchising has become extremely popular in the past several years. More new concepts are being launched every year. In addition to more competition, these new brands bring more visibility to the sector. Our strategy and sales system have evolved since Comfort Keepers began franchising in 1999. One foundation of our system has remained the same, however: TKD, or Time Kills Deals.

The first opportunity for engagement with a potential prospect starts the clock ticking. Most often, that first opportunity is an Internet inquiry. Like many systems,

we use a CRM system that generates auto-responders and a drip email campaign. The drip campaigns include links back to high-interest areas of our website. Many of our franchisee prospects are Baby Boomers who still appreciate printed materials. Because of this, we also mail a small trifold brochure the same day we receive the inquiry. Additionally, we send a comprehensive information packet to engaged prospects.

To connect as quickly as possible with prospects, we have increased our sales staff. Today we have three people working with potential franchisees. In our process, we believe phone skills are critical to success. The truly golden opportunities are from inbound inquiry calls. This first interaction is critical, and having a process for that call is essential.

Comfort Keepers participates in the annual Franchise Update Leadership & Development Conference, which includes mystery shops. Additionally, at least twice a year, we engage an independent research company to do mystery shops. Each sales team member receives at least three calls with each engagement. The company representatives listen for the key process components we have identified. We are supplied with a written report on each shop, including a narrative of their experience on each call. Our team is very competitive and the mystery shop results make for some lively sales meetings.

Comfort Keepers' strategy and sales system evolution is continuing this spring when we launch a new, more interactive engagement system for our web inquiries. The goal is to more effectively communicate with truly interested prospects on the front end, which in turn, will increase opportunities for the sales team to optimize their time.

**Dino Chavez**  
Director of Franchise Development  
Pizza Inn/Pie Five Pizza



After years of declining store sales, the slow economy, and the challenges franchisee candidates face in securing loans, the pressure and responsibilities of securing and approving candidates falls back on the

franchisor and the systems they use to evaluate each one.

I currently have two brands I am working with on development, Pizza Inn and Pie Five Pizza Company. Pizza Inn has three levels of investment a candidate can choose from. The Pie Five concept is searching for experienced multiple-unit candidates who can obtain financing and follow an aggressive development schedule for a new and emerging brand. Because the Pizza Inn brand has several ranges of investment, it does attract candidates who are searching for their first entry into franchising or even the restaurant industry in general.

The biggest lead generator for our brands is our existing website. There are other services and various publications, along with multiple conferences where we exhibit, that help drive traffic to our website. We currently use a lead management program that assists us in providing an immediate response to

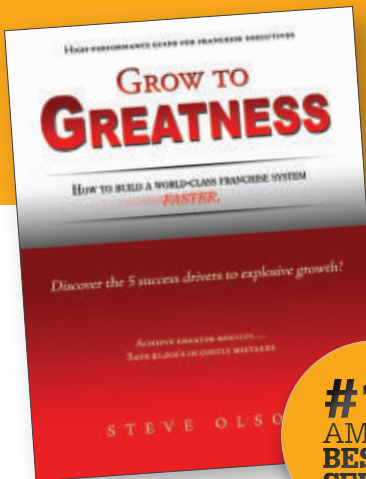
the incoming prospect. Within a couple of minutes, the potential candidate will receive an appreciation letter we created to thank them for their initial interest in our brand.

The program also provides an electronic brochure containing franchising information about the concept that is of interest to them. To receive the brochure, a candidate will provide us with basic personal and financial information. This program also gives us the time frame the candidate would like for opening their first location. This helps in determining if the candidate meets the criteria for area and concept availability, along with initial financial qualifications. We can then determine the next step.

This crucial first step helps the franchise team respond more quickly if we decide to move ahead in qualifying a candidate and provide them with additional support materials. The additional information provided to the candidate

will help them understand what type of opportunity they are entering into. After the candidate has qualified, we can set up a time to talk about the next steps in the process. If the potential candidate did not qualify, we can provide a quick response and thank them for their interest. This automatic response is generated within 24 hours.

This system has allowed us to filter through candidates in a professional and timely manner. It has also allowed us to have the platform to continually provide information for any franchise leads in our system. Our responses to the candidates are timely and can include any type of information we would like to provide. It also helps us guide the candidate along from the initial inquiry to signing the agreement in a timely and professional manner—thus giving both franchisor and franchisee a much better feel for the relationship they are about to enter. ■



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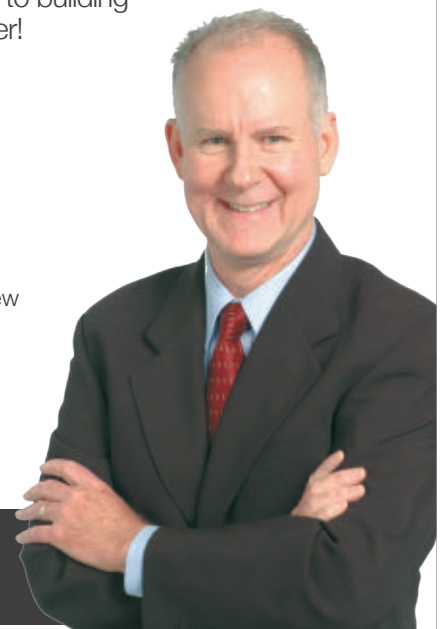
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Steve Olson is President of Franchise Update Media Group. He has been a franchisee, franchisor and consultant.

\*During 2011 April & May dates for franchise and retail business books

# Close Doesn't Count in Closing

## Sales highlights from the 2012 AFDR

**T**he 2012 Annual Franchise Development Report (AFDR) is a comprehensive guide to sales and lead generation performance in franchise recruitment. The report drills down to industry categories, investment levels, and recruitment budgets; provides data on marketing costs; reports the top-producing sales and lead sources; analyzes current and historical industry growth trends; and reveals performance evaluations of franchise websites and follow-ups to prospect inquiries. The data and analysis in this 150-page report can help you accelerate your system growth, increase selling performance, and make smarter, more cost-effective advertising and marketing decisions.

This issue we shine the light on franchise system response. It turns out the early bird really does catch the worm! From the moment you make initial contact with a prospect, how quickly does your brand close the deal with qualified candidates—and how does that compare with other franchisors in your line of business?

Consider the following survey responses from more than 110 franchisors representing 109,936 units (79,254 franchised and 30,682 company-owned). Almost one in five (19.8 percent) said their average closing period was 12 weeks; one in 10 (9.4 percent) said six weeks, and another 10 percent (9.4 percent) said 16 weeks. For about one in seven (14.6 percent), average closing period was 25 weeks or more.

However, comparing closing times for different types of concepts is not an apples-to-apples exercise. Some concepts are simpler and less expensive to start up and operate, while others require months of site selection and construction. An important number

to look at is whether respondents were improving in their own eyes. For example, when asked if their average closing period was longer, shorter, or the same as in previous years, about one in six said it was shorter; nearly half said it was the same, and about one in three said it was longer.

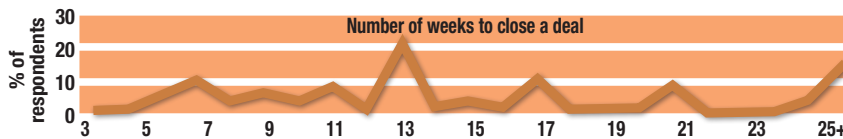
Chart 3 correlates investment levels with the median number of weeks it took franchisors to close deals with qualified prospects. For investment levels up to \$500,000, there is no significant difference, with the median at 11 to 12 weeks. For investment levels above \$500,000, however, closing times rise:

25 percent for investments up to \$1 million, and 100 percent for investments above \$1 million.

Chart 4 asks franchisors how their average closing times in 2011 compared with their performance in preceding years.

Roughly one third said longer, about half said the same, and a minority (12 to 25 percent) said shorter. Although results here seem mixed, one pattern emerges across all investment levels: more brands reported their 2011 closing times as “longer” than “shorter.”

**Chart 1. From first contact with a franchise prospect, what is your current average closing period?**



**Chart 2. In 2011, is your average closing period longer, shorter, or the same as previous years?**

Longer	34.0%
Shorter	17.5%
Same	48.5%

**Chart 3. From first contact with a franchise prospect, what is your current average closing period?**

Investment Level	Median (weeks)
Less than \$50,000	12
\$50,000 – \$100,000	11
\$100,001 – \$250,000	12
\$250,001 – \$500,000	12
\$500,001 – \$1,000,000	16
More than \$1,000,000	24

**Chart 4. In 2011, is your average closing period longer, shorter, or the same as previous years?**

Investment Level	Longer	Shorter	Same
Less than \$50,000	30	0	70
\$50,000 – \$100,000	33	24	43
\$100,001 – \$250,000	38	25	38
\$250,001 – \$500,000	38	12	50
\$500,001 – \$1,000,000	33	25	42
More than \$1,000,000	25	17	58

### Next year's AFDR

We continually seek ways to further raise franchisor awareness of development standards, and to create additional benchmarks to help speed the adoption of best practices in franchise recruitment. We welcome your comments—and participation—to help us shape the 2013 report. To participate in next year's AFDR, contact Therese Thilgen at [thereset@franchiseupdatemedia.com](mailto:thereset@franchiseupdatemedia.com). All data are aggregated and kept confidential. ■

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# 2012 Annual FRANCHISE Development Report

FranchiseUpdate  
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# Sales smarts

BY MARC KIEKENAPP

## Get the Word Out!

Using PR as part of your sales process

**W**e're all in search of the "golden leads" year after year. We all say we are willing to pay whatever it takes to speak with qualified candidates who have an interest in our business. And we know that franchisee referrals and the customers who use our products or services rank as the top leads in any franchise organization. Getting the word out in the community is a great way to get more customers for your franchisees, make your franchisees feel good about being known, and to create a system with great validation and attitude.

PR is a great opportunity to promote your franchisees and build franchise sales. Public relations efforts have always been thought of as an expense, rather than an investment in your franchise system's branding and expansion. Franchises are purchased because candidates spoke with happy franchisees.

When your brand and local franchisees are featured in the media, everyone wins! The cost of a PR firm producing quality inquiries is not that far off from other lead generation techniques! It doesn't produce as many leads, but the cost per sale is very much in line with others. If you are considering a PR firm I would suggest you include the following in your research:

1. Interview PR firms that understand franchising.

2. Prepare for these calls as if you were selling a prospect on the excitement of your business. They need to know why people want to be part of your system. Yes, speak with the PR firms about how they can best promote new openings and human interest stories. But most important, can they spin those into development

and recruitment stories to help build your brand with increased unit sales?

### The interview

Over my years in franchising I've worked with numerous PR firms. I've found that local PR firms are less expensive, but they

**Getting the word out in the community is a great way to get more customers for your franchisees, make your franchisees feel good about being known, and to create a system with great validation and attitude.**

are stretched and out of their league on a regional or national campaign. National PR firms not affiliated with franchising are generally more expensive than franchise-focused ones, but since they may not understand franchise recruitment messaging they will need more education. Franchise PR firms have years of experience working with several different types of franchises, and they have the media contacts needed to get stories in front of the right audiences.

Ask for references of past articles and of companies they've worked with, both previously and currently. When asking for past articles, request articles that have

produced franchise inquiries, and the publications in which they appeared. For references, ask to speak with companies that are in the same business sector as yours. If you are in the home cleaning business ask for referrals from other home service providers such as painters, handymen, etc.

Finally, check with the IFA Supplier members for firms affiliated with franchising.

### Before the interview

Make sure you are prepared to tell your brand's story and history. The PR firm will supply you with a document to prepare for the call. You should talk about what your service does to change people's lives; how it frees up their time to be with their families; and how your brand is active in their communities. Also be sure to tell any family or career stories about your franchisees that are unique, and how the business has positively affected their life and the lives of others.

Because development is one of your goals, make sure you have information prepared regarding expansion plans, target markets, and any new openings on the horizon. Gathering all this information—and much more once you engage a firm—takes a lot of time and resources. It is well worth the effort at the end.

Don't expect instant success! As with any project done correctly, the PR firm first has to assemble the information about your company and franchisees, and then start contacting the media to secure placement of articles.

Once you've engaged a PR firm you need to make the best use of the articles that have been secured. PR stories have a shelf life of at least one year, and keeping them organized and available to send to candidates is 80 percent of why you are using a PR agency. *An article in the media is not a one-time shot!* If used correctly, hundreds of candidates can view these on your website, on blogs, or in emails during the qualification process.

Successful lead generation campaigns incorporate several strategies. PR is one of the many lead sources we need to use in our efforts to find the best candidates for our franchise systems.

Happy Selling,  
Marc



## New Franchise Registry a Game Changer?

One-stop website aims to speed lending

**T**he 2008 financial meltdown has had a lot of bad implications for franchising, mostly by making access to capital much harder. However, it did have one good implication for the franchise business model. It strengthened it. Capitalism is all about survival of the fittest. Most would agree that many franchise brands in the first half of the past decade were focusing more on growth than quality, assuming (correctly for a while) that the economy would continue to rise and in doing so cover up weaker franchisees and even weaker brands.

All that changed after 2008. Although painful, the down economy demanded better performance, forcing weaker brands and units out. That wasn't good for underperformers, but it is very good for the business model of franchising. Performance now matters, is getting judged by prospective franchisees and lenders, and is defining winners and losers. I'm not suggesting we thank lenders for creating the economic crisis, but we should thank them for starting to require better performance in brands. Today they are saying, "If you want my money, prove that you deserve it." That statement applies equally to franchise brands as well as prospective franchisees.

Lenders and franchisors knew how to prove a prospective franchisee deserved access to credit: they had to meet certain standards regarding credit history, financial position, performance history, background, etc. Those criteria have been unchanged for many years. The bar a prospective franchisee needs to meet has moved higher since the financial crisis and moves at times unexpectedly (bedeviling franchise development officers), but the criteria (things like FICO score and liquidity) have been the same throughout.

The problem in this recovery period is that no one, neither lenders nor franchisors, knew exactly how to prove that a franchise brand deserved access to credit. We all had to learn. Intuitively, lenders knew that a franchise brand's history of unit, system, and franchisor performance should be a good indicator of whether future loans would get repaid. After all, that is why lenders relied on SBA loan performance data. They knew SBA data were not very accurate and therefore a poor indicator of the future. They just didn't have a better means of assessing franchise brand risk until Bank Credit Reports (BCRs) were developed for that specific purpose.

BCRs, developed with years of input from lenders and franchisors, are addressing whether a franchise brand deserves access to credit. For now, that's the essential answer to a lender's underwriting concern. As we get further into the recovery, lenders will begin to widen their credit box and standards for better-performing brands. Then BCRs will be used to address both absolute access and the relative credit risk a particular brand represents, and therefore how loans to a particular franchise brand should be structured and priced.

That brings me to the main topic: how a website will change lender/franchise brand interaction. Most franchise lending today is done by smaller banks. They don't underwrite brands before they have an active loan application. When lenders receive a small-business loan application, they have a limited amount of time and resources to complete the underwriting. For non-franchise borrowers, that means they have very little with which to build a case for expected performance. The best they can do is look at some general small-business performance outcomes by NAICS code or

other broad industry categories.

BCRs were a game changer because they provide information about very similar borrowers through unit and system analysis. Now think how timely and efficient the underwriting process would be if lenders had a place to go to obtain not only BCRs but all relevant information about a brand: 1) summary information relevant to lenders about every active franchise brand; 2) FDDs; 3) BCRs; 4) SBA Registry approval status, addendums required, and certificates of no change; 5) industry reports; and 6) other pertinent information.

If all of this information were controlled by an objective third party and made available to lenders, it would become a standard underwriting step in the lending process. It would do something that no other small business lending tools (franchise and non-franchise alike) could hope to do: provide performance history for borrowers and units that look and function almost identically—in other words, the performance history of specific brands.

That's how the new Franchise Registry website, launching in May, will transform franchise lending and help make franchise lending more attractive than non-franchise small business lending—with better risk information.

But wait, there's even more. The new Franchise Registry website will provide lenders with prospecting tools to find brands that meet their desired underwriting characteristics. It also will give lenders the ability to contact prospective franchise borrowers from those brands—and it will put the power of making those connections in the hands of franchisors, who can, at various stages in the development process, allow lenders to find and approach new and existing franchisees. This even bigger game changer will alter how lenders sell their lending services to the franchise community. Stay tuned. It's coming. ■

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# It's closing time

BY STEVE OLSON

## Discovery Day Tune-Up

12 tips to improve your results

**W**hether you have one franchise or a thousand, Discovery Day catapults your recruiting process to its crescendo. It's "Confirmation Time," and engaged candidates serious about your franchise are now at your doorstep. Are you really prepared to invite them in? How scripted, rehearsed, and polished is your "meet and greet" event?

According to a study conducted by Dunhill Personnel years ago, 85 percent of what your prospects absorb at Discovery Day is visual, not informational. Seemingly minor details can make lasting impressions, and steer a candidate's decision to join or pass on your franchise. Check out these 12 tips that have enhanced the Discovery Day experience resulting in more franchise closings:

**Tip 1: Assign a tour guide.** When staff are available, a personable facilitator who ushers and assists prospects throughout Discovery Day is invaluable. Their presence makes a good professional impression on your guests, showing them the attention your franchisees are given. It also elevates the stature of your development executive, who isn't always there seemingly waiting to grab their checkbook. From airport pickup to rearranging departmental presentations if needed, the facilitator keeps the schedule moving and can prevent potential mishaps and provide on-site feedback to your development team about the candidates.

**Tip 2: Provide an advance agenda.** Furnish the schedule of events, names, and bios of department executives your attendees will meet, specific travel information, and any other helpful instructions or information; ask for contact names for family emergencies. This preview heightens the importance of the event

and provides useful information in assisting attendees in preparing for their trip. Savvy franchises post this on their website using a password-protected page for "Discovery Day Guests." It's more efficient and stimulates curiosity from new site visitors.

**Tip 3: Get your housekeeping in order.** Your guests are influenced by everything they see, touch, and hear at your home office. This includes bathrooms, paint, carpets, shrubbery, plants, trash, office décor, etc.

**Tip 4: Post a welcoming board.** Display your visitors' names on an attractive display stand. Recognizing their presence shows your candidates they are important to your company... and helps your staff members remember who's attending!

**Tip 5: Post department names.** Identifying different department areas with door tags or labels shows organization and professionalism, and provides your visitors with a better sense of how your company works.

**Tip 6: Display your "Franchisee Wall of Fame."** Photos of owners featuring your top franchisees and franchisee advisory council are impressive to your guests, bringing home your powerful relationship and appreciation for franchise owners. Unfortunately, not enough franchisors leverage the impact of showcasing their franchise stars at their headquarters.

**Tip 7: Furnish a personalized notebook.** Provide the schedule of events, meaningful reports, presentation outlines, and other relevant material that candidates can take home with them.

**Tip 8: Standardize your corporate dress.** Whether in company polo shirts or suits, establish a consistent dress code for Discovery Day. Franchising by definition means uniformity; an "anything

goes" attitude toward attire does not communicate a professional image.

**Tip 9: Schedule departmental presentations.** It's essential that your field support, real estate/site selection, advertising and marketing, and customer service departments participate in Discovery Day. Qualified buyers want to meet the people they will be working with. Likewise, key personnel should speak with prospective franchisees and offer their insights in qualifying them.

**Tip 10: Invest in multi-media.** Quality, well-prepared presentations make the difference in motivating buyers. Power-Point, video, TV and radio commercials, an intranet, and software demonstrations enhance the impact of your messages.

**Tip 11: Conduct a complete facilities tour.** Don't keep your guests prisoners all day in the same room. A closet remodeling franchise made this mistake until a prospect finally asked to see their warehouse and was happily surprised: "I never realized you are producing such great product!" The candidate signed on the next week. Don't assume tours aren't important. Even with a no-inventory service business, prospects often don't realize the commitment of personnel and resources required to support a franchise network until they see it for themselves. Seeing is believing!

**Tip 12: Analyze individual vs. group presentations.** Track your current closing rates to establish which environment may be more suitable and successful for you. A home-care franchisor discovered their greatest success with personal, one-on-one Discovery Days. Yet an advertising franchise found group presentations far more productive for their recruitment success.

Discovery Day can be an exceptional experience for your franchise candidates. Invest the time and resources to ensure your brand presentation exceeds their expectations. The payoffs are certainly worth it for all! ■

*This article is an excerpt from Amazon.com best-seller Grow to Greatness: How to Build a World-Class Franchise System Faster by Steve Olson. For ordering information, go to [www.franchising.com/specials/growtogreatness.php](http://www.franchising.com/specials/growtogreatness.php)*

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