Now includes FRANCHISE LAW NEWS page 71

Franchise update

2013 Q2

BUSINESS INTEL… FRANCHISORS

Lead!
How one brand is tackling healthcare reform

Market!
Consumer Marketing Conference coming in June

Grow!
The power of Item 19 in boosting sales

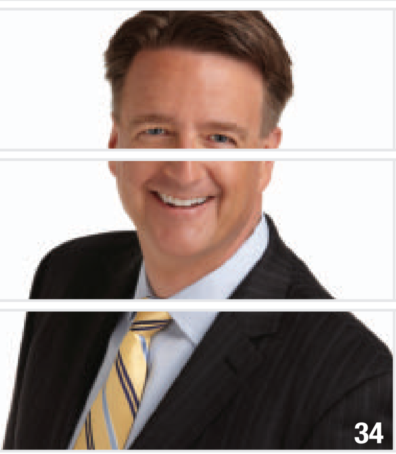
WHAT'S YOUR DEVELOPMENT SPEED?

3rd Annual
2013 Franchise CONSUMER MARKETING CONFERENCE
page 41

2013 FRANCHISE LEADERSHIP & DEVELOPMENT CONFERENCE
page 29

Franchise update | Q2

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS



Every relationship begins with trust.

Within the franchise community, we build solid relationships you can take to the bank.

Franchise Payments Network serves over 130 franchise systems and is the only complete merchant solution devoted to the franchise industry, understanding the various economic and technical complexities facing franchisors. From mobile processing options, phone apps and text marketing, to providing customer service to everyone in the franchise chain including benefits and training on the sales end, FPN puts franchising first.

At FPN, we know healthy relationships are built upon trust, shaped with confidence and defined by loyalty. You can put your trust in us.

Tom Epstein, CFE, CEO

Talk to Tom **866-420-4613**, ext. 1103
or visit **www.franchisepayments.net**




Automated Royalty Transactions • ATM Placement • Capital on Demand Credit & Debit Card Processing • Custom iPhone & Blackberry Apps Gift & Loyalty Card Programs • Mobile Processing • Other Wireless Solutions • PCI Compliance • Text Marketing

FPN FRANCHISE PAYMENTS NETWORK

Follow Tom on:

2295 S. Hiawasee Rd, #414, Orlando, FL 32835 • p: 866.420.4613 • f: 480.247.4860

From the editor's desk

BY KERRY PIPES

Speed Thrills

If speed and efficiency aren't woven into the fabric of your brand, you are losing candidates and slowing system growth. Sounds harsh, but it's a fact. Facts can be that way.

I recently returned from Franchise Update's 12th annual Multi-Unit Franchising Conference in Las Vegas. More than 1,200 multi-unit franchisees, franchisors, suppliers, and investors were on hand this year—the largest number ever. (In-depth coverage of the conference begins on page 20.)

Seventy percent of the multi-unit franchisee organizations at the conference reported they were seeking new brands, and the Expo Hall provided them the perfect opportunity to kick the tires of many dozens of brands—as well as those of suppliers—who filled the Expo Hall in record numbers.

One thing that has become evident in recent years is the growing importance for franchisors to provide clear and relevant information to potential franchisees—quickly—from initial contact to signing the franchise agreement and opening a new location. Franchising is becoming more sophisticated, and those who want to excel and expand want good information from the start—especially larger multi-unit organizations. If you're not providing them with that information from the start—including detailed financial data in your FDD—you're falling behind those who are.

Speed is the focus of this issue. Speed is critical in recruitment efforts, for maintaining positive relationships with franchisees, and for reaching customers. The buzz in recent years has been how companies are using technology to communicate more quickly and effectively at all levels and with all constituencies. In franchise development and growth, technology—done right—is a must-have advantage.

In Challenge the Pros (page 60), Jocelyn Blain, chief development officer at Fresh To Order (f2o), discusses the technology needs and processes of an emerging brand. She says a good CRM system is imperative for generating and tracking leads, delivering a digital franchisee kit, and as an online resource for candidates during the award process. As she says, "In addition to enabling organizations to become *more efficient*, technology allows lean development teams to be *more effective* without an increase in staffing levels."

And what about customers? It's essential to reach them quickly and efficiently as well. In our CMO Roundtable (page 36), Paul Macaluso, chief marketing officer at Moe's Southwest Grill, says the marketing department should be the champion of the consumer within the brand. "Other departments will champion operations or financial results, but it is marketing's role to be constantly thinking of the consumer, of ways to increase the brand's relevance with them and continue to meet their evolving needs," he says.

As you read through the pages of this issue you will find executives from diverse brands and backgrounds sharing their thoughts and experiences on how they address constituent needs quickly and efficiently. Whether it's development speed, operational support, or responding to your customers, the race is on! ■

Franchise update Q2

CHAIRMAN
Gary Gardner

CEO
Therese Thilgen

PRESIDENT
Steve Olson

VICE PRESIDENT OPERATIONS
Sue Logan

VICE PRESIDENT BUSINESS DEVELOPMENT
Barbara Yelmene

BUSINESS DEVELOPMENT EXECUTIVES
Jeff Katis
Judy Reichman

EXECUTIVE EDITOR
Kerry Pipes

MANAGING EDITOR
Eddy Goldberg

ART DIRECTOR FRANCHISE UPDATE MEDIA GROUP
Samantha Calden

DESIGN & PRODUCTION FRANCHISE UPDATE MAGAZINE
www.petertucker.com

INTERNET CONTENT MANAGER
Benjamin Foley

SALES AND SUBSCRIPTION DEPARTMENT, OFFICE MANAGER
Sharon Wilkinson

PROJECT MANAGER, MEDIA AND BUSINESS DEVELOPMENT
Christa Pulling

CONTRIBUTING EDITORS
William Edwards, Tom Epstein
Darrell Johnson, Marc Kiekenapp
Jennifer Kushell, Jack Mackey
Steve Olson

CONTRIBUTING WRITERS
Debbie Selinsky, Helen Bond

ADVERTISING AND EDITORIAL OFFICES
Franchise Update Media Group
634 N. Santa Cruz Ave., Suite 200
Los Gatos, CA 95030
Tel: 800-289-4232 Fax: 408-402-5738

SEND MANUSCRIPTS AND QUERIES ABOUT STORY ASSIGNMENTS TO:
editorial@fumgmail.com

franchising.com
franchiseupdatemedia.com
franchiseupdate.com
mufranchisee.com

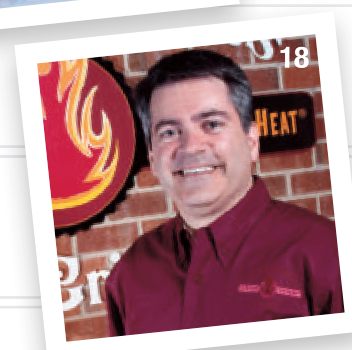
Franchise UPDATE magazine is published four times annually.
Annual subscription rate is $39.95 (U.S.)

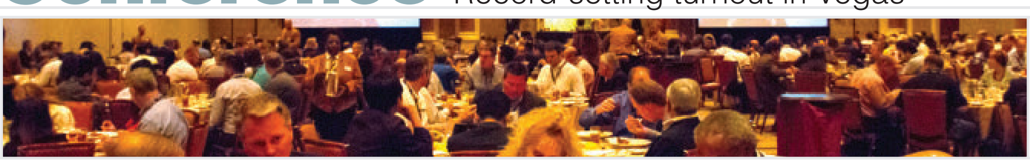
For subscriptions email
sharonw@franchiseupdatemedia.com
or call (408) 997-7795

FOR REPRINT INFORMATION CONTACT
Foster Printing at 800-382-0808
www.fosterprinting.com

Lead

Franchise leadership and management





CEO profile:

Dog Dynasty

Dogtopia is on the cusp of major growth

BY KERRY PIPES

Amy Nichols has always loved working with animals. In high school she worked in a pet store. In college she worked in a biopsychology lab with birds. But she always thought she would have to find a "real job" after graduating from college.

"Growing up and living in the Northern Virginia area put me right in the middle of the telecom industry," says the 39-year-old founder and CEO of Dogtopia. "It gave me great exposure to big business—both the good and bad sides—and really helped prepare me for founding Dogtopia." Despite her success in the telecom industry, she didn't find that life fulfilling. That's when she returned to her love of animals and the light bulb went on: there was a big need for dog daycare, and few were providing it.

Name: Amy Nichols	
Title: Founder and CEO	
Company: Dogtopia	
Units: 27 stores, 4 in construction (Q2 openings), 4 in development, and 3 new regional directors representing 37 locations	
Age: 39	
Family: Married with 4 children, 2 boys and baby girl twins born last November	
Years in franchising: 8	
Years in current position: 8	

She funded Dogtopia in June 2002 by selling her first home and taking out an SBA loan. "I knew there was a market for a business like this in the heavily populated D.C. area," she says.

The idea worked. In her second full year of business, Dogtopia gener-

ated more than $1 million in revenue. That's when Nichols knew she was on to something and had to figure out how to grow it. She attended an IFE event and was franchising her fledgling company by early 2005.

Growth was slow but steady for the next few years until the economic meltdown. She says the company hunkered down and focused on operations and support during this time. But she also began to recognize that the old ways of franchising development weren't really working any more.

"Growing our brand one unit at a time was not the most efficient way for us to expand," she says. So when she was approached by an equity partner, the timing, his experience, and the strategies he brought to the table were just what Nichols was looking for. Together, they created new strategies and approaches, most notably a new regional director expansion model.

"We now have three regional directors on the ground who are selling and supporting our brand in San Diego, Orange County, and Colorado," she says. This model gives the company a representative who can work a territory, earn a percentage of the royalties, and support the franchisees in that territory. Nichols says she would eventually like to have as many as 30 regional reps across the country.

For now she remains the majority owner and passionate brand leader. With four children (and innumerable canine customers), she manages to balance her business and personal lives—with some very important help. "My husband is my partner, and together we make it all work," she says.

Dogtopia recently launched an expansion initiative in Canada, and Nichols has set a goal of reaching 400 total units open or in development by 2020.

"It's a great time in our company's evolution," she says. "With our new equity partner and regional director strategy in place, I think we are going to experience significant growth."

When she was approached by an equity partner, the timing, his experience, and the strategies he brought to the table were just what Nichols was looking for.

LEADERSHIP

What is your role as CEO? To guide the ship that is Dogtopia. First I have to figure out where we are going, but then I need to be aware of the many things affecting our ability to get there and regularly course-correct and adjust as we go.

Describe your leadership style. Inspirational is what I aim to be. I want my team and our franchisees to do their best because they feel excited and motivated to grow and develop Dogtopia. Once you have a motivated and committed group of people, there are few things you can't accomplish!

What has inspired your leadership style? I am a naturally passionate person and I try to harness that energy and use it in a positive manner to inspire others. I know I am personally at my most effective and productive when I am inspired, so I try to do the same for my team. Sometimes my inspiration comes from reading a great article in *Inc.* magazine, watching an amazing TED talk, or meeting fellow entrepreneurs.

What is your biggest leadership challenge? We just began offering regional developer agreements and are entering a period of rapid growth. We can't predict the future, but with three regional developers already on board, we now have more stores in development than we have open. This is a big change for us, as our growth has been relatively slow and steady over the last couple of years. This is a terrific "problem" to have, and I am really excited to grow our home office team. We are adding positions and support that we have always wanted to provide, but were previously not large enough.

How do you transmit your culture from your office to front-line employees? Our culture started on the front lines. When I first created our company values, they were based on my role at that time as CEO/store manager. I wanted a way to transmit to my employees not just what we do, but why we do it the way we do. When we decided to franchise the company, those same values applied in our relationships with our franchisees. To this day our company values of honesty and integrity, responsibility and accountability, exceptional customer service, active community service, passionate enthusiasm, and unlimited potential are used to guide us in all company decisions.

Where is the best place to prepare for leadership: an MBA school or OTJ? Learning from case studies is certainly valuable, but learning through experience is more meaningful and therefore more memorable. I often say that we all make mistakes; that is how we know we are pushing ourselves, but the goal should be to learn from them, so that we don't repeat them.

Are tough decisions best taken by one person? How do you make tough decisions? Ultimately someone has to be accountable for every decision made by the company. But you make better decisions when you gather information from a variety of sources first: team members, franchisees, and trusted advisors. You weigh it all out, make the decision, and be ready to defend it.

Do you want to be liked or respected? Respected for sure. You are not going to make good business decisions if you are worried about being "liked." That being said, I set the tone of my company and our office, and being positive and supportive is an important part of my role.

Advice to CEO wannabes: It can be lonely at the top, so surround yourself with advisors and mentors who can help you through the tough decisions that only the CEO can make. Having a peer group like the Women Presidents' Organization is invaluable—not to give you the answers, but to share experiences and provide perspective. I have also found the IFA and their annual conference to be an invaluable resource.

MANAGEMENT

Describe your management style. Collaborative. I do some of my best thinking "out loud" so I have found that being able to verbalize my thoughts and bounce ideas off fellow team members is very effective.

What does your management team look like? Eclectic. We have gathered a diverse group of people, but with the same core values. Diversity leads to creativity and a variety of ideas and solutions, and the core values provide the strong foundation to keep us focused on the big picture.

How does your management team help you lead? I couldn't do my job without them. For me to be effective in my role, I have to work through my management team. We agree on collective goals, and I leave it to them to decide how to best achieve them. They then take those goals to their teams and guide them to meeting them at the store level. I have also found it important that my whole team understand the FDD and franchise legal compliance.

"It can be lonely at the top, so surround yourself with advisors and mentors who can help you through the tough decisions."

Our franchise agreement governs our relationships, so it is really important that everyone knows and understands it. To that end, my two vice presidents and I received our CFE designation at the recent IFA conference.

Favorite management gurus: Do you read management books? As much as I can, often while I am traveling. Right now I am reading *Great by Choice* by Jim Collins. I am a big fan of *Good to Great* and have often found myself using some of his vernacular: getting the right people on the bus, and having BHAGs (big hairy audacious goals) to train yourself to think bigger. I am also a big fan of Seth Godin. He provides very interesting and thoughtful insight into the future of marketing, customer service, and entrepreneurship. I enjoy reading his daily blog posts in the morning as another way to get my head in the game and prepared for the day ahead. Last, I find perspective to be one of the most important things in business (and life), so I enjoy reading books that are thought-provoking such as *The Alchemist* and *Manual of the Warrior of Light* by Paulo Coelho. You can read his books many times and get something new or different each time.

What makes you say, "Yes, now that's why I do what I do!" There are two things that get me pretty pumped up. To this day I love seeing morning drop-off and evening pick-up—our lobbies are very happy places. Dogs can't help but do everything with enthusiasm. They are thrilled to come in for daycare in the morning and they are thrilled to see their "parents" at night. You can't help but feel good when you see that kind of pure joy. The other thing that gets me pumped is seeing a franchisee at their grand opening. Looking at a beautiful new location with a very proud owner is really fulfilling and makes me very proud of Dogtopia.

PERSONAL

What time do you like to be at your desk? I don't usually arrive at my office until about 10 a.m., but I start checking emails and planning my day from the time I wake up. I have twin baby girls, so I like to spend some time with them in the morning before heading into the office. By the time I arrive, I have already answered numerous emails and queued up phone calls and meetings for the day.

Exercise in the morning? Does climbing 12 flights of stairs count? We recently created the "No Elevator Challenge" in my office in an effort to get in better shape. I am on day four. So far, so good!

Wine with lunch? Nope, Diet Coke or water for me.

Do you socialize with your team after work or outside the office? No, I think they need and deserve downtime. I try really hard to respect their personal time

and contact them in the evening or on the weekends only if it is absolutely urgent. We have an understanding that if it is urgent I will call or text them; if I email, it can be answered the next business day.

Last two books read: Peter Thomas, Dogtopia's new business partner, has written several books. Most recently I read his book, *Be Great: The Five Foundations of an Extraordinary Life;* and *The Power of Habit* by Charles Duhigg.

What technology do you take on the road? My iPhone and my iPad for short trips. I also take my MacBook if it is more than a day or two.

How do you relax/balance life and work? I believe that balance should be the goal in all things, but when you are a CEO and/or the owner of the company, it is all just "life." Still, I try hard to have my evenings and weekends be family time and only "work" after the kids are in bed. I don't want my kids' memories to be of Mommy on her laptop. I want them to know that when I am with them I am there both mentally and physically.

Favorite vacation destination: We go to the beach every summer for a week and it has become a family tradition. We also try to take one big family trip each year and are hoping to go on more international trips as our kids get older.

Favorite occasions to send employees notes: I like sending thank-you cards—not for big things, but for just being awesome at their job. I have room for improvement on this. I think about how thankful I am for my team all the time, but I could be doing a better job of sharing that with them. Could you do me a favor and print the following? *"Thank you Dogtopia home office team for making my job so rewarding and for making me look good!"*

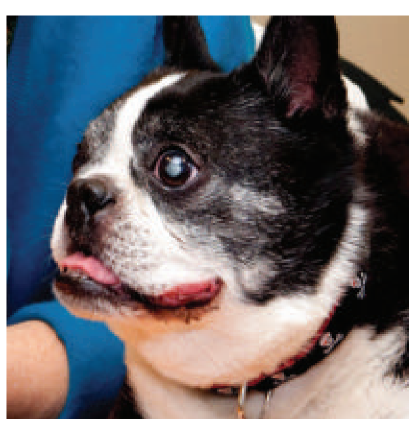
Favorite company product/service: It has to be daycare. That is our core business and it is really what we are all about—open play that promotes socialization, exercise, and fun!

BOTTOM LINE

What are your long-term goals for the company? To have 400 stores open or in development by 2020. We are just starting to hit our stride, and I really look forward to continuing to grow the company and finding more ways to maximize efficiencies and economies of scale.

How has the economy changed your goals for your company? In 2009 franchise sales slowed and then disappeared. At that point we chose to focus all our time and money on operational support for our franchisees and put sales on the back burner. We made great strides, and the processes and structure we put into place prepared us for the equity partner we took on last year to grow more quickly using regional developers.

"To be able to spend my days working with people who are committed, engaged, and motivated to make Dogtopia the best it can be, that is success to me."



Where can capital be found these days? Dogtopia is on the SBA Registry, and while that is still a resource to assist with obtaining a business loan, we are seeing a lot more alternative approaches now. Many more franchisees are using their 401(k), bringing on investors, or having family members go into the business with them. I believe confidence has been restored in small-business ownership as a smart investment. Now the financial markets just have to get the message!

How do *you* measure success? In business, it is easy to measure the dollars; it is harder to measure the relationships. But at the end of the day that is what it is all about—relationships. When I started Dogtopia, one of the things I was most excited about was that I would get to choose who I worked with. When we franchised Dogtopia, we got to choose who would be our franchisees. To be able to spend my days working with and supporting people who are committed, engaged, and motivated to make Dogtopia the best it can be, that is success to me.

What has been your greatest success? Creating a sustainable business model that others have been able to successfully replicate and use to create wealth makes me very proud. On the personal side, I cannot imagine my life without my family, and I look forward to my children becoming my greatest success.

Any regrets? It has been a wild ride, but I wouldn't change a thing because it all added up to where I am today.

What can we expect from your company in the next 12 to 18 months? Very exciting times at Dogtopia! With our new equity partner we have been able to strengthen our support ahead of our growth, including creating an Online University, conducting a thorough study of our customer base to evaluate potential markets and regions, and add key members to our home office team. We are ready to take Dogtopia to the next level! ■

CEO profile:

D-Lite-ful Leader

"Franchising is such a great place to work"

BY KERRY PIPES

Name: Peter D. Holt	
Title: President and CEO	
Company: Tasti D-Lite	
Units/Brands: Tasti D-Lite: 57 units; Planet Smoothie: 97 units	
Age: 54	
Family: Married, no children	
Years in franchising: 27	
Years in current position: Less than one	

Peter Holt received an early Christmas present late last year when Tasti D-Lite CEO Jim Amos announced he was stepping down and that Holt had been selected to take the reins of the 25-year-old brand. But for Holt, the moment also was bittersweet.

"Jim Amos has been there with me since I first got into franchising back in the 1980s," says Holt. "He's a dear friend and mentor and I have enjoyed working alongside him all these years."

Holt's franchising career has taken him from his first job with the IFA to Brice Foods (I Can't Believe It's Yogurt! and Java Coast) to Mail Boxes Etc. to a stint with a private equity firm before coming to Tasti D-Lite in 2007. Until last year, he had served as COO at the company, where he led the 2011 acquisition of Planet Smoothie and the integration of the two brands.

Holt says his love of franchising was a complete accident. "When I got out of college I was sure I wanted to work in policy analysis of U.S.-Latin American relations based in Washington, D.C.," he says. Instead, he found himself a position at the IFA, and a love affair with franchising blossomed.

"Franchising is such a great place to work," he says. "I call it a community, *not* an industry." He had no franchising experience when he took the job in the IFA's membership department. The position allowed him to indulge his interest in international work, while exposing him to a business model he could immediately identify with, and would soon thoroughly embrace. "When you talk about a career-defining moment, that was it for me," he says.

Holt's professional background has allowed him to see franchising from many different angles, and has provided insights into franchises, franchisees, products, vendors, and customers.

As president and CEO of Tasti D-Lite, Holt is continuing to oversee day-to-day operations as he's done for the past 5 years, but now he is also charged with strategic planning initiatives. He's up for the task and says he believes the brand is at a great crossroads.

"The combination of Tasti D-Lite and Planet Smoothie provides a fantastic building block for not only complementary day-part and product business, but also allows us to develop in different regions of the country where each of the brands is anchored," he says.

"We're the premier 'good for you frozen treat' company," he says. "And as more and more consumers search for healthier alternatives, we plan to be there in more and more locations and markets."

LEADERSHIP

What is your role as CEO? To provide the vision for our company, to lay down the foundation of our culture, to motivate our staff to reach their greatest potential in performance, and to allocate resources to achieve our preferred outcomes.

Describe your leadership style. I approach every relationship believing that most of us are trying to do the best we can. I seek and expect the very best in people. I believe we rise to the expectations put upon us.

What has inspired your leadership style? I am fortunate to have had a number of mentors who profoundly influenced my leadership style. I start with my father, who was a successful businessman willing to take great risks. He understood that half the battle in life is to show up and fight for what you think is right. Personal integrity was his motivating value. He taught me to seek out like-minded people with shared values so that together we can build something of significance.

What is your biggest leadership challenge? To translate the vision. What may be so clear to me becomes increasingly diffused as it is interpreted through the layers of management. It is easier to influence on a one-to-one basis. As the organization grows it becomes more about what you accomplish through others rather than any one thing that you are doing yourself.

How do you transmit your culture from your office to front-line employees? It starts with clear communication. The foundation of our corporate culture is a clearly articulated and rigorously applied statement of our company's mission, vision, and values. This statement is reviewed annually at company-wide meetings. Ultimately, I think the most powerful tool we have to influence behavior is leading through our own example.

Where is the best place to prepare for leadership: an MBA school or OTJ? The best preparation for leadership includes both. While I don't have an MBA (I do have an MA in Latin American history), the university setting requires you to hone your critical thinking skills, work in groups, and learn how to articulate your ideas both verbally and in writing. These skills create the framework for evaluation that you can use every day. Nevertheless, there is absolutely no substitute for OTJ. Our greatest learning comes from doing and by making mistakes, taking responsibility for our actions and moving forward. Until you are in a position where you must live through the consequences of your decisions it is just theoretical.

Are tough decisions best taken by one person? How do you make tough decisions? Good decisions are based upon reliable and accurate information. I have always tried to surround myself with people who can give me good counsel and, importantly, listen carefully to what they have to say. What makes a decision "tough" is when there is conflicting information and/or uncertainty about the consequences. Nobody can predict the future perfectly. To make those tough decisions, after I have gathered the relevant information, I then rely on my own base of experience and trust my intuition.

Do you want to be liked or respected? I would hope that being liked and being respected are not mutually exclusive. However, in leadership roles there are times when you must make decisions that are not universally popular and won't make everyone happy. If a desire to be liked becomes the primary driver of your decision-making, then you set yourself up for disappointment and, ultimately, failure. Far better to be respected for the integrity of your decisions than worrying about how many people like you.

Advice to CEO wannabes: Virtually every moment of our lives is an opportunity to influence others. You don't wait until you have a certain title before you can be a leader. Focus on doing the right thing. Find your own style and voice. It is your authenticity that gives people a reason to follow.

MANAGEMENT

Describe your management style: I prefer an inclusive and engaged management style based upon an open-door approach and a foundation of clear communication. I want my staff to feel comfortable to come to me with any issue that is important to them. My responsibility is to make sure that they have everything they need to perform at their highest level, and expect them to do so.

What does your management team look like? It is a group of extremely talented, high-performers who work collaboratively. They support each other. They share challenges and stay focused on creating solutions.

How does your management team help you lead? First of all, we hold each other to the same high standards of integrity and competence. I work hard to make sure that the team understands and shares the vision, and empower them to execute. They help by ensuring that we all have the information required to make correct decisions. Nobody has all the answers, but we have a better chance of making the right decisions by tapping into the collective wisdom of the team. I seek to surround myself with leaders who profoundly understand their own disciplines and have the capacity to hear alternative approaches.

Favorite management gurus: Do you read management books? I have a passion for reading with interests quite eclectic. I probably have a dozen half-read books around me at any given time, ranging from management books to biographies and literature. I have found anything written by Malcolm Gladwell worth reading.

What makes you say, "Yes, now that's why I do what I do!"? Life is defined by our time spent climbing up the sides of the mountain, not by the moment standing at the summit. However, without those "peak" moments, we are simply left with the slog. I celebrate the achievement of goals both small and large.

PERSONAL

What time do you like to be at your desk? I am an early riser. Usually I am up by 5:30 and at my desk by 8:30.

Exercise in the morning? Wine with lunch? In the morning I usually work out or run four times a week. Because I am training for the San Diego Rock 'n' Roll marathon in June, I am running more often. No wine with lunch.

Do you socialize with your team after work/outside the office? I enjoy socializing with our team outside of the office. At the office there is the formal structure of communication through phones, email, and meetings. More often, it is in the informal times where you build relationships and cement friendships. A meal with a good bottle of wine is one of my favorite ways to socialize.

Last two books read: I am halfway through Jon Meacham's latest book, *Thomas Jefferson: The Art of Power*. I just finished reading *The Art of Racing in the Rain* by Garth Stein.

What technology do you take on the road? I never travel without my laptop and my iPhone. With them I can take my entire office wherever I go.

How do you relax/balance life and work? I find physical exercise a great way to relieve the stress of the office. I definitely get the endorphin rush after a run. Starting most mornings that way makes me feel like I have already accomplished something of value even before I have started at work. Additionally, I am fortunate to have a rich network of family and friends who fill my life with love and support.

Favorite vacation destinations: My lifetime favorite vacation was traveling around the Andean countries of South America. While working on my undergraduate degree at the University of Washington, I took a year break, bought a backpack, and traveled solo through Columbia, Ecuador, and Peru. It was an extraordinary experience that influences me to this day.

Favorite occasions to send employees notes: Any time I see a job well done, I like to send an email note congratulating the employee or thanking them for their efforts.

Favorite company product/service: As you can imagine, Tasti D-Lite and Planet Smoothie are absolutely my favorite treats. Both companies have a history of offering amazingly delicious products that also are healthy for you. Outside of my own company, a favorite organization is Whole Foods Market. The quality of the food we eat and how it is processed (or not) is an essential element of maintaining good health. The selection and quality of the offerings at Whole Foods is remarkable. Their commitment to social responsibility is admirable.

BOTTOM LINE

What are your long-term goals for the company? To dominate the "good and good for you treat" retail category. We have two amazing brands that work well together in a market that is increasingly driven by making better food choices in an increasingly convenient setting. We offer exactly what the consumer is seeking today.

How has the economy changed your goals for your company? The Great Recession has significantly affected our business plan. Franchise financing has always played an accelerator role in franchise system growth. To date, franchise financing has not recovered, and this has slowed the expansion of many franchisors, including ourselves. We have adapted by focusing on non-traditional development and acquisitions.

Where can capital be found these days? While traditional franchise financing has been difficult to obtain, private equity is playing an increasingly important role in the franchise community. They bring fresh capital to the business and allow founders to monetize all or part of their ownership in the business they created.

How do *you* measure success? A mentor and great friend once defined success as "the pursuit of a worthwhile dream." I love this definition as it captures the aspirational nature of success tied deeply to the journey. I however, use a different definition. Most of life's valuable lessons come from overcoming the challenge. I measure success in the fact that I am here and have survived all the mistakes that I have made to this moment!

What has been your greatest success? On a personal level, my greatest achievement is my marriage. My wife Terry and I just celebrated our 30th anniversary. We have experienced both great joys and hardships forging a special life together. We look forward to the next 30 years! Professionally, I would say my greatest success has been to build a career in the franchise community. Franchising is such a powerful business format that unleashes the very best in human performance. Who would not want to be a part of that!

Any regrets? I don't spend a great deal of time on regrets. My father once told me, "Learn from your mistakes, enjoy your successes, and don't try to second-guess your decisions once made. If you had done things differently, you would have just made different mistakes." I have tried to follow that advice.

What can we expect from your company in the next 12 to 18 months? The continued integration of Planet Smoothie and Tasti D-Lite; accelerated growth through unit expansion; non-traditional development; and additional acquisitions. ■

ANATOMY OF A BRAND

BY JEFF BEVIS

TACKLING HEALTHCARE REFORM

FirstLight HomeCare acts to ensure system health

If you follow the news, you've no doubt heard a lot about the impending rules of the Affordable Care Act (ACA), which became law on March 23, 2010. At the extremes, we've all heard the strong reactions from some franchisees saying the added costs from this act will put them out of business, that they will cut pay, or are unsure how to manage employees to offset the onerous costs the legislation will impose. More commonly in the home care industry, we hear about franchisees concerned about head counts rising above the 50-employee limit, or worried they'll be forced to cut back on hours to keep employees at part-time status.

Make no mistake, though: the Affordable Care Act does carry a great deal of significance for franchising, and it will affect the cost of doing business for franchisees across all concepts.

Our company, FirstLight HomeCare, is a young, rapidly growing, non-medical in-home care concept in a critical stage of growth. We realized right away that, if not handled properly, the ACA could slow our momentum and create uncertainty for franchisees trying to manage their operating costs.

Addressing the impact of this legislation head-on in a proactive and positive way has become a top priority for FirstLight at the corporate level and throughout the system. As such, we are engaging in a variety of activities to prepare our franchisees and help them find innovative solutions to ease the burden. Although we realize there continue to be legislative challenges to the act's long-term implementation, we see the reality of current requirements and do not subscribe to the "This is going to put me out of business" philosophy that some in our industry are latching onto.

Starting at the top

Like many other franchise companies, we had our eyes on President Obama's healthcare legislation from the very early stages. Perhaps unlike others, we also started brainstorming ways we could assist our franchisees in navigating through new requirements, should they pass—and we immediately began an ongoing series of efforts at the corporate level to thoroughly educate ourselves on the legislation, lessons we have been filtering down to our franchise owners.


Jeff Bevis

At the corporate level, we have immersed ourselves in every aspect of educational sessions and offerings from the IFA, including attending the Public Affairs Conference in Washington, D.C., with one of our top franchisees last fall to help maintain the "owner perspective," as well as attending more sessions at the recent IFA Annual Convention. We have also enlisted healthcare benefit expertise through the IFA and from Ernst & Young to ensure we are accounting for all aspects and potential impacts of the new requirements in our preliminary efforts.

We continue to spend a good amount of time at our corporate offices in Cincinnati researching the legislation and educating our franchisees. We honed in on the tax credits available to franchisees under the ACA to better gauge the employer net expense for implementation, and reached out to our owners to help them understand what conditions they would have to meet to be eligible.

As we amassed information, we started holding a series of system-wide calls and recorded webinars for our franchisees to share the latest updates on the ACA requirements, bringing in guest experts to provide additional insights on some of the more complicated issues, and building a "formula template" to drop employee counts, benefit costs, and more into a simple grid to help bring clarity to the implementation in 2014.

Getting franchisees moving

Early on, we determined that encouraging our franchisees to get ACA-eligible healthcare programs in place before 2014—when most provisions will be phased in—would be one of the best ways to help them manage the transition. In pursuit of this goal, we've worked closely with franchisees to assess where they are now and where they need to be. We have had one-on-one calls and meetings with each franchisee to help them all understand the reality of the ACA's requirements and to talk about how they can manage through without a serious disruption to their business.

From the outset, we encouraged franchisees to start communicating with employees about health benefits. We had each franchisee survey their employee base to find out how many are already interested in joining a health benefit plan packaged for FirstLight HomeCare. Franchisees are continually presenting our new, expanded health benefit options to employees in team meetings to encourage dialogue and to determine *exactly* what their employees need and want.

Finally, we worked with a third-party insurance broker to design an innovative consortium-like benefits program that meets the ACA requirements. The program is offered directly to franchisees, who then make it available to their employees. Individual franchisees are still responsible for the costs of the plan, but the national carriers we are working with have agreed to look at individual franchisees as if they are part of one large organization. As our system and participation levels grow, the carriers will offer our franchisees the underwriting enhancements and breaks they would offer large companies for their group benefit plans.

What next?

FirstLight HomeCare is growing quickly and will continue to grow at a rapid pace as the Baby Boomer population ages and the demand for in-home care services continues. Right now, many of our franchisees are small enough that they won't feel a significant impact from the ACA requirements right away. But it's only a matter of time before they will be adding hours of service and employees, so we want to plan ahead.

At the corporate level, we are going to continue to push for early implementation. We are going to continue communicating with our franchisees about the great programs offered through the IFA and other industry and policy leaders to stay ahead of the curve and ahead of surprises that could disrupt our business. So far the response from our franchisees has been positive, in line with our overall approach to doing business in a strong, proactive manner and achieving our goal of becoming the employer and service provider of choice. ■

Jeff Bevis *is the president, CEO, and founder of FirstLight HomeCare.*

Leadershipguru: *East Coast Wings & Grill*

Driving Unit Economics

New division focuses on unit-level growth

BY SAM G. BALLAS

Throughout my 14 years with East Coast Wings & Grill, we have constantly strived to develop a laser-like-focus on our unit economics. This vision recently led to the creation of a new division for our brand: Unit-Level Economics/QA.

Systems and structures are logical responses to complexity, which grows almost exponentially as a company expands. Within these systems there is data that, if not measured and held accountable, could be the difference between a franchise unit's bottom line or sustaining a positive one: data drives prediction, data holds accountable the result.

The ultimate goal of imposing a new structure and instituting a new system is, of course, predictability. Unless a brand has the ability to determine where a franchise unit is today and project where it might be tomorrow—in a week, a month, this quarter, and ultimately this year—it is not on a trajectory for growth.

The need to navigate through all aspects of a unit's economics is imperative to that unit's success. In our restaurant industry, market dynamics and cost are changing month by month, which challenges the franchisee's ability to manage their unit-level economics. The need for the franchisor to identify these changes and have the ability to predict and assist a franchisee in navigating their unit sales and expenses is going to be the difference between sustaining great unit-level economics or building them.

• **The first 4 years.** Building a franchise system from the ground up was not easy and definitely had its challenges. And while we have made plenty of mistakes along the way, the one thing we did not unhinge was the philosophy of "managing from the outside in." In other words, our corporate structure focused on spending quality time working on franchisee and unit-style issues daily—before we spent time and energy in growing a new unit. The brand would grow only under the understanding that no unit would be left unaccountable to our standards of operations; thus, our slower new-unit growth model evolved. We had, and have, all the traditional franchise tools, including (but not limited to) ongoing training, field inspections, and annual P&L reviews for franchisee support. Our focus was on the individual unit, one at a time.

• **The next 4 years (to July 2012).** During these years we enhanced our unit-level support through many evolving changes. We strengthened our units by adding Internet-based training that our franchisees had access to at their sole discretion. We hired an executive corporate chef who, among other duties, was charged with retraining our units in portion control and waste management. We amended our existing franchise agreements and implemented monthly P&L reporting in new ones. The franchisees unanimously voted in a self-regulated fining system for unit-level specs noncompliance and authorized ECW Corp. as facilitator of this system.

During these years, of course, we all dealt with the Great Recession. For East Coast Wings & Grill, the recession brought opportunity. We reevaluated our supply chain, leveraged our buying power with manufacturers on our proprietary products, and beat down our cost on space. We began charting indices, which affected our operational space. This paradigm shift in our ability to drive a difference in unit-level economics and profitability soon became visible: in our 2012 FDD we reported an average 58 percent growth in same-store EBITDA from 2009–2011.

• **This past year.** We announced qualified franchisee financing to the tune of $7.5 million—and not with exorbitant interest rates, which eat into the franchisee's profits. In February, we took a big step in refining our philosophy of "managing from the outside in" by announcing the creation of a Unit-Level Economics/QA division.

• **Unit-Level Economics/QA division.** This is our "crème de la crème" approach for data gathering, metrics development, and quality assurances for the brand and unit level. The director and their staff will focus on all aspects of every facet of numbers a unit could and should encounter. They will dive into P&Ls, preferred vendor expenses, cross-menu sales analysis, unit-level marketing expenses and their relative ROIs, trend-setting models (proprietary to the brand), table turn analysis, ticket averages analysis, up-selling trends, ongoing space cost analysis, ongoing maintenance costs, and accountability of several proprietary models. This division is the analyst of what the brand determines a unit should be measured by, what a unit should be doing to sustain, and what a unit should be doing to drive the bottom line.

The quality of unit-level economics is reflective of the data, systems, structure, and culture a brand has set for both franchisee and franchisor. Clearly articulate the desired *result* and promise your franchisee you will hold *it* accountable. ■

Sam G. Ballas *is CEO of East Coast Wings & Grill.*

Capt. Mark Kelly, keynoter

Driving Profitability

Multi-unit franchisees bring spirit of optimism to Las Vegas

BY KERRY PIPES AND EDDY GOLDBERG

Resiliency and optimism permeated the air at this year's Multi-Unit Franchising Conference, held at Caesars Palace in Las Vegas March 27–29. In tune with this year's theme—Driving Profitability—these individuals are not only driven, they believe the best is still ahead.

In her opening remarks on Wednesday morning, Franchise Update CEO Therese Thilgen welcomed attendees, saying, "Multi-unit franchisees continue to evolve by facing reality. They're a resilient group that succeeds because optimism is part of their nature."

That set the tone for the next two-and-a-half days, which were filled with high-octane panels and educational presentations and participative sessions—along with hours of networking possibilities.

Once again, the event set several new records. More than 1,200 attendees flocked to Vegas for the event, more than 450 of them franchisees. Thilgen noted that three quarters of the franchisees in attendance said they were looking for additional brands. The sold-out Expo Hall, featuring a record 200 booths, provided plenty of opportunity of all kinds, as well as suppliers offering solutions for problems ranging from social media and mobile to accounting and financial services.

Once again, the event set several new records. More than 1,200 attendees flocked to Vegas for the event, more than 450 of them franchisees.

Thilgen was followed by 2013 Conference Chair Sean Falk, a multi-unit franchisee with four different food brands. Recalling his years as a U.S. Marine, Falk cited the force's motto "Semper fidelis" (Always faithful) to encourage his fellow multi-unit operators to choose a brand and believe in it. He also noted some potential threats looming for franchising: the Affordable Care Act, a minimum wage hike, and the increasing cost of fuel and commodities. "As small-business owners, we have no idea how we're going to be taxed in 9 months, much less 5 years," he said. "All these challenges cannot be met by raising prices." He encouraged the audience "to be more efficient, find vendors who can do things better and more efficiently than we can." And he continued to urge franchisors to develop programs to help their successful franchisees manage more units.

Peter Guber, keynoter

David Akers

For the past decade, this conference has supported the Little Rock Foundation, which is dedicated to improving the lives of the blind and visually impaired from early childhood through adulthood. This year, the charitable effort has grown.

Gary Gardner, chair of Franchise Update Media Group, took the stage to introduce Franchising Cares, a new franchise charitable giving initiative. As chair, Falk was encouraged to name a charitable organization to add as a beneficiary of this year's fundraising efforts. He chose the Semper Fi Fund, which provides financial assistance to wounded Marines and their families as they recover.

Gardner reported that the previous day's charity golf tournament raised almost $5,000. The conference also featured its regular Silent Auction, with about $50,000 of donated items this year. And Thursday night's Chairman's Dinner raised an additional $15,000, boosting total charitable donations at the conference to about $65,000.

Day 1: Annnnd they're off!

Wednesday morning's general session kicked off with a keynote from Hollywood and sports mogul Peter Guber. The former studio chief at Columbia Pictures and co-chair of Casablanca Records today heads up Mandalay Entertainment. The fast-paced talk by the *New York Times* number-one best-selling author ("Tell To Win") focused on the importance of "reaching your customers' hearts," and he spoke like a man who has learned how to do just that. He gave the crowd several tips for identifying what their customers are looking for—and how to give it to them.

"Success is the ability to go from failure to failure without losing your enthusiasm," he said. Speaking of his own many failures, he said "Success and failure are handmaidens on the journey." To illustrate, he told a story

MVP Awards Honor Franchisees

Each year, *Multi-Unit Franchisee* magazine honors a select group of franchisees who have demonstrated outstanding performance in building their businesses, growing their brands, and serving their communities. This year's MVP winners were selected in eight categories. The awards were presented at one of the general sessions.

"We congratulate these dedicated and outstanding franchisees," said Therese Thilgen, CEO of Franchise Update Media Group. "These are the kinds of business operators who inspire others with their vision, leadership, and success."

The 2013 winners are:

- **Noble Cause Award:** William Ray Bruce, COO at Abundant Brands; franchisee of Subway, Costa Vida, Roxberry Juice, and Big Al's BBQ;
- **Noble Cause Award (Hurricane Sandy):** Steve Baliva, partner at Metz Culinary; franchisee of T.G.I. Friday's, Ruth's Chris Steak House, and Wolfgang Puck Express;
- **Influencer Award:** Samantha Goldsmith, founder of Goldsmith Companies; franchisee of Red Mango;
- **Innovation Award:** Joe Hertzman, founder of the Radcliff Group; franchisee of Rally's;
- **American Dream Award:** Guillermo Perales, founder of Sun Holdings; franchisee of Burger King, Popeyes, Arby's Golden Corral, and CiCi's;
- **Role Model Award:** Spencer Smith, founder of the Smith Group; franchisee of Aaron's, Rimco, and Big O Tires;
- **Spirit of Franchising Leadership Award:** Danny Sonenshine, founder of Far West Restaurant Group; franchisee of Wingstop; and
- **Veteran Entrepreneurship Award:** Kevin and Laurel Wilkerson, franchisees of Marco's Pizza.

about Michael Jordan, one of the greatest basketball players ever, emphasizing the fact that Jordan missed 26 game-winning shots—among the 9,000 he missed—in his career.

The "secret sauce of success," he told the room, is "your innate ability to move other people to action." And while each person has a different call to action, the most effective way he's found to reach people is through the power of narrative.

"I'm a storyteller—that's the secret sauce," said Guber, 71, a lesson he learned only in what he described as "the third act" of his life. We're all emotional creatures, he said, and a good story has the power to "emotionalize" the audience you're trying to reach, whether in movies, sports, or franchising. "You want people to *feel* it," he said. "That's the way we're wired. Hits are born in the heart—not the head, and not the wallet."

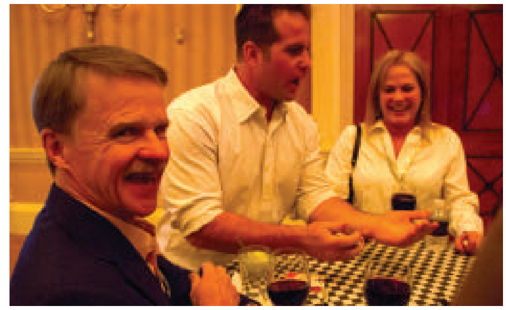
Guber, who is involved in the food business at his sports arenas as co-owner of the Golden State Warriors and Los Angeles Dodgers, had some relevant advice for the attendees. Answering his own question about how he sells out games at his arenas. "It's not the food, it's the experience," he said. He has the players meet the fans when they come in, and he focuses on perfecting each moment of a customer's visit. "At a restaurant, every detail counts; the total experience counts," he said, adding that for Wolfgang Puck, every night is opening night.

"Success is the ability to go from failure to failure without losing your enthusiasm."

— Peter Guber

Guber also cautioned against overreliance on digital technology—something he knows plenty about as a movie industry executive and producer. "You have to move people to action, and digital technology will not do it. Don't surrender your humanness to digital technology. You will lose over time."

Next on the agenda was an in-depth session on the Affordable Care Act. Panelists included Jeff Lungren, director of congressional and public affairs for the U.S. Chamber of Commerce; Christy Williams, COO of the National Association Management Group; and Mike Kahley, senior vice president of the Lockton Companies, which provides insurance, benefits, and risk management services. The panelists explained various aspects of the law as it stands today, how and when it will be implemented, the upsides and downsides of different responses to the "play or pay" option, and the effects the act will have on franchisees, depending on how the



regulations are eventually written.

The panel also included David Barr, chair of PMTD Restaurants, which operates 23 restaurants. He presented different scenarios he's been exploring for his 412 employees (109 full-time, 303 part-time). In one scenario, the act's regulations would have cost him $750,000 annually. After studying different scenarios, he managed to reduce his initial estimates of what the act would cost him from $750,000 to $444,000; and in an ideal scenario, where employees don't sign up because they went on their spouse's plan, that cost could come down to $136,000. He said that in any scenario that came in at less than $200,000, it was worth it for him to play, instead of pay the penalties. He did express concern about the effects of employee cutbacks on the quality of service at his restaurants, and how that must be balanced against the purely monetary aspects of any decision. "Reducing FTEs has to be completed with one eye toward customer service," he said.

"Reducing FTEs has to be completed with one eye toward customer service."

—David Barr

After that session, filled with dense, detailed charts and diagrams explaining the rules, current options for franchisees, and seemingly endless ways to work the numbers in an uncertain environment (implementation is still in the works), the morning's general session broke into two separate luncheons, one for franchisees and one for franchisors and suppliers.

Franchisees gathered to continue networking with peers and enjoy a fast-paced, humorous magic show by motivational speaker, magician, and former NFL player Jon Dorenbos, who was a long snapper for the Philadelphia Eagles and a 2010 Pro Bowl selection. After that, the panelists from the healthcare discussion fielded questions from the audience.

In a separate room, the franchisor luncheon focused on lead generation, recruitment, and qualification. Facilitated by Lane Fisher, partner at franchise law firm FisherZucker, the panel consisted of Steve Dunn, vice president of global development at Denny's; Pete Lindsey, vice president of franchising at Sport Clips; Dan Collins, senior vice president of brand development at East Coast Wings & Grill; Greg Tanner, national director of franchise sales at Aaron's; and Scott Mellon, vice president of franchise sales at Papa Murphy's (see page 56, "What's Your Development Speed?").

The discussion included topics such as the ideal franchise candidate, profiling tools, the award process, recruitment budgets, conversion rates, cost per sale, and the importance of adapting all of those into a strategic development plan—and sticking to it. Tanner won the panel's "best quip" honors with his response to a question on how to create a recruitment budget. "Setting a budget is like carving Jell-O," he said.

Day 1, Wednesday afternoon

Wednesday afternoon saw the launch of educational breakout sessions. A unique twist this year featured a group of heavy-hitting multi-unit franchisees on stage discussing hot topics as the audience listened in. Multi-unit operator Aziz Hashim (Popeyes, Domino's, Checkers/Rally's, and PetValu) facilitated the session, which delved into topics as diverse as employee retention, upselling customers, and maintaining brand culture during growth, to closing units and working more closely with franchisors.

The "Growing to 10 Units" breakout session, facilitated by Sean Falk, featured Randy Allen, CFO at the Morelock-Ross Group of Companies; Dan Burrell, an area director for Jersey Mike's; Gary Avants, a Zaxby's franchisee, and Karim Khoja, a Dunkin' Donuts and Baskin-Robbins franchisee. In this wide-ranging, fast-paced 75-minute panel, they discussed the pros and cons of outsourcing, maintenance and repair, insurance, the value of constantly interviewing for new talent, real estate and leases, lending relationships, and how to manage the complexity that comes with growth.

> **"You don't have to change the world, but you can change one person's world."**
>
> — David Akers

Other afternoon sessions included "Creating Infrastructure To Support 20–30 Units," "Building Customer Loyalty and Profits," "Franchisee Exit Strategies and Succession Planning," and "Show Me the Money: Franchise Finance Pitch Session," featuring a panel of franchise lenders.

The Expo Hall officially opened on Wednesday afternoon, providing a venue for attendees to gather several times during the conference, attracted by suppliers offering solutions for both franchisors and franchisees—as well as by ample food and drink. Suppliers and franchise brands in the 200 booths rubbed elbows with franchisees, pitching their wares and answering questions. The Expo Hall was a sold-out success, the largest ever for the annual conference.

Thursday, Day 2

A continental breakfast began the day, followed by a general session and more details about the new "Franchising Cares" initiative. Conference Chair Sean Falk introduced Laura Castelvi, senior manager for community outreach at the Semper Fi Fund, who provided more details about the organization. Since its establishment in 2004, Semper Fi has issued more than 56,000 grants totaling more than $74 million to more than 9,300 injured Marines and their families.

NFL kicker and four-time Pro Bowler David Akers took the stage and encouraged the audience to "get outside of yourself." He said this was possible by giving "money, time, resources, and passion." Akers, who has scored more points than anyone in the NFL since 2000 (although he had a terrible 2012), said he'd planned to be a teacher before finding his way to an NFL career. His interest in helping children led him to establish the David Akers Kicks for Kids organization in 2001. Soft-spoken, and not nearly as big as most expected for an NFL player, Akers urged the audience to "invest in someone." He's adopted three children overseas, and said people don't have to change the world, "but you can change one person's world."

Next up was franchise economist Darrell Johnson, CEO of FRANdata, who delivered his assessment of the state of the current economy and how it is affecting consumers and business owners. "There's still consumer debt, recovery takes time," he said. Despite the persistence of consumer debt, a

slow housing market, and weak consumer confidence, he said the economy is improving "slowly and fitfully." Addressing the paralysis in Congress, he made what he called a "bold prediction" that Congress will strike a grand bargain this year on the economy. Citing Winston Churchill's observation that the U.S. will do the right thing—only after exhausting all other possibilities—he added that if the Congress acts decisively, consumer confidence will improve in the coming year. If not, he cautioned, 18 to 36 months of further uncertainty are in store.

The outlook for franchise lending is good he said—as long as franchisees are top performers or associated with top-performing brands. He noted that with many private equity funds nearing the end of their run, transfers and M&A activity will increase, providing plentiful opportunities for larger multi-unit organizations to acquire units from smaller (1–3 unit) franchisees. In summary he said, "It's a period of slow growth, but the economy is improving."

That was followed by the announcement of *Multi-Unit Franchisee* magazine's 2013 MVP Award winners (see sidebar, page 21).

Most dramatic presentation

Thursday morning's general session saved the most dramatic and moving for last as Mark Kelly, former astronaut and Navy pilot, and husband of former U.S. Congress member Gabrielle Giffords, took the stage for an inspiring keynote speech. He told tales of his aerial combat and space missions with a behind-the-scenes look at what happened—and what could have happened. He called every successful launch of the Space Shuttle (he went up four times) a "minor miracle," and said that at takeoff the Shuttle "is like a butterfly bolted to a bullet." At takeoff, the Shuttle accelerated from zero to 17,500 mph, creating tremendous g-force stresses. Re-entry is no picnic either: temperatures reach 5,000 degrees and astronauts must wear a liquid cooling suit to survive. In between, though, up in orbit, he said, "It's amazing to see this big blue marble floating in the black."

"The power of the human spirit is an incredible thing. Gabby reminds me every day to deny the acceptance of failure."

— Mark Kelly

Kelly also shared the heroic story of his wife Gabby, who was shot in the head at a political rally in her home district near Tucson in 2011. Kelly said Giffords—who at 26 was CEO of El Campo Tire Warehouses, a 15-unit automotive chain founded by her grandfather—has been strong and determined throughout the ordeal, and he spoke of her bravery in facing what appears to be a lifetime of rehabilitation. Kelly said that every morning as his wife heads out the door to rehab, she looks at him and says, "Fight, fight, fight." He said her attitude remains a daily inspiration to him. "The power of the human spirit is an incredible thing. She reminds me every day to deny the acceptance of failure."

At the conclusion of the general session, franchisees gathered for roundtable discussions, each with a different topic and hosted by a subject expert. This format, offering something for everyone, allows small groups of people to discuss specific strategies, tactics, problems, and solutions. Topics included technology, customer retention, new store openings, and a perennial challenge: finding and keeping great employees.

Attendees then moved on to lunch and more networking in the Expo Hall.

After lunch, attendees gathered for the final general session of the conference for a panel about private equity funding and its role in franchising. The panel included successful multi-unit franchisees Aziz Hashim (4 restaurant brands), Rob Branca (Dunkin' Donuts), and Gary Robins (Supercuts), along with two brand executives, Kathleen Gilmartin, CEO of Interim HealthCare, and Jim Lyons, COO of Quiznos. The conversation ran the gamut from the pros and cons of PE money to due

diligence and contracts. "Due diligence should go beyond just the financial side of things to include really understanding the franchise brand," said Hashim. That includes the brand's culture—something panelists agreed most PE firms don't do sufficiently.

Two rounds of breakout sessions filled the rest of the afternoon. Sessions covered timely topics such as cost control, negotiating leases, adding brands, local store marketing, and unit profitability. The session on driving profitability by controlling costs delved into how franchisees can maximize their strengths and save time by automating processes for sorting, managing, and paying bills, for example. Elsewhere, seasoned franchisees talked about avoiding and dealing with lease negotiation pitfalls. Franchisees Gary Grace (Supercuts) and Laurel Wilkerson (Marco's Pizza) shared firsthand stories of how they deal with landlords, fixed renewal rates, personal guarantees, and more.

Attendees had one final chance to visit with the exhibitors on Thursday evening. Judging from the crowds, the level of activity, and the buzz in the room, franchisees and exhibitors alike appeared pleased with how business had gone inside the Expo Hall during the week.

Day 3, the checkered flag

As the conference drew to a close Friday morning, Russ Umphenour led a closing session entitled "Great Brands + Great Franchise Partners = Franchise Partner Profitability." Umphenour, who once operated 775 Arby's, today is CEO of Focus Brands. His long and successful history in franchising provided him with many personal examples of success and failure he used to illustrate his points. Umphenour spoke about the importance of setting and achieving goals, and how franchise brands and their franchisees are partners and should be working together to create great brands. "Always do what's best for the brand," he advised. "This benefits all." It was the perfect finale to a fantastic week.

Driving profitability requires a steady hand and a foot on the accelerator. Those who succeed in franchising do so through dedication, hard work, smarts, and being in the right place at the right time. That's just the kind of franchisee who attends the annual Multi-Unit Franchising Conference. Based on the buzz, the talk of deals in the making, operating tips, and record attendance, these franchisees are passing the checkered flag as winners.

Find out more about this year's event at www.multiunitfranchisingconference.com and watch for details of next year's conference to be announced soon.

Find out more about this year's event online and watch for details of next year's conference to be announced soon.

Conference by the Numbers

Franchisees, franchisors, and suppliers from across the U.S. and Canada gathered in Las Vegas for Franchise Update's 12th annual Multi-Unit Franchising Conference. The event continues to grow each year, setting new attendance records. This year, more than 450 franchisees (representing 333 franchise organizations) attended, 50 more than in 2012.

A quick rundown of the aggregated statistics from the 450-plus franchisees who attended shows the following impressive figures:

- **9,400+** operating units
- **180,000+** employees
- **$7.5+ billion** in annual system-wide revenues
- **200+ brands** in all business categories
- **38%** have 2 or more brands
- **47%** operate in 2 or more states encompassing more than 40 U.S. states and Canada
- **70%** are seeking additional brands
- **50 companies** came seeking specific brands

Human resources

BY BILL WAGNER

Behavioral Metrics 101

Getting the people side of your business right

Behavioral metrics is just a fancy way to say, "Measuring the people side of business." If the concept is unfamiliar, it's because behavioral metrics rarely make it to a P&L. Sure, in most well-run organizations we measure the costs of turnover, employee engagement, and leadership development, but let's take it a step further. For example, think about measuring the difference between the personality profiles of high-performing franchisees and those unable to make the grade. Why are some capable of meeting or exceeding expectations, but others aren't?

By knowing the financial *and* behavioral gaps that exist between best and worst performers, franchisors can improve their selection of the right franchisee—and influence the performance of existing franchisees. Whatever *can* be measured *can* be managed.

The 80/20 rule

Since entering the New Millennium, franchisors have become more interested in applying tools that measure personality and behaviors. This is especially true for franchisors that fall prey to Pareto's Principle, otherwise known as the 80/20 rule. Here, franchisors want to know why 80 percent of royalty income is often generated by the top 20 percent of franchisees. As frustrating as this is, it becomes even more so when the mechanics that cause or predict this elude our grasp. Franchisees make the same investment, receive virtually identical training, are given similar locations and build-outs, yet royalty revenue is all over the place. This gap can be summed up in one phrase: *the power of personality.*

Qualities of an ideal franchisee

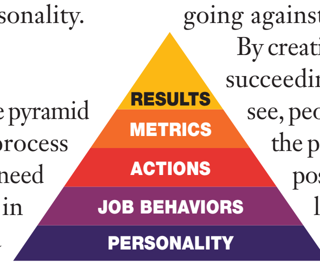
Consider this simple exercise. First, list about 20 qualities that would make for an ideal franchisee, or work from this list if it fits:

Able to follow rules	Analytical
Assertive	Big picture thinker
Collaborator	Consensus builder
Deals well with ambiguity	Deals well with pressure
Good listener	Good with numbers
Good with people	Great closer
Holds others accountable	Leader
Multi-tasker	Problem-solver
Results-oriented	Self-confident
Strategist	Troubleshooter

Second, look at the list of qualities and determine which ones are *skills* and which are *behaviors*. The difference: skills are learned in school and behaviors come from our personalities. More than likely, the majority of the list will include behaviors.

Going through these two simple steps makes it easier to see why behavioral metrics are helpful. Most of what franchisors seek in franchisees lies in the essence of their personality.

Mastering the gap



This five-tier performance pyramid represents a cognitive process for determining who you need to be to achieve results in a particular role or on a given project.

• Tier I represents the *personality* of the prospective applicant, existing franchisee, or corporate employee.

• Tier II represents the *job behaviors*, how a person needs to act at work. In short, Tier II is all about the job or the position. The list from Step 1 above shows behaviors of the Ideal Franchisee. When selecting a prospective franchisee, an applicant for a corporate position, or when dealing with an existing franchisee, it's critical to know how wide the gap is between the individual's personality and the behavioral requirements of the position. The wider the gap, the more difficult the job becomes, and the more energy required for completion.

• Tier III denotes the *actions* necessary to do the job. For example, these actions can include calling on prospective customers, distributing samples, doing X number of presentations, selling retail, or closing new business.

• Tier IV signifies the *metrics* we use to measure performance. How many presentations did they do? How much did they sell? How many samples did they distribute? When we *drive* results, we ultimately *achieve* our Tier V results.

• Tier V represents the *results*, or outcome. For many franchisors, the best Tier V results come in the form of the Ideal Franchisee. When a franchisee matches the behavioral requirements of the position, job performance is typically stellar and usually carried out flawlessly. It can really be a thing of beauty. However, it works both ways. The wider the gap is between a franchisee's personality and the behavioral requirements of the job, the more energy necessary to accomplish the job. Those with the wider gaps go home at the end of the day feeling emotionally drained because they've spent the day going against their natural grain.

By creating a cognitive approach to succeeding in the role of a franchisee, people both with and without the preferred personality for the position can accomplish similar results. Just remember: If you *can't* measure it, you *can't* manage it. ■

Bill Wagner *is CEO and co-founder of Accord Management Systems in Westlake Village, Calif. The firm works with franchisors and other franchising professionals to get the people side of business right through behavioral assessments. Exceed your own expectations: send an email to info@accord-managementsystems.com with the subject line containing the title of the position you want to measure. We will send you a link for an online assessment. Enjoy the ride—and Master the Gap!*

SCHOOL IS NEVER OUT FOR THE PROS.

JOIN THE GREATEST MASTERS OF DEVELOPMENT

OCTOBER 9-11, ATLANTA

350 of Franchising's best and brightest will share their successful recruitment growth practices and techniques in this exclusive annual summit.

Ideal for CEOs, CDOs, Vice Presidents, Area Directors and executives engaged in sales, marketing, operations and development technologies.

franchisedevelopmentconference.com

QUESTIONS?

email: sales@franchiseupdatemedia.com

Limited sponsorships available

Produced by: Franchise update magazine · FranchiseUpdate MEDIA GROUP

Market

Consumer marketing initiatives

BY KERRY PIPES

Consumer Marketing Conference!

2013 conference chair highlights unique opportunities

Wendy Odell Magus is in the driver's seat, a position she relishes—and excels at. With more than two decades in marketing, she understands both the consumer and franchise sides of marketing and communication. This background has come in handy for her this year as she steers Franchise Update's 3rd annual Franchise Consumer Marketing Conference as its 2013 chair. The event takes place this June 25–26 at the Ritz-Carlton Buckhead in Atlanta.

Magus was selected for her proven understanding of strategic marketing planning and implementation, honed on the job at brands like Sylvan and now Kiddie Academy, where she has been since 2008 and serves as vice president of marketing. Her goal as conference chair is to ensure that the CEOs, presidents, and marketing executives who attend take home "actionable initiatives," as well as create new, meaningful relationships with other marketing professionals and suppliers who will be there.

"This conference is unique, as it's the only one of its kind that offers opportunities to have informative conversations and network with franchise marketing professionals on a personal level," she says. With more than 200 top marketing and branding executives expected this June, attendance is expected to double from its record-setting levels of 2012.

We sat down with Magus to find out where things are headed, and what attendees can expect this year.

With more than 200 top marketing and branding executives expected this June, attendance is expected to double from its record-setting levels of 2012.

This is the third Consumer Franchise Marketing Conference. What does this conference offer attendees that has made it the must-attend event for franchise marketers?
This conference is very different from any other. The quality of the attendees is unique. These are senior-level executives who are all focused on the same challenges and opportunities. As we are entering the third year, what really makes it wonderful is the relationships I've been able to develop with other franchise marketing executives from the previous two conferences. That is the real beauty of going back year after year. When we're 10 years down the road, I'll have a network of 200 close marketing friends who I can call and ask how they solve a particular problem, or to find out who they use for a particular service.

What is unique about consumer marketing in franchising?
What's unique about the franchise space is that we have two layers of customers: the franchisees and the end-consumer. Some of the conference content is about how to market to that first layer, the franchisee, and how to get buy-in and drive adoption of the really important programs that will grow their business. It's about overcoming obstacles to implementation. And some of the content is about effective, efficient, and emerging ways to reach the end-user, the consumer. With all of these constituents, as franchisors we're trying to drive adoption and brand engagement. This is what is common across all concepts,

and why there is such synergy among the people who come to this conference.

What would you say to a CEO considering whether they should invest the money to send their CMO or brand manager to the conference?

There is no other event like this. Over the past 2 years, I have come away with some very big ideas and very meaningful vendor relationships that have paid back exponentially compared with the small investment to attend. If I can take away one great idea that I can integrate into my existing marketing strategy, that makes the conference worthwhile. In actuality, I've come back from the previous two conferences with so many ideas that I've had to evaluate and prioritize their implementation to get the most bang for my buck.

How did you get started in franchising, and what do you like most about what you do?

I've been in franchising for 12 years. I got started with Sylvan Learning, where I spent seven years, and just celebrated my fifth year with Kiddie Academy in January. When I moved into the franchising space, I really didn't understand the shift I was making in my career path, but I love it. Working with franchisees is so exciting. They are passionate and invested in their business. Over the years, I have worked with some really wonderful owners. I've been able to have an impact on their businesses and their lives, and I really love it. Small business is the backbone of the economy, and with franchising, you have the best of both worlds: a shared brand with expert support and resources, backing independent owners and operators. *Franchising is really fun.* My career path before franchising has been kind of all over the place, including stints with the Walt Disney Company and a nonprofit organization, the Kennedy Krieger Institute, which focuses on childhood learning disorders. The common thread is mission-driven, kid-centric, mom-focused organizations, which enabled me to bring a lot from one job to the next in terms of knowing the audience. I'm on the threshold

My goal for everyone who attends is to come away having developed some really good new relationships and a handful of really great, actionable ideas.

now of having spent most of my career in franchising. I like the fact that I can really see the impact of my work, the power of marketing, and the fact that we help our franchisees grow their business.

At Kiddie Academy, you deal with the most astute and involved consumers out there: parents. What are some insights about consumer marketing you can share that are applicable to any brand or category?

We still see moms as the dominant decision-maker in our category. The whole makeup of who's the primary caretaker has been a bit jumbled over the past four years, as families figure out the best way to balance their particular dynamics. That said, moms are really critical to our business. The lesson we're learning from them is to be content-focused, delivering individual relevancy. Among all the different channels they can use, the common thread is engaging content. We strive to develop and leverage high-quality, consistent content across all channels—online, print, broadcast, social. It's critical to figure out what sticks with people in different channels and makes them engage rather than click or flip. That applies to every audience: being where the customer is, with high-quality content.

What are the most significant challenges in consumer marketing facing franchising today, and how can franchisors and franchisees best ensure the continued growth and success of their brands?

The most significant challenge is to operationalize our strategies—moving franchisees along to accept and appropriately use emerging strategies. We need to help franchisees understand the importance of integrating new marketing initiatives to keep pace with their customer. This is one of the best things about being a franchisee, rather than an independent business. Our job as franchisors is to see what's out there, triage, and figure out what the important marketing strategies are; how our franchisees can implement and execute them, or how we can implement on their behalf. Figuring this out on their own is overwhelming for the business owner. It's our job to lead them through all these changes by providing integrated support across marketing, operations, training, and technology.

As a consumer, what is it that attracts you to certain brands?

What attracts me is that I'm confident about what I'm going to get with them. I know their "brand personality." Great brands consistently deliver—they drive our expectations. My favorite brands are not necessarily high-end, but they are high-quality in terms of my experience.

As chair of this year's conference, what do you hope to accomplish in terms of bringing value to the attendees and providing key takeaways?

My goal for everyone who attends is the same as for myself: to come away having developed some really good new relationships and a handful of really great, actionable ideas. I want to make sure everyone has the opportunity to network with colleagues and vendors, and has the time for personal exchanges. At other events, you might have surface conversations with people as you walk the Expo floor, but the format of this conference allows for a lot of real, in-depth dialogue. It's not just the size of the conference, but also the culture of networking and relationship-building. Our big challenge will be to keep the same intimacy and culture as we continue to get bigger and bigger. ■

BY KERRY PIPES

Data-Driven Marketer

David Buckley blends the old with the new

David Buckley is a busy marketing executive. He's responsible for development, planning, and execution of the consumer marketing strategies for not just one, but four retail chains under the Sears label. He also oversees marketing efforts for the brand's more than 1,200 locations. Before taking the CMO post with Sears, Buckley spent time as global director of advertising for the Associated Press, where he led the advertising strategy for digital assets, focusing on mobile and tablet technologies.

Note: For Buckley's views on how the CMO role can enhance franchise recruitment, see our online newsletter, *Franchise Update Sales Report* (May 2013).

Describe your role as CMO. As CMO for Sears Hometown & Outlet Stores, Inc., I am responsible for the consumer marketing strategies for four unique formats: Sears Hometown Stores, Sears Home Appliance Showrooms, Sears Appliance & Hardware Stores, and Sears Outlet Stores. With more than 1,200 locations across 50 states and Puerto Rico, my team and I are tasked to execute a national marketing strategy that also leverages the hyper-local aspect of retailing. We plan and execute marketing campaigns across a wide variety of marketing assets, including newspaper (preprint, ROP, TMC), radio, cable TV, billboard, and direct mail. In addition, what we market in traditional media needs to be integrated into digital media, social media, and our loyalty marketing program.

What's the most challenging part of being a CMO today? There are more new and exciting marketing opportunities than any organization has the capacity properly to execute. The job is less about finding a good idea, but rather finding ideas that are both scalable *and* likely to produce a higher marginal ROI than current programs. A large part of this is understanding and prioritizing our marketing approaches within our strategy.

What are the 3 most important keys to being an effective CMO leader today? By far, the ability to understand data. There is an amazing amount of customer data available that can be used to drive large strategic decisions, as well as more targeted offers at the consumer level. An effective CMO today must possess the ability not only to read the data, but also to draw inferences and build actionable plans around it.

Second is understanding both traditional and emerging marketing opportunities and how they influence each other. Too often, traditional media are pronounced dead prematurely, while the newest trend is often pursued with a disproportionate level of spend and resources relative to the size of the audience and how that audience engages with that media. I firmly believe that people consume multiple sources of different media in a variety of forms, and those media influence each other.

Third is the ability to build relationships and credibility with cross-functional members of your company's senior leadership team. A strong CMO has a role at the table when the strategy is refined, representing the customer in these conversations. In addition, the CMO needs to provide more input than just managing the marketing expense line in the P&L. The CMO needs to provide guidance to the rest of the team as to the expected ROI for different possible actions. It isn't enough just to drive top-line sales; the CMO needs to ensure the incremental profit from these sales provides a sufficient return on the marketing investment.

Describe your marketing team and the role each plays. My marketing team is divided into closely integrated teams. It may sound like we have very distinct teams with segregated work flow, but they are so tightly integrated that the lines between them sometimes blur. The marketing operations team is responsible for all media planning, budgeting, and execution. The marketing creative team brings our marketing to life across all forms of media. These two teams closely collaborate with each other, as well as with the digital marketing team who integrate the strategy across all digital assets. Both the marketing operations and creative teams work extensively with our creative and media placement agencies.

How is your marketing/branding strategy developed, and how does it flow through the system? It is a collaborative effort that includes key stakeholders from finance, IT, merchandising, and our field teams who represent our owner base. It flows through a series of cross-functional meetings for annual planning, key seasons, and a regular biweekly meeting that addresses short-term (within 90 days) tactical implementation.

How do you work with other internal departments, and how does technology help? Very closely. Our field leadership engages our franchisees surrounding our marketing events. Our merchant team builds offers and ads in close coordination with my creative team. We also work very closely with our operations team to ensure all of our promotions execute as planned when a customer is at the register. Technology plays a role in each of these relationships.

How do you manage costs and budgets for the marketing department? We develop annual marketing budgets for each format and that budget is managed on a monthly and quarterly basis. Some portions are planned far in advance, while others may be used to react quickly to market factors. Throughout this process, attention is paid to store-level investment to ensure that stores are equally supported.

How do you measure marketing results and effectiveness? In three major ways. In all cases, it is effectiveness, as measured by a positive ROI on the marketing spend based on incremental profit generated by the efforts. On a large scale, we use complex multivariant models developed specifically for our business based on large amounts of store-level data. These models go well beyond marketing investments to address pricing, weather, macroeconomic factors, and a variety of other variables. This type of analysis takes a great deal of time and effort to complete but helps us answer some of the larger and more strategic questions.

For shorter-term testing, we leverage the benefit of more than 1,200 physical locations by running test and control groups to better understand the impact of our actions. We measure every new thing we try. We are also able to leverage this approach with our franchisee base. We've run marketing tests in partnership with our franchisees and have been able to aggregate the results to show them the impact we saw nationally—which they would not be able to recognize in a few stores. With our ability to create large test and control groups, we are able to help our franchisees differentiate between response and results. The last type of analysis we do leverages customer-level data, which allows us to understand consumer reactions to various efforts by constructing test and control groups.

How have marketing strategies/tools changed over the past decade, and how have you adapted? The answer could be an entire book in itself. There have been major changes in media consumption and consumer technology in the last five years alone. To adapt, we are constantly testing and evaluating our marketing choices and using data to make decisions. However, the biggest change is that the control of the brand has irreversibly changed from the CMO to the customer. The experience happens at the store level and the customer is going to share that information instantly and permanently online. Customers trust other customers more than they trust the claims of companies. Today you can review a restaurant online before you pay your bill. It used to be believed that people would tell 10 people about a bad experience. Now a bad experience is posted instantly for everyone to see and these reviews are showing up in search. To adapt to this, we are paying close attention to the feedback we receive from our customers, not only through our surveys, but through ratings and reviews on sites like Yelp.

How is technology changing the way franchise marketing is done in terms of efficiencies? We are leveraging different technologies to allow local customization of national marketing assets. One of the largest benefits we saw from a new technology over the last 12 months was the ability for us to improve local discoverability in search for our brick-and-mortar locations. We initially partnered with Yext simply to make sure our basic information was correct on a variety of third-party publishers. It is extremely important to us that this data is correct to maximize local search. With half of consumers having GPS-enabled smartphones, the importance of being discovered locally is growing. The concept of people going to your website to find your locations is going to have a shorter life than the Yellow Pages. It may not be sexy digital technology, but with estimates that 50 percent of all listings have an error in name, address, or phone number, it is necessary. This year we are taking that relationship with Yext to the next level with an increased focus on managing online reputation at the store level through a disciplined approach of monitoring customer reviews across a variety of sites.

Are you using cloud technology or other tools regularly? How? We use cloud computing to manage the data in "Shop Your Way Rewards," our loyalty program. We use it to append endless member information together from disparate sources. The more we collectively know about the member and store in the cloud, the better we can contrast and compare it with similar member behavior and identify what and when they want to hear from us. Cloud-based technology allows us to quickly slice and dice the information in many ways, forming meaningful and actionable member segments. This allows us to be more targeted and relevant in our interactions with the customer.

How are you assisting your franchisees more quickly and efficiently? The best way for us to quickly react to the needs of our franchisees is to anticipate them. We are in close contact with our franchisees through our field leadership and interact with them directly on a regular basis as needs arise. We provide a wide variety of customizable assets for our franchisees, but we can't anticipate every need. If a new need arises and is scalable across a sufficient number of our franchisees, we will look to solve it on an institutional level. ■

CMO roundtable:

"How can marketing help increase the brand's speed of communication, response, and growth?"

Sara Costello
Senior Director, Marketing
Sylvan Learning

In the world of a franchisee, things are always moving at the speed of light, yet sometimes even the most crucial activities—like following up with customer leads from a website—can fall by the wayside. Or, expectations from the customer standpoint change. Who doesn't expect an almost immediate reply when they send an email or submit a request for more information? With the bar set for high and fast (and getting higher and faster), we have to stop and look around for solutions; not things to slow down our customer, but ways that we can respond quickly and effectively without staying glued to our machines 24/7.

In our organization, when it comes to outreach to potential customers on our website, we have embraced the "faster is better" mantra. Within appropriate business hours, we partner with a team that receives our leads in real-time and reaches out to them. This systematic solution allows us to "right apply" our resources: resource-constrained franchisees and center teams use the solution to get them in contact with the most interested customers right away, without spending their precious time phoning everyone over and over, or losing track of who they have and have not been able to call or reach.

Another solution that helps our center teams keep in touch with customers in a high-quality, consistent way is the automatic follow-up they can trigger using their CRM tool, which is integrated with an enterprise-wide campaigning solution. Center teams have great conversations with customers, and know that once they enter data in the CRM, their customer is going to quickly get the communication they need to feel informed and connected. Again, people can focus on people, and are supported by smart, technology-enabled solutions.

The net result has been an increase in the conversion of web leads into paying customers and brand advocates. It's enabled learning center teams to do what they do best: serve more students and families in their communities. We've taken the speedy road to the win, using technology, integration, and people for their best purposes.

Paul M. Macaluso
Chief Marketing Officer
Moe's Southwest Grill

One of the most exciting and satisfying parts of marketing is the ability to unlock and activate on a consumer need. To see business results jump because of a smart and well-designed campaign is truly exhilarating. Innovative and high-functioning marketing departments can not only help, but should lead the brand's speed of communication, response, and growth.

First and foremost, the marketing department should be the champion of the consumer within a brand. Other departments will champion operations or financial results, but it is marketing's role to be constantly thinking of the consumer, of ways to increase the brand's relevance with them and continue to meet their evolving needs.

One of the best ways to increase the brand's speed of response is through social media. Because we emphasize being transparent and responsive, and staff our resources accordingly, we have been able to quickly and meaningfully engage with our customers. One example that immediately comes to mind is Taco Stacks, one of our new product launches.

We launched Taco Stacks in August 2011, as a four-month LTO. Quickly following the end of the promotion, some of our customers started a petition on Facebook to "Bring Back the Stacks." These were real fans who fell in love with Taco Stacks and were trying to get fellow customers' support—and our attention—to bring them back.

Within 48 hours, we connected with our internal and franchisee constituencies and decided to give these fans a target. If they reached 100,000 "likes" on their Facebook petition, we would bring back the Stacks. We ended up relaunching the Taco Stacks in October 2012 as a permanent menu item, and we even gave those fans credit in our messaging.

In terms of being proactive in this area, the marketing department should be deeply connected to insights on its target consumer and competitive set. Our department is constantly sharing industry articles, insight reports, and taking advantage of training seminars provided by our larger business partners.

I also take the marketing department out for lunch once a month at a competitor's location. The entire department is required to follow up by answering three questions: 1) What do you think the brand was really great at? 2) What do you think they intentionally decided to be bad at? 3) Are there any lessons, implications, marketing ideas, etc. that we can benefit from?

Overall, through being responsive to real-time feedback from your customers and discussing insights and competitive trends, all in context of your brand's positioning, your marketing department can lead the brand's speed of communication, response, and growth. ■

Easy. Online. SurePayroll for Franchises.

One Easy Payroll Solution.

Easy Franchise Management Portal. One secure login provides instant online access to manage payroll for all franchises.

Affordable Billing. Monthly subscription rate – billed either monthly, covering all franchises or per franchise.

Free Enrollment. Enrollment is easy, nothing to install and no major implementation. Just click from one business payroll to another.

Scan QR Code or Call Today!
877-954-7873

www.surepayroll.com/franchisor

SUREPAYROLL
A Paychex® Company

Whether its for a couple of franchises in neighboring towns or 200 across 10 states, SurePayroll has one easy payroll solution. Easy Online SurePayroll for Franchises pays your employees and automatically pays and files federal, state and local payroll taxes. Backed by 40 years of experience, SurePayroll's award-winning payroll specialists are available to help 6 days a week via phone, email and online chat.

BY JENNIFER KUSHELL

Empowering Millennials

How to build a "Next Gen" strategy

You've heard the buzz. You know they're out there. But are you still scratching your head trying to figure out what to do about Millennials?

Accept them or not, they are here to stay. They're entering the workforce in record numbers, taking their first jobs with your companies, rising up through your leadership tracks, looking at your franchise opportunities as investments, and becoming some of the fastest-growing multi-unit owners in franchising.

Truth be told, they're even launching competitive businesses—often because they don't feel like they can grow fast enough in other companies. That should make you wonder: What messages are *you* sending them?

With a passive approach, you will inevitably experience Millennials and their impact. But if you see all of their potential (and yes, challenges) and instead want to harness this enormous pool of talent, nurture it, and lay a solid groundwork for the future success of your business, the time is now to start building a strategy that speaks to them.

I've been building programs and campaigns to reach Next Gen consumers and employees for some of the biggest companies in the world for two decades. Having also been raised in the franchise business, I've been thinking about the impact of this generation on the industry for a long time. Here are a few critical steps to start sketching out a Millennials strategy for your franchise.

1. Assess the scope of impact. Determine how the Next Gen most significantly affects your business—in segments (consumers, vendors, competitors, employees, industry influencers, etc.). Is the standard messaging you're sending out to each segment as relevant as it could be to this audience? Is it connecting with them? Moving them? Inspiring them to act and support you and your business?

2. Identify the Next Gen leaders in and around your company. Learn about them, study them, meet them. Try to understand what they're doing differently. What are the keys to *their* success? Keep an open mind about what you might find, or what norms they might be challenging. Odds are, they're employing different tactics, tools, and strategies than you are. If they're achieving different or better results, it's probably worth considering some changes yourself.

3. Create a Next Gen council, advisory, or affinity group in your company. When surveyed throughout the world, young leaders, more than anything, want a *voice*, a seat at the table, an opportunity to make an impact. Give them that chance and you'll be rewarded with greater loyalty, commitment, and fresh new ideas—and the gatekeepers will help you find the keys to reaching their peers.

4. Inspire and empower them. Give your younger employees and leaders, even franchisees, problems to solve. Think about your biggest challenges and ambitions and encourage them to work on solutions and strategies. Acknowledge them when they do. Be careful to clearly articulate *what* you expect them to achieve, but don't force the *how*. Coaching and mentoring are critical for Millennials, but they need room to do things their way, which is often different than yours. Try to keep an open mind. If you encounter any issues of entitlement or arrogance, give them very ambitious goals. If they fail, they'll be humbled and you can work closely to build them back up, using your tried-and-true processes. If they succeed, you've found your high potentials.

5. Look to them for innovation. Be open to the idea that your youngest employees or franchisees or customers might improve your processes. Millennials are multi-taskers who get bored easily. One of the by-products, when channeled, is that they find more efficient ways to get the same or better results, often in less time—like getting up-to-the minute sales reports or in-store security camera images sent to their iPhones for real-time reporting, or text ordering products or services. Strange as they may sound, give them some room to play with new approaches. They could be the best R&D team you've ever had.

6. Build a campaign. Long-term strategies are important, but when you're still testing the waters with this generation, try to think in terms of short-term, quick-burst, high-engagement initiatives that speak directly to them. Consider a 4- or 6-month program as a pilot. You'll build more excitement among your team, the pressure will keep people on their toes, your investment will be lower, and you'll quickly see evidence of what works and what doesn't. Then you can regroup and put more time and energy into doing it better next time. If you're unsure about what to do, bring in an expert. A marketing or PR consultant with a young staff, or a part of this demographic themselves, will no doubt have lots of ideas and insights. The right team can even help you execute the program, maybe even make it turnkey.

The beauty of these solutions and the myriad of others that can effectively help you reach and retain this generation is that you can choose what works for you, customize it, and implement it at your own pace. But don't wait too long. Once most companies start to build programs like these and see the results, they'll wonder why they hadn't started years earlier. ■

Jennifer Kushell *is the founder of Young & Successful Media, YSN.com, and is author of the New York Times best-seller, "Secrets of the Young & Successful." A globally recognized thought leader on the next generation workforce, she speaks around the world and helps organizations and governments inspire and leverage young talent. Contact her at customerservice@ysn.com or 310-822-0261.*

Franchise Solutions
We Empower Opportunity
4
Is lead generation really about leads, or is it about SALES? Pick your preferred lead generation program and come Grow with Us YOUR Way!
ways to get leads
contact us online:
franchisesolutions.com/about_us.cfm
Quick Connect
Got Mobile? Our newest program - prospects text their information directly to your phone allowing you to make immediate sales connections.
QuickConnect
Flat fee
Our signature program, pioneered beginning in 1996. Pay a flat monthly fee for an unlimited number of leads.
Quick Connect
Flat Fee
Pay Per Click
Pay Per Lead
Lowering Your Cost-Per-Sale for Over 20 Years
Pay per Click
The future is here. Drive traffic directly to your website. Watch as referred visitors submit inquiries on your site and become quality leads.
Pay Per Lead
Have it your way. Manage your budget on a fixed cost per lead for desired quantity of leads.
GROW WITH US. YOUR WAY.
866.854.3771
info@franchisesolutions.com

A NOSE FOR FINANCING
Whether you are a single or multi-unit operator aspiring to expand and take your concept to the next level, Business Financial Services can assist you. As the direct funding source, we offer financing programs that are customized to fit your financial goals.
USE THE CAPITAL FOR ANY BUSINESS EXPENSE:
RENOVATION, REMODELING OR EXPANSION
EQUIPMENT OR TECHNOLOGY UPGRADES
INVENTORY, ADVERTISING, OR REBRANDING
"Quinn"
BUSINESS FINANCIAL SERVICES
BBB ACCREDITED BUSINESS A+
IFA
Scott Kantor
(866) 322-6450 - 24/7
www.bfsfranchise.com

Consumer data

BY TOM EPSTEIN

2012 Sales Performance Review

Slow, steady sales growth predicted for 2013

Each year at Franchise Payments Network (FPN), we look at sales trends in the franchise space. While not encompassing all of franchising, FPN does have real data on our 140-plus franchise system clients. This provides us with a pretty good snapshot of trends in franchising and the economy in general.

Baseline retail sales grew between 4.7% and 5.2% in 2012, depending on who you ask. By all accounts, however, the 2012 holiday season was lackluster, with only a 0.5% increase over 2011—the worst showing since 2008.

Looking at 2012 as whole, it is my opinion that the presidential election cycle was a huge factor in how the year played out. Looking at our customers and comparing same-store sales year over year, 2012 began very well with some extremely strong sales growth in the first quarter. As we moved closer to the election in the second and third quarters, things slowed quite a bit, with most people delaying certain decisions until they knew who would win the November election.

The 2012 holiday sales season also showed some strong sales results early with the Thanksgiving sales weekend. Again, I think the election played a very large role in this. No matter who their candidate was, everyone now knew the results and what direction the country likely would move in for the foreseeable future. But then all the talk of the fiscal cliff and potential new taxes in 2013 dampened this a bit as we ended the year.

Let's look as some of the segments in the franchise space, and how they performed in 2012:

Sector	2012
Restaurant	+7%
Dessert	+28%
QSR	+16%
Home Healthcare	+ 5%
Services	+9%
Salons	Flat

The great news here is that, for the first time in quite a while, *none* of the segments we looked at showed a negative number for the year. QSR was the percentage growth leader, driven by the dessert segment (which we broke out into its own category). The dessert space was also the leader in both the number and the percentage of new units opened in 2012. Salons (which includes hair salons, tanning, spa, and massage) lagged the pack, but the good news here is that a flat year actually represented a nice comeback. I would look for this category to grow in 2013.

With all the options for cloud-based POS systems, loyalty programs that build the brand and drive sales, and the growth of mobile payments, franchise systems that adopt early will be the sales winners in next year's update.

Transactions on general purpose cards issued in the U.S. totaled $23.96 billion in 2012, up 8.7% from 2011. The average dollar amount of a purchase was $92.86, down 0.3% from 2011. At year-end, there were 536.6 million cards in circulation, up 3.4% from 2011; however, the outstanding balances on those accounts totaled $714.19 billion, up only 0.01% from 2011.

One could argue that issuers are finally showing signs of being more willing to extend new credit card accounts to consumers, and that those consumers are still being a bit more responsible in handling those accounts than in previous years. This should equate to another year of slow, steady growth in sales at the POS for franchises.

Mobile will continue to drive most of the growth this year, and beyond:

- global mobile payments will reach $1.3 trillion by 2017;
- by 2017, more than 30% of all e-commerce transactions will be done through a handheld mobile device; and
- 1 in 3 consumer brands surveyed said they would incorporate payments into their branded mobile apps by 2015.

Technology will continue to drive brand and consumer behavior in 2013. In many areas, franchising is leading the way as brands push out new loyalty programs and mobile apps to their customers. With all the options for cloud-based POS systems, loyalty programs that build the brand and drive sales, and the growth of mobile payments, franchise systems that adopt early will be the sales winners in next year's update. ■

Tom Epstein is CEO and founder of Franchise Payments Network, an electronic payments processing company dedicated to helping franchisors and their franchisees improve system performance, increase revenue, and reduce expenses. Contact him at tomepstein@franchisepayments.net or 866-420-4613 x1103.

OVER 30 Franchisor Marketing Execs Share Success Secrets!

3rd Annual

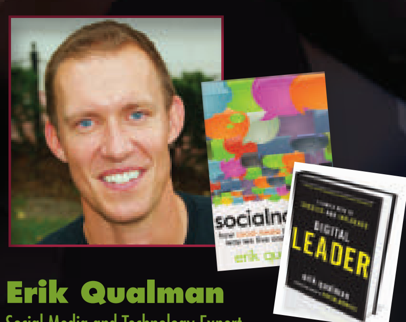
2013 Franchise CONSUMER MARKETING CONFERENCE

June 25-26 2013 | Atlanta, GA

Own your audience

Where Old School Marketing Ignites New School Technology

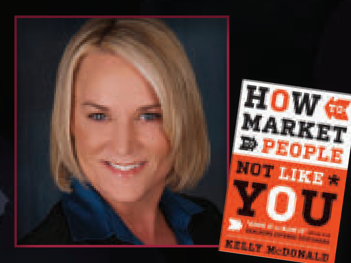
KEYNOTE SPEAKERS



Erik Qualman

Social Media and Technology Expert

Author of Amazon's #1 Best Selling "*Socialnomics*" and "*Digital Leader*" – which helped earn him the selection as the 2nd "Most Likeable Author in the World."



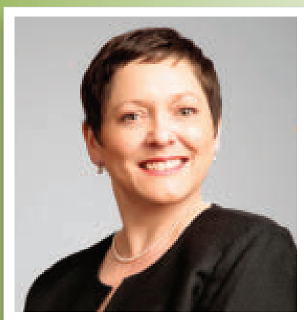
Kelly McDonald

Nationally recognized, Multicultural Marketing and Business Trends Expert. Author of *"How to Market to People Not Like You: "Know It or Blow It."*

"If more companies adopted the strategies from this conference, the U.S. economy would show improvement."

Adam Gray, *Director of Marketing*, American Leak Detection

EXPERIENCE
EXPLOSIVE MARKETING!



Wendy Odell Magus
Conference Chair
Vice President of Marketing,
Kiddie Academy

Welcome franchise colleagues. We're heating things up at the Franchise Consumer Marketing Conference in Atlanta this June, fanning the flame for all the million dollar ideas generated at this high powered event. We've broadened our advisory board, expanded our content and focus, and engaged a diversity of experts to share their knowledge and experience.

We are on track to continue doubling participation to 200+ brands, driven by word of mouth marketing by attendees who are sharing news about their powerful experiences at this exclusive conference.

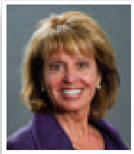
My goal as conference chair is to ensure that CEOs, presidents and marketing executives take home actionable initiatives, as well as new, meaningful relationships with other marketing professionals and suppliers. This very unique forum offers opportunities for informative conversations and networking with franchise marketing professionals on a personal level.

Our theme, "Own Your Audience," is all about understanding and engaging your customer—whether that's your end user or your internal audiences of franchisees and front line employees. Our keynotes will dig deep on the topic of understanding your target audience, and our breakout sessions will cover everything from Relationship Management, Marketing Execution, Brand Development and Rejuvenation, as well has strategies for garnering franchisee buy-in and participation. We'll tackle the mission of truly understanding and owning your audience, and how it will help develop compelling messaging that gains and retains customers you seek.

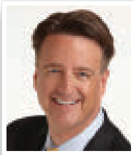
So mark your calendar, gather your marketing team, enlist the participation of your favorite marketing peers and join us for the 2013 Franchise Consumer Marketing Conference. You will learn. You will grow. You will connect. **You will have fun!**

Wendy

2013 POWER BOARD

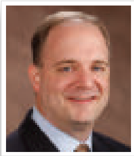


Susan Boresow
CMO
Massage Envy



David Buckley
CMO
Sears Hometown Stores

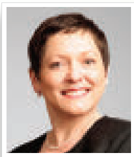
Sara Costello
Senior Director, Marketing
Sylvan Learning, Inc.



John Dillon
VP Brand Marketing & Product Innovation
Denny's

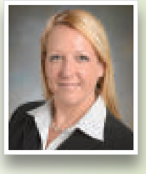
Rich Hope
CMO
Jersey Mike's

Paul Macaluso
VP of Marketing
Moe's Southwest Grill



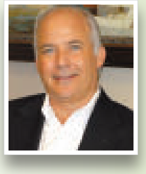
Wendy Odell Magus
CFE, VP of Marketing
Kiddie Academy

Terry Miller
VP of Marketing & Communications
Great Clips

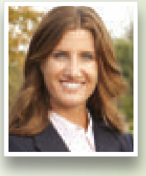


Heather Neary
CMO
Auntie Anne's

Jayson Pearl
Chief Brand Officer
BrightStar Care

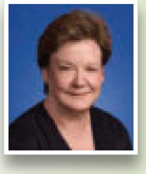


Jeff Rinke
VP of Marketing
Hungry Howie's

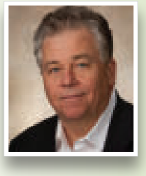


Meg Roberts
President
Molly Maid

Linda Shaub
Senior VP Marketing
Interim Health Care



Terri Snyder
Executive VP & CMO
Checkers Drive-In Restaurant, Inc.



Ed Waller
Co-Founder
CertaPro

"Great chance to meet exactly the people you need to meet."
Melinda Caughill, *Chief Marketing Officer*, Third Person

THANK YOU SPONSORS

PLATINUM SPONSORS

ISEARCHMEDIA

SATMETRIX
THE NET PROMOTER COMPANY

DINNER SPONSOR

MasterCard Advisors™

GOLD SPONSORS

aviatech® Integrated Marketing Solution

KONNECT PUBLIC RELATIONS media interaction at its best

sprout loud

yext®

SILVER SPONSORS

AccuData Integrated Marketing
AllPro Direct Marketing
Bluewater
CallSource
CityTwist
Clayton Kendall Inc.
Consolidated Graphics
Constant Contact
EdgeCore
Fish Consulting
Franchise Payments Network
FranConnect
Greenbaum Marketing Communications
Higher Visibility
Hot Dish Advertising
IMN
Listen360
Location3 Media
Maple Farm Media
MarcomCentral
Patriot Creative Group
People To My Site
Precision Services Group
Preferred Marketing Solutions
Process Peak LLC
Qiigo
re:group inc.
ReachLocal Inc.
Silvercrest Advertising
Stark Logic
WebbMason
Where 2 Get It Inc.
Yodle

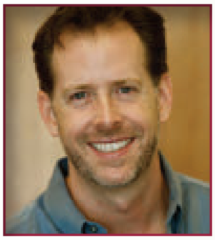
BRONZE SPONSORS

Calabrand Marketing
Fishman Public Relations
GetOne Rewards
QuantumDigital, Inc.
Sanderson & Associates
St. Jacques Marketing

*At press time

POWER SPEAKERS

BOOTCAMP LEADERS



Program Leader:
John Moore,
Branding Expert and Marketing Mastermind
From Starbucks and Whole Foods

Program Leader:
Edward Waller,
Co Founder, CertaPro

CONFERENCE SPEAKERS

Ryan Aschauer, *VP Marketing,* Floor Coverings International

Steve Baxter, *SVP,* Worldwide Sales, Satmetrix

Susan Boresow, *CMO,* Massage Envy Spas

Clarissa Bradstock, *COO,* Any Lab Test Now

David Buckley, *CMO,* Sears Retail Franchises and Hometown Stores

Art Coley, *President,* AlphaGraphics

Sara Costello, *Senior Director Marketing,* Sylvan Learning, Inc.

Erin Crawford, *VP Marketing,* United Franchise Group

John Dillon, *Vice President of Brand Marketing & Product Development,* Denny's

Rich Hope, *CMO,* Jersey Mike's

Chris Jackson, *Marketing Director,* College Hunks Hauling Junk

Derek Jones, *VP Marketing,* Griswold Home Care

Hoyt Jones, *President,* Jersey Mike's

Russ Klein, *CMO,* Arby's

Marci Kleinsasser, *Marketing Director,* Handyman Connection

Annica Kreider, *VP Brand Development,* Mellow Mushroom

Paul Macaluso, *CMO,* Moe's Southwest Grill

Gillian Maffeo, *Marketing Director,* Jake's Wayback Burgers

Mike Manzo, *Chief Operating Officer,* Jersey Mike's

Brian Mattingly, *CEO,* Welcome Mat Services

Mary Mills, *Corporate Marketing Director,* Signarama

Marianne Murphy, *VP Operations,* Floor Coverings International

Heather Neary, *CMO,* Auntie Anne's

Joe Neely, *CEO,* Any Lab Test Now

Wendy Odel Magus, *VP Marketing,* Kiddie Academy

Jayson Pearl, *Chief Brand Officer,* BrightStar Care

Scott Rayden, *Founder & President,* iSearch Media, Inc.

Peter Riggs, *VP Brand Development,* Pita Pit USA

Jeff Rinke, *VP Marketing,* Hungry Howie's Pizza

Meg Roberts, *President,* Molly Maid

Kimberly Russell, *Director of Field Marketing,* Massage Envy Spas

Tom Scalese, *Senior VP Marketing,* East Coast Wings

Scott Scherer, *CIO,* Jersey Mike's

Linda Shaub, *Senior VP Marketing,* Interim Health Care

Omar Soliman, *CEO,* College Hunks Hauling Junk

J.J. Sorrenti, *President,* Safeguard Business Systems

Melinda Stewart, *Marketing Director,* Molly Maid

John Teza, *CEO,* Jersey Mike's

Ed Waller, *Co-Founder,* CertaPro Painters

Paul Wolbert, *Vice President,* U.S. Lawns

*At press time

"Plan on working at this conference."
Rich Hope, *Marketing Director*, Jersey Mike's

AGENDA
TUESDAY, JUNE 25

7:00AM
REGISTRATION DESK OPEN

8:00AM - 12:00PM
Boot Camp 1 - Sparking, Spreading, and Sustaining the Online Conversation

Featuring lessons you can start building on today, John Moore will take you step by step through lessons we have learned on how to inspire excitement and engage the customers and other stakeholders who will advocate for you. John Moore is a true marketing expert. Intimately involved with Starbucks' epic growth to a global iconic brand, Moore has helped transform the way businesses look at marketing and branding. His first book, Tribal Knowledge, shares actionable insights into how a business can follow the Starbucks blueprint to building an endearing and enduring business. Moore continued his out-of-the-box marketing mastery as the director of national marketing for Whole Foods Market. For years, John Moore led Brand Autopsy, a marketing firm that consulted with businesses aspiring to become a beloved brand. USA Today, Best Buy, Kraft, Little Caesars, Procter & Gamble, Oakley and the Word of Mouth Marketing Association all benefitted from Moore's marketing expertise. Today, Moore is the Chief Operating Officer at Brains on Fire, a boutique marketing agency known for creating word of mouth marketing movements. His newest book, The Passion Conversation: Understanding, Sparking, Sustaining Word of Mouth Marketing will be published in September 2013 by Wiley.

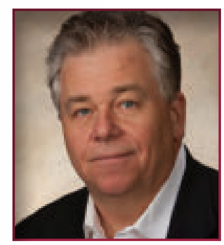
Program Leader: John Moore, *Branding Expert and Marketing Mastermind* From Starbucks and Whole Foods

8:00AM - 12:00PM
Boot Camp 2 - Own Your Audience

- Identify Your Audience
- Create the Experience
- Deliver the Experience
- Measure the Experience

In today's market we must deliver a personal brand experience to each customer we choose to serve. First and foremost, we most determine who your customers are … and are not! Targeting the right age groups, demographics, lifestyles, family structures, psychographics, ethnicities, and other essential criteria can make the difference between mediocre and extraordinary customer generation. From creative execution, to development of rich content, to managing media budgets, merging customer knowledge and insight into the core processes of the company is the call of your brand's future. In this drill-down session franchise marketing leaders address the four benchmarks for building villages of sustainable brand fans. Get ready for this highly interactive workshop event!

Program Leader:
Edward Waller, *Co Founder,* CertaPro



12:00PM - 1:30PM
Lunch in Sponsor Networking Gallery *– Exhibits Open*

1:30PM - 2:30PM
OPENING WELCOME
Steve Olson, *President*, Franchise Update Media Group

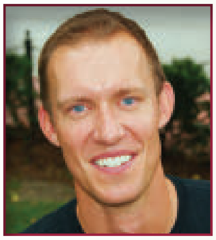
2013 Marketing Intelligence Report – Steve Olson, *President*, Franchise Update Media Group

Introduction By Conference Chair – Wendy Odell Magus, *VP of Marketing*, Kiddie Academy

State of Franchising – Darrell Johnson, *President*, FRANdata

2:30PM - 3:15PM

OPENING KEYNOTE



Erik Qualman, Social media and Technology Expert. Author of Amazon Best Seller, "Socialnomics" and his new release "Digital Leader."

Erik produced "Social Media Revolution" the most watched social media video series in the world, which has been used by NASA to the National Guard. Fast Company Magazine listed him as a Top 100 Digital Influencer. Qualman is an MBA Professor and for the past 18 years has helped grow the digital capabilities of many companies including Cadillac, EarthLink, EF Education, Yahoo, Travelzoo and AT&T.

3:30PM - 4:30PM

CONCURRENT BREAKOUT SESSIONS

TRACK 1: Customer Relationship Management:
Tools and Strategies to Acquire and Retain Customers - Brace yourself, because customer satisfaction is not a predictor of loyalty. Learn the "Ultimate Question," how to identify your "Net Promoter Score," and recruit customers through programs and techniques that attract and engage consumers that refer more customers your way.

TRACK 2: Franchisee Buy-In, Delivery & Results:
Empowering Franchisees to Spice Up Their Marketing Mix – Creativity is a good thing, and franchisees who live in their business every day can have some of the best ideas. Learn how you can empower franchisees to test and prove innovative local marketing strategies while still protecting your brand. Hear about the risks and rewards of letting your franchisees pepper their local marketing plan with hyper local tactics. We'll share some case studies about locally tested tactics that grew to become a national strategy. Speakers will also answer questions about how to structure marketing pilots, measure results and scale good ideas.

TRACK 3: Marketing Execution Strategy:
Harnessing and Measuring Your World of Mouth - Your customers are talking. Now you need to know who is saying what and to whom. Learn about tools that can give you visibility into your world of mouth. Take away some ideas for determining what motivates your customers to share their experiences. Hear best practices on how to address negative world of mouth and amplify positive voices.

TRACK 4: Brand Development & Rejuvenation:
Brand Development & Rejuvenation: CMO 2013: Transformational Change Agent - Today CMOs arguably face the greatest challenge of any position within the franchise hierarchy. Never has the impact of rapid fire technology, social frenzy, tight economy, new buyer intelligence, world of mouth, reputation management, and cause culture been so overwhelming, yet so exciting for the future prospects of building great brands. What does it take to seize and capitalize on these historic opportunities without drowning in a sea of confusion? Hold on to your seats for this session!

4:40PM - 5:30PM

BRAND BUILDING FROM ALL SIDES THE POWER OF TEAM CULTURES

The tight race for franchise performance has spawned a new organizational mindset, driven by a holistic approach to growth. Departmental silos are transitioning to system-wide collaboration, as more franchise systems require participation, inclusion and accountability from all disciplines, with each player contributing to the successful health of the brand. "Separation of state" and "we versus them" won't work in today's market. Experience the true power of cultural unity, as we spotlight a winning franchise team of executives that share their playbook strategy in a session that can't be missed!

5:30PM - 7:30PM

Welcome Reception in Sponsor Networking Gallery *– Exhibit Opens*

"Learn from some great experts."
Linda Shaub, *Vice President of Marketing,* Interim Health Care

AGENDA
WEDNESDAY, JUNE 26

7:30AM
BREAKFAST CALL IN SPONSOR NETWORKING GALLERY *– Exhibits Open*

9:00AM - 10:00AM
Conference Chair, Wendy Odell Magus

KEYNOTE

Keynote Speaker, Kelly McDonald
Renowned multicultural marketing and business trends expert, Kelley authored How to Market to People Not Like You: Know it or Blow It Rules for Reaching Diverse Customers, named a top business book of 2011 by Inc. magazine and Forbes. McDonald's second book, Crafting the Customer Service Experience for People Not Like You shows how brands struggling to differentiate themselves can foster long-term loyalty and brand preference. Her company has been named among the top ad agencies in the US by Advertising Age.

10:10AM - 11:00AM
CONCURRENT BREAKOUT SESSIONS

TRACK 1: Customer Relationship Management:
Customer Diversity: Growing Brand Fans Through Dynamic Messaging – Are you creating a brand connection with target customer groups that pledge allegiance to your product or service? Speaking the language of your audiences triggers growth and sustainability. What strategies, tools and intelligence are available to optimize relationships with prime and secondary customer pools? Find out from our panel of pros.

TRACK 2: Franchisee Buy-In, Delivery & Results:
Communicate, Execute & Measure Effective Marketing Strategies – More than ever, it takes the inclusion of your marketing, operations, technology, ad agency, PR and other resource partners to build a winning marketing program. Engineering a fully integrated program is no easy task. Discover how your peers are making it happen.

TRACK 3: Marketing Execution Strategy:
Leveraging "Old School" Media Power: Print, Broadcast and Outdoor– Today's traditional marketing programs continue as dominate players for brand growth … TV, radio, outdoor media, public relations direct mail, newspapers, magazines consumer shows and more. The selection, direction, and execution strategies can make or break campaigns. What are best practices to ensure successful media matches and mixes?

TRACK 4: Brand Development & Rejuvenation:
Leveraging Your Brand Assets from Ordinary to Extraordinary - High profile partner marketing programs can become an integral part of your marketing strategy and provide remarkable value to your overall brand and organization. Whether its additional marketing support, differentiating yourself in critical growth periods, counter competitive initiatives, elevating brand awareness or generating traffic – partnering strategies are powerful. Learning to recognize these areas of opportunities and the needs of other brands, you can leverage your brand assets in ways you never imagined.

11:10AM - 12:00PM
CONCURRENT BREAKOUT SESSIONS

TRACK 1: Customer Relationship Management:
"Health & Fitness" Tips for Your Brand Reputation – Every brand requires a strategic and tactical approach to protect their brand integrity in our unfiltered digital and broadcast world. Learn methods and guidelines franchisors use for monitoring their brand representation, especially within online communities.

TRACK 2: Franchisee Buy-In, Delivery & Results:
Marketing Automation: Making It Work for Franchise Networks – Marketing technologies have empowered franchisees to build, monetize and evaluate local ad campaigns from their own personal dashboards. Whether executed at the corporate or franchisee level, our session panelists will share their local successes and challenges to capitalize on this digital marketing platform

TRACK 3: Marketing Execution Strategy:
Making Mobile Mainstream: Capturing Customers On the Go – Evaluating the exploding opportunities of mobile technologies and their applications to driving customer acquisition, frequency, sales and retention.

TRACK 4: Brand Development & Rejuvenation:
Rethink. Refresh. Rebrand! – Franchise organizations are evolving entities living through changing economic, social and generational eras. As franchisors we must protect our brand essence, adapt and respond to life cycles by continually challenging ourselves with foresight and planning. All of us have witnessed destruction when brands lost their relevancy. Our session leaders will focus on ways to keep your brand healthy, wealthy and ahead of the curve.

12:00PM - 1:45PM
LUNCH IN SPONSOR NETWORKING GALLERY– *Exhibits Open*

1:45PM - 3:00PM
BUSINESS SOLUTION ROUNDTABLES
Interactive session with franchising's premier product & service sponsors

3:10PM - 4:00PM
CONCURRENT BREAKOUT SESSIONS

TRACK 1: Customer Relationship Management:
Brand Delivery: Ensuring Customer Satisfaction and Loyalty – Implementing customer care strategies and practices makes the difference between capturing or churning great customers. Panelists will address how they monitor, evaluate and work with problematic operators to implement corrective solutions.

TRACK 2: Franchisee Buy-In, Delivery & Results:
Best Practices: Administering the National Advertising Fund – What role do your franchisees play in your national ad fund, and how can you utilize their strengths – and at the same time, overcome their objections without straining relationships? What's the process for launching and promoting your plan and how do you engage your operations team in the process? How do you measure success?

TRACK 3: Marketing Execution Strategy:
Effective Local Marketing Programs That Fit Your Budget – See how brands are helping their franchisees squeeze their ad dollars to gain customers through e-newsletters, special events and promotions, grass roots marketing, community involvement, charities and other avenues.

TRACK 4: Brand Development & Rejuvenation:
Developing Your Front-Line Brand Champions – Discover ways to win over franchisee and employee participation that build customer satisfaction and loyalty, while minimizing the disruption that comes with disengaged, unmotivated personnel.

4:00PM - 5:00PM
MILLION DOLLAR MINDSHARE – REAP PROFITS FROM MARKETING'S BEST AND BRIGHTEST

Back by overwhelming demand, it's time to reap rewards for your gifted intelligence in this highly interactive, mind-bending event.

6:00PM - 8:00PM
CLOSING DINNER

Marketing Magic Mania
Get your creative juices flowing for another classic performance at our grand finale reception.

"Bring a large notebook. Tons of information!"
Katie Anderson, *Director of Marketing*, Orange Leaf Frozen Yogurt

REGISTER | VENUE

SPECIAL ROOM RATE – $189 per night

Book early! A limited block of rooms has been reserved for attendees at these rates until May 31, 2013. To obtain the group rate of $189, indicate you are attending the Franchise Consumer Marketing Conference (FUMG2013) when making your reservation by calling (800) 826-0708.

Or book your reservation online at:
ritzcarlton.com/en/Properties/Buckhead
using the online booking code: **FUMFUMA**.

The Ritz-Carlton, Buckhead
3434 Peachtree Road, N.E.
Atlanta, Georgia 30326 USA
(800) 826-0708 - Reservations

THE RITZ-CARLTON®

REGISTRATION RATES include all sessions, keynotes, networking area access, breakfast, lunch, and cocktail receptions

Early Bird Rate (exp. 4/30/2013)	Regular Rate
$895	$995

Only franchisors are eligible to register for this conference. If you are a supplier interested in sponsoring this event, please call 800-289-4232. Ext. 202.

REGISTER ONLINE AT:

franchiseconsumermarketing.com

Refund and Substitution Policy:
Please provide cancellations to Franchise Update Media Group in writing by May 17, 2013. Your registration fee will be refunded, less a $100 processing fee. After May 17, 2013, no refunds or credits will be issued. Substitutions may be made at any time.

Group discounts ARE available.
Call (408) 997- 7795 ext. 216

CFE
Attendees Receive
300 CFE Credits

Connecting with customers

BY JACK MACKEY

Old Brand Learns New Tricks

Marketing a mature brand to Millennials

How do you keep a 75-year-old brand relevant?

There is no single answer to that question. But Krispy Kreme's CMO, Dwayne Chambers, brought a number of insights (as well as dozens and dozens of free donuts) to a recent meeting of retailers interested in connecting with Millennials.

With the audience on a suitable sugar high, Chambers started by offering that the Krispy Kreme purpose is "to touch and enhance lives through the joy that is Krispy Kreme." The purpose is deliberately not around selling more donuts—lots of companies can do that. Not every company can bring customers joy!

Not every company can grow with no paid advertising either. But Krispy Kreme has—for more than 15 quarters now. They focus on customer experience, local marketing, and social media, with 4.6 million Facebook "likes."

To be relevant today means engaging Millennials without alienating core Boomer and Gen X customers. For Krispy Kreme, the path to that engagement is "to build positive, meaningful, long-term relationships by making emotional connections with our team members, guests, and communities." That really begins with team members.

Example: Chambers was visiting a Krispy Kreme where he was unrecognized; the front-line team members had no idea he was the CMO. A friendly lady behind the counter greeted him, "How are you today?" To which he replied, "Oh, I'm all right." To which she replied, "Well sir, step up here and let me make you great!" Culture like that creates a rewarding customer experience.

And that fits nicely into the overall appeal of the brand: it's all about rewards. Office managers bring donuts to a business meeting as an unspoken reward for attendees showing up—and even getting there early (or at least before the donuts are gone). Parents take their kids out for Krispy Kreme donuts on a weekend morning for a special treat, including free Krispy Kreme paper hats that kids of all ages love.

For years, Krispy Kreme has had a tradition of flipping on their iconic Hot Light, but only when the donuts are freshly made and rolling down the line. Chambers describes this as "donut theater." That's also when the addictive smell and taste of the donuts is at its most potent for Krispy Kreme's cult-like followers. (Customers camp out overnight for new store openings.)

Whenever the Hot Light comes on, people spontaneously turn their cars around to make an impulse buy—while they still have the chance.

Now there's an app for that. Three hundred thousand people have downloaded the brand's Hot Light Online app. It shows every U.S. location with freshly baked donuts right at that moment, enabling Krispy Kreme fans to receive alerts whenever their favorite locations flip on the Hot Light.

In another example of bringing the past into the present, Krispy Kreme celebrated its 75th birthday with a cross-country bus tour, traveling 50,000 miles to bring donuts to 500 locations in 37 states. The Krispy Kreme Cruiser was no ordinary bus. Chambers found a 1960 Flxible Starliner in storage (it was formerly the Ray Charles Orchestra bus) and restored and branded it. Customers could track the location of the bus—it even had its own website.

And wherever it arrived, the bus came bearing donuts, drawing crowds, and making personal connections while allowing guests to participate in creating a fun event. The tour also created opportunities for fans to take Krispy Kreme event photos and videos to share with their friends online. That's important, because both participating with brands and sharing with friends are high values in the Millennial culture.

Jeff Fromm, executive vice president of Barkley (Krispy Kreme's agency) and co-author of *Marketing to Millennials*, says that, in addition to offering customers functional and emotional benefits, brands that want to win the loyalty of Gen Y must offer participative benefits. They want to co-create your brand, in part, by what they share about your brand.

Perhaps you've heard the Millennials' marketing term: "shareworthy." Photos and other content that rank high in "shareworthiness" are those that make Millennials appear adventurous, connected, and cool to their friends.

That's why having shareworthy events—like overnight camp-outs at new store openings or spontaneous flash crowds showing up when the 1960s-vintage bus arrives with donuts—are good for marketing to the under-35 crowd. They'll tweet about the events and share photos. The same advantage comes from having a Hot Light app that can be shared by word of mouth, mouse, and thumb.

Fromm advises, "You have to embrace and understand technology to relate to Millennials, who happen to have the greatest spending power of any generation in history." Chambers concludes, "The key is to embrace Millennials in a way that is true to your brand and is authentically who you are." ■

SMG Chief Evangelist **Jack Mackey** *helps clients transform the customer experience. For a complimentary copy of "The Millennial Consumer: Debunking Stereotypes," go to www.smg.com/research.*

Grow

Franchise development intelligence

BY EDDY GOLDBERG

Variable Speed Transmission

Quick response followed by slow, steady diligence

Papa Murphy's Take 'N' Bake Pizza must be doing something right. In fact, the country's fifth-largest pizza chain is doing a *lot* of things right.

The Vancouver, Wash.-based pizza chain, with 1,350 units in 38 states, Canada, and Dubai, recently ranked first in two consumer surveys. Technomic's 2013 Consumer Restaurant Brand Metrics Report named Papa Murphy's the top chain overall among full-service and limited-service restaurants. Papa Murphy's also was ranked the #1 pizza chain in the 2013 Consumer Picks survey from *Nation's Restaurant News* and WD Partners. That follows previous awards, including Zagat's top-rated pizza chain in 2010, 2011, and 2012. The brand is doing something right with its franchisees as well, earning Franchise Business Review's Franchisee Satisfaction Award several years running.

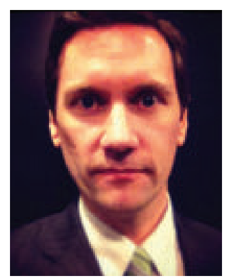
"Blame" this success partly on a franchise development process that starts with a speedy response, and then downshifts to a more measured pace for the due diligence phase. And today, the 32-year-old brand—which provides no seating and does no cooking in its stores—seems primed to expand further beyond its base in the Pacific Northwest.

The big three

Scott Mellon, vice president of franchise sales at Papa Murphy's, says there are three big things he looks at in the company's franchise sales process: 1) a quick response, 2) a face-to-face disclosure meeting, and 3) the due diligence phase.

1) Quick response. "When we're getting information in, we want to make sure we're reaching out to folks as quickly as possible," says Mellon. People complete an application for a wide variety of reasons, he says.

"Wherever they are in their life, it's a compelling enough reason for them to apply," he says. "It's important to have that conversation when they're in that frame of mind. We want to engage with them at that point—and that could change quickly. Or maybe they've filled out applications for three or four other concepts, and we want to be the first person to touch them."



Scott Mellon

An application triggers an automated email response, which is quickly followed by a phone call. If an application arrives after-hours or on a weekend, the call is made the next business day.

"Within 24 hours, we have an internal sales person on the phone with them," says Mellon. "They usually get a call back the same day. A lot of times the response is immediate." Sometimes that call arrives before the applicant has had a chance to check their email.

Evaluating the initial application—which is short and straightforward, making it easier for prospects to apply—takes just a few minutes. If the numbers look good, one of the two internal sales staff make the call. That first conversation includes determining what sparked their interest, defining the brand, setting expecta-

tions, financial capabilities, and laying out the next steps in the process. The team captures the prospect's information in Salesforce and uses it to track and manage the process from start to finish.

Including himself, Mellon's department has 10 people: one responsible for lead generation and lead development, 2 sales people in house, and 6 more in the field. The internal sales people are responsible for the front and back end of the process, and the field team meets with the candidate in the next step.

2) Meeting face to face. If the prospect meets the brand's initial qualifications, the in-house sales team sets up a face-to-face disclosure meeting for the candidate with one of the six field representatives the company has in the 38 states it operates in. "We want the process, as much as possible, to be face to face," says Mellon.

To speed the process and make it more personal, one of the field reps will travel to their market and meet with the candidate for an hour or two. "During the course of any given week, our field sales team will be out in those markets having those one-on-one meetings," says Mellon. The disclosure meeting goes through the FDD, lays out the rest of the evaluation process, the timing, and explores expectations on both sides.

If the disclosure meeting shows promise, the candidate leaves with a business plan template, a list of franchisees, and a set of disclosure documents. At that point, says Mellon, "We encourage them to put a business plan together and to talk to franchisees."

3) Due diligence. This is the longest part of the process, and allows both parties to fully evaluate one other throughout. At Papa Murphy's, due diligence includes not only encouraging candidates to speak with franchisees, but also to research third-party sources such as Franchise Business Review, Yelp, and Consumer Reports.

"I think it's good for them to look at not just the business side—what franchisees are saying, and at costs—but also what consumers are saying about the brand. Looking at some of those third-party sources is an important step in their evaluation," says Mellon. "We make sure we do a thorough due diligence process on our side, and we give them the tools to do the same thing."

At Papa Murphy's, the entire process, from initial contact to signing, takes about 4 months. That is on the higher side of closing periods: 14.3 percent of respondents reported their process took 25 weeks or more, according to Franchise Update Media Group's 2013 Annual Franchise Development Report. (See page 66 for AFDR data on average closing times.)

> "Most prospects have no idea what to expect. The more clarity you can give them, the more it takes the unknown out of the process for them."

Process, process, process

Throughout the sales process, it's critical to remember that franchise sales are different from other sales, says Mellon. Franchisees don't make an immediate purchase decision, and the business model and regulations in franchising are different from what most people are used to.

One of the most important factors in a successful franchise sales program, he says, is that the process is clearly defined, from the initial application to becoming a franchisee—and within that process, exactly what steps candidates will move through in the ensuing weeks and months.

"If you think about a franchise sales person or someone who's been in franchising a long time, it's second nature to them," he says. "You have to put yourself in the shoes of the new person looking at it."

During that first phone call from the in-house team, it's critical to lay out the entire process. "Most prospects have no idea what to expect or what to do. The more clarity you can give them, the more it takes the unknown out of the process for them," says Mellon. "For the first-time franchisee, it's always great to over-clarify, so they know the big picture and next steps."

Lenders in place

Papa Murphy's sets its financial criteria for candidates based on what its preferred lenders are seeking. With the question of what lenders need to know to fund deals already answered, he says, "If someone meets our financial criteria, they're qualified. That's another thing we provide in the process."

Papa Murphy's has someone dedicated to this all-important facet of franchise sales. "We'll put them in touch with the person in charge of franchise finance," says Mellon. That typically involves a 45- to 60-minute conversation to evaluate the candidate's financial position and goals, and to determine what type of funding to apply for. Preferred lenders include national banks, brokers, SBA lenders, and 401(k) rollover firms.

"It's a pretty broad list of folks we work with," says Mellon. "Companies that aren't doing this might be able to go out and get commitments for new stores, but without the funding piece, that commitment doesn't translate into stores."

Matching lender requirements with franchisees is a huge advantage in completing the process with a signed agreement that translates into new units. "Are we putting the right people forward, not only for our brand, but also for our lender relationships?" he asks.

Some of its preferred lenders are doing a lot of deals with the brand, he says, since the numbers are in their sweet spot. "If you're picking good candidates and your failure rate is low, those lenders will say yes."

Stick to the process

In some organizations, says Mellon, there's a lot of pressure to sell, especially for new and emerging brands eager to add units. "For us, it really is about making sure that we really feel comfortable with the candidate, and for them that it's a good fit," he says. "It's a little clichéd in that everybody says it, but we really do it. We make sure we're being very selective."

Sticking to the process and its requirements sometimes means pushing back on the sales team to focus on quality, not quantity, as borne out in the company's motto to its sales team: "Our franchising mission is to consistently generate a predictable pipeline of high-quality commitments that enables the execution of Papa Murphy's national growth

"If you're picking good candidates and your failure rate is low, those lenders will say yes."

strategy." In other words, says Mellon, the role of the franchising team at Papa Murphy's is to deliver commitments that turn into real new store openings down the road—and that fit in with the overall goals of the entire company.

"Franchising is not just on an island out there," he says. "The franchising side is the fuel for the growth of the brand and needs to fit in with the bigger-picture goals of the company. It's not just how many new stores you want to open, but where your best development and marketing support is around the country," he says.

"As we go through the process, we have *all* the departments go over it," he says. That includes operations, development, legal, and finance, among others. "It's built into our process for all to participate." No silos here.

One of the "big misses" for franchisors, especially smaller ones, says Mellon, is that they're often so desperate for new franchisees that they make exceptions to their process. That's why it's so important to set yearly growth goals in advance, and stick to them.

In a given year, says Mellon, the company identifies anywhere from 12 to 14 target markets that will support the company's growth plan. "That's an important thing to decide and define: where do you want to grow, and who with. Before we roll out the marketing, we take a step back," he says.

"If we're opening a new market, what does it take to get to a critical mass in as short a period as possible?" One way is to award franchises in markets where the company has the most robust infrastructure.

The company also looks at "right-sizing" deals with each candidate. Should it be one unit in 12 to 18 months? Twenty units in 6 to 7 years? The "fit" here depends on the goals and financial capabilities of each candidate or group, mapped against the company's growth goals.

One final twist

"We have an interesting step in our process that most franchisors don't use," says Mellon. After the agreement is signed, there's a 30-day window that includes five days in one of the brand's training stores. "We get to see them in action, in a store with an owner, and get feedback from the franchisee and the people in the store," says Mellon.

What's unique here, he says, is that during those 30 days, either party can opt out. If the franchisee goes through the in-store training and realizes it was not what they were expecting, they can opt out of the agreement; and if the franchisor gets feedback from the training store that the new franchisee doesn't seem suited for Papa Murphy's, the franchisor also can opt out.

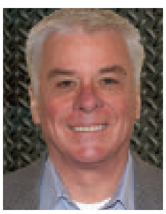
"I don't know of any other franchisors doing that. We put that extra step in there to ensure it's the right fit," says Mellon. He says this speaks to the brand's closure/failure rate of less than 2 percent.

"It's pretty rare that happens, but we have that in place for that reason," he says. "It goes back to we're not just trying to get a commitment." After 30 days, he says, "If everyone is still in agreement, we go forward with looking at sites." ■

Challenge the pros

"How are you using technology tools to improve your recruitment/ development speed?"

Zeb Hastings
Vice President of Development
Quaker Steak & Lube



Over the past few years, The Lube has been able to reap the benefits of technology, using it to gather feedback from prospective franchisees and fans in real time, which has helped further our development nationwide. In April, we completed an innovative social media promotion launched for our loyal Lubies who don't have a Quaker Steak & Lube to call home.

Using the Facebook platform, Lubies around the world voted to choose from 10 cities where we will open a restaurant. Through the "I Want My Quaker Steak & Lube!" promotion, the brand listened to the resounding cries from Lube Nation to aid in our rapid expansion. This program was also promoted through other social media technologies such as Twitter, YouTube, and thelube.com.

The result? We will build a corporate-owned restaurant in Toledo, Ohio!

For our franchisee candidates, we have reduced the time it takes to close a deal—from the original inquiry to signing day—by 30 to 60 days thanks to the many resources immediately available to the candidate through advancements in technology. With a quick visit to our site, a candidate can take a virtual tour, view our various "chassis" or building designs, review the list of territories available for development, and immediately learn about opportunities with our brand. Once the initial, qualified lead comes through, we are immediately notified and our FDD is sent electronically, which keeps the communication with the candidate fluid and in constant motion from start to finish.

To put this in a dollar perspective, for every 30 to 60 days we can reduce our conversion time, we generate approximately $15,000 to $30,000 in royalties for the company. Of course this also means our franchisees are opening their doors significantly faster, giving them the opportunity for quicker profitability. This in and of itself makes technology a key factor in our franchise sales process. Technology is ever-changing, and as we and other franchise concepts look to grow, we need to use the platforms available to us to stay ahead of the curve.

Jocelyn T. Blain
Chief Development Officer
Fresh To Order (f2o)

Building a pipeline is a franchisor's Job One. As an emerging brand, this imperative is of even greater importance to us. A well-suited CRM program enables franchisors to streamline processes from initial contact to deal signing. We subscribe to a CRM to track and filter prospect data and campaigns. We use our system to generate and nurture leads, and it is our single repository of all data and correspondence. Access to this comprehensive picture of a prospect and the deal enables us to package the offering properly and quickly so we move to deal signing sooner.

A Digital Franchisee Kit simplifies the efforts of our prospects as they undertake the necessary diligence to investigate our concept. Providing information in a packaged, concise manner helps them make more-informed decisions faster.

Once a franchisee is on board, we open up our subscription to an online marketplace to secure financing. Essentially a streamlined "matchmaking" of our franchisee's loan application to multiple lenders who already know our concept, this method is inordinately helpful to accelerating the development process.

When our franchisees begin sourcing sites, we grant them access to one of the real estate industry's most robust portals for business data analysis, mapping, and site analysis. We believe that having this level of market insights readily available to our franchisees also will result in better and faster decision-making. As we know, great sites do not stay on the market very long, so being decisive is key.

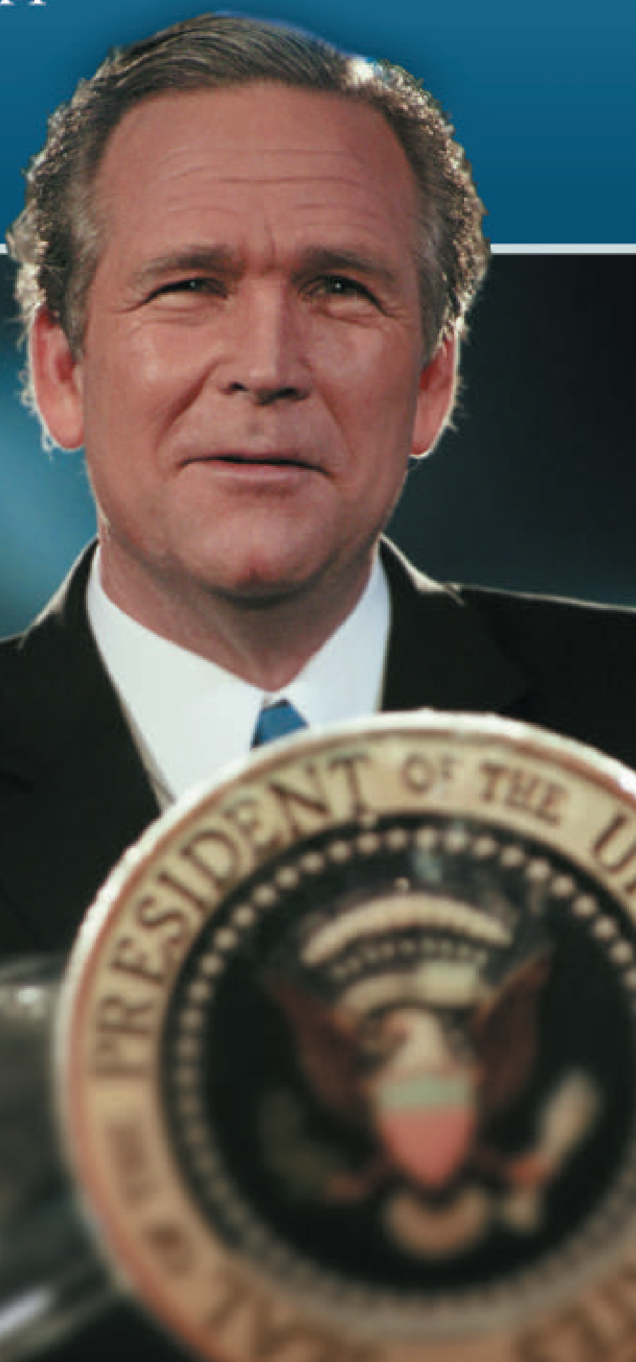
The next tools we are looking to phase in are web-based platforms for contract administration to manage our franchise agreements; project management to drive site procurement and store opening schedules; and eventually, asset management to maintain the value and return of our assets.

In addition to enabling organizations to become *more efficient*, technology allows lean development teams to be *more effective* without an increase in staffing levels. The use of technology by newer, smaller organizations is especially essential, because it can close the gaps caused by common limitations such as having a lean staff or lack of national awareness.

Technology is an essential tool in the franchise development process. The smartest strategy is to take some time to evaluate your needs and "right-size" your selection. At f2o, we aim to stay abreast of the latest in technology and constantly pursue those tools that best fit our needs and budget—without getting caught up in the "need it all to succeed" mentality. ■

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."

JOHNCMORGAN.COM

FOR INFORMATION ON **BOOKING JOHN C. MORGAN,**
PLEASE SEND AN EMAIL TO: JOE@JOHNCMORGAN.COM

Sales smarts

BY MARC KIEKENAPP

Responsible Disclosure

Make your FDD a more powerful selling tool

Franchisors constantly strive to attract more franchisees who are similar to their top-performing operators. To achieve this, they must take the time and effort needed to pull together the information they can use to build a franchise development program that attracts interest, and then recruit the top candidates to sign with their concept.

Candidates today are seeking franchise opportunities that meet their financial goals and increasingly view franchising as an investment vehicle. Today's candidates want more information sooner in the process if they are going to proceed to investigate your brand. Franchisors need to get that information to them clearly and quickly through "responsible disclosure" in the FDD.

One of the main points of resistance to disclosing financial information about the company units, multi-unit, or franchisee groups through the FDD is that will it become public knowledge. Most sophisticated multi-unit candidates will eventually ask for this information to make their decision anyway, so why not give it to them earlier in the process? Take the time and effort to develop a meaningful Item 19 FPR that franchise investors can extract vital information from—and that continues their interest in pursuing an operating investment with your brand.

Item 19 has evolved tremendously over the past decade. In 2000, fewer than 10 percent of franchisors published an Item 19, and it was generally only a gross sales disclosure about the system. As franchisors began working with broker networks, many (in some cases almost 90 percent!) provided some level of Item 19 disclosure.

Franchisors working closely with their law firms are becoming very creative at working within the FTC regulations to create some amazing disclosure. Most franchisors active in broker networks were the early adopters, and over the years have only improved and refined their disclosure of important financial information. Franchisors with an Item 19 disclosure have become the franchise concepts of choice, especially for multi-unit operators.

Today, more and more franchisors are disclosing detailed information about the franchise units in their system. As more qualified franchise buyers seek investments, they require more detailed information that is sometimes hard to obtain from the standard validation process of asking existing franchisees for information.

Implementing a process and an information system that allows candidates to easily understand the financial operation of your system is the key to attracting the right candidates. Later, they can confirm their findings with existing franchisees during the qualification and validation process, making for a much smoother process.

Where to start?

First, by understanding the "ideal" mix of financial disclosure that will provide candidates with good information about your brand and portray it in the best possible light. You can craft your Item 19 in several different formats. Some companies have included graphs of different details of their business.

The next step is analyzing closely, and in different formats, what subsets of information can be helpful for candidates to research and understand your opportunity. Information to consider disclosing to candidates—and ways to slice-and-dice it for your different types of prospects—include ramp-up time to cash flow; single-unit owners; multi-unit owners (3 to 5, more than 5); regions of the country; square footage of stores; units most like what you sell today to new franchise partners; operating expenses and gross sales; average ticket; customer counts; industry statistics; and EBITDA.

As you can see, there are several options to help candidates understand how your business operates and how they have to plan their expansion with your brand. I strongly suggest you work with your law firm and consultant to take an objective look at this opportunity, and to ensure it can be backed up by facts and history so the disclosure is legal and accurate.

Assist your franchise development team with the opportunity of a "great" FDD to work with quality candidates considering joining your system.

Happy Selling,

Marc


The West Coast
Franchise
Expo
MORE THAN 8,000 QUALIFIED PROSPECTS ARE EAGERLY WAITING…
Meet With Them Face-to-Face, For Three Days, All in One Place.
OCTOBER 24–26, 2013 • Anaheim Convention Center • Anaheim, CA
For more than 10 years, WCFE has been connecting the most qualified entrepreneurial candidates from more than a dozen states with world-class franchise systems like yours. Let us do the legwork in attracting the leads you need from southern California and the entire western region.
Meet the right prospects in the right place at WCFE 2013. They'll be waiting for you!
Prime spots are moving quickly, so reserve your booth today!
To exhibit, call Melissa at 201-881-1666 or exhibit@mfvexpo.com
Sponsored by:
IFA
INTERNATIONAL FRANCHISE ASSOCIATION
Franchising™
Building local businesses, one opportunity at a time.
www.WCFExpo.com
Follow us on:
#FranchiseExpo

Market trends

BY DARRELL JOHNSON

Rethinking Borrowing

Lenders must move beyond SBA failure rate data

For years franchise lenders have used SBA failure rate data as an initial screening tool to determine whether they should consider a loan to a prospective or existing franchisee. Many lenders have inserted failure rate limits into their credit policy guidelines. They do so even with the clear SBA disclosure accompanying these data that SBA failure and loss information should not be relied upon for credit decisions because of data quality issues.

In most of the brands we have evaluated, SBA data overstate, sometimes by multiples, actual loss unit experience in those brands. The result is that most brands are adversely affected when it comes to capital access. And that needs to stop.

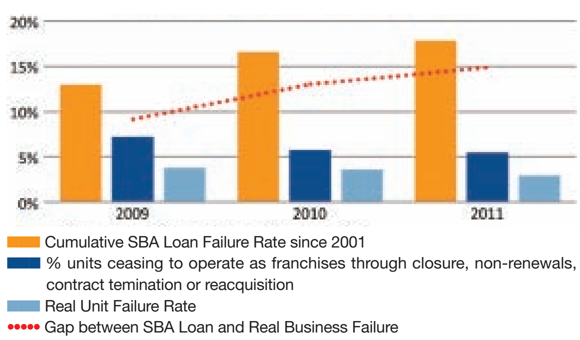
The right way to assess a franchise system's risk profile is to look at how *all* the units of a system perform over time, not just those associated with SBA loans; the risk profile of a franchise system is not dependent on whether the franchisee has an SBA loan, a conventional loan, or no loan at all. (For many brands, that information now is available exclusively to lenders without cost through Bank Credit Reports on www.franchiseregistry.com.)

Lending decisions are made easier if the lender can look at the performance history of the franchise system. Since all the units in a particular system are basically the same, if all the previous units were successful, then a lender can safely assume the unit they are about to finance will be successful if the borrower meets standard bank requirements. With such good performance data about a brand, a lender can adjust borrower qualifications.

Thus, in the credit risk world, franchising has a distinct information advantage. Franchise systems have performance data to show what their credit risk profile is. If a brand has very few failed units, lenders not only will offer more capital, but do so on more favorable terms. The question lenders must confront is what data to rely on to determine the credit risk profile. From our credit analysis work, they clearly shouldn't rely on SBA data.

Even if SBA performance information were accurate, it still wouldn't reflect the right measure. SBA failure is a technical definition, not a performance outcome. While some loans get reworked and others are written off, neither of these actions reflect what happened to the unit or units related to a particular loan. Yet from a lending standpoint, the performance of the underlying unit is the essential measure of a franchise system's predicted performance.

SBA Loan Failures and Real Business Failures



To show how big an opportunity the franchise and lending communities are missing, we compared the official SBA failure rates to FRANdata's *discontinuity rate* (a unit no longer in the same location from one year to the next) and *true failure rate* (by the franchisor's internal information, a unit that failed for operational or financial reasons and no longer exists) for 100 franchise brands, 59 food and 41 non-food. The results are dramatic.

Not only are the absolute levels of measured risk different by a magnitude of three to five, but the trends are different as well. Which one reflects the best way for a lender to make a decision about the likelihood a given loan in a particular franchise system will be paid back? One has to be better than the other, but which?

To be clear, the SBA and FRANdata data sets look at slightly different measures and use different time periods. FRANdata measures unit outcomes, not franchisee borrower outcomes.

In addition to units that disappear for operational or financial performance reasons (real failed units), units can simply move to another address or come to the end of a renewal period. Outcomes like these make up the difference between discontinuous and failed units. All such data come directly from franchisors (they're not found in FDDs).

Clearly, unit outcomes are a more complete picture of how a brand is performing and no doubt represent some of the differences in the graph. The SBA not capturing *all* the performing loans made to a particular brand distorts brand performance in the graph. However, even accounting for these differences doesn't distract from the fundamental point: lenders today have a better risk assessment model for franchise loans reflected in the type of analysis done in Bank Credit Reports. Much better.

Banks are catching on to this vastly improved way of assessing franchise lending risk. As banks push more brands to be underwritten to this improved set of credit standards, a deeper database of comparative data will evolve. As it does, more capital will flow to franchising because of the greater understanding of the risks involved. As all successful bankers know, if you can understand the risks, you can structure and price a loan to reflect that risk. In this new era of lending, franchising has a competitive advantage. ■

Darrell Johnson *is president and CEO of FRANdata, an independent research company supplying information and analysis for the franchising sector since 1989. He can be reached at 703-740-4700 or djohnson@frandata.com.*

IS YOUR FRANCHISE SYSTEM CREDITWORTHY?

You may think so, but do lenders?

When a bank considers your mortgage application, it looks at your credit history. **When a lender considers your franchisee's loan, it looks at your Bank Credit Report.**

BCR

BANK CREDIT REPORT

The Bank Credit Report (BCR)

A Bank Credit Report (BCR) addresses lender's questions about the creditworthiness of your franchise system. In the current conservative lending environment, if you don't provide information about your system's performance history, lenders assume the worst.

Your BCR will provide lenders with an objective, 3rd-party evaluation of the performance of your system in comparison to your immediate peers and your industry. The report also **provides you with an opportunity to explain any risk issues that may be present** by allowing you to include appropriate Management Comments if you choose.

In the words of Shelly Sun, CFE, CPA, and CEO of Brightstar Franchising, "with hundreds of loan requests, the ones who make it easier and show they have nothing to hide, get the loans."

MORE THAN 80%
of loan packages
that include a
Bank Credit Report
ARE SUCCESSFUL.

To request a Bank Credit Report for your franchise system, call FRANdata at 800.485.9570 or visit www.frandata.com/BCR.

FRANdata
Franchise Business Intelligence

4300 Wilson Boulevard Suite 480, Arlington, VA 22203

SPEED OF DELIVERY

Highlights from the 2013 AFDR

The 2013 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-up 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.

In this issue we look at speed—speed in reaching the prospect, speed in recruiting the prospect, and speed in assisting existing franchisees. A quick response can give you a distinct edge. For example, do you know how quickly you reach prospects? You should. And how are your competitors doing at that? These are important questions to ask, and the AFDR provides useful benchmarks to measure your development team against.

Consider what eMaximation's Jeff Gooch wrote in this year's AFDR about speedy response by franchisors:

As the data suggests, companies with marketing programs that respond to candidates quickly are poised to reap the benefits: 61 percent of applications are submitted within the first 24 hours following a brand's quick response.

Additionally, a significant number of applications are being completed within the first week. Companies would do well to establish lead nurturing campaigns that reach candidates several times within the first seven days. A drip email campaign that sends out relevant content at predefined intervals can help a franchise build trust and credibility and can serve to keep a company "top of mind" so that a potential franchisee will be motivated to take the next step.

We analyzed survey responses from more than 106 franchisors representing 43,497 units. We asked respondents the following question: *From first contact with a franchise prospect, what is your current average closing period (in weeks)?* Choices ranged from 3 weeks or less to 25 weeks or more. On the low end, no franchisor reported 3 weeks or less; on the high end, 14.3 percent answered 25 weeks or longer.

No. of Weeks	% of Total
3 weeks or less	0%
4–6 weeks	10.7%
7–9 weeks	14.3%
10 weeks	7.1%
11–12 weeks	21.4%
13–15 weeks	17.9%
16–18 weeks	7.1%
19–21 weeks	0%
22 weeks	3.6%
23–24 weeks	3.6%
25 weeks or more	14.3%

Investment Level	Median
Less than $50,000	8 weeks
$50,001 – $100,000	11 weeks
$100,001 – $250,000	12 weeks
$250,001 – $500,000	12 weeks
$500,001 – $1 million	12 weeks
More than $1 million	16 weeks

Investment Level	Longer	Shorter	Same
Less than $50,000	16.7%	8.3%	75.0%
$50,001 – $100,000	16.7%	11.1%	72.2%
$100,001 – $250,000	22.7%	22.7%	54.6%
$250,001 – $500,000	19.2%	19.2%	61.5%
$500,001 – $1 million	16.7%	8.3%	75.0%
More than $1 million	37.5%	25.0%	37.5%

However, comparing closing periods 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 many months of due diligence by both parties, followed by 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, 15.8 percent said it was shorter; nearly two thirds (64.4 percent) said it was the same; and one in five (19.8 percent) said it was longer.

The middle chart correlates investment levels with the median number of weeks it took franchisors to close deals with qualified prospects. For investment levels from $50,001 to $500,000, there is no significant difference; it's around 12 weeks. For investment levels above $1 million, that understandably jumps to 16 weeks.

The survey also queried franchisors on how their average closing times compared with those of previous years. Results here are mixed and vary by investment level. However, there are definitely signs of improvement in reducing the average time from initial contact to closing.

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 2014 report. To participate, contact Therese Thilgen at thereset@franchiseupdatemedia.com. All data are aggregated and kept confidential.

It's closing time

BY STEVE OLSON

Quick-Start Recruitment Training

Six tips to step up your success

You'll recruit franchisees much faster if you initially understand, prepare, and engage the best methods for selling franchises. Foremost is learning to lead qualified candidates through an effective sales and closing process. Just as critical is to capitalize on these six often-ignored techniques that can jump-start your success!

1) Visit with franchisees. Franchisees are a wealth of information, encouragement, tips, successes, anecdotes, and experiences for the new sales person. Sharing owner stories is powerful with buyers as they are most interested in your franchisees—not you! They want to know how your franchisees are doing, the victories and challenges they face. Calling and visiting with your current owners is a must. Remember, prospects believe the franchisee running the business more than they believe you, the sales person.

2) Shop the competition. As in any business, if you don't know what your competitors are doing, you'll flounder in ignorance. Contacting direct and indirect competition is smart business, and quickly provides marketing intelligence you can apply in your sales presentations. For instance, emphasize your outstanding training programs if you discover other franchises can't match the extensive startup support and coaching you deliver.

Shopping a competitive sales exec, Hal, paid off big-time for me when recruiting franchises for American Advertising Distributors. When I had prospects who wanted to check out our competition, I graciously referred candidates to Hal. You see, I discovered he was my best sales person. He was a nice, older gentleman, but hard-of-hearing, yelling when he spoke to me as a potential buyer. It was obvious Hal struggled to close any deals. He really appreciated the prospects I sent him for comparison shopping. I really appreciated his help in closing more deals for me.

3) Role-play for refinement. Most sales people dislike role-playing. It's not fun, especially when starting out. But it's a money-producing technique that instantly forces you to better prepare, practice, and present your franchise opportunity. Contacting prospects without receiving the benefits of role-playing can unnecessarily cost you franchise sales you can't afford to lose.

Shortcut selling is losing deals in today's market for quality buyers. Invest the time and recruit the right way. It will earn you additional thousands in royalty fees and brand-building benefits.

4) Shop yourself. Ralph Ross, a former boss and mentor, taught me the self-learning process of recording my sales calls so I could listen to the playback and perfect each step of my sales presentation. If you are a new or seasoned sales person wanting to polish your skills, this feedback process really works! It's a "Berlitz" approach to faster learning. Record your conversations until you feel comfortable with your prospect conversations. Next ask your boss to listen and comment on what you are doing well, and for suggestions where you can sharpen your selling skills. If you make the effort to engage in this self-improvement exercise you can rise to the top a lot faster. Try it if you dare!

5) Learn one step at a time. Don't attempt to learn the sales process all at once. Solely focus on the first step until you get it right; then concentrate on the second and successive steps. Only after you successfully pre-qualify an inquiry, receive your first application, and book the prospect for a follow-up interview is it time for you to dive into total preparation for the next stage of the process. This vertical learning by segments will provide greater clarity of the recruitment journey as you move from step to step. It's the "Swiss cheese method" of poking holes one at a time, rather than trying to swallow a huge chunk all at once. Franchise selling takes time, practice, and feedback to master the details, variables, and nuances within each stage of the process.

6) Contact your worst leads first. First impressions are everything in franchise recruitment. If a qualified candidate ready to buy has contacted two other brands and wants to know about yours, you'd better have your act together. I worked with a young food franchisor who immediately tried selling some promising referrals. What a disaster! The founder was "shotgunning" information at these prospects. When I asked him to share relevant information about these once-interested candidates, he couldn't respond since he hadn't yet learned how to listen, probe, and qualify. If you are a first-time recruiter, practice on your weakest suspects first. Use these inquiries as your training ground.

So get growing now! Shortcut selling is losing deals in today's market for quality buyers. Invest the time and recruit the right way. It will earn you additional thousands in royalty fees and brand-building benefits. ■

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.growtogreatness.net.*

International

BY WILLIAM EDWARDS

World Wide Growth

Technology eases the path to international expansion

Technology is critical today to finding, signing, starting up, and growing your international franchise network. Technology can also save a U.S. franchisor money, help grow international units faster, and help preserve your brand across the world. Today, your international franchisees may be in time zones 12-plus hours—a full half-day—away from you. If you master franchise your brand outside the U.S., the most important thing to remember is that your international masters are both franchisees and franchisors.

The really good news is that, thanks to the Internet, most U.S. franchisors already have many technology tools developed and in place that are directly applicable to international development. This helps lower the cost of international development, training, support, and brand control.

1) Your intranet. U.S. franchises are almost forced to have good intranet resources to compete in the domestic marketplace. Your intranet provides franchisees with the latest manuals, operating systems, marketing, training, and best practices for your franchise. It is available 24/7/365. This is the most cost-effective and focused tool a franchisor has to provide information to international franchises and to focus them on only what the franchisor wants them to use. Your intranet is one of the most important tools international franchisees pay for.

In addition to being able to post documents on your intranet for franchises around the world to view and download, services such as DropBox, Box, and YouSendIt allow a franchisor to cost-effectively, quickly, and securely share information around the world without time zone constraints.

Perhaps he biggest benefit of the franchisor intranet is online training that is accessible to the international franchises and their employees. Video training programs can be dubbed in different languages or simplified so that images convey the standards required to conduct the franchise business properly.

2) POS and web-based franchise management systems. Increasingly, franchise POS systems are web-based. This allows (or requires) the international franchisee to use systems that provide a franchisor almost instant access to the daily operations of a store, restaurant, or office. Deviations from the standard revenue, expense, and operating parameters are seen in the home country and can be quickly corrected by phone calls or emails.

Many U.S. franchisors have taken this to a higher level by running their local unit businesses through comprehensive web-based management systems. Inventory is often part of this system. Reporting is key across many financial and operational factors. These are all tools that help grow international units faster and better. While some interfacing and localization is often required, the local franchisee must conform to the U.S. franchisor's standards to maintain their franchise and to realize the margins possible. The emergence of detailed dashboard systems in the U.S. that keep track of many financial and operational parameters at the unit franchise level has given a key tool to both franchisor and franchisees. Franchisors can see the "real time" activity of unit franchisees on a global basis.

One of the most important aspects of web-based management and reporting is the elimination of the local international franchisee saying their country's business standards do not allow them to report often and consistently.

3) Development. The emergence of web-based CRM and lead management systems in the U.S. has provided another global tool for franchisors to offer their franchisees in other countries. The systems used in the U.S. are state-of-the-art, help local franchisees, and allow the franchisor to monitor activity and progress in growing the number of units in a country. These systems also keep the franchisee's customer base in a franchisor-controlled database.

Finding, approving, and building out a franchise location 10,000 miles and 12 time zones away sounds daunting. But using online site selection forms and CAD tools, it is now possible for franchisors to get photos, site analysis, and details by email or through their intranet. This allows the franchisor to better control their units worldwide as well as provide the franchisee with a great service as part of their fees and royalties.

4) Your website. It has proven critical that the franchisor controls the web presence of their brand and its units. This means a franchisor should own and control the content of *all* websites worldwide that are associated with its business.

Franchisor-owned and managed websites are, in fact, a huge benefit for the unit, area, and master franchisees worldwide. The franchisor controls the content, allowing the units to make certain changes to reflect local needs. When the franchisor has all websites on its servers, this creates consistency in branding—as well as saving the unit, area, and master franchisee considerable costs. It must be noted, however, that a few countries dictate local control of websites and content.

5) Global marketing. One of the most requested support items from international franchisees is marketing help to establish the new brand and grow its customer base in the new country. Today there are many ways for franchisors to accomplish this cost-effectively. Typically, marketing materials that can be downloaded, sized, and printed or used in web-based marketing are available on the franchisor's intranet.

The more a franchisor's business is web-based, the better they will be able to offer training, support, and help grow their international locations—while cutting down on travel and people expenses associated with support visits.

Franchisor-developed social networking is a huge tool for the local franchisee. Although the U.S. is the leading Facebook user by population (163 million users), the accompanying chart indicates that selected franchise-friendly countries are also big users.

These are very important numbers today when franchising, both at home and around the world. Facebook users tend to be middle to upper class, have considerable discretionary income, are tech-savvy, and like to shop brands. So U.S. franchisors that make good use of Facebook and other social media sites already have an excellent tool to provide their international franchisees.

Country	Facebook Users	% Population
USA	163 million	53%
Brazil	67 million	33%
India	63 million	5%
Indonesia	47 million	19%
Mexico	40 million	36%
Turkey	32 million	42%
U.K.	32 million	52%
Philippines	30 million	30%
France	25 million	39%
Germany	25 million	31%
Canada	18 million	53%
Australia	12 million	54%
Chile	10 million	57%
UAE	3 million	68%

Source: Socialbakers website

6) Monitoring the international franchisee—support, analysis, control. Major challenges with international franchising include training, support, and monitoring sales and growth. Today's Internet-based tools mentioned above are usually already in place for U.S. franchise growth and often need little fine-tuning for other countries. Hence, the franchisor can leverage what they have already created for their domestic franchisees.

The more a franchisor's business is web-based, the better they will be able to offer training, support, and help grow their international locations—while cutting down on travel and people expenses associated with support visits. Also, web-based management, training, support, marketing, and customer lists allow the franchisor to turn off access to these franchise management tools, if necessary.

While it is essential to visit U.S. and international franchisees often—at least twice a year is suggested—today support can be provided in almost "real time" by monitoring unit results through the web-based programs that are also used by U.S. franchisees. ■

William Edwards, *with 40 years of international business experience, has lived in 7 countries and worked on projects in more than 60. In addition to having been a master licensee in 5 countries and in charge of international operations and development for a U.S. franchise, he has advised more than 50 U.S. companies on their international development. Contact him at 949-224-3896, see his blog at http://edwardsglobal.com/blog/, or visit www.egs-intl.com.*

FRANCHISE LAW NEWS

BRINGING FRANCHISORS AND LEGAL SERVICES TOGETHER

FLN

International: Are You Ready?

CHENG COHEN

BY MICHAEL R. DAIGLE

International: Are You Ready?

Opportunities often precede the plan

Many international opportunities begin with a cold call from a representative of a foreign group who saw your concept while traveling, or on the Internet. What do you do when that call comes? One option is to say that you're flattered, but not ready. However, dismissing too quickly could kill an opportunity that, with little time and expense, could be a lucrative, though unplanned, jump-start to the system's international growth. Before deciding *how* to go international, you must decide *if* to go; and you may be called upon to make that decision any time the phone rings.

While you might be open to the opportunity presented by a cold call, try answering these critical questions during the call to assess whether the caller matches the opportunity:

- *Is the prospect real?* Is the caller simply fishing, or seriously interested in my brand? What do they already know? Have they personally seen my brand? Does the group have experience in my space, or in bringing U.S. concepts to market?
- *Am I talking to the appropriate person?* Is the caller a decision-maker or someone with the authority to speak for the group they represent?
- *How broad is the group's interest?* Is it interested in developing a territory?

Care should be taken not to disclose proprietary or competitive information until an agreement is in place to protect that information. By the end of the call, you should have learned at least as much about the caller as they have learned about you. Get the caller's commitment to provide written information about the group's principals, experience, financial condition, and interests.

If your initial assessment of the caller is positive enough to progress to discussions, begin gathering basic data on the prospect and proposed territory. The Internet should allow you to do this with no money and very little of your time or resources. Focus at this point on these objectives:

- *Verify information provided by the caller and develop other information about the group.* Does the group have a website? Does publicly available information match what the caller provided? Is the group developing other brands that might compete with yours, either from a consumer or a resource perspective? What is the group's reputation? Answers to these questions will help assess the group, its capabilities, and how much support it will likely need from you, important factors in deciding whether to move forward and, if so, on what basis.
- *Discover obvious brand hurdles*. Are similar concepts operating in the territory? Is there infrastructure and available supply chain in the territory? Can your proprietary products be sourced in or exported to the territory? Are there legal, religious, or cultural factors that might limit system size or require extensive brand adaptation?

Once satisfied with the basic information and before engaging in more detailed discussions, consider taking these next steps:

- *Protect your intellectual property*. In many countries outside the U.S., trademark ownership is determined by first registration, not first use. Your prospect may, either as a "favor" or for more sinister reasons, file applications to register your marks. If a deal isn't consummated, you may be faced with the expensive and risky task of wrangling back your marks from your former prospect. Strongly consider spending the relatively nominal amount to file an application to register your core mark in your core class in the territory.
- *Require a signed application.* In addition to providing valuable information, the group's signature on the application can prove important if you rely on information that later proves to be false.
- *Require non-disclosure agreements.* Unless prohibited by applicable law, include covenants not to register or contest ownership of your marks.
- *Schedule face-to-face meetings.* The meetings, which should include reciprocal visits to your respective headquarters, should validate previous discussions and due diligence, raise potential red flags, and provide critical building blocks for the relationship.
- *Execute a letter of intent.* Unless prohibited by applicable law, require a non-refundable deposit to demonstrate the group's seriousness, and as a hedge against your deal costs. The LOI should be non-binding with respect to the deal but contain binding provisions on key non-deal terms such as confidentiality, ownership of marks, and governing law. Avoid rights of first refusal and lengthy exclusive rights of negotiation provisions.
- *Consult with knowledgeable counsel.* Franchising is regulated in more than 30 countries in areas such as franchisor registration, pre-sale disclosures, and filing of signed agreements. Local laws may also affect specific provisions of the agreements. Understanding how these laws and regulations affect each step in the process is critical.

Entrepreneurs seldom rule out opportunities simply because they're not "in the plan." Doing basic, inexpensive due diligence on a cold call can lead to jump-starting an international development program that, if undertaken in an orderly and deliberate fashion with appropriate precautions, could be a lucrative by-product of that unexpected call. ■

Cheng Cohen LLC *is a full-service boutique law firm providing practical legal advice to franchise and distribution clients. For more information, contact* **Michael Daigle** *(michael.daigle@chengcohen.com) or visit www.chengcohen.com.*