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Franchise update

2014 Q4

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

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- CEO profiles
- Putt-Putt's facelift
- Gaining "Traction"

Market!
- Customer insights from franchise CMOs
- Millennial diners

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From the editor's desk

BY KERRY PIPES

Change for the Better

"The world is changing… so must you."

It was with those words that Peter Sheahan, best-selling author and CEO of ChangeLabs, opened his keynote address at the 2014 Franchise Update Leadership & Development Conference in Atlanta in October. It was a sobering reminder that he delivered with not only a sense of urgency and humor, but a sense of hope for what today's business leaders need—and must do—to survive and move forward.

Many of Sheahan's talking points hit home with the franchise executives gathered for the annual event. And they were ideas that kept popping up throughout the three-day event. Acknowledge change, embrace change, and adapt to change... or suffer the consequences.

Those in franchise development are experiencing change. Today's franchise prospects have changed. They've changed the way they search for opportunities. They've changed the way they purchase and grow a franchise. As a result, franchisors must change the way they recruit as well as respond to and deal with leads and prospects.

There's a growing sophistication to franchise buying and lending, as well as head-spinning advances in technology that are driving the pace of franchise sales and development. Attending this conference was an eye-opening reminder of both those business realities.

> "Acknowledge change, embrace change, and adapt to change... or suffer the consequences."

One idea that was particularly clear to me as I sat through conference sessions was the importance of building a franchise "relationship" during the development process. Franchise brands can no longer simply look at how quickly they can qualify candidates and close sales. Today's effective development strategy is to build a relationship or partnership with new franchisees. Selling a brand to the wrong candidate benefits neither the prospect nor the brand in the long term—it just sets up both parties for failure. Instead, identifying potential franchise partners who understand the brand's culture and have a passion for the brand is vitally important. These are the kinds of partners who can help build a successful relationship that benefits both.

Today, the knowledge, the resources, and the tools are there to build profitable, ongoing franchise relationships in the 21st century. So what about you? Are you selling or recruiting? Because the world is changing and so must you. ■

Franchise update IQ4

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Lead

Franchise leadership and management

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The 12 elements of franchisee satisfaction

22 Human Resources

EOS: Witnessing a silver bullet that works!

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Greg Meyer, Director of Market Research, Anytime Fitness

Anytime Fitness is #1 on Entrepreneur magazine's 2014 Franchise 500 List. In a marketplace crowded with competition, Anytime Fitness uses Satmetrix to keep in constant close touch with what keeps members coming back.

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"SATMETRIX ENABLES US TO IDENTIFY AND SHOWCASE OUR BEST PRACTICES. WE ARE ABLE TO POLLINATE THESE BEST PRACTICES ACROSS ALL FRANCHISEES TO ACCELERATE OUR RESULTS AND RAISE THE LEVEL OF OUR PROCESSES."

Tricia Tangradi
Vice President of Marketing at
HouseMaster Home Inspections

HouseMaster relies heavily on customer referrals to keep its home- and building-inspection business strong.

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CEO profile:

Rock Around the Clock

New School of Rock CEO extols the power of music

BY KERRY PIPES

Dzana Homan's story is one of inspiration and perseverance. She grew up in Yugoslavia where she spent a happy childhood filled with friends and surrounded by a large extended family. That came to an end in 1992 with the start of the Bosnian War. Thousands were killed and millions displaced. Homan lost members of her family, friends, and her country.

Despite these hardships, she continued to take solace in two things she had always loved: learning and children. Homan's passion in these areas led her to the U.S. and where she is today: this past June she was hired as CEO at the School of Rock. With a track record of success at Huntington Learning Center and Goddard Systems, she has big plans for School of Rock.

When Homan came to the U.S. in 1995 she spoke no English, but that didn't stop her. She worked hard, learned the language, and earned a master's degree in electrical engineering and physics (she also has studied piano), and settled in Los Angeles. A series of events led her to FutureKids, an educational software company that focused on technological and computer literacy. She became a teacher and director at a franchised learning center, became a franchisee, and was recruited to work for the corporate

Name: Dzana Homan	
Title: CEO	
Company: School of Rock	
Units: 145	
Years in franchising: 19	
Years in current position: 5 months	

office. Eighteen months later, she became CEO, and spent 7 years managing the brand before being hired away by Huntington Learning Center in 2008.

Two years as CEO at Huntington were followed by 3½ years as COO at Goddard Systems. Altogether, Homan has more than 15 years of hands-on experience leading and managing high-growth, outcome-driven institutions in the education, technology, and franchise fields.

At School of Rock, Homan plans to draw on her experience to expand in the U.S. and internationally, introduce new programs and services, and form strong partnerships and alliances that will enhance the brand's strengths. School of Rock has 145 locations in 8 countries, serving more than 17,000 students.

"I'm still new to the job, but one of the things we must do better is get word of this brand out," she says. "We can enhance our marketing efforts through online and social media that really gets the message out visually about what we offer."

Homan says about 40 percent of the brand's growth has come from its franchisees. "That's a great validation to what we're doing," she says. "We have our best presence in the Northeast and plan to look at expanding in the Midwest and South."

Homan is not short on passion, especially when it comes to learning. "The impact of music on young people is profound," she says. "Studies show that students who are involved in music perform better in school than those who are not involved. Our brand is a perfect provider of music education for the upcoming generations."

LEADERSHIP

What is your role as CEO? The most important aspects of my position are to direct our vision and strategic goals based on School of Rock's mission and lead delivery on the strategic goals to the customers, employees, franchisees, and shareholders. My overall responsibility is to provide exceptional leadership to my team of stellar professionals and set the tone for the entire organization. I also see as a core responsibility development of a productive engagement with our franchisees and other institutional partners.

Describe your leadership style. Value-based leadership, which allows for filtering of decisions by measuring them against core values. At School of Rock, core values include team orientation, being proactive, a drive for success, and a measure for the safety and security of the children. This style of leadership fuels the essence of what we do, from the corporate office to front-line employees. Core values create the culture of our organization: a culture of accountability.

What has inspired your leadership style? I've been inspired by my parents, mentors, and experience in franchising and in life. My parents held very straightforward, conscientious values that were instilled in me at a young age. As the leader I am today, every decision I make is based on that set of core values. I have also been grateful to have exceptional mentors guide me in my professional career.

What is your biggest leadership challenge? Talent. We are only as good as our people. As an organization, we can have values and budgets and projects, but if we don't have people who are experienced, competent, and truly invested in what we do, we will have a difficult time excelling and reaching our goals. As with any leader, it becomes crucial to find the right people, engage them, and create a culture that embraces creativity and fosters both individual and team growth.

How do you transmit your culture from your office to front-line employees? If we instill the core values into everything we do, everyone will know how to measure their actions and impact. Consistent engagement and clear communication about our goals and responsibilities are critically important. I have spent the past several months traveling to corporate and franchisee-owned schools to help transmit the culture we embody to our front-line employees. It is so unbelievably important for me to show how invested I am in the brilliant talent we have throughout the system. I do my best to live by my values and demonstrate that in order to be very clear as to where our focus lies.

Where is the best place to prepare for leadership: an MBA school or OTJ? An MBA is an asset, but everyone needs hands-on experience. I am a great believer in project-based learning. We work in the business of people, and while it is great to master the content, it all comes down to execution. Ultimately, your leadership style is developed and earned in the trenches.

Are tough decisions best taken by one person? How do you make tough decisions? I am assuming that we are talking about those rare, but really hard decisions. All tough decisions are made by one person; it is a measure of the leader. What is done with the larger group is to socialize the decision and explain the way.

Do you want to be liked or respected? Respected. I prefer understanding over agreement. If we all have an understanding about a decision and a position we will likely preserve respectful attitudes and be able to work and collaborate in the future.

Advice to CEO wannabes: Outline all your goals and deliverables and have a clear vision for success, then own it. We all suffer a little bit from a fear of failing, and it's when we hesitate on execution that we lose quality and success of the overall objective.

MANAGEMENT

Describe your management style: Inclusive and engaged. The practice of leadership and management inform each other. We are in the people business of franchising. A franchisor does not succeed without a franchisee. Leadership and management style have to be informed by that same symbiotic relationship, and that all begins with inclusivity and engagement.

What does your management team look like? An exceptionally bright and fun group of senior managers leading their respective departments, all with the same goal of inspiring and adding value to the next generation of leaders.

How does your management team help you lead? They are my eyes and ears. They watch my back, and I do the same for them. They tell me the truth no matter what, and I am the first to find out.

Favorite management gurus: Do you read management books? Peter Drucker.

What makes you say, "Yes, now that's why I do what I do!"? Watching our kids rock out on stage. School of Rock is more than just a music school, it's a chance for students to form a community, build confidence, make friendships, and be recognized for their contributions. Their performances are awe-inspiring and show off their unbelievable talent and skill.

PERSONAL

What time do you like to be at your desk? I am actually never at my desk. I've only been at the company for a few months, but I've been completely immersing myself in the culture, constantly moving and becoming ingrained in everything that is School of Rock. I want to engage with my team all the time, and that is where I am working, whether in conference zones, franchise locations, or in the crowd at student performances.

Exercise in the morning? Wine with lunch? I jog in the morning and do Pilates after work. Lunch? What is lunch?

Do you socialize with your team after work/outside the office? Yes, we are in the entertainment industry, so it comes naturally. We believe in learning music through performance, so a lot of our outings revolve around student shows. For example, we recently spent the weekend at Milwaukee's Summerfest, billed as "The World's Largest Music Festival," to watch students from 32 schools compete in our battle of the bands competition. It is events like this that really bring us together as a School of Rock family.

Last two books read: *Scaling Up Excellence* and *Powers of Two*.

What technology do you take on the road? I always have my computer, iPad, and iPhone. I carry two purses—one just for the machines and cables.

How do you relax/balance life and work? This is really not my expertise. It is almost impossible to isolate yourself in this type of business. We are all involved in so many different facets of the job. I relax while acting in my role of CEO by going to School of Rock shows and watching our students tear up the stage.

Favorite vacation destination: Hawaii. I absolutely love the islands, and the distance helps provide that sometimes necessary sense of space from the "real world."

Favorite occasions to send employees notes: Small and big wins. We try to establish a culture of accountability and accountable behavior. Both big and small deserve recognition.

Favorite company product/service: Showtime. We are a performance-based music education program, so the performances really bring to life everything we do. For example, every summer, the School of Rock AllStars—the top 1 percent of our 17,000 students who are acclaimed as some of the best young musicians in the world—embark on a tour complete with tour buses and multiple live shows throughout the country. Over the past 8 years, the students have performed at world-renowned festivals, including Red Rocks, Lollapalooza, the Hangout Music Festival, NAMM, Gathering of the Vibes, Austin City Limits, and countless others. They've also shared the stage with major rockers like Alice Cooper, Peter Frampton, Eddie Vedder, and Slash, just to name a few.

BOTTOM LINE

What are your long-term goals for the company? We are pursuing aggressive growth of the chain, growth of the top and the bottom line of each school, and brand recognition and penetration.

How has the economy changed your goals for your company? The economy really hasn't changed the goals of our company. We have a clear vision and know there will always be roadblocks, but we consistently strategize to move beyond them and stay on our path of sustained excellence.

Where can capital be found these days? Everywhere. If you have a great brand and great execution, you will find the capital.

How do *you* measure success? Decide on your goals—then deliver on time, on spec, and on budget. Above anything else, you must have clarity and defined goals. It is only then that you can measure success.

What has been your greatest success? Personally, my greatest success has been starting over as an immigrant in the United States after a war in Sarajevo. This was definitely challenging and incredibly rewarding, but the drive that got me here keeps me humble, hungry, and on my toes.

Professionally, having only started at School of Rock five months ago, my proudest success has been developing a great relationship with our franchisees, employees, and customers.

Any regrets? Zero. Everything that I have done so far, all the wins and losses, got me to where I am at today.

What can we expect from your company in the next 12 to 18 months? We will "rock your world"! ■

CEO profile:

The Tax Man Giveth

John Hewitt builds big companies and fights hunger worldwide

BY KERRY PIPES

You might say John Hewitt has had a taxing career. In fact, over 45 years he's founded, developed, and managed two of the top three tax companies in the country. Now he has his sights set on making Liberty Tax Service the number-one tax company in the world by 2020.

Hewitt began his career working for H&R Block in 1969 as a tax preparer before quickly advancing to assistant manager and regional director. He was the company's youngest regional director, managing more than 2,000 tax preparers in 250 offices in one of H&R Block's largest districts.

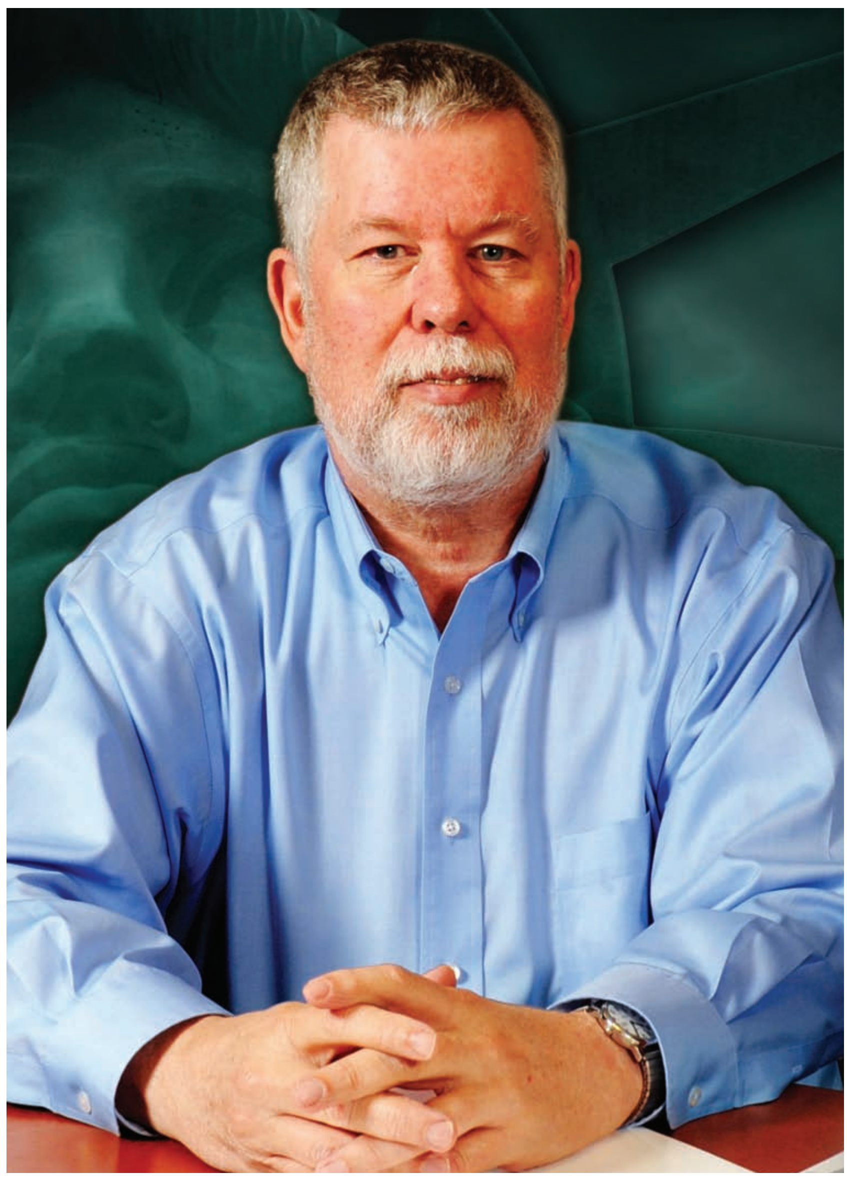
In the early 1980s, he and his father invented the first tax software for the fledgling Apple Computer company. But his "eureka moment" was still to come.

In 1982, Hewitt and a team of investors founded Jackson Hewitt Tax Service in Hampton Roads, Va. The company used his unique "Hewtax" decision-tree tax interview software program, an industry first. The concept was a hit with taxpayers, and he took the company public before selling it—and its 1,345 offices—in 1997 for $483 million.

Name:	John Hewitt
Title:	Founder and CEO
Company:	Liberty Tax Service
Units:	4,400+ offices in the U.S. and Canada
Age:	65
Family:	2 sons, 1 daughter, 4 grandchildren
Years in franchising:	45
Years in current position:	18

In 1997, he founded Liberty Tax Service, an organization that went on to become the fastest-growing tax company from 2000 to 2014. Today, there are more than 4,400 Liberty Tax offices in the U.S. and Canada.

Hewitt says building a tax company was easier the second time around. "There was lots of trial and error in building Jackson Hewitt," he says. "With Liberty Tax we knew what to do and what not to do, and we were able to do it much more efficiently and quickly." Again, with big-time successful results.



It's not all business and taxes for Hewitt. He is also dedicated to helping those in need. One of his initiatives is fighting hunger throughout the world. In 1998, he co-founded Stop Hunger Now, an international hunger relief organization. In 2010, he co-founded Run for Food International, which works in Nicaragua to support programs that provide food to reduce malnutrition and death.

Back in the office, Hewitt has been named one of the Top 100 most influential persons in the tax industry by *Accounting Today* on 12 different occasions. And in 2006 the IFA recognized him as its Entrepreneur of the Year.

When pressed, Hewitt doesn't shy away from his 2020 goal. "Everybody has goals, but if they're not identifiable and accountable they don't get accomplished," he says. "In our organization from top to bottom, everybody knows what we're doing, what's expected, and how we're going to get there. It's just a matter of executing the plan and covering the basic X's and O's. There's no tricks… just done right."

LEADERSHIP

What is your role as CEO? To oversee the growth and development of the company. It's my responsibility to identify upcoming trends in the tax industry specifically, but also in business and the economy. I do that by being visionary, thinking 5 to 10 years ahead.

Describe your leadership style. I have an open-door policy. I am always accessible, but also a tad intimidating. I like to annoy people to get them to think differently. I want people to ask, "Why is that not true?" or "How can this be done better?" I like to challenge people to be better thinkers.

What has inspired your leadership style? I read quite a bit and take some advice from the books I've read, but I would say that my life experience has inspired my leadership style. I was the kid in school who challenged the teacher. I didn't settle for an answer that I knew was wrong. When I started working, I learned that I needed to listen to customers. I also learned that I had to fight for my beliefs and the right of principles over policies. I believe that all companies should listen to their employees and franchisees—the people closest to the customer. This principle is a foundation of Liberty's success.

What is your biggest leadership challenge? I am extremely competitive, and my biggest challenge is not growing too fast.

How do you transmit your culture from your office to front-line employees? Our goal is to create a culture of extraordinary results. To help achieve that, I meet with employees every week. I let them know that it is okay to make mistakes. I challenge and annoy them in an effort to make them better. When it comes to franchisees, I host conference calls with them, every other week on average, to help them set the standard in their communities, increase profitability, and create raving fans.

Where is the best place to prepare for leadership: an MBA school or OTJ? On-the-job training, without a doubt, is the best place to prepare for leadership. Look at our best leaders—they're the ones who have learned through trial and error. In a franchise organization like ours, being in the field and seeing the day-to-day challenges is the best way to learn.

Are tough decisions best taken by one person? How do you make tough decisions? Making tough decisions is the hardest part of my job. I know, though, that if you want to win, you have to make tough decisions, and you must make them swiftly and without hesitation.

Do you want to be liked or respected? Respected.

Advice to CEO wannabes: If you want to be a CEO, you have to learn to listen and evaluate people based upon what they *really* are saying. We human

beings can be poor communicators, mostly because we're poor listeners. As a CEO of a franchise organization, you need to listen. You need to know what your franchisees want and what motivates them. Don't try to guess what they want and never, ever bluff when giving advice.

MANAGEMENT

Describe your management style: I am direct, abrupt, and fanatical. I don't settle for good or excellent. I want my employees and franchisees to think in a fanatical way. I bring that out in people.

What does your management team look like? It includes thought leaders in their areas of expertise. They're a vocal group, and they're not afraid to think outside the box. They are also clear communicators.

How does your management team help you lead? They are not afraid to deliver bad news. They are honest and have integrity. They do what they say they are going to do.

Favorite management gurus: Do you read management books? I am a student of business. I read just about anything I can get my hands on when it comes to different businesses and leadership styles. Some I embrace, others I discard. Given that reality, I'll mention two books I would put on a reading list: *The Effective Executive: The Definitive Guide to Getting the Right Things Done*, by Peter F. Drucker; and *The Difference Maker: Making Your Attitude Your Greatest Asset*, by John C. Maxwell. I am also an admirer of Warren Buffet, Colin Powell, and Jack Welch.

What makes you say, "Yes, now that's why I do what I do!"? I love helping people, and knowing that I have helped thousands of people realize their dreams enriches me. Helping people is what I do best.

PERSONAL

What time do you like to be at your desk? I get in at 6:30 in the morning. I think highly successful people start the day early.

Exercise in the morning? Wine with lunch? I exercise every day, but I don't have a set schedule. In other words, I exercise when I have time. I don't have wine at lunch.

Do you socialize with your team after work/outside the office? I do socialize with my team, but mostly in a business way. At dinners and other events, I am almost always working.

Last two books read: *Think Like a Freak*, by Steven D. Levitt and Stephen J. Dubner; and *What's Your Purple Goldfish? 12 Ways To Win Customers and Influence Word of Mouth*, by Stan Phelps. I also just read the *The Go-Giver* by Bob Burg and John David Mann.

What technology do you take on the road? I always travel with my laptop, my iPad, and my smartphone.

How do you relax/balance life and work? I play chess and bridge. I have enjoyed the game of chess since I was 6. My dad and I used to play, and he commented then on my passion for winning the game. I guess my competitive spirit was fueled at an early age.

Favorite vacation destinations: Florida and Saratoga Springs, N.Y.

Favorite occasions to send employees notes: I am fanatical about customer service, and when I see that an employee is fanatical about something and can prove it, I think that deserves notice. At Liberty, we give $1,000 awards to people who display fanatical behavior.

Favorite company product/service: Tax returns and happy customers.

BOTTOM LINE

What are your long-term goals for the company? Everyone at Liberty knows the answer to this question: We will be the No. 1 tax company in the world by 2020.

How has the economy changed your goals for your company? As it did with many other companies, the economy slowed our growth. Fortunately, I see that changing now. Money is more available and people are starting to loosen up when it comes to investing in a business.

Where can capital be found these days? Fortunately, the stock market is doing better, banks are more generous, and 401(k)s are replenishing. There's capital in those areas and in refinancing mortgages.

How do *you* measure success? At Liberty, we monitor results, not activities. That said, we measure our success based on our growth against competitors. We are growing faster than both of them combined in terms of the raw number of tax returns prepared. They are shrinking.

What has been your greatest success? I would have to say my greatest success has been in building two companies from scratch, Jackson Hewitt and Liberty Tax Service.

Any regrets? I never look back. I never say, "What if?"

What can we expect from your company in the next 12 to 18 months? We expect explosive growth in the number of locations, especially with the addition of our new brand, Siempre Tax+, which will cater to one of the country's fastest-growing markets, Spanish-speaking clients. ■

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FRANCHISE PROGRAM

BY DAVID CALLAHAN

Putt-Putt: Revamping a 60-Year-Old Brand

New model preserves the best, adds new attractions

When I purchased Putt-Putt in 2004, I realized the primary challenges associated with a 50-year-old brand would be 1) to experience continued growth, and 2) to reinvigorate the brand to appeal to a younger consumer base by delivering more value to our customers.

Since its founding in 1954, Putt-Putt flourished and experienced significant growth throughout the 1950s, '60s, and '70s with its golf-only concept. In the '80s and '90s, the brand continued to grow with the addition of arcade games and other attractions. The recent efforts to rebrand have evolved over the past 10 years, developing into a modern, cost-effective concept to revitalize the brand in ways that will result in future growth.

The redesign and rebranding of our Putt-Putt franchise model into the new-and-improved Fun Center concept was based on the idea to build on the best of the Putt-Putt brand, which is its tried-and-true game of skill, its iconic status, and its ability to become part of a town's community life. We also knew that Putt-Putt Golf alone would not attract the volume of kids and families we needed to continue to succeed, so we evaluated existing and new attractions and identified the key elements needed to make our new prototype attractive to consumers and provide the financial success necessary to our franchisees.

Every element of the new Putt-Putt Fun Center concept was measured against our vision to offer families a safe, wholesome entertainment option and provide investors with a proven, profitable model. Parents welcome the opportunity to have a facility for their kids where there is a clean, wholesome environment that has multiple outdoor attractions and is less expensive than the larger amusement parks.

Within the Fun Center concept, we tried to develop a model that required less land than the larger family entertainment centers and that incorporates the lead product, Putt-Putt Golf, into that mix. The new model incorporates all the attractions on approximately 3 acres of land. We believe the Fun Center concept will result in an increase of our franchise sales.

The redesign of the Putt-Putt franchise model not only incorporates new attractions and numerous upgrades, but also includes new operating systems to take advantage of current technology. While Putt-Putt Golf continues to be one of our main attractions, we now have electric go-karts, bumper boats, batting cages, laser tag, and bumper cars, as well as arcades, party rooms, and a concession area.

Social media is embraced and integrated into our Fun Centers through the Putt-Putt scorecard app, the photo booth (linked to Facebook), and our robust marketing efforts delivered across multiple social platforms. In addition, we updated the brand identity and implemented a new 365-day marketing plan for franchisees, along with new employee training emphasizing customer service and our Ten Commandments of Culture.

Our redesigned prototype Putt-Putt Fun Center is in Fayetteville, N.C., the birthplace of Putt-Putt. This new prototype was built specifically to Putt-Putt's new standard, with our management team supervising every aspect of construction and operations. The prototype is environmentally friendly, tobacco-free, and handicapped accessible. The prototype has been successful for the franchisee and was the focus of our 60th anniversary celebration this past June.

David Callahan

Moving forward, our staff is dedicated to being an industry leader by continually evaluating new attractions, operating systems, and programs to ensure the success of our franchisees and deliver an exceptional customer experience. We will continue to attend conferences and meetings where new attractions and technology are introduced, as well as follow industry trends. Every new franchise built will incorporate the latest knowledge we have gained through our experience and research.

As a franchise organization, we want to continue to expand our system. We have identified multiple locations in the Southeast that will enable us to achieve that expansion. We are pleased to announce construction began this fall for our new Putt-Putt Fun Center in Asheville, N.C., scheduled to open in spring 2015. Based on the success and profitability of our new prototype, we are confident this expansion will occur rapidly in our target markets. ■

David Callahan *is a successful entrepreneur and banker. Since 2000, he has been the CEO of Putt-Putt, where he is the majority shareholder and driving force behind the brand's recent growth and new look.*

The focused ceo

BY KEITH GERSON

The 12 Elements

Keeping franchisees satisfied and engaged

I've made a personal commitment to remain relevant in this ever-changing world of franchising. That's why I have at least one book in front of me at all times with a focus on how to create smarter franchise systems. To that end, I've discovered an excellent book on creating engagement and driving execution called *12: The Elements of Great Managing* by Rodd Wagner and James Harter, the sequel to the 1999 best-seller *First, Break All the Rules* (by Marcus Buckingham and Curt Coffman). The authors present a study of how great managers harness employee engagement, along with a number of case studies tied to turning around failing or struggling enterprises and how they were able to make significant improvements.

In reading this book, it wasn't too difficult to draw a direct correlation between franchisee performance issues and the findings from the landmark study of 10 million-plus employees and managers who were included in this Gallup Survey on engagement. I've taken the liberty of adapting the "12 Elements" into a simple assessment allowing for a truthful internal review as to how well your franchisees would score your organization in these areas, said to be the highest indicators of franchisee satisfaction.

1) I know what is expected of me in my franchise system. The survey's results showed substantial gains attributed to the First Element alone, which were often correlated with productivity gains of 5 to 10 percent, and thousands more happy customers. Franchise survey data I've previously published shows this as an area needing attention by executive management as 46 percent of surveyed CEOs lack strategic plans in writing that are shared with franchisees, and 25 percent do not have core values, mission, and vision statements in writing, nor are they shared. Many of the reasons that "high reliability organizations" perform so well revolves around each team member's understanding of what is expected of them and understanding how what they do complements the work of the rest of the franchise system.

2) I have the materials and equipment I need to carry out my role as a franchisee. Of the 12 Elements, whether a person has the materials and equipment needed to do their work well is the strongest indicator of work stress. The study results showed that when new team members join organizations, they have a honeymoon period of about six months, on average, during which they are generally highly engaged in their work. The sharpest drop in engagement comes after that first half year. In the survey, those with bottom quartile Second Element scores averaged 20 to 40 percent greater attrition than top quartile managers, representing millions of dollars in direct and indirect turnover costs.

3) In my franchise system, I have the opportunity to do my best every day. This is an area in which franchisees need additional training on how to match a person to the right job, one of the most complicated responsibilities any franchisee will face. As a consequence, no other element of managing has as much depth as the Third Element. I found it interesting to learn that sales representatives who received feedback on their strengths sold 11 percent more than those who did not receive such feedback.

4) In the last 7 days, my franchisor has provided me with recognition or praise for doing good work. High-performing teams had 5.6 times more positive than negative comments. Variation in the Fourth Element is responsible for a 10 to 20 percent difference in productivity and revenue, and thousands of loyal customers to most large organizations.

5) My franchisor, or the support staff, seems to care about me as a person. One of the best predictors of someone's trustworthiness was their perception of whether the company "cares about their personal well-being." How does your system convey this? I've discovered that sometimes "just showing up" is all it takes. Something as simple as a quick email from you as CEO to your franchisees after a win, or a note of encouragement during a challenging time, goes a long way.

6) There is someone at headquarters who encourages my development. It's difficult to get traction on any of the other elements without the Sixth Element. A mere 1 percent of those who have no mentor are able to achieve real engagement within their businesses through the strength of the other 11 elements. Two-thirds of team members who report having someone at work who encourages their development are classified as "engaged." A disturbing finding was that just one in four team members over 55, and one in five for members with 10 or more years with a brand, has someone who encourages them.

7) In my system, my opinions seem to count. Listening is one of the most critical skills, and begs the question of whether these skills are being taught to your front-line operations consultants. Consider putting polls on your franchisee intranet to make it easy for your franchisees to express their opinions on everything from where the annual conference should be held to feedback on new products, systems, etc.

8) The mission/purpose of my brand makes me feel my role is important. There is no such thing as an inherently meaningless job. Your job is to find the most powerful way to convey this to your franchisees, and they in turn to their employees. Consider that business units in the top quartile of Gallup's engagement database on this element average from 5 to 15 percent higher profitability than bottom-quartile units, and mission-driven work groups have 15 to 30 percent lower turnover.

9) My fellow franchisees are committed to doing quality work. If a team lacks a strong work ethic and a sense of responsibility to each other, the group becomes a convenient place to hide a little slothfulness, to push a little work to the other guy, or to point fingers when a project doesn't hit its deadlines. By a margin of six to one, team members are more upset with a colleague who has the ability and doesn't try than with a colleague who tries hard but doesn't have the ability.

10) I have a best friend in the system. If you're a franchisee who strongly disagrees with this statement, you are lonely in the system. Numerous qualitative studies of employee engagement suggest customers not only sense the level of camaraderie where they shop, but also that it makes a large difference in their experience, if for no reason other than its natural contagiousness. In the service industries, the customer ratings of work groups with strong Tenth Element levels are 5 to 10 percent higher than those of impersonal or acrimonious groups, which can explain the difference between success and failure.

11) In the last six months, someone at headquarters has talked to me about my progress. Your worst-performing franchisees, according to the statistics, are likely to be those who are ignored by their operations consultants statistically, an outcome from failure to coach on an ongoing basis. My own franchise CEO survey data shows that 62 percent of franchisors don't have formal training for operations consultants and field staff, so the chances are fairly high that "how to conduct performance reviews" isn't likely being instructed or carried out in an effective manner.

12) In the past year, I have had opportunities in my system to learn and grow. When franchisees and management feel they are learning and growing, they work harder and more efficiently. Business units in the top quartile on the Twelfth Element surpass their bottom-quartile counterparts by 9 percent on customer engagement and loyalty measures and by 10 percent on profitability.

A wealth of research proves that challenging franchisees to meet goals motivates higher performance. One of the most interesting wrinkles in the research is that team members perform better when they are working toward a specific difficult-to-attain target than when they are told simply "do your best." What are commonly called "stretch goals" are psychologically invigorating and good for business.

It's my strong contention that one of the most important things that you can do as a CEO to motivate your enterprise's franchisees is to first look out for the operations consultants and field staff. ■

Keith Gerson *is president of global operations for FranConnect, a leading provider of franchise management systems, with more than 500 franchise brand clients and more than 70,000 franchise locations on its cloud-based platform. Contact him at keith@franconnect.com or 703-390-9300 x159.*

Human resources

BY BILL WAGNER

There Is a Silver Bullet!

It's time to meet Gino Wickman's EOS

I've been an entrepreneur for most of 40 years, with the exception of a 3-year sentence with both Xerox and PepsiCo. What those 6 years taught me is that I am not designed to work in large corporations. During my entrepreneurial experience, I've built and sold three businesses. During that time, I've "hit the ceiling" a number of times. These past 15 years have found me teaching, coaching, and mentoring a number of entrepreneurs.

In my first book, *The Entrepreneur Next Door*, I surveyed the personalities of 1,509 successful entrepreneurs. They shared a number of very similar personality traits. They also shared the following: they were consistent and avid students, voracious readers, invested in their own development, and constantly looking to improve themselves. They were also looking for the proverbial silver bullet.

Since 2001, I've been a part of a CEO peer-to-peer group. Three years ago, one of our members hired a professional implementer to assist him in implementing Gino Wickman's Entrepreneurial Operating System (EOS). During this time, he grew his revenues from $24 million to $45 million; reduced his employee turnover from 18 percent to 7 percent; and increased his margins by 4 percent. He now has a strong vision, the ability to execute on that vision, and an organization that is amazingly healthy. More than 5,000 companies have successfully implemented EOS, including a number of hyper-growth franchisors.

Imagine if you would, the following books… *Good to Great* by Jim Collins, which is all about creating and maintaining **vision.** Ram Charan and Larry Bossidy wrote *Execution*, Verne Harnish wrote *Mastering the Rockefeller Habits*, and Gino Wickman wrote *Traction*, which all are about establishing **traction** in your organization and executing on your vision. Last is *The Advantage* by Patrick Lencioni, which is about organizational health and having a **healthy** company. EOS is all about having vision, traction, and healthy. To have vision without traction is nothing more than hallucination.

EOS has six elements: vision, people, data, issues, process, and traction. Each provides a specific process that drives results. Almost every business book deals with one of these six components. EOS however, ties all six into one connected process. I refer to it as a process of elegant simplicity. Simplicity helps entrepreneurs create a well-defined, one-page strategic plan. It provides focus.

Weekly meetings "rock"

Do you know what the most productive day of the year is? The day before vacation. On that day we clear our desk, we delegate, we get everything done. Why? We don't have a choice. Here is how we use this as part of the EOS weekly meeting, which is part of the sixth element, traction.

EOS requires a meeting at the same time every week. In these meetings, each executive team member reports on both their weekly to-do list and their short-term, 90-day goals. (EOS refers to these 90-day goals as "Rocks.") The catch is that those in the meeting can report on their progress only by saying they are done or not done, on track or not, finished or not. If they haven't completed the responsibilities they committed to for that week, then they say "Not done," and their responsibilities will become an issue in that day's meeting. This is the motivation that keeps every team member on track. It's pure unadulterated peer pressure: nobody wants to show up and say "Off track."

The second element of a weekly meeting is the way EOS processes issues: identify, discuss, and solve. If two people are responsible, then no one is responsible. One person means single accountability. I've worked with teams time and again that discuss but never solve their issues. It is easy to identify issues. The question is what to do about them. Do we continuously discuss or do we solve them? This is a process on how to identify, discuss, and solve issues—and it happens very fast.

This past year I saw the light. My firm has been helping companies tactically with their franchisee and employee selection and strategically with their employee development, but I was unable to assist them with a more complete, simple system. That was my motivation to become a professional EOS implementer.

I hope I've enticed you to at least *think* about the value of my experience. I strongly recommend that you buy *Traction*. The book provides a step-by-step guide on how to implement EOS yourself. In the past 5 years, more than 5,000 companies have implemented EOS, and more than 1,000 have used a professional implementer to assist them.

There are a couple of ways to get started. First, if you can, set aside 90 minutes for an executive team meeting where I am prepared to take you and your team through a step-by-step process. Afterward, you will know if EOS is for you.

My second suggestion is to purchase the book. I am prepared to send a copy of *Traction* to the first 50 CEOs who give me a call. I can promise you, there is a silver bullet that will drive all aspects of your company, and it's called EOS. ■

Bill Wagner *is CEO of Accord Management Systems and an EOS Implementer. For the past 15 years he has assisted the franchise community with the people side of their business. If you would like to complete a company checklist to see where you stand, send an email with "Traction" in the subject line to kim@accordmanagementsystems.com.*

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Three keys for moving beyond platitudes

BY KERRY PIPES

Insight-Full

Corner Bakery's CMO loves neighborhoods

Diana Hovey says she came to know and love Corner Bakery Cafe over a cup of coffee at a unit in her neighborhood. In October 2006, when the opportunity to be a part of the corporate team came along, she jumped at the chance. She's been chief marketing officer for the Dallas-based brand for 8 years now, at the forefront of shaping the branding and messaging strategy for the bakery-cafe pioneer that she says is the "ultimate neighborhood gathering spot."

Hovey says connecting with guests and giving back to the community are paramount to what the brand believes in and stands for. In fact, understanding the hearts and minds of the consumer has always been the focus of her career, first in public relations and marketing with TGI Fridays and later with Brinker International as vice president of marketing for its Mexican Concepts Division and Romano's Macaroni Grill.

As CMO at Corner Bakery, Hovey makes it a priority to discover the needs and preferences of every neighborhood, offering a consistent experience and an ingredient-inspired menu while creating a feel that fits the personality of the neighborhood. It's a philosophy that has proven effective and is a large part of the brand's franchising program, where the goal is to capitalize on the insights of franchise partners to create unique neighborhood cafes on corners everywhere.

Hovey is active in the National Restaurant Association and is a former chair and current board member of its Marketing Executives Group. She's also been a strong advocate for ending childhood hunger in the U.S., has served on Share Our Strength's "Dine Out for No Kid Hungry" board since 2009, and was recognized with the organization's 2010 Leadership Award.

Describe your role as CMO. My primary responsibilities are listening, evolving, protecting, and promoting Corner Bakery Cafe. Most important, I look at all decisions from our guests' point of view, making sure that we are not only addressing their needs and desires, but anticipating where they may change. Along with our executive team

Diana Hovey

and franchise partners, I look at every aspect of our brand—from product innovation and cafe design elements to promotions and advertising—to ensure we are constantly evolving, protecting, and building the brand. We started as a small bakery on a corner in downtown Chicago in 1991 and have grown to more than 170 locations throughout 17 states and Washington, D.C. to become one of the largest and most successful bakery cafes in the industry. Our successful growth and $2.3 million AUV comes from constant development.

What's unique about the CMO position at Corner Bakery? I often say that I have the *best job* in the company and we have the *best brand* in the industry. I'm pretty outspoken at times, and I enjoy the fact that our entire executive team enjoys challenging each other. I heard a very insightful comment recently: "Marketers are 'promise makers.' Operators are 'promise keepers.'" This really resonated with me. As marketers, we can make the most beautiful TV spots and we can plan the most exciting media campaigns, but results are completely dependent on a strong partnership with our operators and front-line staff. And that's true for all areas of our business. I am joined at the hip with partners in every area of the business: our franchisees, operations, culinary, finance, IT, and training. Making sure we're all on the same page at the same time is critical to keeping the promise. We work with a comparatively small marketing budget, and having these partnerships ensures we get the most out of our investments.

What's the most challenging part of being a CMO today? I am an insights-driven person. Whether it's a quantitative tracker study, transactional CRM data, or qualitative feedback gathered from sitting on a living room floor with Millennials, I believe we must peel back layers to fully understand our business. There has never been so much data and so many insights at our fingertips. The challenge of any CMO is to filter the most important insights, creating a succinct message that resonates with the consumer.

> **"We started as a small bakery on a corner in downtown Chicago in 1991 and have grown to more than 170 locations throughout 17 states and Washington, D.C. to become one of the largest and most successful bakery cafes in the industry."**

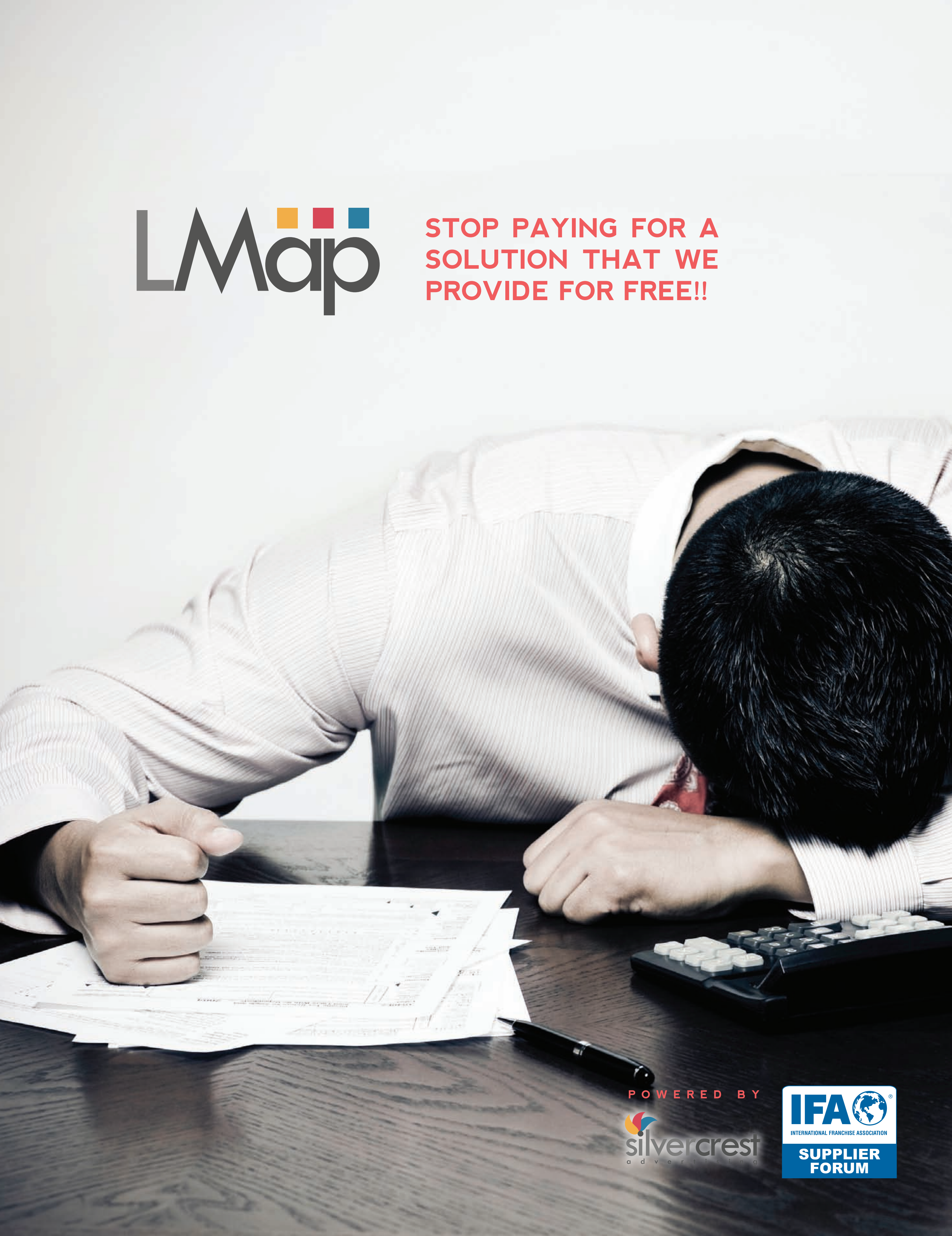
What are the 3 most important keys to being an effective CMO leader today? An open ear, an open mind, and the courage to act decisively. The world we live in is moving faster than ever before. The challenge for any CMO is to take time to listen to new and differing opinions. I'm naturally a very curious person and am constantly seeking opinions from new and different sources. We pride ourselves on not only listening, but most important, on being nimble and acting quickly on insights.

How do you prepare a marketing plan and execute the strategies? I am very fortunate to work not only with a great team, but also some of the most talented agencies in the business. We have "Sandbox" meetings several times a year to review current consumer trends and business strategies, and then collaborate to build on each other's ideas. Much like kids building sand castles, we've all come to really look forward to the competitive collaboration that comes alive in these sessions. From these meetings comes much back-and-forth discussion between our agencies as we develop the plan. From there, the key to success is truly all about being joined at the hip with our franchisees, operations, culinary, training, IT, and finance. It's truly a team effort!

How do you measure marketing results and effectiveness? When it comes to analysis, I have a strong partnership with our finance team and our agencies. I believe every marketing initiative, whenever possible, should be measured on several levels: guest feedback, growth and retention of traffic, margin growth, product mix shift, and lifts in awareness and first-time trial. Additionally, we use social media listening tools that provide rich insights into new product launches and key brand initiatives.

Discuss your core consumer marketing strategies and objectives. Based on recent Consumer Picks research, "crave-ability" is the number-one attribute that can set a limited service brand apart. As we explored these findings further, we found that Millennials are especially drawn to brands with crave-able menu items. Within the bakery cafe segment, we lead all other brands for crave-ability. From the first Corner Bakery in 1991 on a corner in downtown Chicago to today, constant innovation and development of crave-able menu items has been core to our success. It's my team's job to make these cravings come alive with "lick-the-screen-delicious" marketing. We recently introduced a new marketing campaign, "Must. Have. NOW." that really embraces our ingredient-inspired menu items and the cravings people have for items like our BBLT (bacon, bacon, local tomato) sandwich, a seasonal favorite that celebrates America's love of thick applewood smoked bacon and local tomatoes at their best. This year, we introduced hot-from-the-griddle buttermilk pancakes to incredible reviews. This new product launch has been very successful and has been supported with our new campaign, reinforcing Corner Bakery Cafe as the place to go for made-to-order breakfasts.

How do you go about creating a "customer-centric" marketing and brand philosophy? As a brand we have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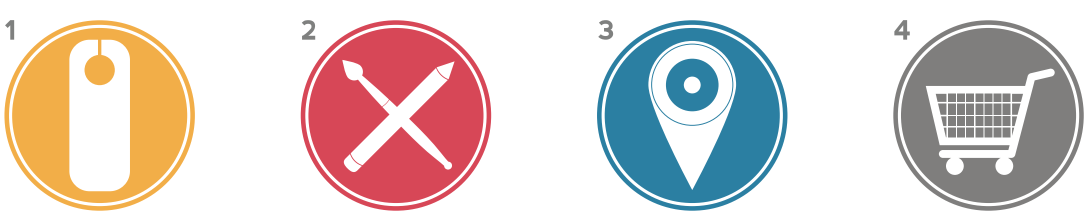

1 CHOOSE MEDIA

2 CUSTOMIZE CREATIVE

3 SELECT DISTRIBUTION

4 CHECK OUT AND EXECUTE

to continue to evolve by looking to our guests for insights, and outside our segment and industry for inspiration. We are much more likely to discover new ideas on a "foodstorming" trip to small, entrepreneurial concepts or at a farmers' market. Fast-casual consumers are well-educated and looking for crave-able, innovative menu items that incorporate fresh ingredients and flavors not found on every street corner. It's our goal to constantly identify these ideas and, as a marketer, I believe we must tell the story of our crave-able food in a compelling and unexpected way.

"Fast-casual consumers are well-educated and looking for crave-able, innovative menu items that incorporate fresh ingredients and flavors not found on every street corner."

Describe your marketing team and the role each plays. We have a brand marketing team (overseeing strategy, creative, production, and media) in Dallas and regional marketing managers in the field who are working with our franchise partners and company operators. I've worked with many marketing teams throughout my career, but I truly believe that I have the best team in the industry. While my team comes from different backgrounds, they share some common traits. They're curious, always seeking out new ideas. They're all very competitive (not necessarily with each other, but with goals we set). They're passionate about the brand and are perfectionists (almost to a fault) on details. Most important, they realize that marketing is just a small part of the equation. Their focus is on helping our franchise partners enter new markets and on staying nimble to take advantage of opportunities.

Why is it so important for the marketing department to have a "personal touch" when it comes to helping the brand connect with franchise prospects? We are bringing in a record number of prospective franchise partners each month for discovery days to learn more about the brand. Many of these individuals are coming from other segments of the industry, including casual dining, QSR, and family dining. By the time we are sitting down with them, they have visited us in multiple markets, have seen the brand in the media and in our advertising, and begun to see our many points of differentiation. From our innovative, made-to-order menu offerings to our segment-leading catering business, it's important to all of us that those first impressions are reflective of the commitment we have to protecting and evolving the brand. Marketing ensures that all brand communication and touch points are consistent and accurately represented. After all, the strength of a brand is in the details.

How does this help your franchise sales and development effort? All aspects of our business are instrumental in franchise sales. Prospective partners often learn about our brand's franchise opportunities and strong economic model after enjoying a dining experience at one of our cafes, visiting our website, or at an industry conference. Our marketing materials and website not only highlight our ingredient-inspired menu items, but also tell the Corner Bakery Cafe story, providing an in-depth look into our heritage and culture, our experienced executive team, and how our culinary team and menu items are best-in-class. These marketing materials often give franchisees a visual look into the brand, ultimately helping them to experience a cafe even if they do not have one in their home market.

What ways/tools do you rely on to do this? Marketing pieces are instrumental in showcasing our brand to prospective franchise partners. From menus and POP to television spots and mobile billboards, we provide a taste of the brand both inside and outside our four walls. We share a variety of our marketing elements during our discovery days to show how marketing dollars are invested, and to ensure the prospective franchisee that we have the tools to effectively support the brand as they break into new markets.

Do today's prospects expect more from the franchise marketing department? What and how do you provide it? As we evolve from a predominantly company-owned brand to a 50/50 franchise/company organization, we constantly tap into our franchise partners' vast experience inside and outside the segment and industry. We have worked directly with them to create processes and tools that benefit the brand as a whole. We offer local marketing and sales-building training sessions, assist in the development of their marketing plans, and provide them with resources for the execution of the plans, including traditional and non-traditional media resources.

How is technology changing the way franchise marketing is done in terms of one-on-one contact? Technology is certainly a benefit in communicating with our franchisees and providing them with tools to execute programs locally. We hold quarterly WebEx sessions to share details of upcoming initiatives, and we recently rolled out an online ad builder to allow franchise partners to customize select marketing materials, greatly reducing the lead time required to create local marketing materials. However, we strongly believe that there is *nothing* better than direct contact and will continue to develop one-on-one relationships with our franchisees.

How are you assisting your existing franchisees with more contact and transparency? What are their immediate needs? The flow of information is two-way. We have learned from and shared so many of our franchise partners' ideas. This is perhaps one of the greatest benefits of franchising: the ability to partner and think out loud. We continually learn from our franchise partners and appreciate the benefits of sharing ideas and best practices. This is especially important as more groups are opening cafes in new markets and are faced with the challenges of awareness-building and growing their catering business.

How do you work with other internal departments and does technology help? In today's world, marketing and IT must be joined at the hip. Over the past few years, we've made a significant investment in technology, setting the stage for considerable gains in operational efficiency. As part of our increased investment in technology, we've brought in a new VP of information technology who has become a tremendous partner for me. (See above for relationships with other departments.)

How do you manage costs and budgets for the marketing department? Our marketing budget is a fraction of our competition's expenditures. Fortunately, we are nimble and I like to say that we are "scrappy" in our efforts. We lean heavily on our agency partners for out-of-the-box ideas that are cost-efficient for both our franchise partners and company markets.

Do you see vendors as business partners? Why/why not? Our vendors are some of our greatest partners. We challenge them to bring new ideas and ways of doing things to our attention so we can continue to provide our guests and franchise partners with the best possible service. It is not unusual for our vendors to use the word "we" when talking about the brand. They truly feel part of the family, embracing that Corner Bakery Cafe is their brand too.

How have marketing strategies/tools changed over the past decade? How have you adapted? Our consumer is constantly on the go and on their phone. Last year we introduced

"Looking just at the past month, comments about Corner Bakery Cafe on Twitter and Instagram alone reached more than 7.3 million people, leaving more than 40 million impressions."

a completely new website, incorporating a responsive design that delivers a superior user experience whether on desktop, tablet, or mobile. Our new website has been very well received, generating a 180 percent increase in visits from mobile devices (and a 296 percent increase from iPhone users alone). Catering is a very big part of our business, representing more than 20 percent of our revenues, and online ordering has been key to the incredible growth we've seen in our catering business. With the introduction of our mobile-friendly site and online ordering for to-go guests last year, we've also seen significant growth in our online to-go orders.

As I said, our marketing budget is a fraction of our competition's. Fortunately for us, social media can help level the field for us. We focus on fueling word-of-mouth conversations about the brand. We use listening tools to monitor online conversations and sentiment, engaging whenever appropriate and as quickly as possible. Online community engagement is critical to building our business, and custom programs are designed as core components of every marketing campaign. In addition, we do weekly Twitter chats with our fans where ideas and inspirational thoughts are shared. Most important, we've discovered that our guests just want to share their Corner Bakery experiences. Social media is some of the most influential and cost-effective marketing we do. Looking just at the past month, comments about Corner Bakery Cafe on Twitter and Instagram alone reached more than 7.3 million people, leaving more than 40 million impressions. Now, that's the kind of advertising I love and can afford!

How is your marketing/branding strategy developed, and how does it flow through the system? As I said, we take a "Sandbox" approach. We invite our agency partners to participate in the process. We look to our guests for insights, to our franchisees for input, and inside and outside our segment for inspiration. The plan is presented to the Franchise Advisory Council and shared with the franchise community through a quarterly WebEx.

What advice would you offer to aspiring CMO executives? Align yourself with a brand that you truly love as a consumer. Lead with your passion. For my whole life, one of my greatest joys has always been bringing people together. I love to host gatherings of friends and family over great food. As CMO here, my job meets my personal joy. How many people can say that? And I love that Corner Bakery is committed to giving back. In 2008, I joined the Share Our Strength executive team to tour some of the hardest-hit areas of post-Katrina New Orleans, one of the most memorable and emotional experiences I've had in my career. Seeing the floodwater marks left behind on the elementary school walls and crayon drawings of children's storm memories was gut-wrenching. But walking outside, I saw busy children happily planting gardens and enjoying healthy lunches. This was in part due to the tremendous work of Share Our Strength's mission to end childhood hunger in the U.S. In 2008, we joined the first Dine Out for No Kid Hungry, and over the past 6 years our franchisees, our guests, and our team members have raised more than $1.2 million for this great cause. Today, more than 8,500 restaurants across our industry have united to make a difference—one kid, one meal at a time. ■

CMO roundtable:

"Discuss the role of your brand's culture in creating, framing, and developing your brand message or image to customers."

Amy Olson
Vice President of Customer Experience/Marketing
The Maids

The Maids has more than 30 years of experience in the highly competitive residential cleaning industry. We know well the importance and challenges of differentiating our brand in the market, and how important culture is in conveying and creating a positive overall brand experience. Personifying the brand culture starts at the top through executive and franchisee leadership.

The personalities of the brand we strive to convey through our culture are professionalism and being detail-oriented, friendly, and considerate. This is exhibited first and foremost through the customer experience provided by staff. From the start of a customer relationship, we make every effort to ensure a customer's brand experience with The Maids is not left to chance, but is carefully planned. To do so, all staff are trained on our branded customer experience, where every touch point is outlined and orchestrated in a manual. This helps make certain our customers are delighted through every step of doing business with us, from their initial phone call to the follow-up provided after the first service and beyond. The customer experience vision, promoted through internal marketing material, is to Wow every customer through personalizing, owning, and delivering an above-and-beyond experience.

Additionally, our brand image is exemplified through the professional uniforms worn by customer-facing staff members who provide service in customers' homes. Additionally, teams arrive in branded company cars emblazoned with The Maids' logo.

Finally, the ownership, management, and internal office culture within franchise offices lead the way in demonstrating the brand. Offices are professional environments, with friendly, welcoming atmospheres. Employees are treated with respect and provided with a great place to work, including a healthy continental breakfast. Special events in the lives of staff are celebrated to let staff know they are cared for and appreciated. Staff can then pass on the same genuine enthusiasm and kindness to their customers.

Rosemarie Reed
Vice President of Marketing
CruiseOne

CruiseOne's reputation as the go-to travel agency for customers worldwide began 22 years ago and has only strengthened through the years. We recognize that our franchisees are our gateway to cruise and vacation customers and that there is a correlation between an engaged franchise network and profitability and customer loyalty. Therein lies the challenge. How do we create a knowledgeable, engaged network of more than 900 franchisees and guarantee that the customer experience will be the same regardless of which franchisee you work with? While we can't force our franchisees to embody our brand culture, our end goal is to always instill in them a sense of pride that will resonate with customers and create a positive experience so they become lifelong loyal customers.

At CruiseOne, our owners are supportive of one another and do not view each other as competition. One way we accomplish this is by consistently sharing success stories of how franchise owners bring our brand culture to life—in our internal quarterly agent newsletter, in trainings, and on our peer-to-peer intranet. These stories include experiences with local marketing and events, closing sales strategies, coping with tough customers, building databases, and more. They serve as inspiration to all franchisees when they are communicating and working with their customers.

A marketing committee serves as the liaison between franchisees and our corporate offices. Since we in the corporate headquarters are not working directly with customers, this marketing committee serves as our eyes and ears. It represents the voice of all agents and informs us of what works and doesn't work in enhancing the customer experience. They are advocates for our marketing programs and lead by example in implementing the appropriate actions to create a thriving brand culture.

Planning a vacation can be a very stressful experience. It is our franchisees' job to make it as painless as possible. Our slogan is "Dream Vacations Start Here," and we give our owners the tools and education they need to make this a reality for their customers. We have award-winning training programs that teach our franchise owners hard and soft sales skills that make the customer experience seamless from start to finish.

Why? This three letter-word means so much to our brand. CruiseOne franchise owners are more than sellers of dream vacations. We always ask our owners why they do what they do, and once they determine that, it enables them to have a deeper connection with their customers that cannot be found elsewhere.

Determining your franchise's brand culture is an exercise that should not be taken lightly and which should steer the course of all internal and external communications. For franchisees to personify it, the brand culture must be ingrained from the onset and continuously reinforced. ■

Millennials

BY ADAM PIERNO

Friction-Free

Millennials want a "user-centric" experience

As Millennials continue to mature and grow into the top customer segment for most multi-unit dining organizations, there is increased focus on them and their tastes. Plenty has been written about this broad group that ranges from ages 18 to 35.

Type "Millennials are" into a Google search and it will offer suggestions like "entitled," "self-centered," and even "narcissistic." It can be easy to get swept up in these generalizations. A recent study by Santy, conducted in an effort to gain deeper insights into Millennials' attitudes and tastes, found two things of interest to food and beverage brands: 1) how they decide to dine out, and 2) how they choose the location for that meal. Based on these findings, the following statements outline the mindset needed to convert Millennial diners.

Every visit is a test

Two thirds (67 percent) of the Millennial respondents said past experience is a key factor in deciding where to go for dinner. In fact, past experience was the most commonly cited factor. This is likely because having grown up during the Great Recession, they are more careful with money than Gen X. They avoid dining experiences they aren't confident will meet expectations. For brands, this means that every occasion is an invitation to the next, and an opportunity to create long-term loyalty. To win Millennial diners back for future occasions, brands must find ways to make each visit personal, meaningful, sharable, and friction-free. To do this, brands will have to make decisions about how to make their dining experience more "user-centric."

Friction is your enemy

User-centric is a term borrowed from software development. It means that everything on the screen is where the user needs it to be to easily complete the desired task. In the context of this discussion, it means that each step in the dining experience should meet the expectations of the guest. Moments that do not meet those expectations diminish the customer's enjoyment—and their potential to return.

User-centric is a term borrowed from software development. It means that everything on the screen is where the user needs it to be.

When a customer comes in with a coupon they've downloaded, presents it to a server with their mobile device and is told it's not applicable at that location, that creates friction. The customer doesn't understand why that offer isn't applicable at that location, or all the complexities that led to that decision. They just know that their expectation has not been met, realistic or not.

When a customer asks to make a substitution to a combo and are told they can't, they don't understand why. But they do know they've experienced friction between the experience they desire and the one they received.

These are moments of truth for your business. Millennial dining occasions are down an estimated 20 percent since 2007. Two thirds (68 percent) of Millennials in the study said they don't plan to increase dining occasions next year. In this current climate, small things mean a lot. Food and service that fall short of expectations—expectations likely created by superior previous experiences with your brand—can cost you future occasions.

Flexibility is key

User-centric experiences offer the customer flexibility—the kind of flexibility that addresses small requests that mean a lot to Millennials. When you are flexible, you will be rewarded with a next visit. Seek ways within your operational structure to add flexibility to your service and within your menu. Seek opportunities to streamline your operational structure if it is a hindrance to creating a user-centric experience. Examine every step of the experience from the customer's perspective and identify friction in the system to win your share of future visits.

Flexibility is also key in your marketing and communications. Also consider that six in 10 (58 percent) Millennials said they expect to communicate with brands when and how they deem convenient. More than four in 10 (44 percent) said they want more open dialogue with brands through social media. They expect your brand to be where they are, and if not they've found another source of friction. This might keep them from coming in for that first visit—before you can create that great experience that keeps them coming back. ■

Adam Pierno, *director of brand strategy and planning at Santy, unearths Millennial insights at the convergence of media, technology, and the marketplace. These insights lead to positive and revenue-enhancing change for clients. Contact him apierno@santy.com or 480-710-4243.*

Connecting with customers

BY JACK MACKEY

Beyond Platitudes

Three customer insights from top franchise execs

Service Management Group (SMG) recently conducted interviews with top franchise executives. We asked them, "How do you go beyond platitudes about customer service to systems that engage customers and deliver marketing impact through a superior customer experience?" During these conversations, executives critiqued their customer experience management programs and shared what's next. Three key business insights emerged from our study.

1) How customer experience metrics predict financial results is not widely understood. Executives ask, "What's the impact of customer satisfaction on the bottom line?" and are looking to their customer experience measurement model to provide the answer. To senior leaders, it's not about *measurement* of satisfaction, it's about revenue-driven *management* of the customer experience. If a company's customer experience metrics are scores such as overall satisfaction, intent to return, intent to recommend, etc., then improvements in those metrics must correlate with business metrics like comp sales growth, average spend, and share of customer wallet.

Yet only a fraction of the executives we spoke with think franchisees and their employees really understand the connection between customer experience results and the financial performance of the organization. On the other hand, these same executives believe the majority of senior franchisor management sees the connection. This discrepancy points to the demand for more compelling links to financial performance and more effective communication. Even for franchise systems that have established financial linkage, the passage of time plus turnover requires frequent reinforcement to stoke the passion that drives relentless action to win customer loyalty.

2) Without focused action to improve results, why measure? Executives are looking for more than just scores—they want to know how to win. One executive said, "We invest to get all of this feedback from our customers, but franchisees and unit managers need to execute location-specific improvement plans to make the investment pay off." In the view of our executive panel, the best real-time customer experience dashboards for operators answer three questions: 1) Where should I focus? 2) What are my customers saying? 3) How do I compare to peers? When unit-level managers and team members have this information, they are motivated to concentrate their actions to improve where it matters most to *their* customers.

Managers are also looking for guidance in service recovery. Mistakes happen—they can't be avoided. But losing a customer over a mistake *can* be avoided. When customers request to be contacted through a customer survey that reports results in real time, managers at the unit level can respond to dissatisfied customers immediately. If store managers neglect to close the service recovery loop quickly, several multi-unit franchisee executives have business rules that escalate the follow-up task to above-the-store-level managers, and even to the CEO.

3) Analytics are attracting wide interest among industry leaders. One executive said, "We were delighted to learn through *text analytics* how we could reduce service costs by $3 million annually while actually improving our customer experience." Whether customers are highly likely to recommend or highly dissatisfied, operators want to know why. Text analytics adds the "why" to the "what." Many executives use text analytics to turn huge volumes of their customer comments into quantitative insight that helps them understand trends and sentiment around topical categories such as marketing campaigns, products, or the service of the staff. These insights are literally "new knowledge" franchisors can seize upon to create performance advantages not available to competitors.

The new vanguard of data-driven franchisor leaders are adopting *location analytics* to see where and when customers are visiting their franchised locations, and the locations of their competitors. Location analytics comes from using the GPS data on consumers' smartphones to detect when they visit specific brands. Executives see not just their own brand's visit frequency, but total share of customer visits versus specific competitors. Then, by triggering mobile surveys post-visit, consumers explain why they choose certain brands and locations, or why not. Franchisors are seeing named competitor benchmarks that show how customers perceive their relative strengths and weaknesses.

What's next?

Historically, "customer intelligence" referred to collecting and analyzing information about customers' details and their activities, in order to cement customer relationships, drive sales growth, and improve strategic decisions. What's new, and exciting, is the breathtaking pace of advanced technologies that enable powerful new customer insights, especially for franchisors.

While operational excellence is vitally important for a franchise system, customer insights open up creative ways of thinking about, testing, and finally implementing new ideas that drive profitable sales growth system-wide. To paraphrase Einstein, "The thinking that got us where we are is not sufficient to get us where we want to go." ■

SMG Vice President **Jack Mackey** *helps multi-unit operators improve customer loyalty and drive growth. Contact him at 816-448-4556 or jmackey@smg.com.*

IFA'S FRANCHISE ACTION NETWORK

BY ERICA FARAGE

The franchise business model is under unprecedented attack by anti-business activists launching a coordinated campaign in cities, states, and at the federal level. From discriminatory wage increases in Seattle and potentially Chicago, to federal regulations that would recast franchisors as employers of their franchisees' employees, these attacks are like nothing we have ever experienced. Franchise businesses must unite under a single, unswerving, strong, and collective voice to defend the franchise model against these increasing threats.

1) It's time to mobilize, now. This summer, the IFA board approved a new strategic initiative, the Franchise Action Network (FAN) to mobilize and unify the franchise community. Through FAN, franchisees, franchisors, and suppliers are working to educate lawmakers, regulators, key influencers, and the public about the crucial economic advantages provided by the franchise business model across the country.

2) Why join FAN? In addition to keeping you in the loop about the latest news affecting franchises in your area, FAN will work to neutralize anti-franchising forces, simultaneously educating policymakers that locally owned franchise businesses are indeed essential small businesses. As a member of the franchise community, you know that behind many familiar logos and trusted brands are small-business owners seeking to increase opportunity—not just for themselves, but for their entire communities. By joining FAN, individuals can play a critical part in delivering this message to policymakers in Congress, the states, and in cities across the U.S.

3) Key objectives. By launching FAN, franchising aims to seize control of the debate, build our network of grassroots supporters, and educate policymakers and the public about the benefits of franchising. FAN's objectives are as follows:

- recruit current franchisees, franchisors, and suppliers in each state to educate them on public policy issues;
- motivate these individuals to come together for a common industry cause; and
- prepare and position FAN for legislative activity in the 2015 legislative sessions and beyond.

4) Key issue: NLRB joint employer status. In July, the National Labor Relations Board's Division of Advice announced that a franchisor could be designated as a joint employer of its franchisees' employees. IFA is fighting this dangerous assertion because it is unlawful and will harm job growth, the economy, and locally owned franchised small businesses in every state.

The Service Employees International Union (SEIU) is leading organized attacks against franchising. The labor union's multi-pronged attack at the local, state, and national levels includes having the federal government declare entire franchise systems as a single unit rather than the collection of separate, small-business owners they actually are. The SEIU wants to undermine the franchise business model so it can more easily unionize entire franchise systems, as it is much more difficult for unions to organize thousands of independent small businesses under the current regulatory system.

5) Key points. The NLRB's Division of Advice ignored decades of regulatory, legal, and legislative precedents which make it clear that franchisees are separate businesses from their franchisors. Their legally binding contracts also make this clear.

- A franchise is an agreement or license between two independent businesses. Many franchise businesses with familiar brand names are locally owned and operated small businesses that pay an initial fee and ongoing royalties to use the trademarks of the franchisor.
- Franchisors are responsible for brand standards and quality, while franchisees are responsible for day-to-day operations and employment decisions that include hiring, firing, wages and benefits, and working conditions.
- Franchisees have invested their capital in the business and stand to lose equity in their businesses if their franchisors are deemed joint employers.
- Disputes over liability will only produce costly litigation for both franchisees and the franchisor.

6) Leveraging our voices. FAN launched this summer, but we are already leveraging the voices of our members to address unfair wage hikes in cities such as Chicago and Los Angeles on minimum wage, at the state level in California against a harmful franchise relations bill (vetoed by Gov. Jerry Brown on Sept. 29), and at the federal level on joint employer issues. In Seattle, FAN has been working to educate the public about a proposal that would single out independently owned franchises for an "accelerated adoption" of a minimum wage increase. And in Los Angeles, FAN is getting the word out about a proposal that would increase the current minimum wage by a whopping 70 percent.

7) Taking the game to them. At the recent IFE in New York City, IFA board member and Fastsigns International CEO Catherine Monson said it best: "Politics is a contact sport."

The fact is that those who make laws affecting our businesses often know very little about how franchising works and how their regulations affect our day-to-day operations. If we want to get our message out, we have to take the game to them by forming relationships with lawmakers at every level.

If you want to ensure that lawmakers listen to the franchise community, the most important thing you can do is to become a FAN today by visiting FranchiseActionNetwork.com. ■

Erica Farage is senior director, political affairs and grassroots advocacy for the International Franchise Association. Find her at fransocial.franchise.org.

Grow

Franchise development intelligence

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Master the psychology of buyers and exceed your sales goals

BY EDDY GOLDBERG

2015 AFDR: MIXED RESULTS

Development practices improve, but much remains

Results from the 2015 Annual Franchise Development Report (AFDR) were unveiled this October at the 16th annual Franchise Leadership & Development Conference. The 2015 AFDR is based on responses from 139 franchisors representing 36,313 units (32,693 franchised and 3,620 company-owned).

Participants were franchisors who pre-registered for the conference and completed an online questionnaire. Responses were aggregated and analyzed to produce a detailed look into the recruitment and development practices, budgets, and strategies of a wide cross-section of franchisors. The data, with accompanying commentary, provide the basis of the 2015 AFDR.

Highlights from the report were presented by a high-powered panel of veteran franchise sales pros, who freely shared their own thoughts and analysis in a lively presentation. Conference Chair Greg Vojnovich, chief development officer at Popeyes Louisiana Kitchen, facilitated the panel: John Teza, chief development officer at Jersey Mike's Subs, Tom Wood, president and CEO at Floor Coverings International, and Art Coley, former president and CEO of AlphaGraphics. The presentation was expanded to a full 2 hours this year, allowing for ample discussion, questions, and jovial, spirited disagreement.

The researchers and mystery shoppers this year were eMaximation (application submittals), Franchise Business Review (franchisee satisfaction), Kiekenapp & Associates (phone response), Landmark Interactive (mobile response), Process Peak (website performance and social media), and Luis Zuniga/Mile Marker 10 (website response). See page 46 for their comments.

Growth plans for 2015 from the 139 respondents target a total of 6,063 additional units and 3,758 new franchisees (an average of 44 units and 27 franchisees). For comparison, last year 101 franchisors aimed for a total of 4,057 additional units and 2,526 franchisees (an average of 40 units and 25 franchisees); in 2013, 106 franchisors targeted 4,675 new units and 3,095 franchisees (an average of 44 units and 29 franchisees); and in 2012, 110 franchisors sought 8,262 new franchise units and 4,441 new franchisees (an average of 75 units and 40 franchisees).

Below are additional highlights from the 2015 AFDR. Ordering information can be found on page 41.

Telephone mystery shopping

This portion of the survey, conducted by Kiekenapp & Associates, contacted 146 brands. Marc Kiekenapp found some improvement, but many of the basics were still lacking at many franchise brands. One in 12 brands (8 percent) somehow managed to have either no phone number or a wrong number on their website. And only 1 in 5 (22 percent) had a sales team member available for that crucial first phone call. The good news here is that overall numbers for incoming telephone inquiries have improved from previous years. Although the sales team at 1 in 8 (12 percent) brands never returned the call, that number is half of what it was in 2012, and about 60 percent lower than in 2013.

Telephone Mystery Shopping: Response to Inquiries

	2014	2013	2012
Wrong Number or No Number on Site	8%	11%	9%
Sales Staff Available for First Call	22%	3%	19%
Calls resulted in Voicemail or Receptionist	49%	72%	57%
Callers Referred to Franchise Website	5%	13%	5%
Sales Staff Never Returned the Call	12%	32%	24%

When asked what makes a good phone call, the panelists agreed on two things: 1) take a phone number, and 2) present the next step last. "If you get a phone call, have something you agree on that all will do, and in what order," advised Vojnovich. Yet, astonishingly, during the qualification process, half did *not* take the caller's number. The relatively good news here is that this number is down from two-thirds not taking a phone number in the two previous surveys. While the percentage of those who qualified start time roughly tripled from the preceding 2 years, the number of sales staff who qualified experience on that first call fell by more than half from 2012. As for presenting the next step, half (49 percent) did, up from last year, but down from 2012.

Telephone Mystery Shopping: Qualification Process

	2014	2013	2012
Takes Telephone Number	46%	65%	67%
Qualifies Start Time	42%	13%	16%
Qualifies Finances	42%	45%	30%
Qualifies Experience	18%	18%	39%
Asked for Lead Source	57%	27%	39%
Presents Next Step	49%	31%	62%

• **Recruitment budgets.** More than half (53 percent) said their 2015 recruitment budget is higher than in 2014. Fewer than 1 in 10 (7 percent) said their budget for 2015 will be lower. And 4 in 10 are budgeting the same amount as they did this year.

• **Where the money goes.** Plans for allocation of their 2015 recruitment budgets remained stable. In fact, its distribution has been fairly consistent for the past 5 years, despite all the excitement about social media. Internet spending by respondents peaked in 2010 at 50 percent, gradually declining in the ensuing years to 44 percent predicted for 2015 (it was 45 percent in 2014). Spending for trade shows at 16 percent (same as 2014), print at 13 percent (15 percent in 2014), and public relations at 12 percent (same as 2014) mirrors allocations by respondents in previous years.

• **Top sales producers.** The Internet—holding steady at 42 percent since 2012—continues to dominate as the number-one source for franchise sales. Referrals remained second at 30 percent, basically identical with the 3 previous years. Brokers, at 16 percent, also held steady over the 5-year period. One encouraging sign: "Other," at 6 percent, is about one-third of what it was in 2010 and 2011, hopefully indicating that franchisors are doing a better job of tracking where their sales come from.

Top Sales Producers

	2014	2013	2012	2011	2010
Internet	42%	42%	42%	30%	36%
Referrals	30%	31%	32%	31%	25%
Brokers	16%	17%	16%	17%	17%
Print	3%	0%	3%	2%	5%
Other	6%	10%	7%	20%	17%

• **Top Internet sales producers.** As noted, the Internet accounted for about 4 of every 10 sales among respondents. Breaking down Internet sales by category, the biggest change from last year is the 50 percent decline in sales attributed to SEO (24 percent in 2014, compared with 49 percent in 2014). Sales from online ad portals, which fell significantly in 2013 (to 23 percent from 43 percent in 2012), bounced back to 35 percent in 2014. Possible reasons include better performance by portal operators, better communication from and collaboration with franchise sales departments, and changes in how prospects search for brands. Pay-per click, at 15 percent for 2014, more than doubled from 6 percent in 2013, reaching its highest percentage in 5 years.

Top Internet Sales Producers

	2014	2013	2012	2011	2010
Online Ad Portals	35%	23%	43%	32%	35%
Search Engine Optimization	24%	49%	31%	34%	28%
Pay-Per-Click	15%	6%	10%	5%	11%
Social Networking	4%	4%	0%	5%	2%
Remarketing	4%	N/A	N/A	N/A	N/A
Other	0%	5%	7%	17%	N/A
Don't Know	6%	11%	8%	7%	24%

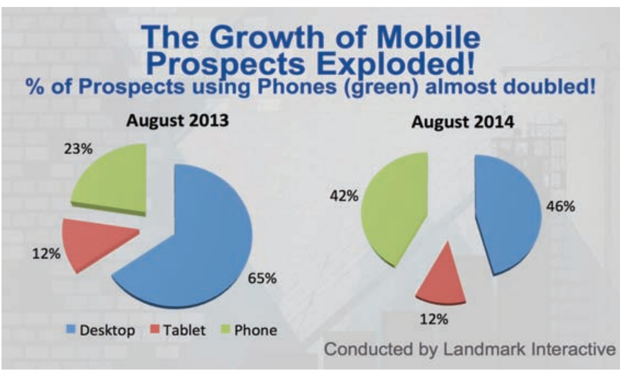
• **How multi-unit franchisees find new brands.** It's no secret that for most franchisors, experienced multi-unit operators are the gold standard. Their track record of success, along with their solid organization and infrastructure, makes them a safe bet—and a good one. Where these savvy operators go to look for new brands to expand their portfolio should be of utmost importance to expansion-minded franchisors. Nearly two-thirds (62 percent) said they attend trade shows to find new opportunities. About half (52 percent) count on referrals from associates, as well as on their personal experience with a brand (42 percent). At trade shows, franchisees seeking new brands can explore new concepts *and* discuss them with other multi-unit operators.

How Multi-Unit Franchisees Find New Brands

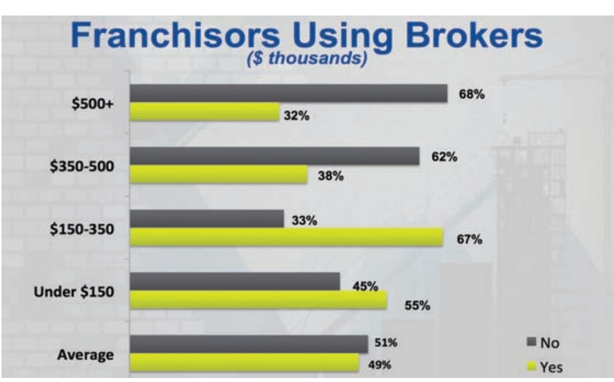
Trade Shows	62%
Referrals from Associates	52%
Personal Experience with Brand	46%
Trade Magazines	42%
Franchise Opportunity Sites	32%
Search Engines	26%
Newspapers	4%
Other	4%

• **Measuring costs.** Tracking cost per lead and cost per sale have both been an inexplicably weak point for franchisors for years. Also inexplicable in this high-tech era, the percentage of those who track these two critical development metrics *fell* in comparison with previous years. When it comes to franchisors tracking cost per lead, 4 in 10 (42 percent) said they still don't; that compares with 3 in 10 (28 percent) in 2013, and 1 in 3 (35 percent) in 2012. And when it comes to tracking cost per sale—the most important metric for a franchise development department—more than half (52 percent) said they don't. That compares with 4 in 10 in 2013 and 2 out of 3 (65 percent) in 2012. Excluding broker fees, average cost per sales in 2014 was $9,142.

• **Mobile.** The percentage of prospects making contact using their phones almost doubled from August 2013 to August 2014 (23 percent to 42 percent), according to research conducted by Landmark Interactive. Contact made using desktop computers fell from two-thirds (65 percent) in August 2013 to less than half (46 percent), mirroring the ongoing shift to the use of smartphones in everyday life. Tablet use held steady at 1 in 10 (12 percent). In August 2012, those numbers were 10 percent for phones, 8 percent for tablets, and 83 percent for desktops. The message here for franchisors is that they must adapt their franchise development websites in response to the expanding use of mobile devices.



• **Brokers.** About half (49 percent) reported that they use franchise broker networks (78 percent used broker firms and 74 percent used independent/local brokers or consultants). That compares with 48 percent last year and 44 percent in 2012. The average commission fee per deal in 2014 was $15,146 from broker firms and $11,750 from independent brokers/consultants. However, in the experience of the panelists, those numbers seemed low. "I don't know a single franchisor paying less than $25,000," said Wood, unless they were in packages of five. "Just signing up with a broker isn't enough," added Coley. "Take them out to dinner. Make them understand what your brand is about." Brokers are not for everyone. They will perform better or worse depending on a brand's investment level and the sector they operate in. On average, respondents expect to close 11.3 deals through broker firms and 8.3 deals through independent brokers/consultants in 2015.



• **Website response.** This portion of the AFDR's mystery shopping was conducted by Luis Zuniga, Mile Marker 10, who researched 140 brands. The results were not encouraging, by any stretch of the imagination. Comparing this year's results with those of the three previous surveys finds mixed results. The number of franchisors responding by phone to the qualified prospect within 24 hours rose from 21 percent in 2013 to 35 percent in 2014. However, this number also means two out of three took longer—if they responded at all. The number who *never* sent an email to the prospect rose from 22 percent to 36 percent (although this was down from 49 percent in 2012), while those who never called back to the qualified prospect rose from 52 percent to 63 percent!

Your Website is the Most Important Marketing Tool in Franchise History

- 36% never sent emails to the prospect.
- 63% never called the qualified prospect.
- 35% responded by phone within 24 hours.
- 8% never emailed or called the qualified prospect.
- 8% had no forms on their websites

• **Website/social performance.** Process Peak conducted this portion of the mystery shopping, examining the websites of 147 franchise brands to evaluate how well they are using their online presence to grow their brand and manage their reputation. Although the percentage of franchise brands with mobile-friendly websites doubled compared with the previous year, only 4 in 10 (43 percent) had taken the steps to make their websites mobile-friendly. Use of click-to-call technology is another area for improvement: just 30 percent offered it on their websites. Process Peak's Jon Carlston noted that franchisors are doing a "great job" of getting their websites to appear on Google's first search results page, but are not doing a great job using social channels as an additional way to promote their franchise opportunity.

Website Mystery Shopping

No Specific Franchise URL	43%
Testimonials	63%
Mobile Friendly Franchise Site	43%
Financial Requirements Clearly Stated	42%
Financial Investment Included	35%

• **Overall closing ratios.** Despite all the shortcomings noted above, when it comes to closing ratios, the franchisors in year's AFDR *are* doing something right: their collective closing ratios continued to trend upward this year. Leads to sales, after hovering in the 2 percent range, jumped to 7 percent in 2014. Applications to sales rose from the 10 to 20 percent range in previous years to 27 percent in 2014. And although the closing ratio for discovery days to sales dipped slightly from the previous 3 years, it is still slightly higher than in 2010. Panelists thought the ratios reported this year were unrealistically high.

Overall Sales Closing Ratios Improving

	2014	2013	2012	2011	2010
Leads to Sales	7%	2%	2%	2%	1.5%
Applications to Sales	27%	20%	13.5%	13.5%	10.5%
Discovery Days to Sales	67%	77%	75%	75%	65%

• **Franchisors exceeding goals.** As usual, the franchisors who exceeded their goals focus on the fundamentals—and on executing them at every level. Among this group, half (48 percent) use a qualifier, up from 30 percent last year and 35 percent in 2012 ; 9 out of 10 (87 percent) provide FPRs, also up from previous years; and one-third (double the previous 2 years) have shortened their sales cycle. Franchise brands in this category also increased sales staff, used brokers, and mystery shopped both their own sales team and the competition's.

Franchisors *not* in this category should consider adopting some or all of these practices in the years ahead. Service brands remained far and away the largest sector to report they've exceeded their sales goals. Food and retail food held mostly steady, and those in the retail category dipped by about half from the two previous years. ■

Franchisors Exceeding Goals

- 52% shopped their sales people in last 12 months
- 59% shopped competition in last 12 months
- 73% say leads are up
  - 76% quality of leads are up
- 52% have increased sales staff
- 59% have franchised non-traditional venues
- 33% use brokers
  - Pay significantly more in commission.

FOUNDATIONS FOR GROWTH

16TH LEADERSHIP & DEVELOPMENT CONFERENCE FOCUSES ON FUNDAMENTALS

BY KERRY PIPES & EDDY GOLDBERG

Building a solid foundation is essential for any growth-minded business. And in the fast-paced, high-tech world of franchise development, it's easy to overlook the fundamentals. That's why the theme of the 16th annual Franchise Update Leadership & Development Conference was "Foundations for Growth." The event was held at the InterContinental Buckhead Hotel in Atlanta, October 15–17.

Franchise development executives and their sales teams expect quality learning opportunities and a rich venue for networking when they attend the annual conference—and that's what they got, with two outstanding keynote speakers


Greg Vojnovich, conference chair

and dozens of expert panelists who both challenged and encouraged attendees. Topical and timely sessions filled the two-and-a-half days as knowledgeable, experienced speakers shared their stories and insights in packed meeting rooms.

The conference continues to post strong numbers each year. More than 240 franchise sales executives joined more than 130 sponsors and exhibitors for what has become a premier event for system growth and development teams. Extended hours in the Expo Hall provided attendees ample time to explore the solutions being offered and to network with their peers.

Greg Vojnovic, chief development officer for Popeyes Louisiana Kitchen,


John Teza, Tom Wood, Art Coley

CONFERENCE BY NUMBERS

380
ATTENDEES

242
FRANCHISOR EXECUTIVES

131
SPONSORS

7
OTHERS

J.B. Bernstein, keynoter

Debbie Shwetz, Nothing Bundt Cakes

served as conference chair. Satmetrix, and *The Wall Street Journal* were Platinum Sponsors. Benetrends and Hot Dish Advertising were Gold Sponsors.

Day 1: In-depth intensives

Wednesday morning kicked off early with registration opening at 7 a.m. As attendees gathered, a growing buzz filled the lobby outside the meeting rooms as old friends exchanged greetings, new acquaintances were made, and participants settled in for the day's two all-day simultaneous tracks: the CEO Summit, and four sessions for sales executives and suppliers.

Nearly 50 franchise CEOs—the largest group yet—signed on for this year's intensive all-day summit, sponsored by MSA Worldwide. One of the most remarkable parts of the CEO Summit is the chance for founders, CEOs, and presidents to spend a day with their peers, discussing their common problems and hearing how others are dealing with them. A guarantee of confidentiality encouraged openness among the executives, and discussions were lively and frank. The focus this year was "Walking the Talk." Friendships formed that the attendees said they plan to continue.

Gary Gardner

Nearby, franchise sales and development executives chose between two all-morning sessions, "Mastering Franchise Sales Fundamentals" and "Identify, Attract, and Recruit the Right Prospect." Two more concurrent afternoon sessions followed lunch: "Building High-Performance Sales Teams" and "Position Your Franchisees for Success." These sessions featured seasoned panelists and moderators who dug into key issues such as profiling and targeting prospects who will excel as franchisees, determining team needs, hiring and promoting, compensations and incentives, using brokers, and recruiting winners who can boost the efforts and success of the franchise sales and development team.

Kelly Rogers, Two Men and a Truck

After a full day of discussions, brainstorming, and problem-solving, attendees gathered for the opening social in the Expo Hall, sponsored by Thought House. Suppliers offering products and services ranging from high-tech solutions to PR services to data analysis were on hand to rub elbows with attendees and pitch their solutions over drinks and hors d'oeuvres.

Day 2: Keynotes and breakouts

On Thursday morning, attendees were welcomed with breakfast in the Expo Hall. As the caffeine kicked in, they had a chance to pick up where they left off the night before, as well as to start new conversations as they explored the vast array of suppliers and compared notes with their peers.

In the first general session, Conference Chair Vojnovic began the morning by greeting attendees and setting the tone and expectations for the day. "This conference is about advanced professional development," he said. "It's also about friendships and relationships." Challenging attendees to make the most of their experience, he said, "You're only one question away from fundamentally changing your life. Do you know your question?" He urged first-time attendees to seek out more experienced hands to help them find answers to their questions.

FRANdata CEO Darrell Johnson followed, delivering his annual economic forecast for franchising. He outlined four

Peter Sheahan, keynoter

main points that will affect franchisors in the years ahead: 1) sluggish economic growth through 2016; 2) demographic shifts that will be felt in both development and sales; 3) new ways to measure franchise performance; and 4) capital flowing to a greater percentage of "the deserving."

The implications of slow growth for franchising, he said, include a battle for market share, resulting in an increased focus on marketing departments; more attention to cost efficiencies; and an increased focus on transfers, with a word of caution to franchisors: "Retiring old hands won't be able to take them on." Heading into 2015, he advised, "Be prepared to reach Millennials, pay more attention to transfers, and attract lenders and franchisees with solid performance data." Finally, he said, slow growth is better than no growth, and "If you don't have good unit economics, fix it."

The next speaker was keynoter Peter Sheahan, author of *Generation Y*, *Fl!p*, and *Making It Happen*. Sheahan, founder and president of ChangeLabs, opened by saying, "The world is changing and so must you." His overall message centered on the theme of "responding to change in ways that help you grow." He provided powerful examples of companies that had ignored change, planned poorly for the future, and suffered the consequences. But he also gave examples of companies, like Apple, that gained success by looking forward, innovating, and knowing and understanding their customers and their markets.

Sheahan built his talk around what he called the four foundations for growth: 1) future-focused assumptions, 2) nonsexy innovation, 3) intangible competitive advantage, and 4) collaboration. He provided plenty of real-life examples from companies including Nintendo, Sony, Microsoft, McDonald's, Harley-Davidson, and Subway to illustrate each point. Growth stemming from innovation happens when a forward-looking company (or individual) identifies the trend and finds a way to act on it in the marketplace, either first or better.

J.B. Bernstein, Greg Vojnovich

"Nothing ever changes in an industry that nobody had predicted," he said. Rather, innovation and change are "hidden in plain sight. The problem is that it sits on the periphery." Change, he said, is "really slow until it's not—then it gets exponential." He then asked the audience, "Does anybody feel franchising is on the tipping point of that right now?"

The general session continued with a panel of high-powered franchise sales pros discussing the results of this year's Annual Franchise Development Report (AFDR) and Mystery Shopping Survey.

Nick Powills, Tom Wood, J.B. Bernstein, Gary Gardner

STAR Award winners CertaPro and Sport Clips

The animated, opinionated panel consisted of John Teza, COO of Jersey Mike's, Tom Wood, CEO at Floor Coverings International, and Art Coley, former CEO and president of AlphaGraphics, and was facilitated by Vojnovich, who offered plenty of his own opinions on the data.

Every franchise brand that attended was mystery shopped before the event if they opted in. The highlights, along with plenty of lowlights, continue to reflect a sales and development culture that could use improvement. "Franchise sales people are still underperforming," said Vojnovic. "There's really no excuse and things must improve." With slides from the AFDR displayed on the big screen, the four sales veterans engaged in a lively interpretation of the data and made suggestions on what could be learned from the results.

The website mystery shoppers again found disappointing results. For example, 36 percent of the brands contacted through their own website never sent emails to the qualified prospect, and 63 percent never called them.

Things weren't much better by phone. Nearly one in 10 (8 percent) of franchise companies had a wrong telephone number or no number on their website, and

Darrell Johnson, FRANdata

49 percent of calls were funneled into voicemail or to a receptionist.

Each year these results seem to disappoint, yet little improvement is ever measured, said Vojnovic. In short, many franchisors still are at sea in their search for excellence.

A final visit to the Expo Hall for lunch and additional networking followed before the afternoon's breakout sessions began. This year featured three basic tracks: Franchise Sales Basics, Building a World-Class Brand, and Market Planning and Development. Moderators and panelists delved into topics as diverse as identifying leads, closing deals, using geo-targeting for site selection, and building a successful development team. Relying on their own experience, case studies, and audience participation, panelists kept the presentations lively, relevant, and engaging, with plenty of opportunity for questions and comments from attendees.

The day's business finished with a high-energy Business Solutions Roundtable in a general session led by the day's second keynote speaker, professional sports agent J.B. Bernstein, whose remarkable story was documented in Disney's "Million Dollar Arm" movie. Bernstein spoke to a packed room about handling sales challenges and "using creativity to open the door to the sale," spinning spell-binding stories from his business adventures. Toward the end of his talk, he took off his watch, passed

it around the room, and challenged each table of sales pros to devise a pitch to sell him that watch—an exercise based on a job interview he had when he was young.

A short break followed to allow attendees to "doll up" for the 2014 STAR Awards dinner, held at nearby Maggiano's Little Italy. The winners were announced and the awards presented by Bernstein, along with Franchise Update Media Chair Gary Gardner and Nick Powills, publisher of *1851* magazine. (See page 50 for interviews with the STARs.)

Franchise development 101

Friday morning provided one last opportunity to mine for that precious nugget to take back to the office, in the form of a two-hour, in-depth session called "Economics of Franchise Development Workshop." Presented by Jeff Sturgis, chief development officer for McAlister's Deli, and Chad Cohen, senior vice president at Fish Consulting, the session was a how-to primer. Sturgis took participants, both new and experienced, through the nuts and bolts of franchise development, covering industry and development trends, sales goals, the components of an effective franchise recruitment strategy, building a budget, and measuring results.

Next year

With plenty of great ideas in the bag, these franchise sales and development professionals went home to strengthen their foundations and plan for building growth into the future. Visit franchisedevelopmentconference.com for more on this year's event, and to register for next year's conference, which will return to the InterContinental in Atlanta October 14–16, 2015. ■

BY HELEN BOND

No Mystery Here: Improvement Needed!

Survey highlights gaps in franchise recruitment

Franchisors seeking an edge in the increasingly competitive world of franchise recruitment will find it pays to go back to the basics.

That was one of the key recommendations highlighted in Franchise Update Media's Annual Franchise Development Report and Mystery Shopping Survey. Mystery shopping was conducted for the franchise brands that pre-registered for the conference and chose to have their sales teams evaluated. This year's study, by researchers posing as qualified prospects, includes data from 139 franchisors, representing 36,313 units (32,693 franchised and 3,620 company-owned).

The annual exercise uncovered the best—and the worst—practices by brands that participated in the research, says Greg Vojnovic, chief development officer at Popeyes Louisiana Kitchen. He led a high-level panel that analyzed the results at a general session during the 2014 Franchise Leadership & Development Conference, held in Atlanta in October. Panelists were Art Coley, former CEO and president of AlphaGraphics, John Teza, chief development officer at Jersey Mike's Subs, and Tom Wood, CEO and president of Floor Coverings International.

"There were two interesting things that occurred that were the exact opposite of each other," says Vojnovic. "There is a group of folks who attend the conference who really learn and do all the things right, and others who come to the conference and don't do anything—don't do the fundamentals. They are missing great opportunities. These aren't complicated things."

Luis Zuniga, president of Mile Marker 10 and new to the survey evaluation team, was surprised by the weak response of the franchisors he mystery shopped. Zuniga, who evaluated website response, found that of the 139 franchisors he contacted, only 54 returned a call within the alloted time frame, and only 49 responded with both an email and a phone call.

The findings didn't bode much better for responses to telephone inquiries. Telephone mystery shopping conducted by national franchise development company Kiekenapp & Associates revealed there is much work to be done:

- 8 percent had the wrong number or no phone number on their website;
- 22 percent of sales staff were available for the first call;
- 49 percent of calls resulted in voicemail or receptionist;
- 5 percent of callers were referred to the franchise website; and
- 12 percent of sales staff *never* returned the call.

These lukewarm responses by sales development teams comes as potential franchisees increasingly turn to their phones to research and connect with companies. Mobile phone use by prospects nearly doubled in August, compared with the same month in 2013, according to research by Landmark Interactive. An estimated 42 percent of prospects used phones, closing in on desktops at 46 percent, while tablet use, at 12 percent, held steady.

The bottom line, the experts say, is that franchisors must make sure their websites are optimally mobilized and that processes are in place to take advantage of the technology to turn leads into sales. Franchises with marketing programs that respond to candidates quickly are poised to reap big rewards: 65 percent of applications were submitted within the first 24 hours following a brand's rapid response, according to data compiled by the sales and marketing automation firm eMaximation; for those who took a week, the submittal rate was 27 percent.

While technology can make a company more effective and efficient, Vojnovic says, "You can't rely on technology to do your deals." He recommends franchisors take the time to mystery shop their company and pay close attention to details for insight on how they present themselves to a promising prospect.

"Look at the trends and compare yourself to the trends," says Vojnovic. "Look at the questions being asked in the survey. These are questions you should be asking yourself."

Website Response

Luis Zuniga, Mile Marker 10

To evaluate how well participating franchisors responded to prospects online, Zuniga set up separate email, phone, and voicemail accounts. Using a fictitious name, he contacted franchisors through their websites to express interest in becoming a franchisee. Each email and voicemail response was tracked and graded on a variety of objective factors, such as response frequency, number of calls, information provided, and clarity of "next step" instructions. Respondents were also graded on subjective factors, such as tone of voice, energy, and sense of personal and sincere interest.

What were the key findings and results of your research? The strong performers all called and emailed me. They called a minimum of three times spread over 5 to 7 days and sent me personalized and customized emails. Their first email may have been an automated response confirming receipt of my information, but all subsequent emails were personal follow-ups. I developed a scoring system consistent across all franchisors and graded them based on levels of response. The highest score a company could earn was 26 points. Only two companies earned this amount.

What surprised you most about your research findings? The number of franchisors that did not respond at all, even to tell me, "Thank you, but we're not accepting new franchisees" or "We are already mature in your region." As a prospective franchisee, I may also be an existing or prospective customer. Not responding or not showing interest is likely a reflection of their business performance and relationships with their existing customers.

What are franchisors/development teams doing well? Some get it. Some have a communication outreach plan where their phone calls refer to an email sent the day before. Email campaigns are programmed so a particular message is left with each email telling a compelling company story and increasing the interest level for the prospect.

What are franchisors/development teams doing poorly? Some companies are not following up on leads, even if only to say, "Thank you, but you do not qualify." This may also represent poorly other aspects of their business (i.e., if they aren't responding to a prospect, how much support will that prospect get once they become a franchisee?).

Some franchisors are also not tapping into the insight of risk-taking. Many prospects are actually risk-averse: they are willing to give up a percentage of their sales for a proven business model. Because some prospects are risk-averse, some development teams can do a better job developing a communication plan that addresses this insight (uncertainty) up front and explains why their particular franchise model might be a good fit for them.

Any other recommendations? It's good to have an auto-response that just confirms to the prospect that their information has been received, e.g., "Thank you for your interest. We have received your information…" Do not present it as a personal message when it is auto-generated.

Leave key follow-up data in the body of the message, such as the name of the person (if you have it) who will call the prospect back. Provide a specific time window (not too broad) that states when the contact person will return the call to the prospect. That person should use a reassuring tone. The right tone can let a prospect know that their interest is being taken seriously, their investment decision is an important one, and that the sales rep wants to help them make the most informed decision, even if not with them.

If there is a series of emails that will follow over the next few days or weeks, make mention here. You could even state what these emails may cover. For example, the first email may be about the initial training support offered, the second about the marketing support offered, and so on.

Keep it short, but capture these important next steps. Many franchisors do this today. However, you'd be surprised at how many do not.

Mobile Response

Michael Alston, Landmark Interactive

To understand how franchise prospects research their investment, Michael Alston, president of Landmark Interactive, studied more than 30 million Internet visits made since 2010 to leading franchise portals. The company tracked how people connected to the Internet and whether mobile users came to a website or downloaded an app. Particular attention was paid to franchise prospects who were serious enough to contact a franchisor through an email form.

What were the key findings and results of your research? The mobile Internet passed a major milestone for franchising this year with 54.2 percent of franchise recruitment leads being sent from mobile phones or tablets. Mobile phones nearly doubled their share of leads for the fourth year in a row, and Internet-connected phones now account for 42 percent of the investment inquiries.

What surprised you most about your research findings? We were ecstatic to see a strong surge in total franchise buying interest this year. When looking at all Internet traffic, total visits to the network of franchise websites and apps surged 41.6 percent in the third quarter compared with last year, and leads to franchise development teams grew 35.6 percent year over year.

Particularly surprising was that the "August doldrums" never came this year—franchise development leads increased every quarter. We believe this is a positive leading indicator for the economy in general. Despite challenges, small-business investors are ready to put the recession behind them.

Clearly, this is an exploding area of development. What do you recommend that franchisors/development teams change or do differently? Developing mobile websites and apps is becoming increasingly complicated. The number of different devices, screen sizes, and operating systems is expanding at a crazy rate. We recommend that franchisors test their websites for the most popular smartphones and tablets, and make sure their marketing partners are ahead of the curve for the latest devices.

Franchisee Satisfaction

Michelle Rowan, Franchise Business Review

To gauge franchisee satisfaction, Franchise Business Review surveyed 65 companies representing 15,571 business units. The survey, completed by 5,974 franchisees, consisted of 50 questions related to business performance, satisfaction with their brand, and general business demographics. Michelle Rowan, president of Franchise Business Review, oversaw the research.

What surprised you most about your research findings? I was surprised that the group saw lower satisfaction than our averages, and that satisfaction dropped compared with last year. These are brands that care about their systems, or they wouldn't be investing in attending the Leadership & Development Conference.

What are franchisors/development teams doing well? The companies at the top of our category for the franchisee satisfaction awards at the STAR Awards overlapped with those responding well to candidates and receiving other STAR Awards. The strong brands and teams get that establishing that strong relationship and setting expectations up front leads to happier franchisees and a stronger system.

What are franchisors/development teams doing poorly? In the case of franchisors that do *not* have strong franchisee satisfaction, I am surprised at the amount of money they spend on franchise portals for leads, trade shows, and other efforts to drive franchise growth. If franchisees are not happy and validating well, it is wasted money.

Last year, you recommended that franchisors continue to set expectations up front in the sales process. Did you see any change this year? Unfortunately no, we are seeing lower scores this year. This leads us to believe there could be a disconnect in what the management team *thinks* their franchisees are feeling and saying, or that the C-level leaders at the top have bought in, but those touching the franchisees quite possibly are not delivering. Either way, there should be an alignment at the corporate level and a buy-in from *everyone* involved, including the franchisees.

Based on your research, what would you recommend that franchisors/development teams change or do differently? I think all brands hoping to see growth and stronger brands need to make sure the operations and development teams are aligned. This can be done by tying goals and compensation to each other. Set clear expectations and deliver from the top down.

I also think it's important for brands to "check their gut." They can no longer claim they know what their franchisees are thinking. Either they know satisfaction is dropping and they will address the issues and relationship to strengthen franchisee validation before they continue pushing growth, or they need to make sure their franchisee's perceptions are heard. Franchisors acknowledge that their best, and least expensive, source of leads is referrals from their own systems, so why not start by making sure they are happy, making money, and happy to validate the brand with potential buyers?

Social Media

Jon Carlston, Process Peak

Jon Carlston, vice president of social media for franchise development solutions firm Process Peak, studied how well franchises are using their online presence to grow their brand and manage their reputation. Questions and research focused on website effectiveness, basic search engine optimization features, site usability, and key content. The survey also analyzed the use of social networks such as Google+, LinkedIn, YouTube, Twitter, and Facebook. The level of engagement of the brand and its followers and fans, as well as what features were used on social channels, was also part of the exploration process.

What were the key findings and results of your research? Considering that the percentage of franchises with mobile-friendly sites doubled in comparison with last year's results, it appears that this was the main focus in 2014. However, from a local standpoint, franchisee microsites held steady with around 60 percent, with little to no improvement.

Did you change your approach or look at new or different issues? The approach did not change, as we are focused only on the fundamentals that all brands should be executing on.

What surprised you most about your research findings? Fewer than half of the brands surveyed have mobile-friendly websites, and only 30 percent used click-to-call technology. While brands have started to notice the importance of social media, they are not truly using Google+, which can drastically help brands on the local level; about 40 percent of the brands surveyed have fewer than five reviews on their local Google+ pages.

What are franchisors/development teams doing well? Franchise development teams are doing a great job with getting their franchise sites to show up on the first search results page in Google, making it easier for people in the market for a prospect to find them.

What do franchisors/development teams need to improve? Franchise development teams aren't doing a great job of leveraging existing social channels as an additional outlet to promote their franchise opportunity. Fewer than 30 percent of brands have a franchise opportunity page on Facebook, and only 19 percent of brands have a franchise lead generation form. Technology, such as video, is also underutilized on franchise development sites. Video has proven to be engaging, yet fewer than 39 percent of brands use videos on their franchise sites. The other area for improvement is to create a more guided path through the franchise sites: only 20 percent of them used a unique starting point and fewer than 30 percent had a step-by-step process of learning.

Is there still a wide disparity in how franchisors are using social media? While brands in the franchise category are joining more social networks, they are not as active on them as they should be. The number of franchisors responding to reviews in a public way has doubled year over year, but it is still at only 13 percent, leaving much room for improvement. We're not sure if this is an intentional lack of oversight because of limited resources, or the result of not having access to the local listings where the reviews are left. Both issues can be easily addressed.

Based on your research, what would you recommend that franchisors/development teams change or do differently? They need to devote more attention to communicating with consumers and potential franchisees where they spend most of their time: on social channels. The communication from the brand needs to be engaging and showcase what makes them different from other brands in their category. ■

BY DEBBIE SELINSKY

STAR Power

Top performers in franchise recruitment honored

BEST OVERALL PERFORMANCE

1. CertaPro Painters

2. Wild Birds Unlimited

BEST OVERALL PROSPECT RESPONSIVENESS

1. PostNet

BEST WEBSITE PROSPECT FOLLOW-UP

1. Christian Brothers Automotive

2. Signal 88 Security

BEST TELEPHONE PROSPECT FOLLOW-UP

1. PostNet

2. CertaPro Painters, Denny's (tie)

BEST SOCIAL MEDIA IMPLEMENTATION

1. Great Clips, Sport Clips (tie)

BEST FRANCHISEE SATISFACTION

Food Brand: East Coast Wings & Grill

Retail Brand: Wild Birds Unlimited

Service Brand: CertaPro Painters

Emerging Brand: FirstLight Home Care

Franchise Update mystery shoppers, posing as qualified prospects, surveyed attendees at the 2014 Leadership & Development Conference for best practices in lead generation, follow-up, and recruitment. Mystery shoppers scored 146 franchisors on their telephone responses, 147 on their recruitment websites and responses to website inquiries, and 147 on social media implementation, judging how well—and how quickly—franchise sales and development staff replied to qualified inquiries. (For areas where brands need to improve, see page 46.)

The resulting STAR Awards (Speaking To And Responding) were presented at a special awards dinner at the conference, held Oct. 15–17 in Atlanta. Multiple award winners were CertaPro Painters, PostNet, and Wild Birds Unlimited.

BEST OVERALL PERFORMANCE
1st Place: CertaPro Painters

Peter Barkman

The winner of three STAR Awards this year, CertaPro Painters celebrated for about 10 minutes before getting back to work, says Peter Barkman, vice president of franchise development for the Philadelphia-based brand. "We've been franchising since 1992, and one of our core values is practicing continuous improvement. So we're pretty good at never believing our own hype. We're very proud to receive this award, but it's also humbling because we see so much more we can do better. I'm glad, because it gives me something to do."

2nd Place: Wild Birds Unlimited

Paul Pickett

"We're excited about this award because we're a really small team that gets a lot done," says Paul Pickett, vice president for franchise development for the backyard bird feeding and nature specialty concept. Along with the brand's prompt and efficient response to candidates comes a large amount of respect, he says. "We respect their interest and their time and feel strongly that when someone asks about our brand, it's an honor to get back to them quickly, to respond to their questions, and to give them a full understanding of what it means to be a member of our team. That respect for their time, energy, and interest is what drives us to continue to do our best job. We never take that interest for granted."

BEST OVERALL PROSPECT RESPONSIVENESS

PostNet

Brian Spindel

Brian Spindel, president of the 700-unit PostNet brand, is pleased but unsurprised by this award because the development staff, led by CEO Steve Greenbaum and Franchise Development Manager Robert van Gompel, "puts the same importance on the blocking and tackling associated with the website, email campaigns, text messages, phone calls, and interfacing at the unit level," he says.

BEST WEBSITE PROSPECT FOLLOW-UP

1st Place: Christian Brothers Automotive

Josh Wall

Over the past 18 months, Houston-based Christian Brothers Automotive has made a concerted effort to improve its process and systems, says Josh Wall, vice president of franchise and strategic development for the company. The STAR Award confirms what the company was already seeing: that the investment of time and resources spent to be more responsive and effective is working.

"About this time in 2012, we began investigating adding a lead qualifier to our team, and we spoke with several franchisors who had invested in that. Some liked it and some did not. Our management team trusted me in the decision to hire a qualifier, and we brought in Kendall Troncoso in 2013," says Wall. "Not only did we see a tremendous increase in our contact rate, but all our metrics went up considerably. Year-to-date in 2014, we're contacting 78 percent of all our leads, mostly from the website."

The company, which has "never closed a business in 32 years," also hired a franchise performance group to help take their website up a notch. "We peeled off from our consumer page and built an independent franchise recruitment website that launched in December 2013," says Wall.

He describes the concept's growing online presence as "the single greatest asset we have for telling people about our franchise opportunities. We had to reverse our thinking from considering the website as something that offered a little information and answered broad questions, to investing in the philosophy that we want to educate our candidates. Our site not only has video interviews with our franchisees, but also full Item 7 disclosure, all of our costs broken down, and what we expect from our franchisees. The right people for us to interview are those who read it all and self-qualify. When Kendall talks with these candidates, they're well-informed."

2nd Place: Signal 88 Security

Josh Minturn

The success Signal 88 Security has had following up on website prospects comes from the mindset that website leads are "invaluable," says Josh Minturn, vice president of franchise development for the Omaha-based security and patrol concept created by law enforcement professionals in 2003.

"We make these leads high priority. The worst-case scenario for us is same-day return contact. If I can get to them between one and two hours of their message hitting my inbox, I do," says Minturn, adding that constant improvement to the website is his goal. "Websites should ultimately drive qualified leads to the development people, and ours actually leads people through a simple process, giving them information in a way that is consumable."

Signal 88, which started franchising in 2007 and now has 100 units in 35 states, is technology- and cloud-based and can be accessed anywhere, he says. "We're unique as a franchise. There are few people in our space, largely because security has been a heavily commoditized business in the past. We specialize in a specific area–roving patrol service—and people buy our services regularly."

BEST TELEPHONE PROSPECT FOLLOW-UP

1st Place: PostNet

Brian Spindel, president of 21-year-old, Denver-based PostNet, believes that, generally, success comes from having a solid process and good people. "We have a high level of discipline associated with every inquiry, whether by phone or web, and we set a high level of importance on being the first to get back to a prospect. We try to do it as soon as possible with a worst-case scenario of four business hours," he says. "The more responsive you are, and the more information you provide, the better a prospect feels able to consider making a large investment with your company."

Along with response time, mystery shoppers for the STAR Awards also considered the "quality of the call interfacing and engaging with the prospect, along with information provided and movement towards the next step," says Spindel. In the end, he says, "You can only do so much with high-tech. The way to build trust with someone you don't know is to be responsive, responsible, and reliable. If you promise to do something, then you do it."

"We want them to feel so welcome that even if they don't get involved as a franchisee, they'll want to come back as customers."
—Doug Wong, Denny's

2nd Place (tie): CertaPro Painters

Key to successful prospect phone follow-up is having the right people at the right stage of the process, says Peter Barkman, vice president of franchise development. "What's worked well for us is the recognition that, in most cases, somebody really good at working with a prospect at the front end of the process is different, from a personality standpoint, from those working with the prospect at the end of the process, taking them through due diligence." Barkman says the people making contact after the initial call must have a "disciplined, organized approach and be able to connect quickly with people." On the recruiting side, he adds, the right person is "more about building longer relationships."

2nd Place (tie): Denny's

Doug Wong

Denny's recruitment philosophy is to have franchise prospects feel just as welcome when they express interest in joining the brand as they do when they drop by one of the 61-year-old concept's many restaurants. "We are totally committed to treating the franchise experience just like the consumer experience. We want them to feel so welcome that even if they don't get involved as a franchisee, they'll want to come back as customers," says Doug Wong, senior director of global franchise recruitment for the Spartanburg, S.C., company. "Many of our prospects, who are often Denny's consumers who love the brand and want to become franchisees, call in. That's their comfort zone. Anytime someone picks up the phone to call you, there's interest. Our job is to take that interest and move it to intent."

The franchise development team does that by responding to phone calls promptly and appropriately, he says. "We get inquiries a lot of different ways, and people come to us at different times with different questions. It's incumbent on us to sort out their questions and see what bucket it falls into," he says. "How we take their information and move forward affects our relationship with them now and in the future."

BEST SOCIAL MEDIA IMPLEMENTATION

1st Place (tie): Great Clips

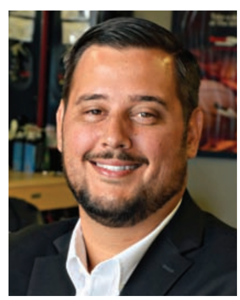
Beth Caron, director of franchise development at Minnesota-based Great Clips, is the first to admit there's no "silver bullet" for using social media in franchise development. But the 32-year-old company's award for Best Social Media Implementation reflects what she describes as "a group effort across

Beth Caron

our consumer division and the development side," assisted by Franchise Marketing Coordinator Zak Schneider. "We've been playing off each other and doing a little bit of everything, from LinkedIn, which is more of the demographic we're looking for, to Facebook, which also offers opportunities to target prospects geographically, to a little bit of Twitter," she says.

One of the realities of social media, she adds, is that it changes so quickly that it can be difficult to make long-term plans. "As soon as we feel like we get a handle on using a system, something changes. So paying attention to metrics on a regular basis is a key piece of it. What works this quarter may not work next quarter. You have to keep rolling with it."

1st Place (tie): Sport Clips



Dave Wells

Sport Clips is also taking a "different path than many franchisors" in its focus on social media, says Dave Wells, director of franchise development. "It's a space that some have stumbled around and figured out to a degree. I'm 35 and this is a space I know. We've all had a hand in it, using our collective brainpower," he says. "We have separate social media pages, including LinkedIn for franchising and Facebook. We're creating a YouTube channel, but in addition, we use local search rankings like Yelp to see what people are looking for before they come to our stores," says Wells, who works closely with Pete Lindsey, vice president of franchise development, and the franchise development team. Sport Clips, which celebrated its 20th anniversary in 2013, remains somewhat "recession resistant" and has a whopping 99 percent continuity rate, he adds.

BEST FRANCHISEE SATISFACTION

Food Brand: East Coast Wings & Grill

Lee Easley, senior vice president of brand development for North Carolina-based East Coast Wings & Grill, says she was "quite excited" by the brand's franchisee satisfaction award at her first Franchise Update Media conference. She considers the recognition a signal that the 11-year-old brand is succeeding with its focus on unit-level economics.

"We like to say we manage from the outside in. We have

"We've awarded 126 franchises in the U.S. and Canada, but if they're not happy and successful, it doesn't matter."
—Bill McPherson, FirstLight Home Care


Lee Easley

an entire division dedicated to unit-level economics, so we're looking at our franchisees' profitability first and the rest falls in line. As a result of that focus, our franchisees experience strong sales," she says. "Also, 90 percent of our franchisees are multi-unit owners. We love that fact—it speaks well of them and our brand, and we plan to continue to support our franchisees and keep them happy and profitable."

Easley, who says East Coast Wings is growing slowly in comparison with other brands in the sector "by design," says the decades of restaurant experience that CEO Sam Ballas, COO Tom Scalese, and Steve Kontos, president of Athenian Food Concepts (a subsidiary company that oversees the corporate stores) bring to the table also contribute to a satisfying relationship between franchisees and franchisor.

Retail Brand: Wild Birds Unlimited

Wild Birds Unlimited understands that one size does not fit all franchisees, says Paul Pickett, vice president for franchise development. "Several years ago we developed individual consultation plans for all our franchisees. We have a very defined process of helping our candidates understand the concept and ensure that we're a strong match for them, but we also modify that approach to meet the goals of the individual," he says.

For example, someone with years of retail experience (like a manager of a Wild Birds store) can move into disclosure, financing tools, and the business planning process a little earlier because they already know how to work within the Wild Birds culture, says Pickett. "Everyone is at a different stage in their business enterprise life cycle, so we customize and adapt while still ensuring brand culture and standards are maintained. We just happen to think there are multiple ways of getting there."

When it comes to franchisee satisfaction, Pickett also cites the company's policy of having candidates reach out early to speak with existing franchisees and learn about the brand's "world-class support and tools" from the development and operations teams. Most important, he says, is Wild Birds' attitude toward franchisees. "We're honored that they are part of our company."

Service Brand: CertaPro Painters

There's no great secret to why CertaPro franchisees are happy with their franchisor and their work, according to Peter Barkman, vice president of franchise development. "One of the reasons our franchisees are satisfied is that a lot of our ideas and innovations come directly from them," he says. "We have great franchisees, many with tremendous backgrounds in their previous lives. We do a good job of leveraging that. If you have talent, you can fly a lot faster and more efficiently—as long as you're flying in the same direction."

Barkman, a former franchisee of CertaPro, College Pro Painters, and College Pro Window Cleaning, also attributes the high satisfaction level of the brand's franchisees to the credibility he and other senior people bring from their stints as franchisees. "Many of us have been franchisees, so we know what that's like, and how franchisees like to be treated and not treated."

Emerging Brands: FirstLight Home Care


Bill McPherson

Franchise veteran Bill McPherson, executive director of franchise development at FirstLight Home Care, says the concept is "the most selective I've ever worked for in 26 years in franchising." So receiving the Best Franchisee Satisfaction award in the Emerging Brands category is especially rewarding, he says.

"We're excited that we won the award—not just for the category of home care and not for the number of units that some magazines use to classify awards, but as an emerging brand across all industry segments," says McPherson. "We've awarded 126 franchises in 3 years of franchising in the U.S. and Canada, but if we are not supporting our owners and they're not happy and successful, it doesn't matter."

Creating that kind of culture starts with bringing in the right people, he says. "Then we provide unprecedented support. Our entire philosophy is predicated on what's the right thing to do for our franchise owners. We have agreements, contracts, and models, we know all that. But when issues come up for entrepreneurs who have invested their life's savings or left good jobs in corporate America, we look as a management team through the lens of doing what's best for that person. The families FirstLight serves are customers of our franchisees, but our franchisees are our customers. It's easy to do the right thing when you look at it in that light."

That "unprecedented" support includes providing in-market support for new franchisees with two visits from corporate, even before they open their store. "This enables us to make sure they're doing all the things necessary for a strong opening and developing habits that will make them successful as a new owner," says McPherson. Also important is FirstLight's technology platform, which is all web-based, he says. "Not only does this allow our franchisees to operate their business anywhere there's Wi-Fi, we also can provide support through the Internet and we can IM, doing everything we can to be as accessible to them as possible." ■

Challenge the pros

"What changes to your lead generation practices do you plan for 2015?"

Jeff Cox
President & CEO
Colors on Parade

In 2015, we plan to continue to shift more resources toward PR and social media. The quality of the leads we have seen from these sources over the past year have reinforced our commitment to move toward lead generation techniques that allow us to share our story and to attract candidates who are a great fit for us. Our franchise is unique in several ways, so finding the right franchisee is critical to our success. Leads coming from sources that educate the candidate on our brand and business

"We plan to continue to shift more resources toward PR and social media."

before first contact tend to be better qualified leads, which allows us to spend time with the best candidates.

Another recent change in our lead generation strategy has been to focus our efforts on a few target groups, rather than taking a broader approach. We are seeing positive results from limiting our advertising and contact efforts to groups that fit our "ideal franchisee" model closely. This focus allows us to spend our limited time and resources more efficiently as we determine which groups are the best targets. Once we have our franchisee leads, then the hard part starts.

Based on recent positive results, our franchise sales efforts will continue to focus on the development of relationships to find the right fit for our brand. We have seen increasingly better closing results from our efforts to build relationships over time with the leads we receive. Our sales cycle for new area developer franchisees can range from 6 to 24 months. So we focus on getting to know these candidates who are months away from becoming Colors on Parade franchisees. The process is slow, but the success rate is very high. We know the factors related to success in our franchise pretty well. Over time we get a very good idea of how each candidate fits into the "ideal franchisee" model.

Ultimately, the relationships developed during the franchising process builds connections to other prospects, including clients, franchisees, and employees. This foundation is producing positive results even when the initial candidate turns out to not be a good fit for our franchise. Our business model needs area developer franchisees, operator franchisees, and technician employees, so we can use the relationships developed to find a number of different prospects for our franchise family. The approach fits our culture and people, so at the end of the day, it comes pretty naturally.

Pete Lindsey
Vice President, Franchising
Sport Clips

Lead generation is an area of constant change, and identifying new opportunities remains the most critical challenge in franchise development. As Sport Clips has been successful in our development efforts, we are migrating from a national lead generation strategy to a geo-targeted approach. In many cases this can be more expensive and complicated.

As a consequence, we are significantly adjusting how we test going into 2015. Our objective is very specific: we need to know that we have done everything we can to maximize the opportunity of a lead source before determining whether a test was a success. Goal-setting is conducted so all parties are on the same page. Monitoring is critical and is established and agreed to by all parties up front.

We will have a rule going into 2015 that tests will be limited to a period of 90 days. If the test is going well, we will extend it; if not we will move on to another opportunity. We "optimize" our tests frequently as we work with the testing partners to make sure we are reacting properly to the results coming in. If we are working on a campaign and

"We are migrating from a national lead generation strategy to a geo-targeted approach."

we are not seeing the results, we may need to look at our messaging or consider changing the target demographic to get better return.

During tests, monitoring is conducted daily. This sends a message that we are looking for results and are willing to work in any way to get to the goal. You have to get into the detail. If the vendor/partner we are working with has a call center to qualify the lead, we want to speak with those in the call center to understand how they will represent us, and how we can provide them insight about Sport Clips so they can be more effective. We will make sure that their representatives have a direct contact at Sport Clips that they can call any time for assistance. The bottom line is that the more we align in execution, the more likely we will achieve our goals.

At Sport Clips, it will be critical that we enhance our tests going into 2015. My goal is to not second guess after the test saying, "We should have tried this." At the same time, it is important to identify the learning from any test conducted and apply the intelligence going forward. ■

Sales smarts

BY MARC KIEKENAPP

Dial Out for Sales?

Outsourcing your franchise sales process

Everyone agrees that within the world of franchising, the franchise development niche has become more difficult. Economic uncertainty making risk less than attractive, one of the tightest lending markets in recent memory, and qualified candidates seeking higher returns have combined with elusive lead generation tactics, extreme broker fees, and declining conversion rates to make franchise development more confusing than ever.

As development professionals, our job is to move our brands forward through growth. To do so, typically we recruit marketing and advertising professionals to provide deeper insight into lead generation. We recruit public relations professionals to generate third-party support for our brand. We recruit software companies to help us manage and track customer contacts.

So why not get creative where the rubber really meets the road? Why not take a truly creative tack in driving your brand forward through growth? Why not free up budget dollars for additional lead generation strategies?

Why not outsource your sales process to professionals seasoned in most aspects of owning and operating a franchise company? You rely on professionals for most other aspects of the development process. Why not selling?

Many people call themselves franchise professionals, but what I am suggesting is people who possess real experience as C-level executives in successful franchise companies. There is no lack of experienced personnel in our industry, and when you find the right match you enjoy the following benefits:

• Fully qualified candidates ready to invest in your brand. At discovery day it is your job to say yes or no.

• Fully executed agreements and fees delivered to your door following discovery day approval.

You rely on professionals for most other aspects of the development process. Why not selling?

• The caliber of sales staff that your candidates really want to talk with; people who have previously been in their shoes.

• A sales staff who can consult on any and every aspect of investing in a franchise opportunity.

• A pay-as-you-go business model that reduces standing overhead, freeing budget dollars you can divert to lead generation.

• Fully transparent and accurate conversion statistics you can use to better invest marketing dollars.

Does it sound like everything you asked for as VP of development? It can be, when you get creative in your approach to selling. And you will not be the first, as more and more companies are outsourcing the sales process with increased productivity and increased savings. But first you must accept that there may be a more creative way.

As vice presidents and directors of our departments, we cannot be experts in all aspects of franchise development. We can only create and manage the elements of success while working with others who are masters of their trade (such as marketing and advertising agencies). I have found that most department heads are reluctant to suggest using outside sales services as they believe they were hired to be masters of the sales process. I was no different in my earlier years in franchise development. Then I realized my reluctance to use outside vendors only impeded the growth of both the brand and myself. When I realized that I was hired to move the brand forward through growth, I got more creative.

Outsourcing the franchise sales process to seasoned professionals who work with candidates from inquiry through execution of the franchise agreement is not unlike hiring the most seasoned salespersons for your team—except that by doing so you can increase lead generation activities by redirecting reduced overhead costs (successful outsourced sales professionals are not applying for a sales job at your company).

A little creativity applied to the franchise sales process will go a long way. You already know that, as you recruit marketing, advertising, public relations, and technology professionals to make your development department excel. Why not seek out the best sales professionals available who will make your development department sing? They are out there.

Happy selling,
Marc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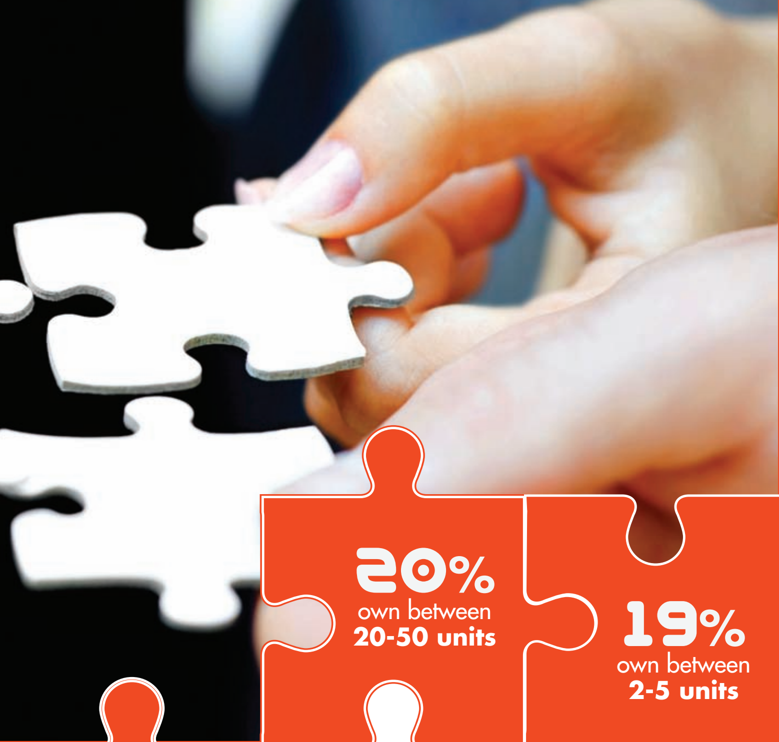

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Celebrating 25 Years

Market trends

BY DARRELL JOHNSON

What Is a Small Business?

Protecting the franchise business model

Small business was supposed to be the engine that drove us out of the economic doldrums of the past 6 years. After all, doesn't small business generate most of the jobs?

Based on the rhetoric on Capitol Hill, in the media, in banking circles, and just about everywhere, small business is approaching mom-and-apple-pie status. Yet it clearly isn't universally treated with the love that many are pretending to share. To understand the ways we are allowing the undermining of small businesses, let's separate fact from fiction so we can begin to understand some of the implications to franchising.

Let's begin with a definition of small business. That's the root of the problem. There isn't one, at least not a universal one. The Census Bureau doesn't define "small" at all. The federal government leaves that challenge to the *Small* Business Administration. The SBA has standards that define the largest a small business (including all its affiliates) may be and still qualify for federal programs. It uses two general caps: 500 employees for businesses in most manufacturing and mining industries, and $7.5 million in average annual receipts for businesses in many non-manufacturing industries. However, there are a number of exceptions. For instance, an office of dentists has a $7.5 million maximum and an office of physicians has an $11 million maximum.

We have legislators who want to do things for (or is it to?) small businesses, so they take up the challenge of how to help them. Capitol Hill has pushed the banking community to make small-business loans, and banks report on that activity. Not surprisingly, the big banks and national regulatory agencies use definitions that seem to show how well banks serve that business segment. However, rather than tackling the challenge of a definition of a small business, generally they track how many small loans they make to businesses. Figuring that mostly small businesses would get small loan amounts, they report on the number and volume of loans below $1 million, not an unreasonable proxy for the small end of small businesses, but not an accurate one either.

The National Federation of Independent Business (NFIB) represents small-business interests and produces periodic polls and trend reports on small businesses. However, the NFIB doesn't define small, nor does it have a size limitation for its members, which it defines as small and independent businesses. It does say that about half of its members have less than $500,000 in gross sales—yet their board seems to be composed of members with substantial businesses. I mention them not to single them out, but to caution all of us that many of us spend a lot of time trying to support a type of business that we can't even define.

That brings me to franchising. The general perception that the franchise community would like to portray is that franchisees are small businesses and franchisors are large businesses. Of course, we all know that there are franchisees with businesses larger than many franchisors. The Seattle City Council and the NLRB have muddied the perceptions of franchised small businesses. In Seattle's case, they have applied one of the SBA definitions (500 employees) to the whole franchise system, essentially saying that a contract (the franchise agreement) that connects a franchisee to a franchisor is sufficient basis to say that all franchisees and the franchisor are one big company. It seems to be an initiative aimed mostly at creating an unfair competitive advantage for independent businesses in Seattle. The NLRB has made a determination that, in the case of McDonald's, the franchisor has sufficient control of a franchisee's employees to be deemed a joint employer of those employees. In other words, the McDonald's system is just one big affiliated company. As shocking as these two events are, they are real, and a big threat.

Perhaps it's time to take control of the messaging around franchised small businesses. There are about 200,000 single-unit operators. By anyone's definition, these are small businesses. There are tens of thousands of multi-unit operators. The vast majority of them have fewer than 500 employees and less than $7.5 million in annual sales. And I would guess there are more than 1,000 franchisors below those thresholds.

On behalf of the franchise business model, the IFA is fighting this attack on franchised small businesses in the courts and through state and local legislative initiatives. I think it is time we also do battle in the court of public opinion. We are letting others attack the franchise business model while purporting to support small business. We can counter that in large part by advocating the position that franchising *is* small business, and attacks on the business model are attacks on small business. We know it. We need to tell it. That starts with a definition. Why not use 500 employees and $7.5 million in average annual sales? That will capture more than 90 percent of all franchisees, and a significant number of franchisors as well. It's time we help Americans know that we are part of the franchised *small* business model. ■

Darrell Johnson *is 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.*

BY BILL EDWARDS

Opportunity Beckons

International expansion requires change

The first U.S. food and beverage franchises expanded into other countries more than 50 years ago. Brands early to international include Kentucky Fried Chicken, McDonald's, and Pizza Hut. The first outposts for these mega-brands were Canada and Mexico. In those days, it was known that a brand had to have hundreds or thousands of U.S. units to "go global."

Today it is estimated that more than 250 U.S. F&B franchises have entered other countries. U.S. burger, chicken, coffee, pizza, ice cream, Mexican, and sandwich brands are in more than 100 countries. U.S. F&B brands with as few as 10 domestic units are also in other countries.

Despite the more than 50 years of U.S. F&B brands going global, considerable potential remains for brands of all sizes outside the U.S. Indeed, the largest interest in new brands comes from the Middle East, where a large number of U.S. brands are already well established.

Mega brands abroad

McDonald's (35,000 units open in 119 countries) entered Canada in the 1960s, Australia and Hong Kong in the 1970s, and China and Russia in the 1990s. McCafés were first opened in Australia in the 1990s. According to the Big Mac Index published by the *The Economist*, the most expensive Big Macs today are in Norway (US$7.80) and the least expensive (where it is made with beef) is South Africa (US$2.16).

KFC (19,000 units open in 118 countries) opened in Mexico and the U.K. in the 1960s, and now has more outlets in China (4,600) than in the U.S. (4,500). Pizza Hut (13,000 units open in 87 countries with 5,500 outside the U.S.) is part of Yum Brands, which also owns KFC and Taco Bell. Subway has 42,900 units open in 107 countries with 16,000 outside the U.S.

Adaptations

Carl's Jr. added pasta in the Philippines. In Japan the diet is low dairy and low salt, requiring recipe changes from those normally used by U.S. F&B brands. India requires the elimination of beef. In West Africa groundnut stew is on the fast food menu. In India, Israel, and Muslim countries there is no pork on the menu. Potbelly Subs uses turkey "ham" in the Middle East. The Middle East also requires halal meat. Wikipedia correctly states, "The criteria for non-pork items include their source, the cause of the animal's death, and how it was processed."

U.S. burger, chicken, coffee, pizza, ice cream, Mexican, and sandwich brands are in more than 100 countries.

Opportunities

Today's opportunities for U.S. F&B brands lie in the emerging markets where the middle-class population is growing. Newly middle-class consumers are large users of fast food brands, especially those from the U.S. Sources indicate there are more than 600 million middle-class consumers with discretionary income in Brazil, China, India, and Indonesia. These consumers often prefer U.S. food franchises to local brands. Going to a U.S. brand to eat with your friends is seen as showing you have the money to do so!

Challenges

The largest challenge in other countries for U.S. F&B brands is supply chain and the associated food quality. Recent problems for major U.S. brands in China because of poor and uncontrolled food quality, as well as fraud in labeling, are huge. Indonesia put into place regulations a year ago that required 80 percent of the products used by food brands to be locally sourced. There are not many high-quality food suppliers in Indonesia that can supply the large volumes required by F&B franchises, and importation of food is often subject to high tariffs. Some countries, such as Australia and Canada, make it almost impossible to import dairy products. And some countries want U.S. brands to use local suppliers, which can raise food costs to the point where a new brand cannot compete with established local brands.

Another major challenge is the cost of real estate. While we may think retail rents are high in the U.S., try renting a good space that will see lots of consumer foot traffic in the U.K., China, and other emerging markets. Expect a deposit, or "key money," of as much as US$1 million for a three- to five-year lease. Expect rent that reaches US$750,000 a year for 2,500 square feet.

A new trend in these countries is the desire for young middle-class families to frequent food brands with "healthy" menus. They are very careful what they feed to their children. This also is causing U.S. F&B franchises to alter their menus. ■

William G. Edwards, *CEO of EGS LLC, has 40 years of international business experience. He has lived in 7 countries, worked on projects in more than 60, and has advised more than 50 U.S. companies on international development. Contact him at 949-375-1896, bedwards@egs-intl.com or read his blog at edwardsglobal.com/blog.*

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It's closing time

BY STEVE OLSON

Sell More Franchises Now!

Mastering the psychology of buyers

Once a salesman complained, *"What an idiot! I can't believe my prospect went with our competition."* In quizzing him about the lost candidate, the troubled rep was clueless about the buyer's motivations, concerns, and goals in owning a business. My question is, *"Was it the buyer or the sales rep who was the idiot?"*

In today's change-prone economy, sales pros gain the edge by moving directly into their prospect's world. They probe, read, adapt, and outsell their competition by fully understanding and responding to how their candidates think and behave. Here are selling insights that may help increase your recruiting success.

- **Buyers expect responsiveness.** Today franchise follow-up is still in crisis mode. According to Franchise Update Media's annual surveys, late or no callbacks to email requests are the norm rather than the exception; too many respondents are immediately thrown into voicemail jungle; and inquiring prospects, if lucky, may receive correspondence several days later. At a $50 median cost per lead, many brands are losing potential deals. The "first to the door" sales pros are winning the development race.

- **Buyers are seeking a relationship.** Franchising is people-driven, not product-driven! Buyers smell product-pushers 10 miles away, which is why many sales people fail at selling franchises. You'll outperform competitors by focusing on a prospect, their families, aspirations, and the health and wealth of their futures. By gaining their credibility, confidence, and trust, you're in the driver's seat.

- **Buyers don't know how to buy a franchise.** Most of your prospects haven't purchased a franchise before, so how would they know how to go about it? You're the expert, not them. It's your role to take control of the investigation through leadership. If you don't, they will! If you fail to define the steps and timeline of your buying process early on, they'll create their own, which in most cases leads to confusion, uncertainty, and lost deals.

- **Buyers are highly impressionable and fragile.** Every word you utter to a prospect is recorded in their memory. What you say and do will greatly influence their investigation. Minor errors have major impact, e.g., when your investment costs don't match your brochure estimates; when you take 2 days to return their phone call; when you misspell their name on your follow-up correspondence; when you ask the same question twice; or when you're 15 minutes late picking them up at the airport.

- **Buyers want ownership information.** *"How will your franchise help me achieve my business and personal goals? What are the benefits of your industry? What are the unique advantages of your franchise system? What training do you provide? Can my family be involved?"* Prospects don't contact you to find out more about the custom, curved counters in your stores, special white sauce on your noodle dishes, or torque ratios of your service equipment. They are interested in the ownership opportunities, benefits, and lifestyle rewards your franchise offers. It's not about what your business does, it's about *"What your business can do for me."*

- **Buyers share what they think if you ask.** Often sales reps feel they are intruding by asking too many questions about their candidate and "where they are coming from." This is a mistake. Prospects *want* you to show interest in them. Ask many questions about how they feel, their family's level of support, what else they are looking at and why, what their business strengths and shortcomings are, and what they want and don't want in a business. These telling answers provide powerful direction on how to respond to their needs and interests. Focus the attention on them, not yourself.

- **Buyers process information in stages.** Avoid overdosing individuals with too much information up front, or you'll cause them to eliminate your opportunity, thinking they know your whole story before you've even begun! Or worse yet, you can overly excite a candidate with nothing left for an encore. Keep prospects engaged by wanting more, deflecting questions for additional information that you'll cover later in the process. *"Joe, when we receive your qualifying application, then we can discuss financials from our disclosure documents."*

- **Buyers are in a specific stage of buying.** Did your prospect just start looking at opportunities, or have they qualified their search to your industry? Find out quickly. If they're in the preliminary stage and don't know exactly what they want, they will welcome your education and guidance. For buyers who have diligently researched franchise opportunities, direct your attention to what they discovered in their franchise investigations. Ask questions such as, *"What don't you like about some of the franchises you have considered?"* and *"What are the most important factors for you in the business you choose?"*

Understanding prospect behavior, character traits, apprehensions, needs, expectations, and goals catapults selling opportunities to the next level. Do it and your buyers, brand, and sales team will profit! ■

Steve Olson *is a 30-year franchise veteran specializing in development performance. He is the author of the #1 Amazon best-seller,* Grow to Greatness: How To Build a World-Class Franchise System Faster, *available at www.growtogreatness.net. He can be reached at stevenolson@charter.net.*

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