

# Franchise

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

# update

Q2 | 2015

FRANCHISEUPDATE

GREAT PEOPLE, GREAT BRANDS!

## Great People, Great Brands!

Gordon Logan,  
founder and CEO  
of Sport Clips

ISSUE II 2015

2015 Franchise  
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# Franchise

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

# update

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BY KERRY PIPES

## The People Factor

**T**his issue of *Franchise Update* focuses on what, I think, is the most important component of franchise development and overall system success: people. I know that sounds obvious, but hear me out.

The most successful franchise brands operating today work hard to have the best people, from the top of its org chart to its franchisees to its front-line employees. The executives at corporate get it, the franchisees get it, and the full- and part-time employees at the store level get it. When great people are united at great brands, they can do great things. Think about how passion creates more passion. It's contagious. When the brass at the top exude that kind of excitement, prospects and franchisees sense it and it rubs off on them. And when customers see this kind of passion and dedication from franchisees and front-line employees, it creates raving fans.

“When great people are united at great brands, they can do great things.”

So it's imperative for *all* team members to be united across your brand. You need intelligent, hard-working, dedicated team members who attract the same. This should be factored into the way you recruit, the way you train, and the way you offer continued and ongoing support to your franchisees—and to their employees and yours. It's a formula guaranteed to produce results such as increased sales, improved bottom lines, and greater loyalty from both employees and customers.

We receive dozens of press releases in our office every day. Consider this story from a press release that recently came across my desk.

For more than two decades, Barry Robinson, vice president of a supermarket chain in Hahira, Georgia, left his office and crossed the street to eat at Huddle House, one of his favorite restaurants. For years, Robinson had an entrepreneurial dream to open his own Huddle House. He loved the brand so much that this spring he finally decided to go from customer to franchisee. Even though he lacked restaurant experience, Robinson had both enthusiasm and passion for the brand – and knew it had great people behind it who could train and support him.

“I knew Huddle House had the systems in place that, if my team and I executed properly, we'd run a great restaurant,” he said. As with any successful brand, it's all about attracting and supporting your people – the right people – at every level of the organization. Great people attract more great people.

“Barry is exactly the type of franchisee we are looking for,” said Huddle House Chief Development Officer Jonathan Benjamin. “He's passionate about our brand and understands the importance of making Huddle House more than just a restaurant, but a valuable member of the community.”

That's the message that's important to Robinson, to other franchisees, and franchise executives. They understand that when passionate, talented, and successful people are surrounded by like-minded individuals, everyone enjoys great results. ■

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# Leadership

FRANCHISE LEADERSHIP AND MANAGEMENT



## 8 CEO Profile: Mike Bidwell

Leading The Dwyer Group's 8 brands into the future

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## 11 CEO Profile: Russ Reynolds

Batteries Plus Bulbs plugs into category expansion and system growth

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How franchisors are adapting their offerings and agreements to attract multi-unit operators

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Pollo Campero rebrands for the 21st century

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BY KERRY PIPES

# AT YOUR SERVICE!

**Mike Bidwell** leads The Dwyer Group into the future

**M**ike Bidwell is a leader who is clear, pragmatic, and to the point. “I’m passionate about creating opportunities for others to grow,” says the 57-year-old president and CEO of The Dwyer Group. It’s this focus that keeps him excited about the organization and its potential. Growth has been strong and strategic plans are in motion to continue growing through the expansion of its eight service brands and the acquisition of other, complementary brands.

Early in 2014, Bidwell, president of the Waco, Tex.-based brand for the past eight years, also became CEO. “That was really just a formality because I had been handling both roles for some time as Dina [Dwyer-Owens] transitioned into her growing role as a public speaker and board co-chairwoman,” he says.

Bidwell’s history with the company goes back more than 30 years. In 1980, right out of college, the Arizona native moved to Texas to work for Shell Oil. He spent four years there and says he really enjoyed what he was doing. But a chance meeting with a Rainbow International franchisee who had come to clean the carpets in Bidwell’s home led to a dramatic career change. “My wife had been wanting to move back to Arizona,” he



**NAME:** Mike Bidwell

**TITLE:** President, CEO

**COMPANY:** The Dwyer Group

**BRANDS/UNITS:** 1,711 total: Rainbow International Restoration, 405; Mr. Rooter Plumbing, 324; Mr. Appliance, 189; Aire Serv, 186; The Grounds Guys, 179; Glass Doctor, 178; Mr. Electric, 169; Five Star Painting, 81

**AGE:** 57

**FAMILY:** Wife and 3 children

**YEARS IN FRANCHISING:** 31

**YEARS IN CURRENT POSITION:** 8 as president, 1 as CEO



says. "In chatting with the franchisee I became interested." The franchisee submitted Bidwell's name as a lead, and the next day he got a call from The Dwyer Group. "I was a little hesitant and it took some convincing, but it turned out to be a good move," he says.

It sure was. Bidwell went on to become the largest franchisee of Dwyer's Rainbow International brand, the company's first multi-brand franchisee, and then transitioned to corporate brand president, multi-brand president, and president and COO of The Dwyer Group.

But it was his years as a franchisee that really shaped his approach to leading the brand today. "That experience is what keeps me grounded in understanding that what we do as a brand must work for everybody involved: our customers, franchisees, and investors. I believe I'm more capable as a president and CEO because I know what it's like to be a franchisee." That experience was brought home again two years ago when his son opened up his first franchise in nearby Austin. "That was a fresh reminder of what self-employed people go through. I remember and I understand," he says.

Last year, Bidwell helped the company through its third private equity transition and says he is pleased to be teamed up with The Riverside Company. "It's a partnership, and we think we are aligned with investors who share in our interests and objectives," he says. "Private equity has been one of the best things for franchising. It brings liquidity to brand owners, leads to system-wide improvements, and usually accelerated growth. That in turn leads to increased brand equity for franchisees."

Heading into mid-2015, things are running smoothly at The Dwyer Group. In the corporate office, Bidwell likes to surround himself with a diverse team of executives from various backgrounds (franchise and non-franchise) who know the industry and are driven to get things done.

Looking ahead, Bidwell says The Dwyer Group will continue to open additional territories at a steady clip, add some complementary brands, and double annual revenue from \$1 billion to \$2 billion. Clear, pragmatic, and to the point.

"I spend a considerable amount of my time making sure we have the right people in the right places and working with those people to enhance their effectiveness and grow their business unit."

### Leadership

**What is your role as CEO?** The most important component of my role has to do with the people. I spend a considerable amount of my time making sure we have the right people in the right places and working with those people to enhance their effectiveness and grow their business unit. Shaping culture is an important part of the people component. Next is developing and setting strategy at The Dwyer Group level and assisting our business unit leaders in developing and setting theirs. I also spend quite a bit of my time working on acquisition opportunities, domestic and international. Managing our board and private equity partner relationships is also an important part of my role.

**Describe your leadership style.** Here is what my team tells me: Direct, honest, enabling, even tempered, quiet, unassuming, works cooperatively to set strong yet realistic expectations for outcomes. My intention is to help develop capable leaders. So I work to lead with a consultative and supportive style, allowing others to develop their ideas and skills and run with them (within reason).

**What has inspired your leadership style?** Observing others I respect and appreciating my natural tendencies. I knew I accepted responsibility and enjoyed leading from a fairly young age. I've always

been very pragmatic and reflective. So wanting to be the best leader I could has created an awareness of good leadership. I've paid particular attention to those who are effective with similar natural disposition. Leadership lessons that had the most impact on me came primarily from two places. First was in high school, admiring coaches who really knew how to get the most out of their players. Next was during Marine Corps Officer Candidate School while in university.

**What is your biggest leadership challenge?** Fighting my natural tendency to be expedient, hands-on, and task- and outcome-oriented. I find I have to keep top of mind that you get more sustainable results by letting others grow by doing more autonomously.

**How do you transmit your culture from your office to front-line employees?** We have company-wide meetings every six weeks to share numbers, update results, discuss culture, and more. Once a year, we also spend a day offsite with the entire company, with most of the time spent around reconnecting with our roots and purpose that inspire our culture. But I would say the most important way is by talking with my direct team about what is important and leading by example. Otherwise, our Code of Values are just words wasting space. Consistently communicating and addressing actions that may be contrary to our values is key.

**Where is the best place to prepare for leadership: an MBA school or OTJ?** There is no substitute for OTJ to learn leadership. I don't have an MBA, but I have certainly hired a lot of them. While earning an MBA has many benefits, I have not observed a correlation between an MBA and effective leadership.

**Are tough decisions best taken by one person? How do you make tough decisions?** I'm going to give the economist answer: it depends. There are times either is appropriate, but at a minimum, it is typically wise to seek input from those affected by the decision or knowledgeable on the issue.

**Do you want to be liked or respected?** Respected, without hesitation. If you are earning respect in the right way, being liked often follows.

**Advice to CEO wannabes:** I would offer three points of advice. Don't try to be somebody else. Do become a student of leadership. Wherever you are, get and maintain absolute clarity about how you can make a difference.

## Management

**Describe your management style:** Fact-based and detail-oriented. I want to know you, know what you are talking about, and be passionate about making a positive impact.

**What does your management team look like?** CFO, EVP of franchise brands, CIO, EVP of franchise development, VP of marketing, VP of national accounts, VP of company stores, VP of international operations, general counsel.

**How does your management team help you lead?** I frequently ask them. They tell me when I could have done something better. They are really important for arriving at good decisions. I also watch them and learn from them. They often inspire me.

**Favorite management gurus: Do you read management books?** Sure. I really don't have a clear favorite, but two of my favorite resources are Executive Book Summaries and *Trends Magazine*, both audio to optimize drive time.

**What makes you say, "Yes, now that's why I do what I do!"?** When I see people appreciably develop and achieve success.

## Personal

**What time do you like to be at your desk?** 7 a.m.

**Exercise in the morning?** I prefer a mid-afternoon workout in our fitness center, often with one of my execs.

**Wine with lunch?** No wine at lunch, usually just a quick piece of fruit at my desk.

**Do you socialize with your team after work/outside the office?** Yes, from time to time. I really enjoy their company in a social setting. I think it helps build deeper connections with people.

**Last two books read:** *The Making of the Atomic Bomb* by Richard Rhodes, and *41: A Portrait of My Father* by George W. Bush.

**What technology do you take on the road?** iPhone 6 and PC Ultrabook.

**How do you relax/balance life and work?** During the week, I often enjoy a glass of wine and dinner with my wife before doing a bit more work or research. I also exercise almost every day. Weekends, I enjoy projects around the house, fixing something with my hands; watching college football; and dinner or party with friends. Our neighborhood group is fairly social.

**Favorite vacation destination:** Grand Cayman Islands.

**Favorite occasions to send employees notes:** When they achieve their targets or



have somehow distinguished themselves. I'm not one to send clearly trivial notes.

## Bottom Line

**What are your long-term goals for the company?** \$2 billion in system-wide sales. We just reached \$1 billion.

**How has the economy changed your goals for your company?** It hasn't changed our goals. The Great Recession delayed us a bit, but it is now behind us.

**Where can capital be found these days?** While traditional sources are coming back, non-traditional sources have sprung up over the last few years. We also offer financing for the franchise fee, which helps to mitigate this issue to some extent as a service franchisor.

**How do you measure success?** Through the positive difference we make in those we have an impact on—a positive customer review on a front-line technician, a positive note or comment from a franchisee, an associate who is thankful for their role.

**What has been your greatest success?** While I can't particularly claim it as "my" success, I'm very proud of how all three of my children have turned out. They all completed university, have a strong work ethic, and a disposition I'm proud of, each a bit different of course.

**Any regrets?** Oh sure. There are so many little ones I would love to have a do-over on. Most have to do with trying to be *efficient* with people. I've become a bit smoother over the years, but it's still a work in process. Probably the biggest one is moving away from my ill mother late in her life with the grandchildren she was so fond of. I moved to take my first role as a brand president at age 37. Although my mother was very supportive, that's the one I've second-guessed myself on occasion.

**What can we expect from your company in the next 12 to 18 months?** Very good franchisee count growth, strong same store sales growth, and more acquisitions complementary to our existing space. ■



BY KERRY PIPES

# POWER UP!

## Batteries Plus Bulbs chases \$1 billion in sales

**R**uss Reynolds' leadership has helped Batteries Plus Bulbs push boundaries and create enhancements that not only are keeping the brand relevant, but also are expanding its product and service offerings and creating sustainable growth. Under Reynolds' direction, the brand has seen system revenue more than double in the past five years. It has also maintained double-digit system sales growth and store opening rates during this period. Today Batteries Plus Bulbs is the country's largest battery and light bulb franchise and is looking to expand the \$30 billion battery and \$17 billion light bulb industries.

Following retail management experience at Target and GNB Technology, a consumer and industrial battery manufacturer, Reynolds arrived at Batteries Plus in 2000, serving as president and COO for two years until he became CEO and put the brand on the fast track.

"We began to think beyond just batteries," he says. "We were thinking about becoming a one-source stop for our retail and commercial customers by providing batteries, light bulbs, and repair service in our stores." The initiative, rolled out in 2011, was a redefining category expansion that included a name change from Batteries Plus to Batteries Plus Bulbs. The stores now offer a wide variety of batteries and light bulbs, as well as basic repair

functions on devices such as smartphones and tablets. If a consumer has a cracked smartphone screen, they can make a quick trip to a Batteries Plus Bulbs store and be back in business in no time. Plans are in the works to expand to repair of headphones

and laptops as well.

"Our franchisees have loved the changes and the opportunities to offer more products and services to their customers," he says. "It's in our DNA as a brand to be able to fix people's problems."



**NAME:** Russ Reynolds

**TITLE:** CEO

**COMPANY:** Batteries Plus Bulbs

**UNITS:** 650

**AGE:** 53

**FAMILY:** Lisa, spouse of 25 years; 4 children ages 7 to 22, Nicole, Kylie, Matt, and Ty

**YEARS IN FRANCHISING:** 15

**YEARS IN CURRENT POSITION:** 13



The brand is experiencing healthy growth and system-wide numbers right now. “We’ve experienced a 9.5 percent sales growth over the past 7 years, and I expect to see same store sales growth remain at those levels.” He says system revenue has doubled in just the last 5 years alone.

Reynolds describes the brand’s culture as “a network of family farmers.” About half of the franchisees are single-unit operators, but he says there’s a place for multi-unit franchisees as well. “We have successful franchisees who started out as single-unit operators, love the model, and want to grow beyond one unit. They do very well.”

In the past two years, the company has opened more than 100 new stores and has signed agreements to open nearly 150 more. “We’ve had significant growth throughout the Midwest and South and are now targeting areas like the Northeast and California,” he says. The brand now boasts more than 650 locations, and he projects continued growth of around 45 to 55 new stores annually.

Looking ahead, Reynolds says the brand is continuing to expand its offerings to customers by developing its “omni-channel platform,” an online ordering service that allows customers to order exactly what they need online and then pick it up at their local Batteries Plus Bulbs store. “This is in response to consumer demand for easy and timely access to products they need,” he says.

Reynolds, who says he’s “never met an idea I didn’t like,” has shown an uncanny ability to turn many of those ideas into success for the brand, its franchisees, and its customers.

### Leadership

**What is your role as CEO?** I have three primary roles. First, I carry the torch on strategy for the brand, our stores model, and the company. Second, talent development and building strength and succession in our team is a critical function for the future growth and success of the brand. Third, I spend a fair amount of time challenging and questioning our functional leaders, seeking to improve and refine what we are doing and how we are doing it.

The brand is continuing to expand its offerings by developing its “omni-channel platform,” an online ordering service that allows customers to order exactly what they need online and then pick it up at their local Batteries Plus Bulbs store.

**Describe your leadership style.** I would describe myself as a conversational leader. I lead, learn, and adapt by having discussions with our people. Sometimes this is through regular reviews and management meetings, but often it is in the ad hoc conversations that you really discover an opportunity or issue. I also believe in being open about your shortcomings, and poking fun at yourself to make sure the team feels comfortable doing the same.

**What has inspired your leadership style?** My dad was a coach and a teacher and was a tremendous role model for me. He worked hard, had uncompromising integrity, and had strong faith. These assets served him well and I attempt to lead using these same fundamentals.

**What is your biggest leadership challenge?** I have never met an idea I didn’t like. As I have matured, I try to make sure that an idea doesn’t become a project without some discernment and thought. Our COO, Tom O’Hare, knows this is a weakness of mine. Since he and I have worked together for more than 20 years, we have become adept at coordinating and filtering these ideas to best determine what is next for our team.

**How do you transmit your culture from**

**your office to front-line employees?** In a retail franchise business you absolutely have to keep it simple and leverage your franchise owners to “own” culture development. Our message to our system is pretty simple: our value proposition is built on breadth of assortment, filling immediate needs, and offering high-touch service to our customers. We do this with urgency and consistency.

**Where is the best place to prepare for leadership: an MBA school or OTJ?** Without a doubt it’s OTJ. I have an MBA and a strong educational foundation, which is very important, but it does not trump life experience. We all are products of our own experiences and most of that occurs in a work environment, not a classroom. That said, being a “business junkie” naturally means that you’ll continue to be a student throughout your career.

**Are tough decisions best taken by one person? How do you make tough decisions?** It depends on the decision. Whenever possible, you want your leadership team involved and aligned on all key decisions. There are times, however, when the CEO has to step up to make the call and set the course forward.

**Do you want to be liked or respected?** Respected. Do the right things by the business and do them the right way and things usually work out fine. I enjoy sustainable relationships as much as anyone but would rather have our franchisees like the result than like me and not like the result.

**Advice to CEO wannabes:** Be your own leader. Be Bold. Be willing to admit mistakes. Be focused on developing talent and having it grow with you and past you to make your company better.

### Management

**Describe your management style:** I would say high on energy and engagement while being pretty low on detail and organization. I let our functional leaders run their areas. I do expect to hear about problems early and often, and I expect them to play nice with others.

**What does your management team look like?** We are fortunate to have a group that has grown the business and grown with the business together. We trust each other and push each other to get better. Also, most of our team are Cheeseheads (Packers fans), so Vikings and Bears fans are generally disliked.

**How does your management team help you lead?** We try to stay focused on the important things: our value proposition, solid execution, good communication, and quickly dealing with (versus ignoring) problems. All of our key folks are aligned on these attributes.

**Favorite management gurus: Do you read management books?** I am biased since I am a coach's kid, but I believe great coaches are great strategists, developers of talent, and adapt well to changing circumstances. People with these skills and strong faith are folks I admire, like Tony Dungy.

**What makes you say, "Yes, now that's why I do what I do!"?** I must be easily excited because I say this almost every day.

## Personal

**What time do you like to be at your desk?** About 8 a.m. and work late as needed.

**Exercise in the morning? Wine with lunch?** I exercise almost every day and would be grumpy if I didn't. If I drank wine with lunch I would need to come back and take a nap. So no wine with lunch, ever.

**Do you socialize with your team after work/outside the office?** We have a number of events and outings our employees do together. I also consider many of my colleagues close friends. That said, between work and our family commitments, we don't see each other socially all that often.

**Last two books read:** *Visioneering* by Andy Stanley; and *Three Cups of Deceit (How Greg Mortenson, Humanitarian Hero, Lost His Way)* by Jon Krakauer (Mortenson graduated from my high school. Go Ramsey Rams!).



We now have more device repair locations than any other retailer in the country and we definitely have permission to play here.

**What technology do you take on the road?** iPhone 6 Plus and a MacBook Air.

**How do you relax/balance life and work?** I am not much of a relaxer. I am blessed in faith, family, and work. That, and I run several times a week. Life is good.

**Favorite vacation destination:** The beach at Ponce Inlet, Florida.

**Favorite occasions to send employees notes:** I am not a note writer. I much prefer to stop by someone's desk and thank them personally and/or meet with them for a few minutes to talk.

**Favorite company product/service:** We have always had a service segment to our business, building battery packs, for example. In 2014, we added device repair to our service offering and now fix cracked screens, charge ports, etc. on smartphones and tablets. We now have more device repair locations than any other retailer in the country and we definitely have permission to play here. We are seeing rapid growth in this service offering.

## Bottom Line

**What are your long-term goals for the company?** \$1 billion in system sales and a nationally recognized brand.

**How has the economy changed your goals for your company?** Portable energy and energy-efficient lighting are growing, needs-based industries so we have not changed our game plan because of economic factors.

**Where can capital be found these days?** For a solid franchise business, capital is readily available through the private markets. I think the critical factor for franchisors seeking capital is having strong unit economics that are repeatable and sustainable.

**How do you measure success?** We focus heavily on improving unit economics and believe that is the foundation for future growth and success.

**What has been your greatest success?** Our Ascent supply chain structure has provided our stores substantially improved margins and reduced working capital. As we got Ascent optimized about 10 years ago, our new store and system growth really took off.

**Any regrets?** Never. You can't change history (but those who don't at least learn from it are doomed to repeat the same mistakes).

**What can we expect from your company in the next 12 to 18 months?** We are launching our omni-channel platform this spring, which will dramatically improve our customer experience. This platform will integrate with our stores' POS system and provide customers (business and consumer) the opportunity to do business with us anytime, anywhere, and from any device. We believe this will drive significant additional sales to and through our stores. Additionally, we are launching a complete range of exclusive Duracell-branded batteries that will align well with our retail brand position and that will provide further credibility for our unparalleled offering in batteries and light bulbs. ■

# Multi-Unit Magnets

## FRANCHISORS ADAPT TO CHANGING TIMES

**M**ulti-unit franchisees exploring a franchise brand want quick answers to very specific questions, usually involving very specific numbers. For both experienced and prospective multi-unit franchisees evaluating the risk/reward of investing in a brand, those numbers are critical to their decision to buy in or keep looking.

Many franchisors have learned to adapt to the needs of today's multi-unit operators, but many still have a long way to go. For franchisors seeking to expand their system by attracting multi-unit operators, *not* having those numbers readily available is a competitive disadvantage. Solid, positive data on average unit volume, same store sales, and system growth over time—along with a detailed Item 19 and solid franchisee validation—are merely the table stakes in the battle for attention.

But veteran multi-unit operators know many other factors are involved in forming a successful partnership with a brand. One of the biggest is people, specifically the brand's management team, its track record, and the future outlook for the brand. And then there's the inevitable factor of a change at the top. When a franchisee signs on for 5, 10, or 20 years, there's a strong likelihood that the management team they signed with will be long gone by the end of that term—or perhaps the brand will be acquired by a private equity firm.

### Built for multi-units

"There's no question the people at the top make a big difference," says Gordon Logan, founder and CEO of Sport Clips. At Sport Clips, candidates know exactly what they're getting at the top. Logan, who founded the company

in 1993 and started franchising in 1995, is still in the saddle and is grooming his son to take over the privately controlled company. "The future is clear," he says. "We've built a really strong management team over the years."

In addition to his existing team, Logan has hired a new president, Mark Kartarik, former executive vice president at Regis Corp.; a CIO from Massage Envy to beef up the brand's IT, POS, and other technology; and an experienced HR person. "We have a lot of ability in our system. This gives people a lot of confidence. I think that's important," he says. "It is important to see continuity."

When he started the company, Logan jokes, he was asked what would happen if he were run over by a beer truck. "I got that question a lot in the early days." No more. Logan plans to stay involved in the years ahead, transitioning to the role of chair as part of his plan to keep

the company's remarkable growth story going strong.

"Three has always been the minimum," he says. That's because the model is set up to allow a comfortable transition for those leaving corporate careers to get into business for themselves. A three-store package, he says, is what they need for income replacement. "That's the big reason we package that way," he says. (Sport Clips will still sell singles or doubles, but only for veterans, store managers, and in markets that will not support three salons.)

Five years ago, says Logan, Sport Clips had only 30 or 35 franchisees with five or more salons. Today, almost 100 franchisees have five or more stores, in a system with a total of 1,350 salons. Sport Clips has 5-year agreements. "Always have," says Logan, adding that it's rare for someone not to renew or for units to close: the company has reported a 99 percent continuity rate.

To support its larger franchisees, Sport Clips has an annual two-day conference for operators of five or more salons. Held six months out of phase with the brand's national convention, the multi-unit get-together covers topics including best practices, how to develop a management team, and financial planning.

"Standard stuff," says Logan. "We've been doing that now for about 5 years." And at the brand's national convention, Sport Clips offers special breakout sessions for larger multi-unit operators on subjects such as how to manage, motivate, etc. "So far it's been working pretty well," says Logan.

Sport Clips, says Logan, is a manager-operated business. "The manager is the key to our success. We put a



Gordon Logan



lot of emphasis on that and have a very strong management training program,” he says. “We don’t want the franchisees in the stores 40 hours a week. Supporting and developing your manager pays huge dividends.”

Sport Clips will help franchisees identify the best managers and the best skills and attitudes to look for—carefully, so as not to cross the line and be viewed as a joint employer in these parlous times. When it comes to managers, the message to franchisees is, “They’re your responsibility,” he says.

Logan says the brand has no program specifically aimed at attracting multi-unit operators of other concepts, other than attending the Multi-Unit Franchising Conference every year. “Most of our multi-unit operators are home-grown, franchisees with three to five salons, who often will grow larger,” he says. Referrals from the brand’s franchisees are another valuable source of leads.

And, as with most brands, the more units you buy, the better the deal. And while Sport Clips offers discounts to those who sign on for additional units, reducing fees for bigger deals is common practice at most franchise brands. “I don’t really think that will attract multi-unit operators,” he says. “The best way is to have a good, solid business model, same store sales, and a strong Item 19,” says Logan. “It’s incumbent on any franchisor to focus on unit economics and profitability. The ROI has to be there.”

### Prospering through change

Checkers Drive-In Restaurants, on the other hand, after merging with rival Rally’s in 1999, has experienced, survived, and is prospering after several ownership changes, including going from a public company to being acquired by a private equity firm in 2006, and then, in March 2014 being acquired by another private equity firm, Sentinel Capital Partners.

“The good thing is their experience in food franchising,” both as a franchisee and a franchisor, with brands including Taco Bell, Pizza Hut, Newk’s Eatery, TGI Fridays, Church’s Chicken, and Huddle House, says Jennifer Durham, vice president of franchise development. In 2001,

Durham, a CPA with a Big Four accounting background, arrived at the company, not long after the merger with Rally’s. After serving in various finance and IT positions for a decade, in 2011 she moved into her current position.

Shortly before the sale to Sentinel last year, she says CEO Rick Silva asked if she would lead the charge to grow the



company. “He saw, and I soon found out, what an accountant brings to the table as a development person,” she says. “It’s the same point of view as a franchisee—the unit-level economics, ROI, and understanding that it’s less about the pitch and more about the substance.”

Durham worked closely with the leadership team to significantly expand the franchise development team. When she took the position there were five people in the department. Today there are 20. “There were lots of decisions to be made about what resources to add, where we put our energy and emphasis,” she says.

Since then, “We’ve been able to accelerate our franchise recruitment process and build a better and bigger pipeline of restaurants for the future,” she says. “And it’s all predicated on the fact that we have to include information in the FDD that allows us to compete against other brands in a really meaningful way, and to communicate with our prospective franchisee targets in a way that’s much more sophisticated.”

In fact, she says, “I think our FDD was not necessarily helping us. We were at a disadvantage because we didn’t have that information included, and we also weren’t measuring ourselves with the same yardstick as some of our peers.”

One glaring example of a deficiency in closing sales was the lack of staff in critical support functions. “We really didn’t

have a real estate function when I started, so we added that. It’s important to get the franchisees to the table, excited about growth, and being approved as franchisee candidates. But I found that what we were doing was getting them into the system and then releasing them. Think of it like fishing... we got them on the hook, but we were not reeling them in because they had to find their site,” she says. “So we hired some really talented real estate professionals who had experience in quick service, as well as a history in real estate, to support them.”

### Rallying together

One of the strengths of the leadership team at Rally’s is its level of interdepartmental communication and collaboration. No silos here, says

Durham. “That involvement is really important,” she says. “You cannot do development as a separate, completely unique function in an organization. It requires the support of the entire leadership team and the entire organization.”

Another thing the brand started doing was growing its own stores. About 40 percent of its restaurants are corporate units, which generate about 50 percent of the company’s profit. This provides multiple advantages, including the desire to run the stores as profitably and efficiently as possible. “It’s very important to new franchisees and our existing franchisees,” says Durham. “If you’re going to be talking about growth, you should be adding as well. You shouldn’t be fully dependent on franchisees for that growth.”

Of its 808 restaurants, the company operates 335, and its 130 franchisees operate 473, as of late March 2015. Operating so many of its own stores also allows the company to collect a rich set of data—those specific numbers multi-unit prospects seek. “Because we own and op-

# Multi-Unit Magnets

erate more than 300 restaurants, we have that information very readily available,” she says. Also, she adds, the company did some qualitative and quantitative research with multi-unit operators to understand what’s important to them and how they go about making a decision to add a new brand. “It was incredibly insightful and also gave me some great context for what to incorporate into our FDD,” she says.

The company’s 2014 FDD has the benefit of that experience and research. “We have a full P&L (labor, utilities, maintenance, food, paper), ROI calculation for our prospects, in addition to sales by restaurant format. Depending on whether you’re an inline location or in an airport or a more traditional venue, sales can vary quite widely. So we made certain to include that breakout so they can see all the cost categories associated with running the restaurant, so they know, bottom line, what to expect from a profit standpoint.”

Durham says the brand also recognizes the differences—and strengths—multi-unit franchisees bring to the party, within limits. “If they come into the system as a multi-unit franchisee, they can expect support on their first two restaurants,” she says. If they want support for additional restaurants, they can “buy up” and have that. In most cases, says Durham, after the first two restaurants, they get the process and can do it on their own. “What we’re here to do is deliver to them the services that they need, when they need them,” she says.

And although large multi-unit franchisees usually have the infrastructure and know-how to take on another brand, Durham says they may under-appreciate the importance of differences between brands and think they can do it without help from the franchisor. Many who thought they didn’t need that initial support, she says, changed their minds. What she tells them is, “We have the support team here to help you, it’s part of the 4 percent. Don’t be a martyr.”

## “The goals shifted”

ZIPS Dry Cleaners was founded in 2002 by a group of dry cleaners. Five years

later, they began franchising. In 2013, the majority of company was purchased by a private equity firm and the founders replaced by corporate employees. “The goals shifted, obviously,” says Aaron Goldberg, vice president of franchise development. The brand has 40 operating units and commitments for 20-plus more.

Before the acquisition, the goal was to grow the brand in the Baltimore-D.C. area, selling stores to single-unit owners. The focus was on dry cleaning and run-



ning a store, with development and the franchising piece second. Post acquisition, he says, the focus has been to develop the brand at a much faster pace, build strong support at the corporate level, and grow the brand quickly through multi-unit sales.

So what’s changed? First, Goldberg says, was the brand message. “It’s now more about the economics of the offering and less on the concept itself, and finding common elements of their existing businesses to focus on.” This means more talk about greenfield development opportunities, AUVs, strong operating incomes, EBITDAs, ROI, and return on capital—less about the widget and more about the investment opportunity. “The multi-unit operator may have some passion for their brands, but they’re more interested in the economics, whether it’s pizza, dry cleaning, or hamburgers,” says Goldberg.

Second was marketing. “We’re always looking for ways to market to multi-unit operators,” he says. “Your portals and magazines [at Franchise Update Media] are fabulous for that. The average franchi-

see portal or publication is still primarily geared toward the single-unit operator, someone looking to leave the corporate world and get into business on their own. We’re after a different audience.”

Also there’s persistence. Goldberg says it’s important to keep in touch with multi-unit operators over time—even if they’ve said no before. For example, he says, a multi-unit operator in Florida with a chicken brand who said no in 2012 may now be looking for a new opportunity, perhaps because of a non-compete clause or because they’ve built out their territory or area. If ZIPS is looking for developers in Georgia, he’ll send that message to people he’s had in his database for years, and hope for a positive response.

“Their goals are constantly changing,” he says. So keeping a database and staying in touch with them is just plain smart. “In sales you never dip your foot into the same river twice. You’re hoping you’re reaching out to them when the timing is right.”

Basically, says Goldberg, it’s important for a franchisor to be honest and forthright with the information it provides to multi-unit prospects. “You have to be genuine, honest, and respectful of your audience,” he says. Listening is also key. “Part of the selling process to the more sophisticated franchisee investor should be a learning experience for you and the brand.”

Goldberg says he’s been in sales meetings with a prospective franchisee where all the sales rep talked about was dry cleaning, not the economics. “You have to redirect out of the specifics of your concept and engage the person from the perspective of the things that are important to them.”

In its efforts to attract multi-unit operators, ZIPS is also taking a good, hard look at its FDD. “When we presented our franchise agreement to sophisticated multi-unit operators in the past, they wanted things removed,” says Goldberg. Presently, ZIPS has no special programs for multi-unit operators, says Goldberg. “We’ve not gotten to that stage yet, but I can definitely see the handwriting on the wall for a need for that.” ■

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BY TIM PULIDO

# HOMAGE TO HERITAGE

**Pollo Campero** rebrands for the 21st century



**R**ebranding a major chain is never easy, but when your brand's historic roots run deep, there is even more on the line. It's great to have an established fan base, but a serious group of longtime devotees can be a double-edged sword. When a brand's look and feel starts to tire, how does a franchise draw in new audiences without alienating supporters who feel like family?

Pollo Campero, the world's largest Latin chicken restaurant brand, started as a small family restaurant more than 40 years ago. The restaurant's flavors were so special that Guatemalans and Salvadorans would bring chicken back in their suitcases to give family members living out of the country the unparalleled taste of home. Today, that devotion has helped Pollo Campero grow to more than 350 restaurants in 12 countries across the globe.

The first Pollo Campero opened in 1971 in Guatemala, and the first U.S. location opened in 2002 in Los Angeles. Our challenge in 2014 was to rethink our brand's appearance and attitude while staying true to the vibrant spirit that first made the restaurant lovable.

#### Who is our intended audience?

The whole planet has gone crazy for fried chicken, and Pollo Campero has been a big part of delivering real Latin flavors to a growing list of countries worldwide. Our core style and flavor are wholly Latin American, but we have a huge following in the United States, as well as in Spain, Ecuador, and Italy.

The restaurant's most loyal fans either raised their families on Pollo Campero or grew up eating it, and we knew they would be happy that our signature spices and tried-and-true Latin American recipes weren't going away. However, modern diners are adventurous, and we were eager to invite new audiences and younger generations to make great memories across our tables the same way our first fans did. It was crucial to strike a balance between illustrating our zesty attitude without making aficionados





suspect a change in their favorite meals they kept coming back for.

Pollo Campero's design and layout weren't broken, but our classic templates were beginning to feel dated. How could we give homage to our heritage, while still moving the brand into the 21st century? Our goal was to recreate the restaurant experience without sacrificing elements that already worked well. Instead of focusing on any single aspect, we stepped back and viewed the restaurant as a whole to reengineer a total experience that would put our proud history on full view while ushering in an exciting era of great times at the table.

Perhaps no other point is more important: do not focus on design elements independently, but examine the restaurant as a whole and ensure the parts communicate the brand essence. In our case, we wanted to demonstrate that Campero is always vibrantly authentic, providing a unique Latin chicken that will delight our friends and family.

### Redesigning and rebranding

Our older curbside facade was defined by white stucco, yellow awnings, and a bright red wall that framed Pollito, our longtime mascot, whose wings spread a wide welcome directly over our name. The new design is modern and angular with a fresh color palette in deep brown, energized green, and warm orange tones. A wood portal and green architectural fin guide guests to the entrance, and awnings have been redone in green to add energy to a more upbeat tan exterior. Pollito still welcomes guests throughout the restaurant, and our restaurant name and logo have been remixed with a contemporary

caps font in a youthful script.

Inside, the redesign projects a genuine Latin vibe. Coordinated colors mimic the outdoor theme with wood flourishes that add a homey feel. Carefully branded images tell our story as customers weave through the line, and smooth designs make efficient use of space and avoid physical and visual clutter. Some displays have gone digital for easier updates to current specials, promotions, and offers.



To make the most of dining room space and improve wait time, the kitchen was economized with smarter layouts that added 200 square feet to the dining area. More ergonomic layouts boosted productivity and deployment at prep stations, which also improved side item consistency. Upgraded lighting and a green tiled wall make the kitchen glow, giving waiting diners a glimpse of our freshness and quality.

The dining room is sectioned into various seating zones for more privacy, and a flexible layout makes table arrangement easier for large groups. Pendant lighting, new upholstery, and flat-screen televisions modernize the entire space.

Our customers now experience a vibrant yet authentic restaurant concept that is

true to its roots and heritage—while also being a true 21st century brand. It is no surprise to us that our current guests love our design, while we also attract a new, younger audience looking for a Latin flavor adventure. It is the best of both worlds.

### Action plan

Restaurants in two of our prime markets, Guatemala and El Salvador, implemented the rebranding and redesign in February 2014. Updates and renovations in the U.S. soon followed in the Washington, D.C., metro area and Texas, and four newly built locations opened in 2014 with the new design. Three more restaurants are scheduled to completely remodel in 2015, and 11 plan to renew branding to show off the updated designs.

Our new global brand platform is also coming to life beyond our restaurants. We are in the process of updating our website to reflect the brand's bold attitude, as well as close to launching a mobile application pilot test to make online ordering more convenient for our customers.

Whatever the impetus is for a redesign, there are always serious risks involved. Pollo Campero invested significant resources at every level into our updated look and feel, but we're proud to report that longtime supporters are still choosing us and new followers are flocking in to see what makes us one of a kind. We have revitalized our brand and have set a new course for accelerated growth! ■

**Tim Pulido** is president and CEO of Pollo Campero International, the world's largest Latin chicken chain. Visit [www.campero.com](http://www.campero.com), or follow the company on Facebook or Twitter @CamperoUSA.

# Consumer Marketing

CONSUMER MARKETING INITIATIVES



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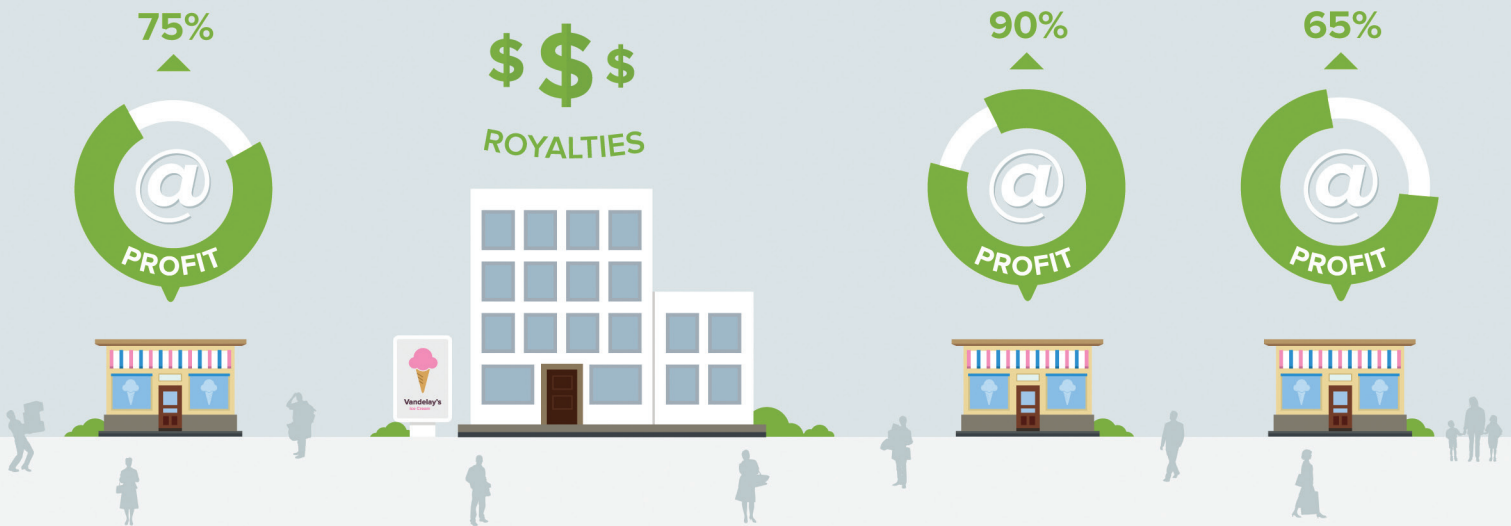
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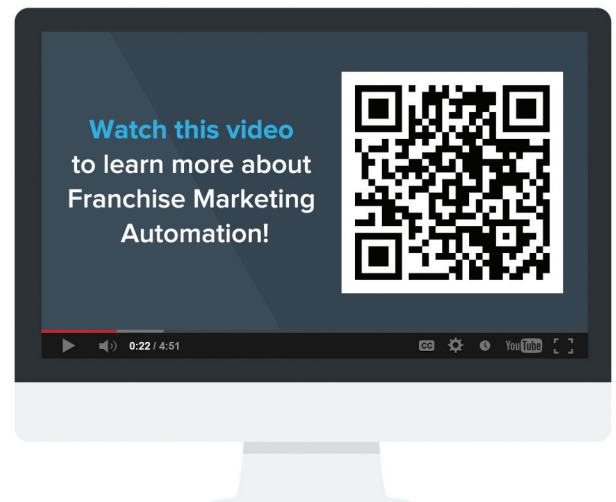


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## CMOQ&amp;A

## Hotdogging It

## Wienerschnitzel's new CMO comes well-prepared

BY KERRY PIPES

**D**oug Koegeboehn is a great example of the connection between ad agencies and franchise brands. Named CMO of Wienerschnitzel earlier this year, Koegeboehn already had decades of experience with the brand when he came on board: the former account director at DGWB Advertising had been working on the Wienerschnitzel account since 1995. Along the way he developed a marketing toolbox that includes experience developing annual ad plans and promotions, menu strategies, and even helped create new products. At DGWB, he also worked accounts that included the California Avocado Commission, Yogurtland, Dole, and El Pollo Loco.

"I love the enjoyment of eating food," says Koegeboehn. "I know everybody else gets enjoyment from eating too, and that's why I have relished spending much of my entire career working on food-related business." So last year when the opportunity arose, he jumped at the chance to join the Galardi Group family as Wienerschnitzel's CMO. The Galardi Group also includes the Hamburger Stand and Tastee-Freez brands. So far, so good. "I love it," he says.

At Wienerschnitzel, Koegeboehn is responsible for leading the brand marketing, digital, menu, and overall communications strategy. He also oversees the newly formed visionary department, which he describes as "a forward-thinking marketing division dedicated to building brand loyalty among younger generations."

Although Wienerschnitzel is a 53-year-old brand, Koegeboehn says its identity is more like that of a start-up. He says the brand is a family-owned business and that the culture there is not afraid to take risks, try new things, and

look for ways to differentiate the brand.

Relationships are a significant focus for the brand. "You don't join Wienerschnitzel as a franchisee, you become part of the Galardi Group family," he says. "We are developing a relationship that's going to last years. With that in mind, we work hard to build trust versus just generating a transaction." He says the company does that on a personal level by building relationships through its shared core values.

**Describe your role as CMO.** That would take a lot more pages than I'm sure you are willing to allocate! In brief, my role is to improve the value of the trademarks of our corporation. Everything we do needs to improve the perception of what our brands are worth. The role itself is like

being a modern-day Renaissance man. Today's CMO has to be proficient in so many fields. There is a revitalization going on in the marketing world and we must have a diverse knowledge for our brands to communicate successfully.

**What's unique about the CMO position at Wienerschnitzel?**

A ton of things make Wienerschnitzel unique, from the products we sell, to our building prototypes, to even our name. But on top of that, we are unique in the way we behave. We act like a start-up company with a 53-year history. That means we do everything we can to differentiate. We don't see money as the solution to every problem. We invest back in the company, we build influential relationships, we take risks, we are persistent, we are intensely competitive, and we believe we are building something significant. Additionally, we are unique because we are family-owned, and I love it. Being family-owned allows us to make decisions that benefit our guests and franchisees versus stockholders.

**What's the most challenging part of being a CMO today?**

It really is the "taking risks" part of the job. The average tenure of a restaurant CMO is less than 3 years. Because of that, many CMOs make safe decisions instead of the ones that are going to improve the value of the brand. Sure, taking risks could have negative consequences, but without them you'll never grow.

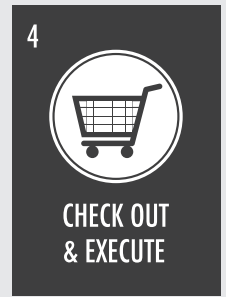
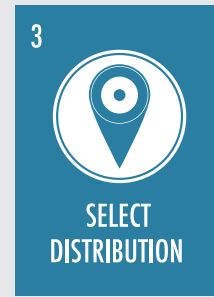
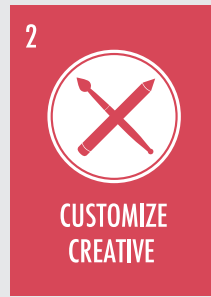
**What are the 3 most important keys to being an effective CMO leader today?**

1) Dream big. 2) Use analytics and common sense in making decisions. 3) Get stuff done (don't just talk about it, make it happen).





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**How do you prepare a marketing plan and execute the strategies?** It's a discipline and there's a formal process. But in brief, you figure out what you are trying to accomplish (goals), decide who cares and why they care (target behaviors and attitudes), and identify the reasons and actions that would persuade them to achieve what you are trying to accomplish (strategies and tactics). Then you implement with deadlines. Finally, you celebrate the results.

**How do you measure marketing results and effectiveness?** It depends on what you are trying to accomplish. If it's demand, then we track transactions and average check. If it's loyalty, then we track repeat visits. If it's mobile messaging, then we track our ROI on how many people served the message actually visited our restaurants.

**Discuss your core consumer marketing strategies and objectives.** 1) Increase demand by attracting new customers and bringing current customers in more frequently. 2) Improve the value by making customers happy about visiting and improving our overall image. 3) Increase the loyalty of our guests to get them to choose us over others. 4) Lay the foundation for future growth.

**How do you go about creating a "customer-centric" marketing and brand philosophy?** You have to understand your target audiences' attitudes and behaviors for your brand as well as for the limited-service restaurant category. To really understand why your target audience would care about what you are trying to accomplish, you need to understand more than just demographics. You need to understand their motivators so you can provide the reasons and actions that would build a relationship and, hopefully, have them behave in a certain way. We work hard at building relationships with current and future guests and look forward to enjoying lifelong relationships with each other.

"The role itself is like being a modern-day Renaissance man. Today's CMO has to be proficient in so many fields."

**Describe your marketing team and the role each plays.** It's a team of Renaissance men and women. But it is broken down into two disciplines that work cohesively together. On one side, we have the group that markets the restaurant itself, and on the other side we have a group that is activating the brand, building relationships, and attracting a new audience that will be our customer base for the next 30 years. It's a unique structure that works great because of the quality and dedication of the people on our marketing team.

**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?** Incorporating a personal touch is just how we behave at the Galardi Group. You don't join Wienerschnitzel as a franchisee, you become part of the Galardi Group family. We are developing a relationship that's going to last years. With that in mind, we work hard to build trust versus just generating a transaction. You do that on a personal level, building a relationship through shared core values.

**How does this help your franchise sales and development effort?** It's gotten us to where we are today as the world's largest hot dog chain.

**How is technology changing the way franchise marketing is done in terms of one-to-one contact?** It's better for both franchisor as well as potential franchisee. It allows the franchisor to reach more potential franchisees with our message. It allows the franchisee better access to more information to see if there is a good fit for what they are trying to accomplish. But most of the technology advances help in the beginning of the franchise process. Once we start building a relationship, the communication is more personal and direct.

**Do you see vendors as business partners? Why/why not?** Absolutely. They are great brands with excellent marketing departments. We tap into their resources to help build our brand and provide insights for us to be successful. We love it when our partners post about us, include us in their advertising, and go the extra mile because of the relationships we have together.

**What advice would you offer to aspiring CMO executives?** It goes back to the three most important characteristics of a successful CMO today: Number one, dream big. Number two, use analytics and common sense in making decisions. Number three, get stuff done (don't just talk about it, make it happen). And call your mother more often. It will improve your character. ■



# CMO roundtable

## “HOW DO YOU BUILD AN ALL-ENCOMPASSING MARKETING DEPARTMENT AND ASSEMBLE THE KIND OF TEAM THAT GETS RESULTS?”

### Lisa Dimson Chief Marketing Officer Tropical Smoothie Café

Hiring the right team is absolutely the most important element of getting the results you want. Without a strong team behind you, even the best CMO won't be able to take their marketing initiatives to the next level of success. Compared with other brands, we have a small internal team tasked with developing innovative and amazing products, activating the national calendar, and ultimately driving brand awareness.



When hiring for the marketing team, we follow a list of guidelines we call “SIDE” to ensure that the potential candidate will fit in with our company culture and work ethic before they come on board. SIDE stands for Smart, Integrity, Drive, and Enthusiasm, and those four words really capture what the Tropical Smoothie Café team is all about. It's not enough just to have people who are marketing geniuses and amazing at what they do. We need people who are also really excited about the product and the mission because that definitely shows through in the end results. We want people on our team who are constantly striving to perform at a higher level, and that kind of passion and commitment is very apparent when you're looking to build a team.

It doesn't stop just at hiring. To keep everyone excited and engaged in the workplace, it's equally important to establish a solid company culture and to be consistent in your messaging with your team that is already on board. It's easy for initial enthusiasm to fade as a result of the daily grind and small frustrations that arise in any office over time, so as a leader it's vital to keep employees stimulated and make sure they know they are appreciated.

With our corporate marketing team we like to keep an open line of communication and make sure we show them that we care

to create a thriving, positive work environment. This means putting yourself in your employees' shoes to develop a deeper understanding of their feelings and respond accordingly. This also requires being very transparent with your team because being secretive and keeping important details from your team alienates them and will cause people to leave.

While it is key that the core team members are experts in their own disciplines, it is even more imperative that we work with complementary partners outside the organization who are aligned with our corporate values and mission. They also need to be experts in their own right so they can enhance and activate the brand on an entirely different level.

Ultimately, every piece of the marketing team is so vital to each campaign's success that, as the leader of the department, it's important to take extreme care when putting together the team. Ask all the right questions, and follow your instincts when you feel a certain way about a potential employee or new outside partner, because finding the right people is the key to success.

### Amy Parker Senior Vice President, CMO Pet Supplies Plus

The main goals for most marketing teams at multi-unit brick-and-mortar franchises are primarily the same: acquire new customers and drive in-store traffic. It's how each marketing department chooses to build its team and communicate the brand's message that differentiates one from another. At Pet Supplies Plus, we are structured in a fairly traditional manner with support groups that include analytics, creative, and retail marketing components. However, the way we use these groups to build our marketing programs has recently evolved.

For any franchise, knowing the customer

is—and will always be—the most important component of successful marketing. That will never change. For our brand, that means the pet parents in neighborhoods across 25 states. Over the past few years, the way we communicate with our customer has changed with the advent of social and digital channels. This in turn has changed how I look to build a successful marketing team.

With new technology allowing marketers to understand customers in a more complex manner, it is more important now than ever that we find the right people for our company who understand customer behavior beyond the four walls of our store and who are able to look beyond simple purchase history. There is an abundance of customer data available today, leading customers to expect that brands will know more about them and apply the information appropriately through marketing collateral. To deliver accurate messages to current and future customers at the right time, it is imperative that our team is well-versed in all of the data available to us and has a deep understanding of the technology that goes into market research.

Marketing professionals also need to have a strong partnership with the company's technology department. This will allow them to gather the appropriate data to integrate into their marketing strategies. I work with our CIO, Miles Tedder,



much more closely now than in the past. Together, we are able to pick up where each of our teams leaves off to create a deeper understanding of our customer. Information from the technology department provides us with what we need from a POS standpoint, allowing us to best use information from our Preferred Pet Club database. The company's IT department has generalists who work with marketing, but as we continue to evolve I could imagine we might have our own tech specialists in the marketing department in the future. ■



# Millennials

## Millennials Value Value

### Balancing price with quality and experience

BY ADAM PIERNO

**M**illennials, especially the younger half of the demographic, came of age during the Great Recession. As they entered the job market, they experienced hard financial times that limited earning opportunity for many. College graduates suffered high unemployment rates, and a large number have been forced to move back in with their parents. According to Pew Research Center, 36 percent of all Millennials live with their parents, 45 percent are unemployed, and 18 percent have a college degree.

They have learned how to make do with less discretionary income and fewer extravagant luxuries (save their technology.) As the economy has rebounded, unemployment levels have receded but attitudes haven't exactly changed. The Millennials we surveyed still behaved with an eye on budget and on tools for finding the best deal. In short, they are extremely price-sensitive.

As franchise concepts work out an offering, this fact must remain front and center. In the current environment, there is an overabundance of choice for consumers in every category. The savviest among them all are the Millennials who will find ways to get the best deal on similar products or options.

But, the "best deal" does not always mean "the cheapest." Think about the number of places you could get a hamburger today. McDonald's has the highest awareness and is arguably the cheapest option (or at least among the cheapest and most available). But Millennials are avoiding McDonald's in large numbers despite its more affordable offering.

In several studies we recently conducted, when asked to rank drivers in food and purchasing decisions across a number of categories, Millennials consistently selected price as their top consideration. However,

in our dining-specific study, Millennials told us that quality trumps price when factoring both head-to-head; this means they are doing a more complex type of comparison to get to a ratio between price and other key factors.

The Millennials we surveyed still behaved with an eye on budget and on tools for finding the best deal. In short, they are extremely price-sensitive.



#### How to balance your offering

**1. Don't compete on price if you can't win.** It's tempting to get pulled into a price battle, knowing that price is a key driver of traffic. But very few operations can deliver something great at that lowest price point. As we know, this experience with a customer is your best advertisement for the next experience. A letdown likely means a lost opportunity; they will not give you credit for saving them a dollar or two if they notice the corners you cut to get there.

**2. Put a premium on a quality experience.** Millennials have been well trained by brands. They now believe they are deserving of a great experience and *will* spend a bit more if they believe they are getting a higher-end product. Five Guys is a few dollars more per meal than McDonald's but is still drawing crowds of Millennials because of the quality and the difference in the experience they offer. Look for places where you can add quality details they will appreciate, and cut fat in places they will not miss.

**3. Avoid gimmicks.** Having a compelling concept for your franchise is obviously critical. Identify and communicate the key elements your business is based on that will bring in customers. But make sure it's meaningful and repeatable, not a one-trick pony. A better, authentic concept may have a place in the market if you can compete on price and offer that personalized experience. Topgolf, for example, does a great job of giving customers a new offering worthy of a repeat.

Price will always be a challenging and dynamic facet of your business. The focus of Millennials on price ensures that it will become even more critical. The key is to understand the equation between price, quality, experience, and competition to offer what your Millennial customers will believe is a value worth paying to enjoy. ■

**Adam Pierno**, director of brand strategy and planning at Santy, uncovers 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](mailto:apierno@santy.com) or 480-710-4243.



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# Customer service

## Who's Your CXO?

### Ensuring your customers are treated right

BY JOHN DIJULIUS

Over the past several years, one of the most often-discussed topics continues to be: Who is in charge of your brand's customer?

I am not talking about your call center, customer service reps, or customer support. Regardless of your company's size or business model, someone in your organization has to be in charge of the customer experience and all that goes with it. That someone should not be the president, CEO, or owner, but someone who reports directly to them. We have heads of operations, marketing, accounting, sales, and human resources, but our second biggest asset (after our employees) is our customer. How happy they are is determined by the customer experience we deliver. Until recently, the vast majority of companies did not have anyone in charge of the entire brand's customer experience. If you are a mid-sized to large company, you may want to consider creating a position such as chief experience officer (CXO) or chief customer officer (CCO).

• **CXO/CCO: the fastest-growing C-Suite position.** "More and more companies are reconfiguring their C-suites to accommodate a new kind of chief: the chief of customers." That statement, from a 2012 article in *Inc.* magazine, highlighted the growing importance of customer relationships in maintaining a business's competitive advantage. "Ownership of the customer has become just as important as, if not more important than, operations," said John Abele, a global managing partner at executive search firm Heidrick & Struggles, in that article.

• **What should a CXO/CCO be responsible for?** This person should be an executive who provides a comprehensive and authoritative view of the customer and creates corporate and customer strategy at the highest levels of the company to maximize customer acquisition, retention, and profitability. They should influ-

ence strategies of all areas of the business that affect the customer, and ensure the service strategies are built around—and for—the customer. This person needs to hold all other executives accountable for how their decisions will ultimately affect the customer. For instance, if a brand is considering a reduction in staff or their hours to help the bottom line in the short term, the CXO or CCO will need to ensure that the long-term ramifications on the overall customer experience are

This person has to live and breathe hospitality—in all areas of their life.

worth it. That isn't easy unless the CEO and other top execs invest the person in that position with the proper authority. To maintain that type of authority, there must be key metrics—such as retention rates, average ticket, cost of turnover, and customer referrals that demonstrate the investment, decisions, and, ultimately ROI, are warranted.

• **What does a CXO/CCO look like?** One of the biggest mistakes I have seen companies make is hiring, promoting, or delegating the CXO/CCO position to people who have no genuine hospitality characteristics. This person has to live and breathe hospitality—internally, externally, and in all areas of their life. They must be passionate about the customer experience and the customer, have an extremely high service aptitude, and live world-class hospitality personally and professionally. It is much better to leave the position vacant than to fill it with a mismatched person.

• **CXO/CCO job description.** In my book *What's the Secret?* I focus on what a

CXO's or CCO's job description could look like. This position and title would be to oversee the company's most important function: the satisfaction of their customers and the future direction of the organization's customer service evolution. The CXO/CCO should be responsible for:

- Ensuring that service is one of the company's hiring standards
- Developing and marketing the company's Service Vision
- Ensuring the equal representation of the experiential component along with the other five (physical, atmosphere, functional, technical, and operational)
- Creation and evolution of the company's customer experience cycle and non-negotiable standards
- Service training of new and existing employees
- Implementation and execution of these standards
- Service recovery training and systems to ensure the organization is zero-risk
- Creating an above-and-beyond legacy
- Measurement and accountability of customer experience

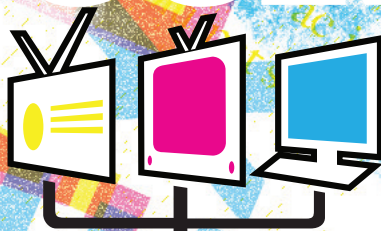
• **Customer eXperience Executive Academy.** The rapid growth of the CXO and CCO positions in businesses today creates two difficult challenges: 1) Who is the right person?; and 2) Once you find the right person, how do you prepare them for the position? There are not college degrees in customer experience, not even minors, or, in most cases, classes. Yet this new generation of executives needs the proper customer service training to lead an entire company's experience and all the components that go along with that responsibility. As a result of this demand, educational resources like the Customer eXperience Executive Academy have been created so companies from all over the world can send their customer service leaders for comprehensive training and certification on all the facets and responsibilities that fall under customer experience.

Is it time for *you* to have a dedicated CXO or CCO running your organization's customer experience? ■

**John R. DiJulius III**, author of *The Customer Service Revolution*, is president of The DiJulius Group, a customer service consulting firm that works with companies including Starbucks, Chick-fil-A, Ritz-Carlton, Nestle, PwC, Lexus, and many more. Call him at 216-839-1430 or email [info@thedijuliugroup.com](mailto:info@thedijuliugroup.com).



# 2015 Franchise CONSUMER



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Franchise Update  
MEDIA



## TUESDAY, JUNE 23

**7:30am – 7:00pm**

**Registration Open**

**8:30am – 10:00am**  
**10:15am – 11:45am**

**Technology Boot Camp**

**(1½ hours, repeats)**

**How To Choose a Technology Company**

What do you look for when choosing your technology vendor? Picking a vendor can be a needle-in-a-haystack situation, particularly in today's ever-changing technology-based world. In this dynamic workshop, our panel of experts will discuss the steps to take when vetting vendors. Discover the importance of collecting and evaluating vendor data. Find out what's practical vs. tactical in this impactful boot camp session.

**8:30am – 10:00am**

**Brand Reputation Management**

**Boot Camp #1 (1½ hours)**

**Understand Your Customer's Experience**

Customer service as we know it is changing with the increase of technology-based systems. What can you and your organization do to address your customer's needs? It starts with feedback; find out about your customer's experience and what exactly it is that your customer wants from you. It's essential to act quickly and respond to customer feedback across multiple disciplines – marketing, operations, training, franchisees, etc. In this strategic workshop, our panel of experts will provide insight on how to effectively respond to various types of feedback, whether it comes from mystery shops, online reviews, social media, or elsewhere.

**10:15am – 11:45am**

**Brand Reputation Management**

**Boot Camp #2 (1½ hours session)**

**Protecting Customer Data**

We've all watched big box retailers Target® and The Home Depot® navigate recent customer data breaches. These brands overcame a question of trust and credibility with their customers. Data breaches are an unfortunate reality in the world of ecommerce and credit and debit purchases. Is your brand protected and prepared?

**12:00pm – 1:45pm**

**Lunch** in Sponsor Networking Gallery –  
Exhibits Open

**2:00pm – 3:00pm**

**Opening Welcome** – Therese Thilgen,

*CEO, Franchise Update Media – 2014  
Marketing Intelligence Report*

**Chairman's Message** – Richard Hope,  
*Conference Chairman, CMO, Jersey Mike's  
Subs*

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

**3:00pm – 4:00pm**

**Opening Keynote – Mitch Joel**

Self-proclaimed "media hacker" Mitch Joel, president of Twist Image, one of the largest independent digital marketing agencies in North America, will share his insights on contemporary marketing in our day one general session.



**4:10pm – 5:25pm**

**Concurrent Breakout Sessions**

Our breakout sessions are divided into four tracks. Each track offers a series of breakout sessions, all pertaining to the topic of the track. The four tracks are:

**Track 1 – Young and Growing Marketers**

Are you an up-and-coming consumer marketer looking for insight? If so, then these sessions are for you. Managing projects, processes, and budgets is critical to your success. Communicating marketing basics can be tricky for growing professionals. Learn how to apply your skills in the most effective way.

**Track 2 – Franchisee Training, Educating, and Motivating**

Getting and keeping franchisees on your team takes time and effort. Keeping them on the bus can be valuable in many ways. In this track, our expert marketers will discuss the importance of sharing information at all levels. How can it benefit you and your marketing system? Find out how to effectively communicate that franchisee participation in marketing programs is in their best interest.

**Track 3 – Media Strategy and Execution**

Learn the new and effective trends for implementing integrated marketing strategies. What works best for you and your team? Explore the importance of staying innovative and fresh within your brand. Today's mantra is 'we live in a digital world' but old school marketing is far from dead. Integrated marketing strategies continue to provide the best results. What's new with both old and new-school marketing?



**Track 4 – Customer Relationship Management**

Not every customer is going to have the best experience with your brand. How can you turn a bad experience into a good one? By effectively managing their expectations and buying habits, you and your team can work together to fully understand their needs. This track is ideal for those seeking real customer intelligence that will provide insight on how to reduce poor experiences and increase pleasant ones.

**Individual Breakout Sessions**

**Track 1 – Young and Growing Marketers**

**How To Write, Execute, and Evaluate an RFP**

What is an RFP (request for proposal)? What are the key elements/critical points to communicate to potential vendors to ensure the proposal is returned with necessary information to make the decision? How do you evaluate the proposals, once received, to make the best vendor choice for your brand?

**Track 2 – Franchisee Training, Educating, and Motivating**

**Sell-In Strategies For Franchisee Buy-In**

The most successful products, programs, or promotions are those that have effective system-wide execution. Franchisees are critical in the process. What are the best strategies for the “sell-in” to your franchisees? How do you get them excited and ready to execute?

**Track 3 – Media Strategy and Execution**

**Broadcast TV, Radio, and Outdoor**

Expert session leaders will share their strategies, successes, and pitfalls on how to capitalize local/national TV, radio, and outdoor marketing. With the expansion of the broadcast world providing new ways to reach your customer, how can you determine which ones are best for your brand? What are some ways you and your organization can get creative with media buying?

**Track 4 – Customer Relationship Management**

**PR Strategy and Utilization**

Public Relations is a department in your system that is ever-changing, particularly within the past 10 years. However, it still remains one of the best, most cost-effective ways to drive brand awareness. How can you and your organization best utilize your communications team? In this dynamic session, find out what PR will look like for you and your brand in 2015.

**5:30pm – 7:30pm**

**Opening Social** in Sponsor Networking Gallery – Exhibits Open



**WEDNESDAY,**  
**JUNE 24**

**8:30am – 9:00am**

Continental Breakfast

**9:00am – 9:10am**

**Day 1 Recap**

Richard Hope, Conference Chairman, CMO, Jersey Mike’s Subs

**9:10am – 10:00am**

**Ask The Experts** – Panel of Online

Executives (to be announced) will discuss what’s current and changing in the online world.

**10:10am – 11:00am**

**Concurrent Breakout Sessions**

**Track 1 – Young and Growing Marketers**

**Vetting Vendors – Being the Gatekeeper**

With every media option comes a number of vendors providing the media product or service. Everyone wants to gain the endorsement of the boss, but you’re responsible for finding the right vendor partner. How do you choose which vendor makes it to the top of the list?



## WEDNESDAY, JUNE 24

### Track 2 – Franchisee Training, Educating, and Motivating

#### Franchisee Program Implementation – The Importance of Following the Program

Your franchisee market/co-op has agreed to participate in the new product or program. Its success is determined by effective execution of all locations. What actions do you take to ensure that all locations are following the program to ensure the customer receives the best possible quality and experience? How do you enlist the support of internal partners to help franchisees?

### Track 3 – Media Strategy and Execution

#### Print and Direct Mail – It's Very Much Alive!

With so much effort being put into online communication, the Internet waves are getting cloudy. Print and direct mail are gaining steam and getting a lot of attention. Customers are reading magazines and newspapers, and looking at the mail. Don't miss this opportunity to expand your reach and awareness through this tried-and-true media vehicle.

### Track 4 – Customer Relationship Management

#### Manage Online and Social Reviews

The ease and accessibility of the Internet can make or break your brand. With social media as a defining element in the decision making process for a customer, how can you and your organization reduce the amount of negative feedback posted online, while encouraging happy customers to share their experiences? Join this session to gain insight on how to do just that.

### 11:10am-12:00pm

#### Concurrent Breakout Sessions

### Track 1 – Young and Growing Marketers

#### Educate and Manage the Cross-Functional Relationship

Every new product or program involves more disciplines than marketing, but it's marketing's job to drive topline sales. How do you enlist the support and efforts of your peers to help develop and execute new programs/products for optimal results?

### Track 2 – Franchisee Training, Educating, and Motivating

#### Tracking and Reporting Results – It's Important for the Entire System

Measuring success of new programs is critical for growing your brand revenues, and each location is important. Franchisees understand how each program impacts their locations and enterprise, but do they understand the role they play in the system? Are they tracking and reporting results that can be shared system-wide? How do you get them to that point?

### Track 3 – Media Strategy and Execution

#### Market Research – Understand Your Customer Needs to Create Effective Campaigns

Who is your target audience, and what do they expect from your brand? What are the buying habits they follow that will lead them to your product? Are there behaviors that impact the purchase? Successful programs are developed based on listening to your customer. What research tools are available to help you with this?

### Track 4 – Customer Relationship Management

#### Local Store Marketing

Marketing individual locations is vital to keep awareness high on opening day and beyond. Your system needs a successful local marketing strategy for new and growing markets, growing brands, and even in established markets. Just because you're on TV doesn't mean you don't need marketing on a local level. In this session, you'll discover how brands are helping their franchisees own their market, how to budget, and what tools to use to help drive frequency.

### 12:00pm – 1:45pm

Lunch in Sponsor Networking Gallery – Exhibits Open

### 1:45pm – 3:00pm

#### Open Forum with CMOs – 4-5

conference Advisory Board Members will answer questions from the audience. This is your chance to ask any question you choose. Participants will be determined by vote via online registration and through the conference mobile app.

### 3:10pm – 4:00pm

### Track 1 – Young and Growing Marketers

#### Ad Fund Administration and Compliance Basics

Contribution to the advertising fund is critical for the health of each location, as well as your marketing co-ops and brand. Every marketer is tasked with managing a budget, whether it's an advertising or marketing program, individual location, or co-op budget. Each franchisee is responsible for making advertising fund contributions on a timely basis, but that doesn't always happen. What do you do if a franchisee isn't in compliance with contributions? This session is critical for young and growing marketers, but can easily be applied to all marketers.





## Track 2 – Franchisee Training, Educating, and Motivating

### Addressing Solicitation at the Local Level

Vendors approach franchisees on a daily basis, and the program or product services are controlled at the corporate level. What strategies do you provide franchisees to help them graciously decline the vendor without damaging the brand reputation at the local level?

## Track 3 – Media Strategy and Execution

### Database Marketing

As a form of direct marketing, database marketing uses your database of customers and potential customers to generate personalized communication in order to promote your product or service. How can you best utilize this method of marketing? Find out what worked best for our panel of experts in this session, and discover the do's and don'ts of database marketing.

## Track 4 – Customer Relationship Management

### Crisis Communications – Are You Ready?

Crisis communications readiness is a must-have for every brand. No one wants to have a tragic event happen in one of their locations or system-wide. If it happens you need to be prepared. Learn how to prepare and navigate your system through a crisis.

## 4:45pm – 6:00pm

### Closing Keynote – J.B. Bernstein

Legendary sports marketing agent and author/subject of the movie *Million Dollar Arm* will conduct this interactive marketing training session, designed to help you further develop your brand reputation.

## 4:15pm – 5:45pm

### Closing Networking Reception & Dinner

(included in conference registration) – J.B. Bernstein will join us for dinner, a photo op and autographs. Network with your peers in this fun, relaxed environment.



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This is a don't-miss event for service providers interested in attracting CEOs, Presidents, and decision makers in the areas of consumer marketing and brand development. You'll meet the franchise industry's most talented consumer marketing executives seeking new ideas. This event is exclusive to franchisors, and the only suppliers in attendance are conference sponsors.

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\*Preferred rate only available to existing Franchise Update Media customers. Only franchisors are eligible to register for this conference. If you are a supplier interested in sponsoring this event, please call (800) 289-4232 ext. 202.

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4. Fax Registration Form with credit card information to: (408) 402-5738

### Refund and Substitution Policy:

Please provide cancellations to Franchise Update Media in writing by May 22, 2015. Your registration fee will be refunded, less a \$100 processing fee. After May 22, 2015, no refunds or credits will be issued. Substitutions may be made at any time.

### Group discounts ARE available.

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## InterContinental Buckhead Hotel, Atlanta

The 2015 Franchise Consumer Marketing Conference will return to Atlanta at the InterContinental Buckhead to accommodate the growing interest in consumer marketing and its role in franchise system growth.

**Room Rate: \$199 per night**

Book early! For the best rate, please call (877) 622-2115 and identify yourself as part of the Franchise Consumer Marketing Conference to receive our special rate. A limited number of rooms have been put aside for conference attendees. This rate expires Tuesday, June 2nd or when room block is full.

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# 2015 Franchise CONSUMER MARKETING CONFERENCE



*Where Old School Marketing  
Meets New School Technology*

## #NewSchoolFranchising

Join the conversation – our conference mobile app is coming soon!



# A Letter From Our Chairman



Richard Hope  
CMO, Jersey Mike's Subs  
Conference Chairman

Remember good old old-school marketing? Tried-and-true tactics, a limited scope of options, and years of data to substantiate your choices. Enter first the digital era and now the mobile revolution. New technologies springing up every day with hundreds of companies, all just a few years old, clamoring to monetize those technologies and solve marketing problems that many marketers didn't even know existed. It can all be overwhelming.

Fortunately, the 2015 Franchise Consumer Marketing Conference is where old school marketing meets new school technology.

I have always said, if you are responsible for any aspect of marketing within a franchise system, this is the one conference each year you simply cannot afford to miss. And this year, the content has been expanded to be compelling for marketers at all levels, from those just beginning their career to seasoned executives. Sessions are divided into the following tracks to address a wide variety of topics and experience:

*Track 1: Young and Growing Marketers*

*Track 2: Franchisee Training, Educating, and Motivating*

*Track 3: Media Strategy and Execution*

*Track 4: Customer Relationship Management*

In addition to compelling sessions, this year's conference features two dynamic and inspiring keynote speakers: J.B. Bernstein, legendary sports agent and marketing pioneer and inspiration for Disney's hit film *Million Dollar Arm*; and Mitch Joel, president of Twist Image, one of the largest independent digital marketing agencies in North America.

Even with all of this timely and exceptional content, the most compelling reason for my perennial attendance at this conference is the extraordinary group of marketing professionals who also attend year after year. The conference is truly amazing in its spirit of shared knowledge and non-competitive camaraderie. While marketers, by nature, tend to be a competitive group, it is impressive how much positive energy and collaboration occur when it is just "us" (marketing professionals) against "them" (everyone else).

So please join me at this year's Franchise Consumer Marketing Conference, and certainly bring along a co-worker or two to share in this great experience. I guarantee you will learn something new, make some valuable contacts, and leave energized and ready to bring new excitement to your brand's marketing.

Remember, sign up before April 15th, 2015 for the lowest rate, and see you in June!

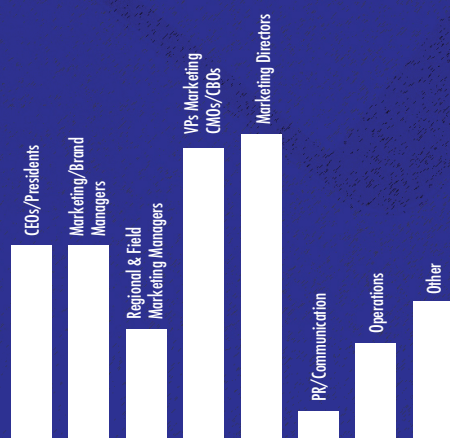
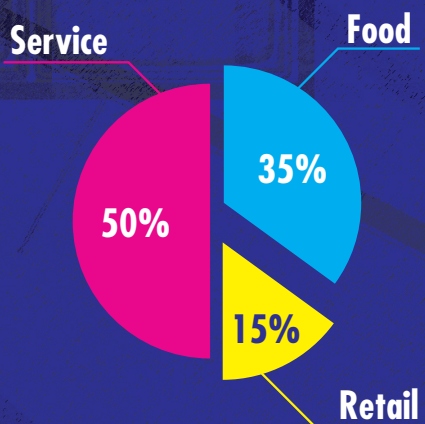
Sincerely,

A handwritten signature in black ink that reads "Richard Hope". The signature is written in a cursive, flowing style.

Richard Hope, CMO, Jersey Mike's Subs



## 2014 Attendee PROFILE



# Why You Should ATTEND

The Franchise Consumer Marketing Conference is the only industry event focused solely on topics of importance to franchise consumer marketers today. The conference brings CEOs, Presidents, and top marketing executives together for a powerful 2 day event that combines the impact of exciting presentations with peer-to-peer problem-solving workshops and roundtables.

We'll discuss how to continue to integrate online and social media with tried-and-true old-school marketing, all while maximizing your brand awareness and staying within budget. The theme *Where Old School Marketing Meets New School Technology* carries throughout the general sessions, keynote speakers, and focused breakout sessions.

This year, we've expanded our agenda to include compelling content for marketers from within your organization—from the CEO, President, and CMO to new marketers eager to learn and help grow your brand.

Our sponsor networking area is filled with product and service providers offering the latest ideas, tools, and technology. Don't miss the opportunity to meet new vendors and learn about their services. You might discover something you didn't know you needed!



Self-proclaimed “media hacker” Mitch Joel, president of Twist Image, one of the largest independent digital marketing agencies in North America, will share his insights on contemporary marketing in our day one general session.



Mitch Joel, President of Twist Image, One of the Largest Independent Digital Marketing Agencies in North America, and Self-Described “Media Hacker”

When Google wanted to explain digital marketing to the top brands in the world, they brought Mitch Joel to the Googleplex in Mountain View, California. *Marketing Magazine* dubbed him the “Rock Star of Digital Marketing” and called him, “one of North America’s leading digital visionaries.” Joel is president of Twist Image—one of the largest independent Digital Marketing agencies in North America, although he prefers the title Media Hacker. In 2006, he was named one of the most influential authorities on blog marketing in the world. He has been called a marketing and communications visionary, interactive expert, and community leader. He is also a blogger, podcaster, passionate entrepreneur, and speaker who connects with people worldwide by sharing his marketing and innovation insights on the state of business.

Joel is a past Chairman of the Board of Directors of the Canadian Marketing Association and a former Board Member of the Interactive Advertising Bureau of Canada. He has been involved with the content committee for both Shop.org and the Web Analytics Association, and is on the advisory council for many businesses and charitable organizations. He speaks

frequently to diverse companies, including Wal-Mart, Starbucks, Nestle, Procter and Gamble, and Unilever and has shared the stage with former President Bill Clinton, Sir Richard Branson, Malcolm Gladwell, Jack Welch, Anthony Robbins, Tom Peters, and Dr. Phil. As a professional speaker, Joel has delighted audiences all over the world by delivering real content in an entertaining and customized way.

In 2008, Joel was named Canada’s Most Influential Male in Social Media, one of the top 100 online marketers in the world, and was awarded the highly prestigious Canada’s Top 40 Under 40. Most recently, Joel was named one of iMedia’s 25 Internet Marketing Leaders and Innovators in the world. Joel is frequently called upon to be a subject matter expert for *Forbes*, *BusinessWeek*, *Fast Company*, *Marketing Magazine*, *Profit*, *Strategy*, and many other media outlets. He is a regular columnist for the *Harvard Business Review*, *The Huffington Post*, and other magazines and newspapers. His first book, *Six Pixels of Separation*, named after his successful Blog and Podcast, is a business and marketing bestseller. His latest book, *CTRL ALT Delete*, was released in May 2013.

J.B. Bernstein, legendary sports marketing agent and author/subject of the movie *Million Dollar Arm*, will conduct a marketing training session designed to help you further develop your brand reputation.



J.B. Bernstein, Legendary Sports Marketing Agent and Author/Subject of *Million Dollar Arm*

As a 25+ year veteran of the consumer goods and sports marketing industries, J.B. Bernstein knows what it takes to receive positive results. As the CMO of Seven Figures Management, a sports marketing and athlete representation firm, J.B. was the mastermind behind *The Million Dollar Arm* contest. This revolutionary reality TV show and talent search for baseball players in India yielded the first two Indian-born men to ever sign pro sports contracts in the United States, both signing with the Pittsburgh Pirates. J.B.’s story is now the subject of a Disney motion picture that was released in May 2014. J.B. is the co-founder and president of the Access Group of Miami and has represented some of the greatest athletes of all time, including Barry Bonds, Barry Sanders, Emmitt Smith, and Curtis Martin. He was responsible for creating ground breaking programs like Smith’s “Run with History,” which is now the standard deal in NFL milestone marketing. He also orchestrated Barry Bonds’ departure from MLBPA group licensing, making him the first baseball player to successfully

operate outside of their auspices. J.B. got his start in sports during the formation of The Upper Deck Company, and as the Director of Development for the memorabilia division, he developed over 250 products and is widely known as one of the godfathers of milestone marketing for his work on Wayne Gretzky’s 802nd goal program and Dan Marino’s all time TD record. J.B. received his bachelor’s degree in political economics from the University of Massachusetts Amherst and then went on to achieve his MBA from The London School of Economics. Out of his personal interest, Bernstein has separately achieved a Ph.D. in Physics from the University of Southern California and is currently pursuing his 2nd Ph.D. in a related field. J.B. lives in Las Vegas with his wife and daughter.



## DON'T-MISS SESSIONS

*Kick off your conference experience with our Opening Boot Camps. Each provides an opportunity for you to dive into a couple of critical topics:*

Choosing the right vendor is key, and our opening **Technology Boot Camp** will help you take a closer look into the process of choosing a technology partner. (1½ hour session – offered twice, back to back)

Our **Brand Reputation Management Boot Camp** offers two sessions – **Understand Your Customer's Experience** and **Protecting Customer Data**. (Each is a 1½ hour session; see full agenda for details.)

*Follow these Breakout Session Tracks for focused learning in four key areas:*

**Young and Growing Marketers**  
**Franchisee Training, Educating, and Motivating**  
**Media Strategy and Execution**  
**Customer Relationship Management**

*Sponsor Networking Sessions provide an opportunity for you to interact with your peers and meet the industry's leading product and service providers.*

*Our Closing Dinner gives you one more opportunity to network with your peers in the relaxed environment of Maggiano's Little Italy. (Included with your registration)*

Introduced in 2011, the Franchise Consumer Marketing Conference is the first of its kind in the franchise industry. Our content includes developing creative strategies to increase brand awareness and drive visit frequency, designing successful media plans that work with market-specific budgets, developing media options for execution, as well as building infrastructure to support both consumers and franchisees.

Led by our advisory board, comprising some of the industry's most creative, talented, and experienced marketers, this conference applies to any size brand and multiple levels within the organization:

**CEOs & Presidents** – For those looking to position or reposition the brand for long-term growth, our branding programs help focus on the essence of the brand and how to build and execute growth plans while getting your stakeholders on board.

**CMOs** – Discover how to increase visit frequency, build brand awareness, engage customers, and drive revenue for franchisees, as well as the organization. Uncover some of today's best techniques for developing effective brand marketing plans, strategies, and teams to support short- and long-term growth, all while managing the ups and downs of every budget. This conference helps CMOs understand their options and determine how to make the best choices for their brand.

**Marketing Vice Presidents, Directors** – Grow personally and professionally by interacting and learning among peers and brand leaders from throughout the franchise industry. Choose to improve skills in a specific area, or learn something completely different – our extensive agenda touches on all aspects of marketing.

**Marketing/Brand Managers** – Improve knowledge and skills in the areas of brand development, planning, execution and evaluating results. Learn new, effective trends and tactics for implementing integrated marketing strategies.

**Public Relations & Communications Professionals** – Customer engagement is a critical element to brand growth. Learn new tools and strategies for getting and keeping customers engaged.

**COOs** – Gain insight on how to ensure quality customer experiences across multiple disciplines and local store marketing. Take home strategies to help your team play a key role in building the brand while delivering on its promises.

**IT Executives** – Technology continues to grow and expand as an effective tool for reaching customers. How does technology impact your brand? Learn what's new from a marketing technology standpoint, and discover how your team can support customer reach and engagement.

**Franchise Development Executives** – The 2014 Franchise Consumer Marketing Conference opened the conversation on how franchise development and consumer marketing executives can work together to build stronger brands. This is an important topic for the long-term success of the brand, and in 2015, we will provide further insight on how to increase growth and success.

**Suppliers** – Better understand your consumer marketing customer and what's important to them, all while showcasing your brand.



Our conference advisory board is comprised of some of the brightest, experienced, and creative marketers in the franchise industry. We couldn't bring you the quality programs and content without their support. Please join us in thanking them for their contributions.



**Susan Boresow**  
CMO, Massage Envy Spa

For the past 28 years, Susan has worked for some of the biggest names in franchising, including McDonald's, Sport Clips, Cold Stone Creamery, Godfather's Pizza, and many more. Susan has done everything from overseeing creative, strategy, media, branding, execution, product development, and online initiatives. She's managed research teams, field marketing teams, PR agencies and advertising agencies, national promotions, loyalty and web strategies, and cause marketing.



**David Buckley**  
CMO, Sears Hometown and Outlet Stores

David leads a team that executes large-scale nationwide marketing strategies, while leveraging the hyper-local aspect of retailing. David and his team plan and execute marketing campaigns across a wide variety of marketing assets, including: newspaper, radio, cable TV, billboard, direct mail, social media, social couponing, E-mail marketing, loyalty marketing, cause marketing, SEO, SEM, store signage/visual planning, POS marketing, and local event marketing.



**Wendy Odell Magus**  
VP Marketing, Kiddie Academy

In the position of Sr. Director, Conversion Marketing for Sylvan Learning Center, Sara Costello developed marketing programs to educate parents on how they can help their children

learn better. She developed integrated marketing programs that helped the Sylvan brand grow into the leading brand in the education segment. In her current position of Director, Lead Development for Laureate Education, Sara is sharing her passion for marketing and education internationally.



**Sara Costello**  
Director Lead Development,  
Laureate Education Inc.

Before joining Jersey Mike's, Richard was President and co-founder of Sirius Advertising, Inc., a full service advertising agency working with such accounts as Steinway Piano, Central Jersey Bank, Purdue Pharmaceuticals, Student Transportation of America, Global Logistics International, Jersey Mike's, and many others spanning 23 years.



**Richard Hope**  
CMO, Jersey Mike's Subs

Paul Macaluso is responsible for all aspects of branding, marketing, advertising, PR, consumer insights, performance analysis, creative services, catering, and communications for Moe's Southwest Grill. He started with Moe's in September 2011 as VP of Marketing.



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

In her role with Kiddie Academy, Wendy is responsible for all of the consumer and franchise sales marketing strategies. Prior to joining Kiddie Academy in 2008, Wendy was a Senior Director of Marketing at Sylvan Learning, a tutoring franchise with over 1,000 locations in the United States and Canada. With more than 20 years of broad-based marketing and communications experience, Wendy has spent the majority of her career focused on marketing child-centric businesses, both in her current position and at Sylvan, Disney, and Kennedy Krieger Institute. With experience in corporate and agency marketing roles, she has developed multi-channel advertising and communications strategies that deliver measurable results and help to build businesses.



**Terri Miller**  
VP Marketing and  
Communications, Great Clips

In addition to leading communications for Great Clips, Terri oversees marketing efforts designed to help franchisees attract and win customers. This includes leading the planning, development, and execution of a \$35 million marketing strategy. Under her guidance, Great Clips helps franchisees take advantage of a range of marketing tools and direct support in advertising provided by the organization, such as the development of high-profile promotional partnerships like NASCAR. These efforts build a winning brand that attracts customers to franchisee salons. Terri joined Great Clips in 2000. She brings a strong background in marketing and advertising to salons through experience in a variety of agency and corporate settings.



**Heather Neary**  
CMO, Auntie Anne's Inc.

Heather oversees the marketing, menu development, communications, operations, and creative strategy for the Auntie Anne's system. Under her leadership, sales grew from \$275 million in 2006 to more than \$476 million in 2012. Heather works to define and execute brand strategy for the more than 1,330 domestic and international Auntie Anne's locations. In addition, Heather manages the operations support team that provides business consultation and support for all domestic stores in the Auntie Anne's system. She began her career at Auntie Anne's as Marketing Manager in April 2005.



**Martha O'Gorman**  
CMO, Liberty Tax Service

Martha O'Gorman is one of the founders of Liberty Tax Service, serving as Vice President of Marketing and CMO since the company began in 1997. She is responsible for developing brand awareness in every major market in the United States and Canada. Martha has created marketing and sales strategies for both franchise development and consumer programs that have led to Liberty's rapid growth and development. The company currently operates over 4,500 locations in the United States



and Canada and has over 2,000 franchisees in its system. Martha has over 30 years of experience in advertising, marketing, and public relations and holds a Bachelor of Arts degree in English and Communications from Denison University.



**Jayson Pearl**  
Chief Brand Officer,  
BrightStar Care®

Jayson Pearl brings over 25 years of franchising experience to his current position as Chief Brand Officer of BrightStar Care. He leads cross-functional teams responsible for marketing, clinical operations, training, and National Account management for over 250 BrightStar Care® locations in 38 states and Canada. Prior to joining BrightStar, Jayson served the global franchise foodservice industry, most recently at San Jamar/ Chef Revival, responsible for marketing and new product development for these global brands.



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

Jeff Rinke is VP of Marketing for Hungry Howie's Pizza, the nation's 10th largest pizza franchise with over 545 locations in 20 states. Jeff oversees the marketing communications, including branding, advertising, public relations, and market research. Jeff works with Hungry Howie's advertising agency on developing marketing and advertising budgets and oversees social and digital marketing. He began his career with Hungry Howie's in 1987 as a franchise consultant after leaving Domino's Pizza. In 1992, he was promoted to Director of Operations, and in 1996, he was appointed to his current position of VP of Marketing. Jeff holds a Bachelor's Degree in Business from Northwood University.



**Meg Roberts**  
President, Molly Maid Inc.

Meg Roberts joined Service Brands International in 2007, serving most recently as VP of Marketing, overseeing both the Molly Maid and Mr. Handyman brands. In that role, her primary focus was on national brand marketing with an emphasis on web-related strategy, where her team produced triple-digit consumer lead flow. Her leadership

style, team development skills, management, and strategic planning are what led to her appointment as President of Molly Maid in 2012.



**Linda Shaub**  
Senior VP Marketing,  
Interim HealthCare Inc.

Linda Shaub is the Senior Vice President of Marketing for Interim HealthCare Inc. She is responsible for the company's brand management and strategic development and implementation of all consumer and business-to-business marketing initiatives designed to drive growth throughout the franchise network. Linda has more than 30 years of experience in all aspects of marketing and has led Interim in the successful integration of new marketing channels over the last 11 years. She has been instrumental in Interim's ability to relaunch an aggressive franchising strategy and grow the existing network that was founded 45 years ago. Prior to joining Interim HealthCare, Linda was the General Manager of an advertising agency in South Florida. She holds a Bachelor's Degree in Business from the University of Miami and is a Certified Senior Advisor.



**Terri Snyder**  
EVP/CMO, Checkers Drive-In  
Restaurants Inc.

Terri Snyder joined Checkers Drive-In Restaurants, Inc. as Executive Vice President and Chief Marketing Officer in April of 2007. With more than 20 years of marketing leadership experience in the restaurant industry, Terri has crafted the brand identities, advertising messages, and new products for several marquee chains in the casual dining and quick-service segments. Most recently, she served as Senior Vice President and Chief Marketing Officer of Carlson Restaurants Worldwide, overseeing all marketing, advertising, product development, and brand management for the company's more than 1,000 T.G.I. Friday's USA, T.G.I. Friday's International, and Pick-Up Sticks restaurants from 2002 to 2004.



**Edward Waller**  
Co-Founder, CertaPro Painters

Edward oversees marketing and a centralized customer service department, which allows him to focus on making and replicating a positive customer experience at all levels of the organization. Edward was part of the original equipment at CertaPro.com and has seen growth from 1 to 300+ franchises. He's been involved with all elements of the organization, including the marketing of franchises, but his main interest and core skill set keeps him focused on consumer marketing.



**Luis Zuniga**  
Former VP Marketing &  
Communications, CruiseOne

Luis Zuniga has served as CruiseOne's Vice President of Marketing and Communications since 2010. Prior to joining CruiseOne, Luis led various marketing initiatives in both the North America and Latin America divisions for Burger King Corporation. Prior to Burger King, Luis held various marketing and finance positions at financial service companies, such as Prudential and Northern Trust. Luis was also a franchisee of a Mobile Pet Grooming business in South Florida before successfully selling the business in 2008.



# 7 AGENDA AT A GLANCE

**TUESDAY, June 23**

7:30AM

**Registration Opens**

8:30AM TO 10:00AM  
&  
10:15AM TO 11:45AM

**Technology Boot Camp – How to Choose a Technology Company (1½ hours – Repeats)**

1. Conduct Research/Vet a Vendor – Extend the RFP
2. Collect and Evaluate Vendor Data – Practical vs. Tactical Research
3. Choose the Right Vendor
4. Communicate Up – Internal Buy-in
5. Award the Account and Communicate to all Vendors (whether they won the account or not)

8:30AM TO 10:00AM  
&  
10:15AM TO 11:45AM

**Brand Reputation Management Boot Camp**

**Session 1 – Understand Your Customer’s Experience**

Addressing his/her needs. Response to customer feedback – marketing, operations, mystery shops, online reviews. Franchisee buy-in and execution.

**Session 2 – Protecting Customer Data**

Response and execution in the event of a data breach. Communications in the event of a breach.

12:00PM TO 1:45PM

**Lunch in Sponsor Networking Gallery – Exhibits Open**

2:00PM TO 3:00PM

**Opening Welcome** – Therese Thilgen, CEO, Franchise Update Media Group

**Chairman’s Message** – Richard Hope, Conference Chairman, CMO, Jersey Mike’s Subs

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

3:00PM TO 4:00PM

**Opening Keynote** – Mitch Joel, Media Trends

**Concurrent Breakout Sessions**

4:10PM TO 5:25PM

**Young and Growing Marketers**

How to Write, Execute, and Evaluate an RFP

**Franchisee Training, Educating, and Motivating**

Sell-in Strategies for Franchisee Buy-In

**Media Strategy and Execution**

Broadcast – TV, Radio, and Outdoor

**Customer Relationship Management**

PR Strategy and Utilization

5:30PM TO 7:30PM

**Opening Social in Sponsor Networking Gallery – Exhibits Open**



## WEDNESDAY, June 24

8:30AM TO 9:00AM	<b>Continental Breakfast</b>			
9:00AM TO 10:00AM	<b>Day 1 Recap</b> – Conference Chairman, Richard Hope <b>General Session: Ask the Experts</b> – Panel of Online Executives (to be announced) will discuss what's current and changing in the online world.			
<b>Concurrent Breakout Sessions</b>				
	<b>Young and Growing Marketers</b>	<b>Franchisee Training, Educating, and Motivating</b>	<b>Media Strategy and Execution</b>	<b>Customer Relationship Management</b>
10:10AM TO 11:00AM	Vetting Vendors – Being the Gatekeeper	Franchisee Program Implementation – The Importance of Following the Program	Print and Direct Mail – It's Very Much Alive!	Manage Online and Social Reviews
11:10AM TO 12:00PM	Educate and Manage the Cross-Functional Relationship	Tracking and Reporting Results – It's Important for the Entire System	Market Research – Understand Customer Needs to Create Effective Campaigns	Local Store Marketing
12:00PM TO 1:45PM	<b>Lunch in Sponsor Networking Gallery</b> – Exhibits Open			
1:45PM TO 3:00PM	<b>Open Forum with CMOs</b> 4-5 Advisory Board Members will answer questions from the audience. Participants will be determined by vote via online registration and through the mobile app.			
<b>Concurrent Breakout Sessions</b>				
	<b>Young and Growing Marketers</b>	<b>Franchisee Training, Educating, and Motivating</b>	<b>Media Strategy and Execution</b>	<b>Customer Relationship Management</b>
3:10PM TO 4:00PM	Ad Fund Administration and Compliance Basics	Addressing Solicitation at the Local Level	Database Marketing	Crisis Communications – Are You Ready?
4:15PM TO 5:45PM	<b>Closing Keynote</b> – J.B. Bernstein, Marketing Training – Building Brand Reputation			
6:15PM TO 8:00PM	<b>Closing Networking Reception &amp; Dinner</b> (included in conference registration)			



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## SAVE THE DATE

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# Growing Your System

FRANCHISE DEVELOPMENT INTELLIGENCE



## 48 Challenge the Pros

"How do you create a candidate profile and use it to successfully identify and recruit winning franchisees?"

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## 50 Sales Smarts

Using your brand's marketing expertise to sell more franchises

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## 52 Market Trends

2015 franchise lending outlook: the SBA still matters

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## 54 International

Overseas training tips for U.S. franchisors

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## 56 It's Closing Time

Frank returned my call. Why didn't Zoe?

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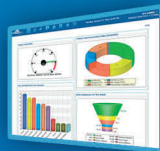
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## ISSUE 3 OF 2015

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# Challenge the pros

## “HOW DO YOU CREATE A CANDIDATE PROFILE AND USE IT TO SUCCESSFULLY IDENTIFY AND RECRUIT WINNING FRANCHISEES?”

**Steve Lajiness**  
**VP of Franchise Development**  
**Service Brands International**

As a franchise development leader with more than 20 years of support and ownership experience, I have seen many people choose a business suited to their personal and professional makeup and achieve phenomenal success. Part of my responsibility is to understand the operating models and success stories of our brands (Mr. Handyman, Molly Maid, ProTect Painters) so I can effectively assist our team and franchise candidates into the right business opportunity.



Part of that process includes creating a candidate profile, which begins by identifying a business profile. Answers to the following questions provide a tremendous amount of information for prospective franchise candidates: What does the business entail? How do you generate customers? Who does the work? Where do you do the work from (home-based or facility-based)? What is the investment opportunity?

The next step is to identify key characteristics required to be successful within the business model and among our successful franchisees. If the concept is newly launched, the founder's results are essential to understand.

These considerations can then help formulate a candidate profile, which may include some of the following traits: management experience, business-to-business networking, marketing experience, people skills, self-driven, team player, project management, comfortable with financials, and leadership.

Finally, these descriptions help our development team partner with consul-

tant groups across the country to identify candidates with similar characteristics, ambitions, and preferences. When our expert team begins working with a candidate during the investigation process, it's our responsibility to reinforce how these successful traits help owners of our brands perform at a high level.

I firmly believe it's the franchise development team's responsibility to help educate candidates about our profiles for success and to ensure they reach out to existing owners who live and breathe the model. Having candidates who perform their due diligence and speak to

a diverse group of owners about their businesses is the ideal scenario. At Service Brands, we always want our candidates to learn everything they can about our opportunities so in the end, when the candidate makes their final decision, there is no doubt in their mind that they made a great choice to join the franchise. Then it simply becomes a win/win for everyone involved.

**Terry Jennings**  
**Director of Franchise Development**  
**Costa Vida Fresh Mexican Grill**

Costa Vida is a unique brand with our most successful franchisees coming from very diverse backgrounds. Selecting the right partners is key for our brand's continued growth in new markets while maintaining a cohesive brand and consistent customer experience.



As we target new franchisees to join our growing system, it is important to look back at what has made our current franchise partners and overall system a success. What these franchisees have in common is what we call, "Costa Vida DNA." Simply put, that DNA is a tremendous appreciation for amazing, genuine food, and a great passion for teamwork and service.

By identifying the core characteristics of the franchise partners who are already in our system, we're able to evaluate the foundations of our mutual success. As we learn from them, it helps us to more accurately identify our ideal franchise partners moving forward. Once we have identified the qualities and personalities we are looking for, the profile of our ideal candidate becomes clear and it is easier to determine that a prospective franchisee possesses "Costa Vida DNA."

Once we have identified a potential partner with Costa DNA, bringing them on board with our brand is easy, as there is a natural fit between parties. With this, we are also able to bring in like-minded partners who will work collaboratively within the system and create the consistency necessary for a strong franchise brand as

it grows across the country. Since we serve a menu of entrees prepared entirely from scratch, the quality of the raw ingredients and dedication to the recipes is paramount. For someone with "Costa Vida DNA," the commitment to preparing uncompromising food is coupled with the ability to select and develop outstanding team members who share the passion for making every guest smile. Overall, being passionate about food and people is the key to being a successful Costa Vida franchisee. ■



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# Sales smarts

## Sell Your Marketing!

### Candidates buy your marketing expertise

BY JIM BENDER

**M**any of us have been in the franchise industry longer than... well, a long time. At Franchise System Builders we have had the fortunate experience to work with many companies and to become intimately involved with their franchise offering, franchise development processes, and resulting successful operations.

Currently, we are working with our clients to update their disclosures for 2015. Our review of several FDDs over the past weeks again brought to our attention a selling opportunity overlooked for years by franchise development teams. This opportunity runs through your website, collateral materials, phone conferences, discovery day meetings, and even the FDD. It is an opportunity to highlight a critical expertise of your brand and establish another point of differentiation. It also provides you the opportunity to present precisely what the vast majority of candidates want and need of their franchisor partner.

The one core competency every candidate wants and needs from their franchisor partner is *marketing expertise*; or what I warmly refer to as the ability to “put butts in the seats.” Candidates can buy equipment and inventory and rent real property, but success is not made of equipment alone. No matter how we phrase it, candidates buy the brand’s ability to fill the seats they just bought. To sell the inventory they now own, they need the market research, test marketing, marketing agencies, and the years of experience the franchise company can provide.

Seems obvious that we should wave our own marketing flag, doesn’t it? But let’s look at how we sell our marketing expertise.

Most commonly we speak about local store marketing managers who help the franchisee plan and execute programs. We talk about annual planners and provide a

library of materials approved for use. Some concepts manage local co-ops, regional or national ad buys, and placements. We show great ads. We talk about social media campaigns, a digital presence, and brag about our retail website. Then we dedicate one or two hours of a multi-week training curriculum to marketing. (In far too many FDDs marketing training does not appear at all!)

We parade a host of marketing tactics in front of franchise candidates when what they really want to know is, “How do *you* know what is the most effective marketing strategy?” Our typical answer is “We know

through experience.” But that old answer is not good enough. Tell them *how* you know. Put it front and center. “We know more about our customers than most in this industry, and that knowledge is the basis of why we do what we do and why we expect *you* to do what we do. Best of all, it works. Let me show you why...”

Nothing is more exciting to a group of franchise candidates than market research with intimate knowledge of the behavior of their future customers. Tell them what you know, how you know it, and why it works. Nothing builds more leadership credits for the franchisor than raw marketing knowledge.

More important, a focused presentation of your brand’s marketing expertise

expands your candidate’s horizons. As we have all experienced, the majority of people say “marketing” when they actually mean either advertising or sales. Marketing spans all aspects of your brand. It is the basis for pricing and promotion structure, decor, uniforms, vehicles, service, menu, and on and on. Demonstrating the strong marketing foundations on which key strategies are built creates even more leadership credits.

Best of all, a pinpoint focus on presenting your brand’s marketing expertise provides the opportunity to talk about resounding success. The history of a store that turned around with an infusion of new marketing strategies (not budget) builds candidate confidence in the brand’s abilities. The development of a market that now excels with a targeted marketing effort when only random execution previously occurred builds confidence in your support staff. Of course, to have these types of discussions you must have prepared the appropriate Item 19 disclosures far in advance. (No one ever said that good franchise development marketing does not take planning and preparation.)

Simply stated, franchise candidates buy marketing. They may say they buy your success rate, AUV, gross margin contribution, or lifestyle proposition. But what they are really saying is, “I buy your marketing expertise that generates the AUV, reduces the ramp-up curve, and ultimately provides the lifestyle I seek.”

So openly discuss what you know about putting butts in their seats and you will sell more units. And double-check the number of hours devoted to marketing training in Item 11 for two reasons: first, no one can learn to effectively market anything in one to two hours; and second, it gives you the opportunity to tell the story of your brand’s marketing expertise all over again during the FDD review.

Happy Selling,  
Jim

**Jim Bender** is the president and owner of Franchise System Builders. He has been in the franchise industry for 37 years and has provided clients with sales outsourcing and concept packaging services since 2002. Contact him at [jtjbender@franchisesystembuilders.com](mailto:jtjbender@franchisesystembuilders.com) or 248-647-1989.





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# Market trends

## Franchise Lending Outlook

### SBA lending will continue to be important

BY DARRELL JOHNSON

**T**he banking industry is increasing its conventional business lending activity. Since the recession, banks have focused on lower-risk businesses, which translates into larger businesses with good track records. Recently, banks have been expanding their focus to smaller businesses with less experience. At the same time, we have seen the rapid expansion of alternative lenders (led by Internet-based lenders) into the smaller business/less experience category.

Therefore, it is relevant to ask whether a publicly funded lending program for businesses is still needed. Government programs launched during a time of need often stay around well past their useful lives, or at least their original purpose. That question is being debated in Congress right now regarding the Export-Import Bank. Should the SBA be next?

The SBA's 7(a) program is on pace to get close to its authorized cap of \$18.75 billion this fiscal year. If conventional lending is on the rise and alternative lenders are moving rapidly into the small-business lending space, why is SBA lending also on such a torrid pace? Is it simply the result of Congress increasing the individual lending limit to \$5 million from \$2 million, or is there more to it?

The answer, at least as it relates to franchising, lies in understanding the credit characteristics beneath the surface. About 75,000 franchised units in the U.S. will need financing this year, split roughly about two-thirds for new units and one-third for sales of existing units. Total loan capital needed to support that level of activity will be between \$25 billion and \$30 billion. The lending community as a whole is finally closing the lending gap and should accommodate

most of that activity.

In total, SBA-guaranteed lending accounts for about 20 percent of the total needed by franchisees. While that would seem to be surmountable by the conventional and alternative lending groups, it's unlikely to happen because of the credit risk profile differences found within the SBA-guaranteed borrower group of franchisees. In 2014, 43 percent of prospective franchisees obtained their financing from SBA lenders. In other words, nearly



half of all first-time franchisees relied on SBA-guaranteed loans.

The dependence on SBA lending is even greater when looked at from the perspective of the franchise brand. For about one out of every two new units, the source of borrowing for franchisees of emerging brands (regardless of the franchisee's previous experience) was SBA lending. It's all about the perceptions of credit risk: a first-time franchisee with an emerging brand is a much higher *perceived* credit risk than an experienced franchisee with a mature brand. That's why even very active franchise lenders have a

minimum franchise system size threshold somewhere between 25 and 50 units and stringent borrower requirements.

The last categorically significant factor is initial investment size. Intuitively, one would think that a smaller loan would be of more interest to a lender than a larger loan, since they have less capital at risk in the former. However, the cost of underwriting a franchise loan is about the same whether the loan amount is less than \$100,000 or more than \$1 million. Recovering the cost of underwriting can come only through the interest margin income earned on the loan over time. The larger the loan, the more interest margin income is earned each month to cover the fixed cost of underwriting. Lending economics doesn't favor the smaller franchisee borrowers. Of the roughly 75,000 franchise units needing financing in 2015, about 35,000 will require loans of less than \$230,000; about one in six of those 35,000 will be associated with a new franchisee in an emerging brand.

Lending is a simple business. The lender gives you money and at some point the lender wants it back. Whether it will get it back is the basis of credit risk analysis. Franchise brands have an advantage over independent businesses when competing for money because the industry has the ability to quantify that risk. A franchise system is made up of many units that have the same uniformity and conformity. Measuring their performance over time allows a lender to determine with greater accuracy what that assessment of risk is. That simple statement is the foundation of Bank Credit Reports and other risk analysis tools.

As the industry is able to demonstrate brand credit risk profiles more broadly, non-SBA lenders will open up to prospective franchisees and emerging brands. As they do, less dependency on SBA lending will follow. For all the reasons noted above, SBA lenders will have an important role in the growth and stability of the franchise business model for the foreseeable future. ■

**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](mailto:djohnson@frandata.com).



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If you have any questions about this new initiative, please do not hesitate to contact IFA's Senior Director, Political Affairs & Grassroots Advocacy, Erica Farage at [efarage@franchise.org](mailto:efarage@franchise.org) or 202-662-0760.



# International

## Overseas Training Tips

International staffing can be very different

BY WILLIAM EDWARDS

One of the largest challenges in franchise development is finding and keeping the right people in the right places, from the top of the franchisor office to the front-line employees at each franchised location.

A franchise provides a systematic way to conduct business that, if followed properly, produces a reproducible margin. This is true no matter whether the franchise is located in the U.S. or another country. What does a good, profitable, proven franchise bring to a country? A proven business system, a brand, manuals with job descriptions, technology, marketing programs, sometimes a “magic sauce,” and training—lots of training, for all levels of employees.

However, one common aspect of franchising, no matter what the country, is the *people* required to make the business operate. And one of the biggest challenges franchisors face is staffing franchised units. While local adaptations may be needed for a franchise to operate successfully in another country, and while local laws and regulations vary by country, the business system behind the franchise must be followed for the franchise to succeed.

• **Following a franchise business system.** One of the first challenges in working with people from other countries is cultural. When it comes to working for a franchise, the concept of “following the system” is well understood in the U.S. But in many countries, it takes time to educate new staff on *why* they should follow someone else’s business system. For a franchise to succeed in the U.S., a training program is needed for the staff; manuals are also required. In some emerging markets, a structured system is not common. Thus, training—and explaining the reasons for doing things—is critical.

• **Local laws and regulations.** Some countries have labor laws and regulations that hinder profitable operation of the franchised business. For example, Euro-

pean countries have very high social costs and taxes associated with employees. The social costs can be 60 to 70 percent of the total employee cost to the employer. Also, it can be very hard and expensive to terminate an employee. Many years ago when I was working for the AlphaGraphics print franchise, we had a master license in Belgium who hired an apprentice printer. After three months it became apparent that this person was unable to produce a quality product for

In many countries, it takes time to educate new staff on why they should follow someone else’s business system.

the customer. Terminating this person required 90 days of paid notice and a cash payment when he left of US\$100,000.

• **Finding qualified, skilled staff.** Another challenge of franchising in other countries is finding qualified management for new locations. Many countries do not have a skilled employee base to draw upon. A full-size restaurant, for example, can have 60 employees for three shifts, including 3 to 6 managers of different skill levels. Often the solution locally is to hire away managers from other Western F&B brands to run the first new franchise restaurant in a country. In the case of China, it is hard to find staff to hire with the desired business experience and skills, which requires a very large investment in training staff at all levels. Often we see franchises hire senior management to run China franchise units from Hong Kong or Taiwan, locations that have had franchises for decades.

• **Customer service.** Customer service is part of the franchise training program we expect in the U.S. Elsewhere, customer service is not trained or part of many businesses. In fact, many international licensees acquire a U.S. franchise primarily for its detailed training programs, including the CSR training. Again going back to my time as senior vice president of AlphaGraphics’ international operations and development department, we opened our first store in Istanbul and had a great staff that eagerly soaked up all the training we could give them—including CSR training. On the first day the store opened, a Turkish businessman entered to see what this brand was all about. The very eager young lady at the counter rushed up to him and asked how she could help him. This was so different from other stores that the man literally ran out of the store in shock!

Waiters in the U.S. are often part-time while they are getting an education or working in a second job. In parts of Europe, however, being a waiter is a career, a profession sought out by people wanting to better their lives and those of their families. It is necessary to take this into account in operating F&B brands in such locations.

• **Part-time staff.** The concept of part-time help is common in the U.S. and helps staff franchises of all types efficiently. However, in some countries part-time help is discouraged. Whether the store or restaurant needs the entire staff on a part-time basis or not, they can end up paying for them as full-time employees.

• **The cost of staff.** The cost of labor varies widely around the world. While a franchised restaurant in the U.S. might have a labor cost of 30 percent of gross sales, in the Nordic countries this cost can be 50 percent, and in China 15 percent—often for the same quality of staff! *The Economist* magazine publishes their “Big Mac” country index twice a year. On a specific day, people associated with the magazine visit a McDonald’s in 58 countries and buy a Big Mac, large order of fries, and a large diet drink. They convert the total price into U.S. dollars for that day. The basic Big Mac Index is a comparison of the cost from one country to another. The differences are caused by many factors, but labor is



a major component of the cost. The average price in the U.S. for this meal is about \$4.80. In Norway, it is more than US\$7 in, and in China it is US\$2.

• **Keeping good, trained staff.** At the start of a new franchise in a new country, the franchisor typically trains the new local management at its home country headquarters. Then the franchisor comes to the new country and trains the local staff that will run the operations

Staffing challenges are global. What is also global is the requirement that the person representing the franchise to the end customer be trained and provide good customer service.

of the local unit. But the franchisor cannot come each time new staff is hired. The solution for many franchisors is to train the trainer—a local person who has spent months at the franchisor's headquarters learning and relearning, and then training staff in how the franchise should operate. One caution: in emerging markets, expect high staff turnover as training staff is hired away by other franchises. (This is an extremely difficult problem in China.)

In summary, staffing challenges are global. What is also global is the requirement that the person representing the franchise to the end customer be trained and provide good customer service so the franchise will succeed. Just like at home! ■

**William 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

## Why Didn't Zoe Return My Call?

### Tackling sales challenges and realities

BY STEVE OLSON

**C**onnecting with today's fleeting prospects is no easy task. We rack our brains in attempts to crack the barriers buyers hide behind. Let's consider two scenarios: one, our most common frustration; the other, the one sales execs wish for every day.

Meet Zoe, 37, a successful executive in a Fortune 1000 company. She has serious dreams of business ownership, and is exploring franchise opportunities in the children's education sector. She has researched five opportunity websites, read online reviews, and submitted two response forms. After a barrage of emails, and five follow-up calls, this ideal prospect remains hesitant and needs more time. Zoe is still interested, but not ready.

Frank, 57, who is opting for early retirement, always wanted his own restaurant. When he learned his favorite sandwich hangout was franchising, he asked the store owner for the appropriate person to contact and called the following day. His accountant advised him to check out other, similar retail food opportunities, which he did. After narrowing his choice to two, he decided to "go for it" with his local sandwich franchise. Seventy-two days later Frank, his wife, and their son were in training class.

Through the years I have been fascinated by communication and behavioral styles innate in our personal behaviors. Some are obvious to many of us and some are not so predictive. "Laydown buyers," who often are fans of a particular concept and believe in your business model, are few and far between. Often they are drivers who are decisive, know what they want, and buy into your story... or who quickly proclaim your brand is not a fit and move on to their next investigation. Unfortunately, these easier "A type" pros-

pects represent fewer than 15 percent of the buyer population.

Analytical buyers surround themselves with mountains of research, statistics, and never-ending questions, desperately seeking reasons not to buy. I never did well recruiting these risk-averse prospects. Then I learned from a colleague how to best communicate with their mindset, and adapted my selling approach. Since bean counters can never gather enough information, setting mutual decision deadlines for your investigation process will help relieve frustrations for you and your prospect. If they just can't shake their analysis paralysis, pull your opportunity off the table and call it a day!

Recent Gallup research provides insights that remind us how to improve our odds of connecting with franchise prospects, as well as with our colleagues, friends, and family members. The findings identify what our first choice of communication is, depending on our age. It divides the groupings into the Traditional generation, Baby Boomers, Gen Xers, and Millennials. For 15- to 50-year-olds, texting is the first choice of communication, followed by email and phone. Between 50 and 60 there's no definitive preference. Those over 60 say the phone is their first line of choice. Texting appears to be the sweet spot for many, which I believe more franchisors will leverage to engage prospects. Many businesses now use chat services as an additional online communication tool for connecting with their audiences.

Every year engaged CEOs and sales execs attend Franchise Update's annual Franchise Leadership & Development Conference. These franchise executives are informed they will be mystery shopped within the next 30 days by "qualified

prospects" who will submit online request forms from their franchise website. Results provide a series of performance metrics, specific scores revealing where their salesperson excelled or fell short, and an overall report identifying how they rank among other participating brands.

Disturbingly, 63 percent of the 150 brands shopped in the most recent survey never called the qualified buyer; and only 36 percent bothered to send emails. This has been the albatross CEOs and sales managers have wrestled with since these shopping evaluations were implemented more than 15 years ago.

This should wake up disengaged franchise execs! The solution to cure this epidemic is easy: as a best practice, let your sales people know they will be periodically shopped for quality control. It's time to fire reps who chronically refuse to call qualified suspects. Most of us can't afford to lose potential buyers—not to mention at industry averages of \$55 per lead!

#### Battling buyer confusion

Many buyers are often misinformed when researching franchises. No wonder they hesitate to respond. What's real and what's not? I cringe when I hear industry colleagues claim that today's franchise buyers "are more educated than ever." Certainly not with first-time franchise prospects, whose eyes spin deciphering good and bad online reviews, slanted news stories, inaccurate brand information, anti-franchising legislation bills, and other distractions. Yes, buyers have access to more information, but most don't know how to correctly *evaluate* the opportunity until they connect with a franchise brand. The solution here is not easy, as we all know. Protect your integrity through vendor partners and consultants who specialize in reputation management.

Franchising growth is surging. Buyer opportunities are better than ever, and those brands driven by best practices in franchise development will reap the rewards. ■

**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](http://www.growtogreatness.net). Reach him at [solson@olsonandassociates.com](mailto:solson@olsonandassociates.com).



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