

Franchise

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

update

Q2 | 2017

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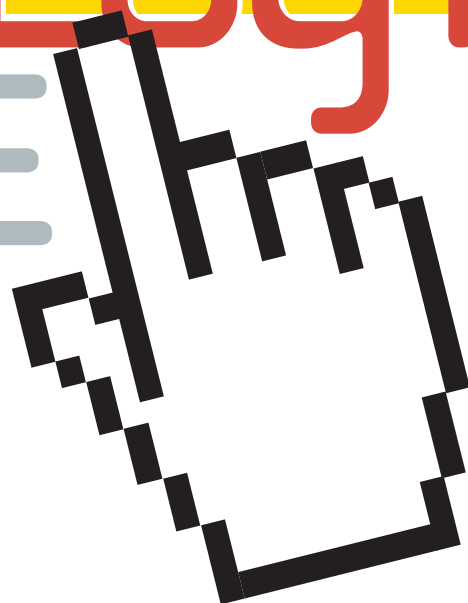
Protecting customer and system data

■ Choosing Technology Partners

10 brands tell how they did it

■ Technology Guide

These suppliers can help solve your problems




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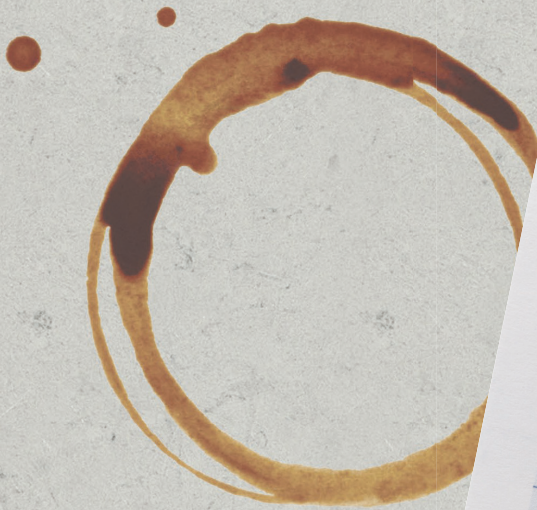


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Franchise update

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From the editor's desk

BY KERRY PIPES

It's Time for Tech!

With technology taking over more and more of our lives, we decided it was time to dedicate an issue of *Franchise Update* to technology in franchising. Our original idea was to look at how technology is changing franchising, consumer behavior, franchise recruitment, and many other areas of our lives. What we discovered was all that and a whole lot more.

Many franchise brands are unafraid, even eager, to face the onslaught of technology and discover ways to use it to improve their system. While some brands show an entrepreneurial, do-it-yourself approach to creating and implementing tech tools to help the brand and its operations, others turn to vendors and third parties for help. You'll find examples of both in these pages.

Whatever the choice, brands looking for an edge are embracing technology to achieve their goals. From recruiting to franchisee support to consumer marketing, the tools are out there if you know where to find them and how to use them. For one of our feature articles, we asked nearly a dozen brands how they defined their needs, found technology partners, educated and trained their franchisees, and how it's all working out (page 42).

Tech suppliers have become noticeably more numerous each year at all three of our conferences. We've made it easier for you by including 10 of them in this issue's Technology Guide, beginning on page 47.

Unfortunately, the burgeoning use of technology has created serious data security issues for franchise brands (along with the rest of the world). Whether it's protecting customer credit card data or keeping the home fires burning without interference from hackers or malware, cybersecurity worries have become a fact of life for franchise brands. Another feature story looks at current threats and the best ways to keep your technology and data where it belongs—safely within layers of security (page 39).

No discussion of technology would be complete without mentioning two of today's biggest buzzwords: big data. We asked two CDOs—David Bloom at Capriotti's and Dave Schaefer at Driven Brands—how they are using big data and other technologies in their recruitment efforts (page 46).

On the consumer marketing side, CMOs are employing big data and related technologies to better understand their customers and how to reach them in a mobile world. We asked two franchise marketers—Meredith Jurek, CMO at Anytime Fitness and Waxing the City, and Sarah Broadwater, director of marketing at Winmark Corp.—what technologies they're using to improve the experience of their customers and keep them coming back.

Technology may be a big hairy animal, but it can be tamed and effectively employed by franchise brands to attain their big hairy audacious goals—whether in-house or with a little help from their third-party friends. ■

Franchise update IQ2

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Align Your Field Operations Strategy with Your Top Business Priorities

The following is an excerpt from the ebook
5 Field Operations Secrets from 600 Franchise Brands,
written and published by FranConnect.

Like all franchise brands, you are focused on two key initiatives – **unit growth and unit economics**. Simply put, as your development team awards more units, your job is to ensure those new franchises get up and running quickly and start making money. The success of each franchise is paramount; in fact, their success feeds back into unit growth, as profitable franchisees offer better validation for the development team. Field operations is the critical function that works to create consistent performance across your network.

The field operations team strategy and resulting tactical approach must align with your top business drivers; otherwise, you will have a lot of activity that either goes nowhere or is underappreciated. A successful strategy starts at the top, takes a holistic approach to evaluation, and then determines how it trickles down through the system. Be honest with yourself and **challenge any preconceived notions** you have. It's important to identify where improvements are required. You will be glad you did.

#1 - Know Your Priorities

Your CEO and executive team have priorities that are reported on regularly and, often times, reported out to a board of directors. These are the only priorities that matter for your organization. Make sure you understand and have articulated to your field consultants what these priorities are and how they are measured at the corporate level. Your team needs to **embrace these priorities as the guiding mantra for field operations**. Every action must align with a priority even at the field level.

#2 - Align Field Operations Metrics to Each Priority

What KPIs are you tracking today for field operations? Do they align with the priorities for the organization's growth? Can the field operations team describe how their day-to-day tasks impact the corporation? Field consultants often feel as

though there are too many questions to cover in a single visit and too much reporting and administration – it's overwhelming and time consuming. We are so busy with day-to-day blocking and tackling that we forget to take a step back and be strategic. If you are aligned with the top priorities of the business, then you can go through each site visit question and report to eliminate the fat. The goal is to **streamline and only do what matters to the business priorities**. Reevaluate your visit questions annually to capture only the information vital to the organization's evolving business goals.

#3 - Pick an Opportunity

In business strategy, it is often best to identify and start with one or two areas of potential big impact. The same is true here with a need to identify and evaluate one or two key field consultant touchpoints where, in referring to the current business priorities, you have the opportunity to experiment and generate a difference. Test for success, learn, and then **look for ways to expand impact throughout the team**.

Visit go.franconnect.com/ebook-field-operations-best-practices to download the full version of the ebook.

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Leadership

FRANCHISE LEADERSHIP AND MANAGEMENT



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BY KERRY PIPES

NO PAIN, NO GAIN

Eric Casaburi is crazy about fitness



Eric Casaburi

Eric Casaburi, founder and CEO of Retro Fitness, has an open and transparent style. He also likes to lie on a bed of nails daily to meditate, relieve stress, and, he says, help improve his decision-making. He's also routinely on Instagram, Snapchat, Facebook, and Twitter where he creates videos, shares business advice, and offers people a glimpse into his daily life at the helm of the fitness brand.

"I think this benefits franchisees and our employees because they see what goes on inside Retro Fitness leadership," says the 42-year-old. "They see who I am, what I do, and how important the success of the brand is to me. They see that I'm working just as hard as they are."

Fitness has been a way of life for Casaburi, who landed his first gym job at 13. He knew he'd found his place in the world and launched Retro Fitness just 10 years later. He began franchising the brand in 2006 and now has more than 150 gyms in 16 states and another 100-plus in the pipeline. The brand, which does \$150 million in annual business, is on track to have 250 gyms up and running in the next two years. Last year, Retro Fitness signed more than 20 new franchise agreements for new or emerging markets.

Casaburi is passionate about healthy lives—not only his own, but also those of his brand's employees, franchisees, and clients. He believes unequivocally in Retro Fitness and sees nothing but growth ahead as people look to live longer, healthier lives. Not surprisingly, the brand is in-

NAME: Eric Casaburi

TITLE: CEO, founder

COMPANY: Retro Fitness

NO. OF UNITS: 155-plus

AGE: 42

FAMILY: Wife and four amazing kids, 16, 15, 7, 5

YEARS IN FRANCHISING: 11

YEARS IN CURRENT POSITION: 13

vesting heavily in its digital presence and other technology to reach customers. “If we keep up our expansion efforts, which I expect us to, without a doubt we will have 700 locations by 2020,” he says.

Asked about his bed of nails habit he says, “My wife thinks I’m crazy, but you have to be able to put yourself in very uncomfortable places and be able to get your mind thinking right. It can really help with decision-making when you’re under stress.”

Leadership

What is your role as CEO? What isn’t my role? As a CEO, you have to understand just about everything. You don’t have to *do* everything, but you need to know *how* to do everything so you can give good direction and delegate efficiently.

Describe your leadership style. I lead by example. I like to be in the thick of it, and be the first to do something so I can see how it gets done and set an example for others.

What has inspired your leadership style? I think leadership falls under how you were raised. Leaders aren’t born, it’s all in their upbringing. The first leaders in your life are your parents. Both of mine inspired my leadership, especially my mom, who was the head of the household.

What is your biggest leadership challenge? Not being able to do it all myself.

How do you transmit your culture from your office to front-line employees? We’re very family-oriented and do our franchisee convention at Disney World each year—not just for franchisees, but also to benefit our corporate team. Everyone is encouraged to bring their family and we offer activities that include their entire family. This opens the opportunity for me to speak with them one-on-one outside of the gyms or corporate office. For the franchise as a whole, it’s challenging. I’m extremely active on social media—Instagram, Snapchat, Facebook, and Twitter—constantly creating videos, sharing business advice and giving people a glimpse into my day. I think this benefits franchisees and our employees because they see what goes on inside Retro Fitness leadership. They see who I am, what I do, and how important the success of the brand is to me. They see that I’m working just as hard as they are.

Where is the best place to prepare for leadership: an MBA school or OTJ? Always on-the-job. I had a funny conversation with my daughter about this the other day. Her friend is taking an entrepreneurship class, and when I asked her why she didn’t take it she said, “Dad, I live with you. First of all, you should be teaching the class. Second of all, how could someone be teaching the class if they’re not an entrepreneur?” I’m glad my outlook is resonating with my kids.

Are tough decisions best taken by one person? How do you make tough decisions? When stuff goes wrong, people typically stare at one person to point the blame. But when stuff goes right, they look at everyone. As CEO, you have to be able to deal with this and know that at the end of the day you’re the one who has to make the tough decisions. I know the tough decisions are on my shoulders, so I always confer with people I think are going to add value for me—whether it’s my attorneys, CFO, or VP of operations. I know where to gather the information I need to help me make a decision. Being resourceful helps me do my due diligence at light speed, so I’m able to quickly make a tough call. You have to be the one making the tough calls.

Do you want to be liked or respected? I don’t care about either. I want to win.

Advice to CEO wannabes: Don’t quit your day job.

Management

Describe your management style: I delegate what I have to delegate, and I do what I have to do.

What does your management team look like? I have heads of each main department: marketing, franchise development, real estate, and franchisee relations. A majority of them have been with me for at least four years, some from our early days. We meet together each Monday and then talk multiple times throughout the week separately. This helps me get to know what’s going on in each of their individual areas, which helps me make decisions. This also helps me offer my services to them. Every Friday, I send them a list of five or six questions to prep for the Monday meeting, and one of those questions is always: How can I be of service to you? Whether it’s help negotiating a contract or

talking to a franchisee, I always offer myself as a tool for them.

Favorite management gurus: Do you read management books? A few of my favorites are Jim Collins and Michael Gerber, but really any management book within that realm is among my favorites. I’m constantly looking for ways to better myself, so I’m always reading a new management book, watching webinars or videos, and listening to podcasts each week.

What makes you say, “Yes, now that’s why I do what I do!”? The answer to this question is going to change over time because as your life, career, or business changes, you always have to wake up and say that. Otherwise, you shouldn’t be doing what you’re doing. I love what I do and am smart enough to maximize my potential.

Operations

What trends are you seeing with consumer spending habits in your stores? People are more knowledgeable about the importance of being healthy and the benefits that come along with looking and feeling healthy. With this, they are wanting, able, and willing to spend more money on themselves, their health, and their fitness in so many different ways. I think they’re investing in their looks and feelings about themselves, as well as the associated things that come along with it. We are seeing an increase in our personal, team, and small group training because people’s spending habits are starting to focus more on staying healthy.

Has the economic recovery reached all of your customers? We started Retro Fitness right in the middle of the economic downfall as a value proposition from the very beginning, so our customers didn’t have to be reached. They have always benefited from our lower-cost membership. The recovery really didn’t change our consumer base. They never stopped spending on their health, they’re just spending it differently now and increasing how much they’re spending at our gyms.

How is the economy driving consumer behavior in your system? The economy doesn’t drive my consumer, I do.

What are you expecting from your market in the next 12 months? More market penetration. We’re investing heav-

ily in our digital presence to increase our potential consumer reach. We know where the attention is, and expect foot traffic into our gyms to grow significantly because of how we're attracting it.

Are your franchisees bullish or bearish about growth and adding additional units? It depends if they have the money. If they can find financing, they will always add more units.

Personal

What time do you like to be at your desk? My clock has no end. I have a fluid schedule. I'm ready to sit at my desk after I've slept 7 or 8 hours and had some kind of physical activity. I like to say that if you don't sweat every day like you're getting chased by the police, then there is something wrong with you. On the flip side, I'll work at my desk until 2 a.m. because I can turn back on with a quiet house and a calm mind.

Exercise in the morning? Wine with lunch? Exercise in the morning and sometimes in the afternoon for an energy burst. No wine at lunch, but always a protein shake or nutrition-packed drink like the ones we offer in our Retro Blends Smoothie Bar.

Do you socialize with your team after work/outside the office? Yes, it's always social whenever we're together because our hours are so blended throughout a 24-hour period. There's really no "outside the office." For example, I'll hang out on a Saturday with our COO Matt Schultz and we'll put in a couple of hours together. Our CDO Jason Mattes had a delayed flight the other day and grabbed dinner with our CFO Robbie Sprechman and our attorney Justin Klein. We're a pretty tight-knit group.

Last two books read: *Tools of Titans* by Timothy Ferriss and *God Calling* by A. J. Russell, which I read daily.

What technology do you take on the road? MacBook Pro, iPad Pro, iPhone, Apple Watch, AirPods, and sometimes my Snapchat Spectacles.

How do you relax/balance life and work? One or two times a day, I lie on a bed of nails and meditate. My wife thinks

I'm out of my mind, but it's unbelievable what it does for you. You have to be able to put yourself in very uncomfortable places and be able to get your mind thinking right. This will help you make much better decisions when you're under stress.

Favorite vacation destinations: They're all beaches: Anna Maria Island and Palm Beach in Florida, and Long Beach Island in New Jersey.

Favorite company product/service: I love everything we offer, otherwise it wouldn't be in our gyms. I live our products and services every day. Before or after every workout, I have one of the drinks we sell at our Retro Blends Smoothie Bar. My in-home gym



houses the same equipment as our gyms, or ones we're testing. I regularly do our Retro 2.0 workouts.

Bottom Line

What are your long-term goals for the company? Sustain growth by continuing to expand the way we're growing now, which is healthy. We have a great franchise system that's composed of phenomenal franchisees from all walks of life. I'd like to keep growing this way and keep more people in the United States and the world healthier because we're doing life-changing things. If we keep up our expansion efforts, which I expect us to, without a doubt we will have

700 locations by 2020.

How has the economy changed your goals for your company? Never has and never will.

Where can capital be found these days? Open your eyes, capital can be found anywhere. There's more money around today than ever. I'm not just referring to institutional loans. There are so many other ways to find capital these days. There's private equity all over the place dying to place money. There are people trying to diversify their portfolios because they don't want to be pigeonholed in this market. And there are individuals looking to invest capital. You need to be creative with who you talk to, who you surround yourself with, and the types of questions you ask. Do this and you will find capital everywhere.

How do you measure success? Personally, do I wake up and smile? Money is the measured component of success, like a scoreboard, but what's more important to me is happiness. Am I happy? Am I making other people happy? Is Retro Fitness healthy? Are we in a good place? That for me is success. It's the constant continued achievements.

What has been your greatest success? Marrying the perfect woman and having four ridiculously amazing children.

Any regrets? I'm mindful of things I've done wrong or am doing wrong and adjust very quickly. I'm an eternal optimist, so I don't ever look at things that go wrong as things I terribly regret. I learn from them. To me, regret is for people who don't take action. For example, I could say that I wish I would've started buying shopping centers to place my gyms 10 years ago because it was a brilliant idea. I overlooked it early on because I was so focused on growing the franchise. But is this a regret? Not really, because I learned from it and am doing it today.

What can we expect from your company in the next 12 to 18 months? A lot of attention. We're working on some innovative initiatives in the digital/tech space. We're partnering up with the right people in marketing and media to garner a lot of attention. ■

BIG DATA HELPS Sell More Franchises

\$213

billion has been invested into the US franchise industry since 2010.

How has your brand grown during this timeframe? With over 35,000 franchise sales occurring each year, are you getting your share? Franchising continues to be an attractive investment opportunity for thousands of people.

Selling new franchises is harder than ever as the franchise world is flooded with franchise ads, blogs, free content and a variety of data and information. In addition, prospective franchisees are more knowledgeable and perceptive than ever before. Attracting qualified candidates to your franchise opportunity while they avoid the noise, has become more challenging and important than ever before.

FRANCHISE INTELLIGENCE

is an analysis of a franchise system to identify the best strategy for you to grow your franchise. Franchise Intelligence is the result of studying over 10,000 FDDs and 18,000 candidates. We analyze the data and provide you with strategic information. Our research allows you to study franchise performance, governance, sales strategies and competitive investment risk to make key decisions that will effectively sell more franchises.

Our research connects the dots of 20 million data points, helping you to discover, analyze and respond better and faster to sales prospects better than your competition.

Enter the world of franchise intelligence, where our industry knowledge gives you the competitive sales advantage to surpass your targets.



DISCOVER

ANALYZE

RESPOND

The Right Data for The Right Decisions

5

Key Research Methods to Help You Sell More Franchises

STAND OUT FROM THE CROWD

71% of franchise systems have 100 units or less and 45% of franchise systems have 25 outlets or less. Your competitors are fighting to position themselves as a better franchise investment than yours. Use our data to enhance your development strategy and position your brand to attract better candidates.

COMPETITIVE BENCHMARKS

Stay ahead of your competition by recognizing franchise trends and make sure your offering is structured to grow as efficiently as possible. Each competitive benchmark is performed against similar systems; in business type, size of franchise and investment range. Comparing two like brands to each other helps position one as a healthier investment opportunity.

CANDIDATE BUYING SIGNALS

Analyze over 18,000 prospective franchisee profiles. Learn which franchise candidates best fit your franchise. Understand the buying signals of the right candidates you are trying to attract to save money and time. Maximize your advertising budget, reduce due diligence drop-off and better support your sales team.

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Use statistics to showcase your investment and identify what your franchise represents. Candidates value and trust objective analysis of franchise investment opportunities and because we grade over 2,500+ franchises annually, Franchise Grade provides key insights for thousands of potential investors.

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Franchise Grade® saves you time and reduces your cost per sale. Our Franchise Intelligence puts your brand in a better position to compete, promote and grow your franchise. Contact us today for a free demo.

BY KERRY PIPES

NONSTOP EXPANSION

Cleaning up in the restoration business

Mark Davis acquired a small restoration company called Rocky Mountain Catastrophe in Denver in 1996. He was just 27 and didn't know anything about the restoration industry. But it turned out he had a knack for making businesses successful. He and his partner took a company with \$3.5 million in annual revenue and tripled it to \$11 million in their first year. Things skyrocketed from there.

"We did \$25 million the second year, \$35 million the third year, and started a restoration company called Recovery Solutions International specializing primarily in commercial large-loss recovery solutions," he recalls. Of course, that was just the beginning. Davis went on to sell a majority interest in the company and co-found Belfor USA Group, serving as CEO and eventually growing the company from \$35 million to \$400 million in annual revenue. He then sold his shares and left Belfor to become CEO of InStar Services Group. His next move was to buy Signal Restoration with partner Frank Torre in 2012. Then, in late 2015, he and Torre bought PuroClean, where Davis is now CEO and chair.

Franchising held a powerful attraction for Davis. "I was always envious of the franchise model of distribution because franchised restoration companies always

had better distribution than we did at Belfor. It was difficult to compete against that distribution—and they were able to do it with a lot less capital invested because they weren't actually funding those acquisitions, they were selling franchises. It was always my dream to own a franchise system and be a franchisor in our industry."

Now that dream has come true and Davis has big plans for PuroClean. His goal is to double the number of franchise locations over the next few years. The brand, with more than 230 franchise locations in 34 states and five Canadian provinces, added 24 new franchises in 2016 and is aiming

for 60 new operators this year. He plans to grow the company's international footprint to become a worldwide player in the disaster recovery business, and expand services to better meet the needs of large insurance, commercial, and institutional customers.

"We're aggressively expanding and investing significantly in technology, training, and national account development for our franchisees and their employees. This foundation will set up our franchise partners for success for years to come," he says.

Leadership

What is your role as CEO? To provide the vision and strategy for PuroClean, helping guide and lead the company and our franchisees as we build the company into a world-class brand. With my leadership style, I can't make things happen from sitting in an office. I'm on the road a majority of the time, meeting with franchisees every week. Over the past 18 months I've met with 220 of our 230 franchise owners throughout the United States and Canada. I've also become very involved in our exciting franchise growth initiative in which, along with other executives, we travel to underdeveloped or undeveloped markets we have targeted for franchise growth. Through this initiative,

NAME: Mark W. Davis

TITLE: CEO, Chair

COMPANY: PuroClean

NO. OF UNITS: 235-plus

AGE: 48

FAMILY: Three wonderful kids, Blake 16, Caroline 14, and RJ 12

YEARS IN FRANCHISING: 1½

YEARS IN CURRENT POSITION: 1½

YEARS IN INDUSTRY: 21

Mark Davis



instead of being reactive to franchise leads, we proactively go into markets with open territories and have events where we present the franchise opportunity to prospective franchisees. We use a multi-channel marketing approach to drive interest in the events. We include the existing local franchisees in these events for validation and give them an opportunity to get to know their potential colleagues. This process is helping build a culture of franchisees who embrace the growth of the system. While I'm admittedly a student of franchising, I've been in the property restoration industry for more than two decades. I make it a priority to make myself accessible to franchisees. They all have my cell number and can reach out to me with questions about everything from locking in an account to billing for a large commercial loss and collecting on a delinquent account.

Describe your leadership style. I believe strongly in servant leadership. When working with my team, I ask them: "What do you need that I'll be able to help you with so that your team can succeed?" I instill confidence in the people I'm leading. I hire the best leaders and managers I can find, and then I serve them.

What has inspired your leadership style? Many people and experiences have contributed to the way I approach leadership. One person who had a great influence was Jack Welch, former chairman and CEO of General Electric, who later authored several business books. He believed in recruiting the best talent and empowering them to lead their teams, set their own goals, while at the same time holding them accountable. I was inspired by his ability to achieve results across such a huge, multinational company with multiple divisions, and the culture that was driven from the top down to the entire organization.

What is your biggest leadership challenge? Adjusting to the process and time it takes to enact change within a franchise organization. I've served as CEO for various privately owned companies over the past 20 years. In those roles, I've made decisions to make changes and had the ability to make change immediately. As a franchisor, you can't just make a decision and mandate it across the board. It requires consensus and education to earn the critical buy-in of the franchisees. I'm learning to appreciate this process. We listen closely to our franchise owners. What's important to them has a

significant impact on how we make key strategic decisions.

How do you transmit your culture from your office to front-line employees? Our president, Steve White, has done a great job of building a strong culture. Before Frank Torre and I bought the company, Steve had already set a solid foundation focused on serving our franchise owners. He went out and met most of the owners face to face to learn their challenges. In doing so, he built trust in the company leadership. I focus on reinforcing the great work Steve has done and raising the bar for *relentless customer service* from our support team (HQ) to our franchise owners. If a franchisee needs support, we can and are willing to get someone to their location in a matter of hours. We exist to serve our franchise owners!

Where is the best place to prepare for leadership: an MBA school or OTJ? I always wanted to get my MBA and thought I would go back to school. One of my mentors, Ken Maddox, taught me something when I was in my early 20s that I apply in my own life and career to this day and teach to anyone who will listen. He told me three factors should influence decisions surrounding your professional future: learning, earning, and giving. Early in your career, most of your decisions should be based on learning. The priority is to fill your toolbox with tools. While earning will always be a concern, you should ask yourself, "Where am I going to learn the most? Where can I gain the tools for my toolbox that will be beneficial later in my career?" You will likely have to sacrifice the earning early on in favor of the learning. If you invested the lion's share of the first part of your career in learning, you'll have a significant amount of earning potential in your toolbox by the time you reach your 40s. Your career decisions in the next two decades can then be shifted to focus on earning, then learning and giving. Then, once you're near retirement, your career priorities should shift toward giving, learning, and earning, in that order. Without this advice, I wouldn't have had the confidence to be on the path I'm on now. My second job after college, I took a \$40,000 salary in Nebraska instead of an \$80,000 salary in New York City. Why? I believed I would learn more working in a smaller, privately held company for a self-made entrepreneur than for a Fortune 500 company. The level of learning was beyond measure. It inspired me to have the confidence to purchase my own company (Rocky Mountain Catastrophe) at 27. This company

became the platform for Belfor USA, where as CEO I drove revenues from \$35 million to \$400 million in just eight years, making it the market leader in North America. I wouldn't be where I am now had I taken the higher-paying job in New York!

Are tough decisions best taken by one person? How do you make tough decisions? I have a 50/50 partner, so I don't make any decision without involving him and vice versa. I believe in collecting as much information from the stakeholders as possible. You have to listen and keep your finger on the pulse of what's important to the team. People respect strong leadership; they lose respect when they think their leader isn't in tune with their opinions.

Do you want to be liked or respected? Respected. I'm not about winning a popularity contest. I'm focused on doing the right thing, but at a tempo much faster than most people are accustomed to.

Advice to CEO wannabes: The key to power is not using it. Titles don't matter. In an organization, people know who has the personal power. You should focus on building a team of people who know you'll take a bullet for them. Only then will they reciprocate. At that point, it doesn't matter what your title is because you'll have personal power.

Management

Describe your management style: You have to trust your team and your people. You have to give them a long leash and the true ability to run with it. When you do so, you let them spread their wings and accomplish at a higher level than maybe they would have in a more restricted environment. I set high expectations. I like to use this analogy: If you've ever been to a dog track, you'll notice that to get the greyhounds to run fast there's always a rabbit running ahead of them at a faster pace. In my work ethic, I lead without asking anyone on my team to do anything that I'm not already setting the pace for, at a higher level. Then, it's a matter of envisioning that I'm serving them. They know that they can call me and I'll be able to help them. You have to let them run—and be available to help them when needed.

What does your management team look like? It's composed of experienced, talented winners who respond well to ser-

vant leadership and don't need or want to be micro-managed.

How does your management team help you lead? Our president, Steve White, runs the day-to-day operations. There's a clear distinction between our roles. Frank Torre and I develop the strategy. Steve runs the executive team that executes the plan to realize the strategy.

Favorite management gurus: Do you read management books? *Extreme Ownership* by Jocko Willink and Leif Babin and *Start With Why* by Simon Sinek.

What makes you say, "Yes, now that's why I do what I do!" That's easy. The most fulfilling aspect of my job is feeling and experiencing the appreciation from our franchise owners when we've done something that's helped them. It's the text messages, the handwritten notes, the passion, and even the tears they show when they're achieving business success partially because of our training, marketing, or business development. It's the most incredible feeling to know you've helped these wonderful people realize their dreams. I can't believe I didn't know until now how wonderful it is to be part of a franchise system.

Operations

How is the economy driving consumer behavior in your system? Consumer spending, interest rates, and unemployment have zero impact on our business. Property damage happens. Human error happens. Mother Nature happens. Property restoration is a "have to" business that is paid for by a third-party insurance company. Therefore the restoration industry as a whole is a recession-hardy sector.

What are you expecting from your market in the next 12 months? The trend in our industry is to receive work from a third-party administrator or carrier-direct, with the customer asking for a one-stop shop. Insurance companies want their restoration partners to offer all the services related to a loss. Statistics show when contractors have all the services for a job in-house, customer satisfaction increases substantially. The converse is true when insurance customers must use various vendors to resolve their loss. We are ready to meet the demands of the insurance industry because PuroClean is evolving into a full-service restoration company providing a full, turnkey solution.

Are your franchisees bullish or bearish about growth and adding additional units? Our franchisees know that as we expand the brand's footprint, establish ourselves as a world-class brand, and provide relentless customer service, the more national work we will attract. PuroClean is truly a family—our franchise owners support each other on a daily basis.

Personal

What time do you like to be at your desk? Because I'm on the road 70 percent of the time, I don't start my workday at my desk. Regardless of where I am, my workday starts around 6 a.m. I check email from the night before, review follow-up tasks, and review what's planned for the day and the remainder of the week.

Exercise in the morning? Wine with lunch? I don't believe you can be a strong leader sitting behind a desk. I'm always running around involved with our support team members and franchise owners. Keeping up my tempo and being the "rabbit at the dog track," I'm racking up as many as 15,000 steps a day. I do weight training each week and mostly get my cardio from being constantly on the move.

Do you socialize with your team after work/outside the office? I've had different philosophies on this over the years. I think it's important to have strong relationships with your inner circle, to like your management team, but that doesn't mean it needs to go deep into your social life. It's important to know and care about your team members' personal lives, their families, and their priorities. But it's also healthy to keep a distance so they're not completely merged with each other.

What technology do you take on the road? I'm an all-Apple guy. I have my MacBook Pro, iPhone 7 Plus, and a backup iPhone with me at all times. In an emergency response business, one phone call might be worth a \$10 million contract, so you need to be able to respond. I can't afford to be down for a day.

How do you relax/balance life and work? I'm not someone who desires to relax, though one thing I love to do is to cook for others. I know it sounds strange, but I like to hand-wash the dishes after the meal. I find it therapeutic. It's my form of relaxing. The same goes for laundry. I don't let anyone

ever wash or fold my clothes because no one can do it the same as I do. It would be the exact opposite of relaxing because I would be anxious.

Favorite vacation destinations: Cabo San Lucas and Italy.

Bottom Line

What are your long-term goals for the company? PuroClean is a global brand that will have more than 500 locations by 2021. Our vision is to be *the* premium restoration company. It's not to be bigger than our competitors, but rather to be known as the premium brand for relentless customer service. We have nearly 240 franchisees in operation today with an aggressive franchise development strategy to reach 500 locations. We have already become a premium provider for customer service and have just landed national accounts with the number two and number three insurance companies (by policy count) as preferred service providers. Every day they provide us with customer service scores regarding our franchisees' performance. We know which owners are performing well and which need to improve. We're committed to our customers. If we have franchisees with lower scores, we red flag them. We will not let a non-performing franchise owner affect the brand. To build a world-class brand, consistency is key. You achieve consistency through high standards, training, customer service, and monitoring. Then we make sure that our franchisees who are working at the highest level are the ones on our national accounts.

How has the economy changed your goals for your company? The economy really doesn't affect the restoration industry because property damage doesn't care if the economy is up or down. Property damage occurs at all times.

What has been your greatest success? Many might expect me to say that Belfor USA was my greatest accomplishment. We worked hard, achieved big numbers, and learned a tremendous amount, but we had the financial support of the largest private company in Germany behind us. My greatest accomplishment is what my business partner Frank Torre, Jr. and I have been able to achieve in the past five years. We bought Signal Restoration in 2012 and PuroClean in 2015. I'm proud of what we've been able to achieve without the backing of a major financial partner. ■

Building your franchise empire?

Let's talk about your growth plan

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JD Penland, Multi-Unit Franchisee
East Coast Wings & Grill



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POSTCARDS



A GREAT BOOST TO FRANCHISE MARKETING

These days it's easy to get caught up in the variety of digital options available to promote your brand and local franchises. But when developing either a global or local marketing plan, don't forget the proven reliability of direct mail and tried-and-true postcards.

Now more than ever, postcards should be part of your teams' marketing arsenals for several reasons: They're cost-effective, easy to produce, promote brand recognition, and get measurable results.

GETTING IT DONE SINCE THE LATE 1800S

What was true for our grandparents, and their grandparents, is still true today. If you have a street address, you get mail, and that mail needs to be glanced at and sorted.

According to the USPS® 2016 Mail Moment Survey, most consumers retrieve and sort their mail at their first available opportunity (usually same day) regardless of their age.

Additionally, overall mail engagement has increased since 2012. Their comfort with digital communications aside, Millennials particularly enjoy receiving "snail mail" more so than other generations.

The USPS' FY 2015 Household Diary Study broke down how U.S. consumers process their mail and found:

75% OF HOUSEHOLDS EITHER READS
OR SCANS ADVERTISING MAIL
THAT COMES TO THE HOME.

OVERALL "READ RATES"
HAVE AVERAGED ABOUT **50%**

IN COMPARISON, THE AVERAGE
CLICK-THROUGH RATE ON INTERNET
ADVERTISING IS LESS THAN **3%**

Additionally, the study found that consumers report they may respond, or intend to respond, to 26 percent of advertising mail sent first-class. They may respond, or intend to respond, to 28 percent of advertising mail sent by standard mail (previously known as bulk mail).

The USPS reported direct mail volumes have declined an average of 2 percent year-over-year since 2005, while population and household formations have increased by an average of about 1 percent per year.

This ultimately means there are fewer messages in the average mailbox competing for your audience's attention. In fact, in 2015, U.S. households received an average of 12 advertising pieces each week — less than half the number received in 2008.

According to a recent
Direct Marketing
Association study,
direct mail generates
an average of

**\$7 IN SALES FOR
EVERY \$1 SPENT ON
THE MARKETING
MEDIUM.**

MAIL THIS, NOT THAT

No one wants to spend any part of their marketing budget unwisely. You can maximize your return on investment by carefully planning your postcard strategy around the following tactics:

- Due to their limited content space and the public nature of the medium — meaning they have no envelopes — postcards make the best use of a less formal (but not unprofessional) message.
- Rather than sending a one-time piece, regularly schedule mailings with consistent messaging to build your franchise's recognition and credibility.
- Since each piece might get only one or two seconds to communicate a whole message, attention-grabbing headlines, compelling calls to action, and bright images that are comprehended at a glance are essential.



- Postcards work best when they lead your audience to a next step, such as visiting a website, calling for more information, or walking into a location to take advantage of an offer.

Perhaps most importantly, consider the details of your targeted audience and when they should receive each postcard.

- Break your mailing list into sub-groups (current customers, prospective customers, past customers, referral resources, etc.) and craft a targeted message with an offer to strategically appeal to each group.
- When planning delivery dates, consider the ebb and flow of your own mail and the time you make to look through it. Conventional marketing wisdom seems to dictate that Monday, Friday, and holiday deliveries can be less effective, whereas mail delivered on Tuesday or Wednesday can garner a bit more attention because the volume is often lighter.

FINDING THE RIGHT POSTCARD PARTNER

The industry is crawling with competition, so if you're serious about strengthening your franchise's brand in new and existing markets, a strong postcard campaign is just one way to build recognition and elicit trust.

You'll want to partner with a provider who offers a portfolio of on-demand, customizable postcards that can be designed to meet your franchise's unique brand guidelines. Partnering with a company like Xpressdocs ensures your postcard campaign is set up for success, especially considering the intricacies and variability needed with distributed workforces.

Additionally, the Xpressdocs Marketing Platform delivers access to the tools that allow franchisors to maintain control over messaging, quality of materials, and budget, while empowering franchisees to meet the unique needs of their market.

To give your brand a boost, explore a partnership with Xpressdocs and launch a powerful postcard campaign today.

Xpressdocs empowers franchisors and franchisees to send consistent messaging into the market by streamlining customizable marketing materials under one robust marketing platform.

Along with being the go-to resource for postcards, Xpressdocs offers a menu packed with brand-approved solutions.

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BY JOHN PONCZOCH

RETURN OF THE LUBE

TravelCenters of America recharges the brand

The TA Restaurant Group, a multi-brand franchisee and franchisor, is a division of TravelCenters of America, a Fortune 500 company that offers diesel and gasoline fueling, restaurants, truck repair facilities, convenience stores, and other services in 43 states and Canada. TA opened its first restaurant in 1967 and today includes more than 850 QSR concepts, full-service restaurants, and other food outlets, including multiple proprietary restaurant brands such as Iron Skillet and Country Pride. In 2016, we added Quaker Steak & Lube to our growing family of brands.

TA Restaurant Group began franchising in 1994 with our first Subway franchise. Since then we have grown into one of the country's largest multi-unit operators, expanding our franchise network substantially to include more than 600 units with nearly 40 different foodservice concepts across the country. Since 2014, we've added 11 brands to our portfolio, and we're accelerating this momentum even more over the next several years. When looking for the right partner, we spend a significant amount of

time researching and analyzing emerging brands, whether or not we have history with them, with the ultimate goal of filling taste profiles or concepts we currently don't operate or offer.

Acquiring a legacy brand

Our overall growth strategy is to identify opportunities where we have the skills and knowledge to own and operate businesses that focus on entirely new customer segments. That's why, when we had the opportunity to acquire Quaker Steak & Lube in 2015, we didn't think twice. The acquisition is a perfect example of our growth strategy, as it gave us the chance to tap into an entirely new demographic. When the 43-year old brand filed for bankruptcy protection in 2015, we saw it as an opportunity to not only broaden our current portfolio, but also to leverage our deep experience as a multi-unit restaurant operator and make our first foray into the world of franchising a standalone full-service restaurant concept and grow Quaker Steak into a nationally recognized brand through franchising. While we've just begun this journey—and know we have a long way to

go to reach our goal—we're confident in the strength of both our strategy and the brand. The Lube is a one-of-a-kind concept with unlimited growth potential that we're excited to tap into.

Evolution of The Lube

The restaurant industry is constantly evolving, so it's important that we do as well. Our experience has shown us that brands do not grow by themselves: they require nurturing, attention, investment, and refinement.

Since taking the reins, we've put new processes in place in an effort to reinvigorate Quaker Steak & Lube across the board, propelled by the addition of a new executive chef, Lance Matthews, and a new beverage program manager, Shannon Salupo. While we're still serving up award-winning wings, burgers, and ribs, we've expanded the menu to incorporate bolder flavors and offerings that cater to the wants and needs of today's modern consumer.

We're set to debut new salads



ANATOMY OF A BRAND

featuring ingredients you wouldn't usually find at your typical family casual restaurants, like roasted beets and sumac berry spice.

Additionally, we've taken many of our existing menu offerings up a notch, including adding fresh Wisconsin cheese curds, introducing a new homemade mac'n'cheese dish topped with multiple proteins, and re-developed our popular Premium Pretzels. Also, with "steak" literally the brand's middle name, we're also expanding our steak offerings. At the end of the day, our food is what keeps Lubies coming back for more, so we're doing all we can to invest in our product. We're also evolving the brand's restaurant design, putting a renewed focus on providing more flexible, non-traditional build-outs for franchisees to allow more aggressive growth in stadiums, colleges, kiosks, and airports.

A unique franchise opportunity

Using our experience and perspective as both a franchisor and multi-brand franchisee, we're ready to expand Quaker Steak & Lube across the U.S. We've expanded the brand's operations and infrastructure to provide an invaluable support system for both new and existing franchisees, who are reporting an average unit volume of \$2.95

million—higher than many other casual dining concepts.

One of the brand's strongest selling points for franchisees is its multiple revenue streams, including to-go and pickup window orders, and retail products such as our award-winning sauces and Lube memorabilia. Recently, we've begun to expand our catering capabilities with the introduction of food trailers, allowing us to fulfill off-premise catering orders. The restaurants also provide an ideal space for indoor and outdoor events. We've also started testing delivery in certain markets to cater to the demands of today's consumer and stay current with technological advancements.

What's ahead?

We're more than just a franchisor of Quaker Steak & Lube: we believe in the brand and are investing in it alongside our franchise

network. We recently opened our first corporate location in Columbia, S.C., at the newly constructed Petro Stopping Center, a full-service travel center. The new location showcases all the changes we've made to the brand with a patio, two bars, and the ability to host more than 250 guests. Since opening in early 2017, the Columbia location has been a huge success.

Between TravelCenters of America's in-depth experience and vast resources and Quaker Steak & Lube's loyal following, the brand is gearing up for aggressive growth. We're on track to re-introduce loyal Lubies and new fans alike to the new Quaker Steak & Lube, and look forward to taking The Lube to new heights in the coming years through national expansion. ■

John Ponczoch is senior vice president of TravelCenters of America and head of TA Restaurant Group.



Leading with Values

Living Rich

Re-energizing business and government

BY DINA DWYER-OWENS

In September 2015, Mary Thompson and I had the pleasure of meeting U.S. Rep. Cathy McMorris Rodgers (R-WA) at the IFA's Franchise Action Network meeting to talk about the most pressing issues facing franchisors across the country. It was one of the most exciting days for us to meet the highest-ranking



Cathy McMorris Rodgers

woman in the GOP, and wouldn't you know it, our discussion turned to living and leading with values.

It's been a little over two decades since the Dwyer Group implemented its operationalized Code of Values and a series of principles that support our organization. Live R.I.C.H (Respect, Integrity, Customer focus, and Having fun in the process) guides our business decisions, and every day we strive to keep these values front and center and ensure that everyone in the company, from the leadership team to our franchisees on the front lines, knows and embraces these values.

After a record year of historic growth in 2016, our organization now includes 15 franchised consumer brands, more than

2,800 franchises and about \$1.5 billion in annual system-wide sales that stretch across 11 countries around the globe. People routinely ask, "How can we create that kind of successful growth for our organization?" The common thread behind that growing, collaborative, and collective success is the Dwyer Group Code of Values.

It's a topic that speaks to my heart and one of the reasons I wrote my book, *Values, Inc.* I wanted to provide a road map for others to experience what we are known for: helping a large organization stay the course as it gets bigger, as well as helping the small-business owner or franchisees and their teams on the front lines, by using a Code of Values. I wanted to help others define a Code of Values that can live and breathe in their organizations. It has been a privilege to share our company's journey with other franchisors, businesses, the public at large, and now government.

Values in government

At that first meeting with Cathy, our Code of Values message really resonated with her, and she invited me to return to D.C. later that year to give a values in business seminar for her entire congressional staff. The end result of the workshop was that her office wrote out their own Code of Values, something they have begun following over the past year.

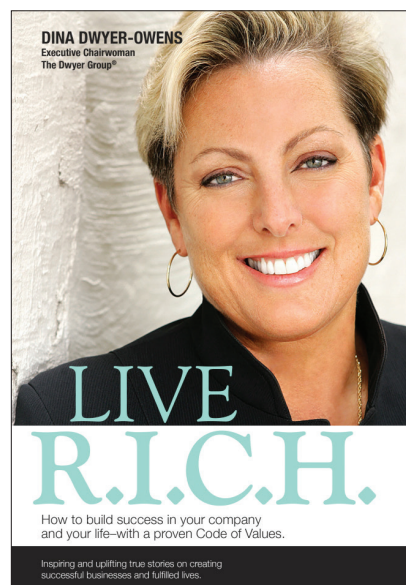
Taking a page from our Live R.I.C.H message, Cathy's office now has a message to SERVE. In a guest column Cathy wrote for *TIME* magazine (Feb. 3, 2017), she shared a little about her team's Code of Values:

"In our office on Capitol Hill, the epicenter of partisanship and egos, my team and I established a system of values, a motto called, 'Have Fun While We SERVE' (Seek Excellence, Everybody Matters, Respectably Own It, Vigilant Integrity, and Embrace Change), and at staff meetings we talk about how we are living these values, and where we fall short."

In the past year, since having their own values, people at Cathy's office have found several ways to put them into practice. Doing this has helped them reflect on how their actions affect those around them and how they can strive to be better public servants, teammates, and citizens. Other leaders on the Hill have asked for copies of her Code of Values, and she has attracted resumes of people wanting to work in her office—because of the reputation and culture they have created with these values.

Values know no boundaries

All of this is music to my ears. Living and leading with values knows no boundaries. It can serve a small business, it can serve a large organization, and it can even serve our country's highest offices. For any organization, a strong Code of Values, put into action, provides a road map to the future. The bottom line—and a profitable one, too—is that a company that lives and leads with values will always outperform, outshine, outdo, and outlive competitors who put ethics on the back burner. ■



Dina Dwyer-Owens is co-chairwoman of the Dwyer Group, which has 15 franchised brands and revenues of approximately \$1.5 billion. She served as IFA Chair in 2010, received the IFA's Bonny LeVine Award, is a champion for VetFran, founded Women in the Trades, and is the author of two books, including *Values, Inc.*



SHELLY SUN CARES ABOUT FRANCHISEE SATISFACTION

Q & A with Shelly Sun

Shelly Sun is the CEO and Founder of BrightStar Care® and the 2017 Chairperson of the IFA Board of Directors.

How important is franchisee satisfaction to you? *I don't know of any franchise executive who doesn't focus on franchisee satisfaction. I obsess over it! You've got to know what's working and what's not so you can course-correct if necessary.*

Do you believe that franchisees begin with an expectation of success, and are looking to their franchisor for leadership in order to maximize their success? *Every franchisee gets into business to succeed, but it's not enough to achieve great sales or profit – you want to feel satisfied about what you're doing. For success and satisfaction, yes, franchisees look to us for leadership. I have a mantra, "Listen, Learn, Lead." I need the first two in order to do the third.*

Some franchisees will tell you what they think you want to know, and others will withhold negative feedback. How can you be sure that you are making strategic decisions based on real metrics? *Confidential surveys are important because they're quantitative (we can measure and benchmark scores to specific programs) and they're qualitative where we ask open-ended questions. Franchisees who are generally reticent will often open up if the survey is anonymous. These surveys allow us to engage franchisees at a higher level. We compare these numbers with all of our conversations to get a picture of what's going on. Our goal is to use all available tools to get a clear picture.*

Recruiting high-quality candidates is crucial for long-term sustainable brand growth, and this is more challenging than ever before. How important is positive validation from existing franchisees in your sales and development process? *Incredibly important. Our CMO says personal testimonials have always been the most effective advertising – always will be – and that applies to franchise development. If we "listen, learn and lead" then validation will be more positive. Being certified as a **World-Class Franchise®** allows us to showcase our high franchisee satisfaction (through independent, third-party research) and this has proven critical to attracting and closing deals with high-caliber candidates.*

In your book, you write about a "culture of shared success"; can you expound on this? *It's very simple: we succeed if franchisees succeed, and vice versa. For example, we look closely at our weekly sales reports and jump right in if there's a decline somewhere. A franchisee has invested her own money to succeed with our brand, and we want that bet to pay off.*

For the last decade you have engaged the Franchise Research Institute to perform a confidential "deep dive" into your franchisee's opinions. How have you used the research results to prioritize corporate efforts in order to maximize "shared success" for BrightStar Care? *We use the data provided by FRI as our annual physical. A comprehensive (last year 73% of our franchisees participated) and confidential opportunity for everyone to speak their mind... and believe me they do! We are unusual in that our FAC has direct input into prioritizing our corporate efforts. For example, they asked for a better way to recruit and retain caregivers, and the very same year we delivered a solution they could implement locally. Not surprisingly, the same need showed up in our surveys with FRI. It reassured all of us that we were doing the right things.*

2017 marks FRI's 15th anniversary as the originator of franchisee satisfaction surveys. We are honored to provide research and recognition for many leading franchise companies. Founder and CEO Jeff Johnson has been immersed in franchising for over 30 years; first as a franchisee, next as a multi-unit franchisee, then as an area developer for a national QSR franchise.



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FRANCHISE RESEARCH
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Growth strategies

Change Management

Collaboration eases any transition

BY KAY AINSLEY

Consumers can customize and order their meal on a kiosk at a restaurant, eat a sandwich made by a robot, pay using a coupon that was sent to their phone just as they were making their purchase decision, and have their payment debited from their checking account—all accomplished through technological innovation.

Businesses that fail to keep up and establish a competitive edge will be passed by. The winners in business today continually improve quality, maintain low cost, innovate products and services to lead market demand, streamline their supply chain, and take away the entrenched players' cash cows.

Change is essential for every business, and nothing propels the need for change more than advances in technology. Whether or not the foundation for change is in the franchise agreement, the foundation for effective implementation of change is leadership—within the franchisor's organization and from within the franchisee network.

Many of our emerging franchisor clients have incorporated a technology fund into their franchise agreement to enable the system to develop and implement programs driven by technology that will enable them to keep them ahead of their competition.

Established franchisors who currently do not have a technology fund may want to think about adding such a fund to their franchise program—a task often easier said than done. Some franchisees may see that it makes great business sense and will jump on the idea; others may view it as another way for the franchisor to get into their pocket and will resist.

Involve your franchisees

To lead the system through change, regardless of how it is funded, a franchisor should identify and understand the need and scope out the issues involved in instituting a change. They should then

conduct a preliminary evaluation of possible solutions. This is typically done by the franchisor before involving franchisees and serves as a framework for future deliberations.

Once the initial work has been completed and before any solution is finalized, franchisees should be brought into the discussion. Franchisees are on the front lines and acutely aware of what is occurring in their marketplace and how it affects their daily business. They also understand the financial performance of their business and what monies may be available to invest in enacting a change.

Systems with a franchise advisory council may want to involve the entire council or set up a smaller task force that can help speed the process. Systems without an established council will want to recruit franchisees representing both large and small businesses in rural and urban areas. It is also a good idea to include those you think will be favorable and those who you believe will oppose any change.

As a result of discussions with franchisees, the needs and issues may be redefined and additional research may be advantageous before a final recommendation can be prepared. Consider bringing in an outside expert to work with a team consisting of the franchisor and franchisees in redefining the issues and evaluating new solutions. A third party can take out any emotional aspects and help people focus on the issues based on the facts at hand. They can also help develop an implementation plan and timetable for enacting the change based on their experience in similar situations.

Making it work

The implementation plan should include how the franchisor will support the change with:

- Testing. Ideally, the change can be tested in a few locations in the real world before it is rolled out to the entire system.
- Franchisor staff training. Key to the

success of implementing the change (but sometimes overlooked) is the training of the franchisor's staff who will be supporting the change with the franchisees. Well-trained staff will be able to troubleshoot and solve simple problems and articulate larger issues when they return to headquarters.

- Franchisee training. Effective train-the-trainer programs and materials will help ensure a smooth implementation of the change.

- Updates to the operations manual.
- Advertising, marketing programs, and public relations to let consumers know the benefits they will receive from the new program.

- Financial assistance to help defray a franchisee's implementation costs. It can be offered as an incentive for early adopters. Common incentives include waiving a training fee or monies for advertising.

Presentation of the change to the franchisee network can be done in person through a convention, regional meetings, traveling roadshow, or by using webinars, newsletters, and other standard forms of communication. One of the most powerful sales forces will be the franchisees who worked on the program. Their ability to influence their fellow franchisees cannot be overestimated.

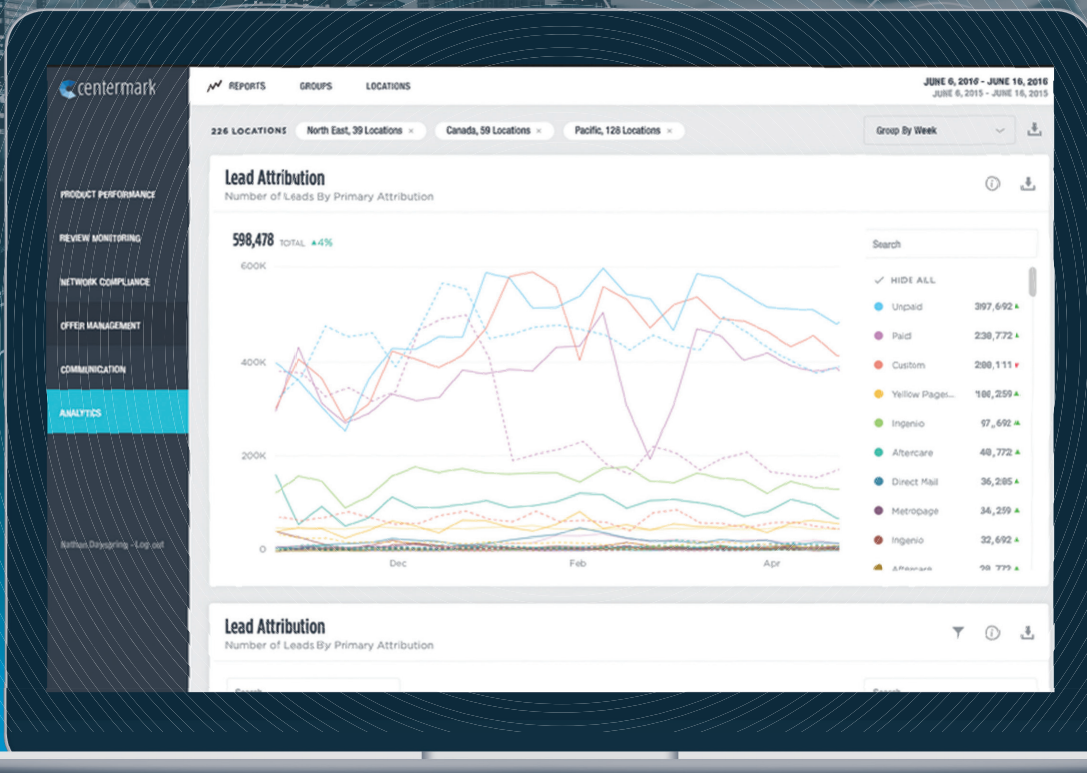
Throughout the entire process a proactive communications program is key to preventing rumors and facilitating an honest discussion of the issues and solutions between the franchisor and franchisees. Care should be taken to establish realistic goals and not to overpromise results. Few major changes are enacted without at least a couple of hiccups along the way. When they occur they should be acknowledged and communicated along with the remedy in the same way that positive results are communicated.

Change is necessary. Businesses that fail to maintain their leading edge risk being overtaken by competitors. Just ask Sears. But hurry, they may not be around much longer. ■

Kay Ainsley is managing director of MSA Worldwide, a leader in franchise consulting that provides strategic and tactical advice based on real-world experience to new and established franchisors. Contact her at kainsley@msaworldwide.com or 770-794-0746.



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Consumer Marketing

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CMOQ&A

The Great Outdoors

Larry Spada is a five-brand strategist

BY KERRY PIPES

Larry Spada spends his days working from the comfort of his home in the Carolinas. But like many tech-savvy executives today, he's always just a click away from his team at the Outdoor Living Brands headquarters in Richmond, Va.

Outdoor Living Brands, a company dedicated to helping its customers enjoy its slogan of "living well outdoors," is composed of five different brands: Archadeck (outdoor decks, screens, and porches), Mosquito Squad, Outdoor Lighting Perspectives, Renew Crew (cleaning, sealing, and protection of outdoor surfaces), and Conserva Irrigation (lawn sprinklers). Spada's job is to manage the company's "brand personality" by generating a marketing strategy and creative direction for each brand.

Spada cut his marketing teeth with well-known brands such as Bank of America, FedEx, Jack Daniel's, Mayo Clinic, and Saks Fifth Avenue. He also has experience with advertising and marketing agencies, including Adworks, Interactive Direct Marketing, and Spada Advertising—all companies he founded.

The customer comes first at Outdoor Living Brands, and reaching the right ones with the right message is imperative. "Identify the greatest consumer benefit and leverage it," says Spada. Also, he says, focus on consistency in all ways, at all times, in every conceivable channel. He says the company's "crackerjack marketing team" executes these goals effectively.

Franchisees, of course, are equally important to the company's success. Spada says Outdoor Living Brands is dedicated to being thorough and committed to its franchisee partners by providing open communication, quick response, and on-going support.

Spada believes that as challenging as it may be to stay atop all the technological developments influencing marketing today, it's more important to properly implement those tools in ways that get results.



Describe your role as brand strategist. After creating the umbrella brand for Outdoor Living Brands in 2008, I've remained responsible for updating existing brands (Archadeck Outdoor Living and Outdoor Lighting Perspectives) and creating new ones (Mosquito Squad, Renew Crew, and Conserva Irrigation). I oversee the brand strategy and creative direction across all channels for all five brands.

What's unique about the brand strategist position at Outdoor Living Brands? Thanks to Steve Jobs, I get to

work my 12-hour days from the comfort of my home office in the Carolinas, dialoguing with my team back in Richmond on FaceTime, by email, and through many other forms of technology. I visit our headquarters to meet with my team in person in Richmond every six to eight weeks.

What's the most challenging part of being a brand strategist or CMO today? Staying current with the onslaught of new technology that is rapidly evolving and changing every day.

What are the 3 most important keys to being an effective marketing leader today? 1) Being a good listener. 2) Having an empathetic heart. 3) Being decisive.

How do you prepare a marketing plan and execute the strategies? It starts with the individual brand leader and the brand marketing manager, who determine objectives for lead generation and client nurturing for each brand, usually in the second and third quarters of the preceding year. We have the great fortune of having a crackerjack marketing team where virtually everything is conceived, written, and designed in-house at our Richmond headquarters. Hence, execution runs like clockwork.

How do you measure marketing results and effectiveness? Crunching data from channels all over the place, primarily Google Analytics, call tracking, and website landing pages.

Discuss your core consumer marketing strategies and objectives. The objective is to reach our targeted consumers—for the most part named "the Westins"—who are affluent homeowners, with certain income, demographic, and psychographic profiles. The strategies include execution in a variety of channels, most importantly including digital, mail, regional/local print, and broadcast.

How do you go about creating a "customer-centric" marketing and brand philosophy? First, determine

the single greatest consumer benefit and leverage that. For example, for Mosquito Squad, the mantra is, "The only good mosquito is a dead one." What else needs to be said after that? As for the brand philosophy, *extreme* consistency in all ways, at all times, in every thinkable channel.

Describe your marketing team and the role each of them plays. Karin Harrison, brand marketing manager, is the Big Kahuna for Mosquito Squad. Karin sets the tone for what objectives need to be determined (in concert with Amy Lawhorne, brand leader, and "The Squad" team: Nelson Stammer, Dylan Cohan, and Clayton "Buzz" Holznagel), and then works with the marketing team and me: Steven Nguyen, senior graphic design (all brands); Erica Mirra, creative development and marketing coordinator dedicated to the Mosquito Squad brand; Jane Campbell, inbound marketing manager (all brands); and Carolina Rudge, inbound marketing coordinator (all brands).

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? My mantra is "have fun, work hard, and make money." If you don't love what you're doing, you should be doing something else. Franchisees invest in a brand because they typically would not have the rigorous skill set needed to hit the ground running and grow a business. Being mentored by members of the marketing team with a "personal touch" commands extreme respect (especially when the franchisee is unaware of the topic or procedure at hand).

How does this help your franchise sales and development effort? Mosquito Squad is the biggest "family" I have ever seen. Our franchisees love the brand, love the support team, love the product, love our mascot Dread Skeeter, and are totally engaged. On rare occasions when I need to reach out to them collectively or individually for special requests (like contacting Brent Tatum to help with finding locations for our latest set of social media videos with licensed contractor and TV host Jason Cameron) you only have to ask once. When I first contacted Brent, who had yet to meet me in person, his reply was, "Anything for The Squad."

This feeling of "all for one and one for all" becomes extremely convincing when franchise candidates go through our discovery process, see our assets, and get personal validation from live calls from our units across the country, now some 200-plus strong.

What ways/tools do you rely on to do this? We have a robust set of franchise recruitment tools including our website, an information-rich and easy-to-use franchise discovery portal.

Do today's prospects expect more from the franchise marketing department? What, and how do you provide it? I have been familiar with multiple franchise operations over the years and I have never seen a franchisor as thorough, committed, and dedicated as The Squad. And I mean it. We try to respond to franchise queries within minutes, if possible, in every phase of our operation. Our being continually named a world-class franchise attests to the satisfaction level of our franchisees with their support teams.

How is technology changing the way franchise marketing is done in terms of one-on-one contact? By encouraging us to produce digital versions of face-to-face communications, like videos and highly personalized outbound communications.

How is today's consumer and marketing data helping you fine-tune your marketing initiatives? Simply put, by knowing what works and what doesn't, based on lead generation responses and the bottom line.

Describe the evolving role of social media in your brand's marketing efforts. Championing the use of social media as far back as 2008, Mosquito Squad is committed to maintaining the leading share of voice in the mosquito control and mosquito elimination field—being the founder and original mosquito treatment franchise as far back as 2005. Not only does our marketing team orchestrate multiple channels of social media and digital, we also assist our franchisees with turnkey programs and individual, customized attention to their daily social needs. For some franchisees, we also recommend the services of digital social companies

for both content penetration and search engine optimization. We also maintain a close strategic relationship with Google.

How are you assisting your existing franchisees with more contact and transparency? At the risk of sounding simplistic, virtually anything they need. By the time new Mosquito Squad franchisees finish training, they have essentially everything they need to hit the ground running, turning to Karin Harrison to channel special requests, which are then fed to the appropriate marketing team members.

How do you work with other internal departments and does technology help? Seamlessly, especially with technology. Amanda Berdeen, our manager of IT training, support, and development, is the finest in her field. She is faithfully supported by her team, London McKnight and Andrea Nagle, with additional outside support from C5 Communications.

How do you manage costs and budgets for the marketing department? I don't, my brand marketing managers do. They tell me how much I can spend and I do just that.

Do you see vendors as business partners? Why/why not? Yes. They are critical to supporting the marketing and communications needs of our five brands with our extensive schedule of on-time deliverables—again, across all channels. We treat them as we wish to be treated, as a trusted friend and ally.

How have marketing strategies/tools changed over the past decade? How have you adapted? What hasn't changed? The magic formula used to be grassroots, door-to-door selling, local spot TV, and radio and newspaper. Today, typically both homeowners are working, so no one is at home during the day. And thanks to technology, many people work to some degree at every waking hour. We encourage a strong position in digital and social media: well-targeted direct marketing with innovative strategies and high-impact creative messaging and delivery.

What advice would you offer to aspiring marketing executives? Hire people younger and smarter than you are. ■

CMO roundtable

"WHAT TECHNOLOGIES ARE YOU USING TO UNDERSTAND YOUR CUSTOMERS, IMPROVE THEIR EXPERIENCE, AND KEEP THEM COMING BACK?"

Meredith Jurek
Chief Marketing Officer

Anytime Fitness and Waxing the City

The two main ways we use technology to help us understand and retain customers are through our retention and PLEASE scores.

Historically, gyms have measured retention risk by tracking visits, but we want to measure retention risk by overall engagement with the formula: Frequency x (Usage + Value + Digital) = Retention. For this, we look at group classes, email interactions, gym usage, and other activities. We bring all the research together by integrating technology tools like gym operating software and mobile applications.

What this technology has shown us is that the industry is plagued with two key issues: member retention and personal training income. Anytime Fitness has always been a team that can score (acquire new members), so now the focus is on playing solid defense (retention). Communication from fitness and reception staff is so highly valued that nearly nine in 10 members say they value fitness staff communication. We now know that if both reception and fitness staff always speak to all members, it's estimated that 44 percent of cancellations would be avoided. Additionally, if the fitness staff never speaks to them, the likelihood of a member canceling in a given month is around 3 percent. We've diagnosed the problem and have dug deeper into our research to find a solution.

In addition to our retention score, Anytime Fitness and Waxing the City leverage the Net Promoter Score (NPS) methodology to track the loyalty and satisfaction of active members and clients. The program started in 2013 for U.S.-based gyms and is currently rolled out to international gyms in various languages, making it a global program that hears from more than 250,000 members per year. When members/cli-



ents provide feedback, gyms and studios are alerted so they can follow up to thank them for their feedback and take any action on improving their experience. With more than two-thirds of Anytime Fitness and Waxing the City respondents being promoters, the brand takes advantage of activating their feedback on social media and review sites.

Drivers of high scores in our business stem from the quality of our people. The biggest drivers of high PLEASE scores/NPS include engagement of staff, communication with the gym or studio, and results provided to clients. While technology engagement continues to grow, our people will always play a leading role in the retention and repeat business of our members/clients.

Sarah Broadwater
Director of Marketing
Winmark Corp.

In marketing, you can't depend on one vehicle alone to ensure your message is being seen and heard by your customer base; you're always implementing a multi-channel approach. The same can be said with technology. You can't rely on a single piece of technology to give you the data you need to move the business forward.

At each of our resale brands (Plato's Closet, Once Upon A Child, Style Encore, Play It Again Sports, and Music Go Round), the key piece of technology that helps us understand our customers and improve their experience is our proprietary POS system. It's integrated with third-party software that tracks key information with each sale, so it tells us a lot about customer

trends as well as other data that's important when determining customers' needs and what we need to do to meet those needs.

The email marketing and loyalty programs we have in place allow us to segment our customer base better for personalized messaging. Outside of competitors, there is still a lot of noise you need to cut through, so it's important that the messages you do send are relevant to the people receiving them. When it's not particular to them, the messages often get ignored, and you've missed out on an opportunity to engage your audience. Using these technologies and segmentation ensures the messages being sent are not only relevant, but timely to the person receiving them, which increases the likelihood they'll engage with you, respond positively, and return to one of our stores.

Further, digital marketing and website analytics help us to better understand our web and social media traffic and consumer interactions in a digital landscape. Regularly analyzing this data provides us with the opportunity to hone in on how people are responding to our messaging on the various platforms we use. This assists us in making the improvements and changes necessary to reach consumers more effectively.

One of the most exciting and challenging aspects of technology and mar-

keting is that they are both ever-evolving. A thorough understanding of how technology affects your business and customer interactions with your business allows you to reach customers in new ways in a constantly changing environment. Thanks to technology, consumers have marketing messaging right at their fingertips any time of day.

You need to make sure you're using a variety of tools to reach them so that you have a presence where they're spending their time. ■



Customer service

5 Essential CX Practices

"If only I'd cared more about our customers..."

BY JOHN DIJULIUS

These five "big picture" customer service lessons, observations, and accompanying advice may not qualify as future deathbed regrets for many CEOs, but they should. So if you're reading this, you're still alive and have a chance to improve your customers' experience to keep them coming back.

1. Executive sponsorship. It is a proven fact that any big initiative, project, or revolution must have the support of the senior leadership team; otherwise it will be considered "flavor of the month" or "management by bestseller." Customer service must be as important as finance, sales, marketing, and operations, and the senior leadership team must provide the necessary resources to create long-lasting change. One question I get often is, "How can I get my boss/president/CEO to buy into this?" And I respond, "Have him or her come to my next presentation, or get them my book." But what I am really thinking is, "You are screwed." If the top people don't passionately believe in the customer experience, the company will never embody it.

2. No one losing sleep at night over the CX. Over the last several years, one of the most frequently 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 (other than our employees) is our customers. 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- to large-sized company, you may want to consider creating a position such as Chief Xperience Officer (CXO) or Chief Customer Officer (CCO).

3. More soft skill training. How many hours do you train new employees before they can start interacting with your customers? It may be two days, two weeks, or one month. Whatever it is, ask yourself

If you're reading
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and have a chance
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the following: How many of those hours are technical training (product knowledge, processing orders, scheduling appointments, etc.) versus customer experience training (customer service vision, non-negotiable standards, building customer rapport, service recovery, etc.)? The vast majority of businesses spend 98 percent of training on the technical part of the job and breeze through their customer service philosophy because they think it is common sense. Your customer service/hospitality training has to be intense. World-class customer service organizations make sure their new employees are trained on the hospitality essentials listed above—and, just as important, are tested and certified.

4. Measuring customer experience. Companies need to see the impact that customer satisfaction has on their key metric drivers (customer retention, aver-

age ticket, re-sign rates, referrals, average contracts, frequency of visits, etc.). This not only demonstrates the ROI, it also allows management teams to hold employees accountable for providing a great customer experience at every level of the organization. Measurement tools can be anything: customer surveys, third-party companies that measure customer satisfaction, secret shoppers, or statistical benchmarks (such as the average ticket or the number of referrals). These provide a benchmark to measure the impact of the new systems and to determine whether they are being consistently executed.

5. Lack of the purpose motive. Too many companies underestimate the power a purpose provides to customer-facing employees, which is critical for having high morale and engaged employees in a workplace. The currency for Millennials is purpose. Think about the most selfless, self-sacrificing people you have ever come across. I have found them to be anyone who has anything to do with the following groups: volunteers, charities, political campaigns, and student athletes.

What do these groups and the people who make them up all have in common? They make little or no money and, in a lot of cases, it is highly unlikely they can ever make a living in any of these fields. However, they are part of a cause, part of something bigger. They are focused on their direct impact, and they have an abundance of pride and loyalty to their team. They are part of a special fraternity that they are willing to fight for.

Now think of the great service businesses that have revolutionized stale industries with a completely new model, energized by a workforce on a mission with a promise to provide a truly unique experience. Think of a company like Zappos. It created the same sense of purpose that volunteer groups, charities, political campaigns, and scholastic sports have. However, it does one thing better: it pays its team members. A purpose *and* a paycheck! ■

John R. DiJulius III is the author of *The Customer Service Revolution* and president of The DiJulius Group, a customer service consulting firm whose clients include Starbucks, Chick-fil-A, The Ritz-Carlton, Nestle, PwC, Lexus, and many more. Email him at john@thedijuliusgroup.com.

Social Media Marketing

Channel Surfing

Aligning social media platforms and goals

BY SHAWNA FORD

Marketing continues to evolve—from vendors hawking their wares in the agora to today's online age of display, paid search, and social media posts—and those selling goods and services have had to adapt to new methods of informing the public about their offerings. Yet, as has always been the case, it doesn't matter if you have the best product or service on the market if the people who need it don't know it exists.

So how does the near-omnipresent world of social media fit into today's marketing mix? Nearly 70 percent of U.S. adults use at least one social media site. That's more than 200 million people. While the largest user group is still those aged 18 to 29, with 86 percent using at least one social media site, the gap with older generations is rapidly closing: 80 percent of those aged 30 to 49 are using at least one site, as are 64 percent of those aged 50 to 64, according to the Pew Internet 2016 Media Fact Sheet.

As a business, your goal is to get in front of those people who want or need your product or service—and that is the strength of social media. Thanks to the information collected by the sites they are using, the social media audience is large and easily sorted and targeted.

Matching platforms and goals

To get the most out of your social campaigns, ask yourself a couple of questions:

1) *What platform is the best to use?* Facebook boasts the largest number of users, but Instagram has the greatest level of engagement, especially among Millennials, according to TrackMaven's 2016 Social Media Impact Report: B2C Industry Edition.

2) *Will you benefit more from brand recognition and name building or lead generation at the moment?* No matter your answer, a

bit of research can help you ensure that you're hitting your goals and seeing a return on your marketing dollars. Set benchmarks for what you will consider a successful campaign. Make sure those benchmarks are realistic and align with

Nearly 70 percent
of U.S. adults
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That's more than
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your overall business goals. Use historical data from other marketing efforts to guide your thresholds, along with industry information regarding what you can expect from the site you're advertising on. Even if you have to change your goals a bit as you go along, you need to ensure you have targets set up in the beginning to track your efforts. Otherwise, you're throwing darts in the dark.

Targeting your audience

Let's say you're an established business in your area, so you're looking for lead generation more than brand recognition. Your ads should have a strong call to action and give a clear benefit to your customer. Standard stuff, right? Moving beyond that, you'll need to find the platform that will bring you the greatest number of conversions. That can vary a bit by industry, but in the retail e-commerce conversion space, for example, Facebook had the highest average among social media channels in 2016 with 1.08 percent, according to Smart Insights. (Comparable conversion rates were 0.36 percent for Pinterest, 0.22 percent for Twitter, and 0.04 percent for LinkedIn.)

You clearly want to have a higher conversion rate than average. One way to do that is through detailed audience targeting. You can start by targeting your followers. They've already shown interest in your business and are likely to be paying attention. Next, retarget those who have visited your website but didn't convert. The next bit gets a little trickier and depends on your business. Some will benefit from income or location-based targeting, while others will see greater returns from interest and gender targeting.

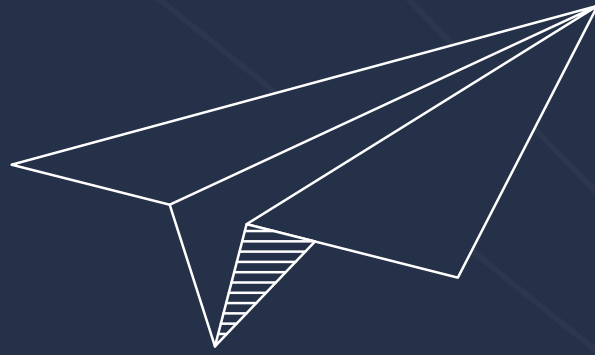
Testing campaigns

You know your audience and can probably answer most of these questions without much difficulty. The key, though, is testing your campaign once it's up and running. Check who's clicking your ads through the ad analytics offered by the social media site. If you have an offer running, look at who is clicking but not converting. Run multiple ads with different images. Or leave the image the same but change your copy to see which gets more clicks. There are a lot of variables you can test, but make sure you're testing only one at a time so you can identify the deciding factor.

As you go along, keep in mind that it's going to take more than one ad to figure out what works for you and what doesn't. As with any medium, there will be a bit of trial and error. The nice thing about social media, however, is that you can change your tactics while the ad is still running. On most sites, your targeting can be altered from day to day. You can test one ad today and another tomorrow. It's fast-paced and ever-changing, but you can make that work to your advantage.

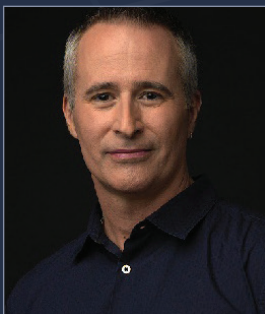
Plus, this is only the paid side of social media. There's a whole other discussion to be had about unpaid posts and promoting your business through brand building and thought leadership. But that's for another time. For now, research, set goals, start your campaign, and test, test, test. ■

Shawna Ford is a marketing coordinator at Mindstream Media, a digital marketing and ad agency. She has a background in public relations and copywriting, is the primary editor of Mindstream's social media accounts and client portal, and has written for multiple publications.



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Chairwoman's Letter

Greetings, everyone!

I am privileged and honored to be part of such a terrific organization and chair this year's Franchise Consumer Marketing Conference. I have been in franchising and marketing for over 30 years and I truly look forward to this one especially, every year.

Why? Because there are so many levels of experience and different brands that attend and share a vast amount of useful information each year. Networking and relationship building is one of the best reasons to attend the conference year after year. Many of my phenomenal colleagues, vendors, and mentors have come from the Franchise Consumer Marketing Conference.

I am a firm believer in developing people, sharing knowledge, and continually raising the bar in everything and that's exactly what this year's conference will do. Our advisory board has worked hard to bring you the best agenda yet!

This year's conference features two Keynote Speakers: Robert Stephens, Geek Squad Founder and former CTO for Best Buy, and Seth Mattison, Workforce Strategist and Management Trendspotter. In addition to the keynote speakers, you will hear from William Espey, the Branding Visionary with Chipotle, in the Build Your Crisis PR Plan Workshop. Each one of these speakers and topics will help you with your efforts within your franchise brand.

The workshops are led by many of our experienced Advisory Board members and franchisors within the industry. The breakout sessions include:

- Understanding the Mountain of Data Available to Find the Best Nuggets
- Lead Generation to Drive Revenue
- Choosing the Right Technology Platform for Your Brand
- Hispanic Marketing
- Digital Media - An Integral Part of Your Annual Plan
- Mobile - What's New within the Four Walls?

Whether you have been there every year, missed a few years or are brand new—you won't want to miss this year. Please bring your teams and invest in their growth and development.

Mark your calendars and plan ahead—I guarantee that this will be a strong investment, in not only your people, but with your brand.

Remember to please sign up before May 31st for the lowest rate. I look forward to seeing you in June!

Sincerely,

Susan Boresow
President, TITLE Boxing Club

Why Attend

SIMPLIFY FOR SUCCESS. Come streamline your strategy at the 7th Annual Consumer Marketing Conference – the only event for franchisor consumer marketers. From brand-building to utilizing technology, the Franchise Consumer Marketing Conference covers it all!

Discover the latest trends in today's marketing world! If there's a question, there's an answer. You'll leave this conference with a refreshing head start in taking your brand to the next level.

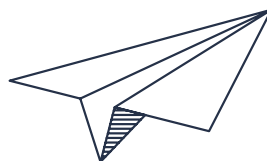


Network with the franchise industry's best marketing executives and service providers. You will be able to discover new products and services and meet new vendors all in one place. Take advantage of this grand opportunity.

Experience the best of the best in the franchise industry. CEOs, Presidents and top Marketing Executives will come together for this powerful two day event filled with interactive workshops and exciting presentations.



AGENDA *At A Glance*



TUESDAY
JUNE 20

7:30AM

REGISTRATION OPEN

8:30AM – 11:45AM

CONCURRENT OPENING WORKSHOPS

BUILD YOUR CRISIS PR PLAN WORKSHOP

8:30AM – 10:00AM

(Included in conference registration)

WILLIAM ESPEY, *Branding Visionary*, Chipotle Mexican Grill

10:15AM – 11:45AM

BRAND POSITIONING

Ensure Your Brand Position is Relevant

CONTENT MARKETING

Keys to Effective Execution

12:00PM – 1:45PM

LUNCH IN SPONSOR NETWORKING GALLERY — Exhibits Open

OPENING GENERAL SESSION

WELCOME

THERESE THILGEN, *CEO*, Franchise Update Media

2:00PM – 3:00PM

OPENING REMARKS

SUSAN BORESOW, Conference Chairwoman
& *President*, TITLE Boxing Club

STATE OF FRANCHISING

DARRELL JOHNSON, *CEO*, FRANdata

3:00PM – 4:00PM
OPENING KEYNOTE

ROBERT STEPHENS, Geek Squad Founder & former CTO of Best Buy

PROGRAMMATIC MEDIA II

LOCAL STORE MARKETING STRATEGIES

4:10PM – 5:25PM

To Help Franchisees Maximize Spend & Results

MOBILE

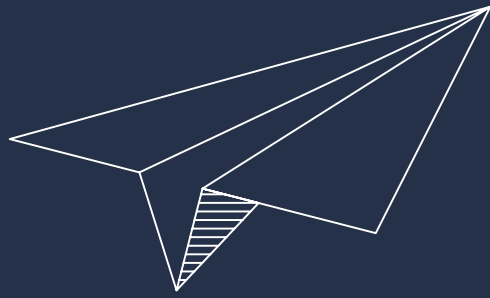
New Ideas to Drive In-store Visits

5:30PM – 7:30PM

WELCOME RECEPTION IN SPONSOR NETWORKING GALLERY —
Exhibits Open

WEDNESDAY JUNE 21

7:30AM	REGISTRATION OPEN
8:20AM – 8:50AM	CONTINENTAL BREAKFAST IN GENERAL SESSION FOYER
9:00AM – 10:00AM	WELCOME SUSAN BORESOW, Conference Chairwoman & <i>President</i> , TITLE Boxing Club GENERAL SESSION PANEL SUCCESSION PLANNING Grow Your Team to Support Brand Growth
10:10AM – 11:00AM	UNDERSTANDING THE MOUNTAIN OF DATA Available to Find the Best Nuggets LEAD GENERATION TO DRIVE REVENUE DIGITAL MEDIA An Integral Part of Your Annual Plan
11:10AM – 12:00PM	HISPANIC MARKETING CHOOSING THE RIGHT TECHNOLOGY Platform for Your Brand MOBILE What's New within the Four Walls?
12:00PM – 1:45PM	LUNCH IN SPONSOR NETWORKING GALLERY — Exhibits Open
1:55PM – 3:00PM	GENERAL SESSION PANEL DISRUPTIVE MARKETING Take Out Your Competition
3:10PM – 4:00PM	COMMUNICATIONS COMPLIANCE Marketing within the Communications Protection Act MARKETING COLLABORATION How to Work Effectively with Other Departments BEST PRACTICES FOR ONLINE ORDERING & DELIVERY
4:15PM – 5:45PM KEYNOTE SPEAKER	SETH MATTISON, Workforce Strategist & Management Trendspotter Customer Experience vs. Customer Service — What's the Difference?
6:15PM – 8:00PM	CLOSING NETWORKING RECEPTION & DINNER (Included in conference registration)



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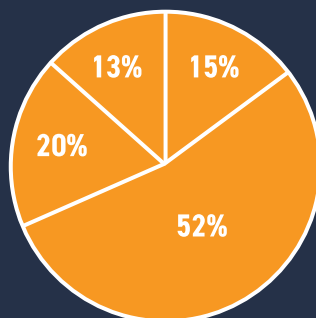
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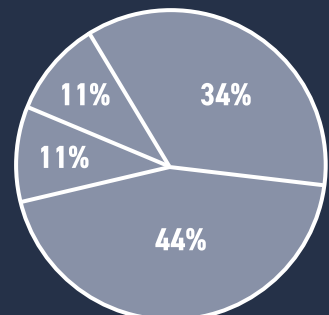
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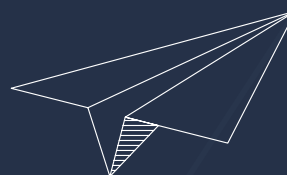
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CYBER SECURITY

IT CAN'T HAPPEN HERE (UMM, YES IT CAN!)

May 13, 2017: "Computer-security agencies across the globe Saturday raced to contain the cyber pandemic that spread from a global attack..." (*Wall Street Journal*)

May 16, 2017: "Wanted: Chief information security officers with board-level management skills, tech knowledge, and low blood pressure." (*Wall Street Journal*)

While the threat of that particular attack appeared to be subsiding a few days later, variations were still a possibility—and new, future attacks are a certainty, whether from state-sponsored hackers, cybercriminals, or teenagers out to impress their friends.

No company likes to publicly report a data breach, but these days it seems they're in the news daily. The reason is simple: it reflects badly on the brand as a whole if a customer's data is compromised—even if it was the mistake of a single low-level employee in a remote back office. In 2017, no brand, company, or government is safe. It was a hack of the NSA that unleashed May's massive ransomware attack.

We could try to scare you—for your own good—into acting *yesterday* to protect your customer and corporate data by publishing a list of the dozens of franchise brands, from restaurants to hotels, that reported data breaches in the past few years. Instead, we'll focus on what we've learned about how to practice safe computing, whether it's at the point of sale, over a mobile device, online ordering, or from as-yet undiscovered attacks.

We spoke with a cross-section of people involved in cybersecurity and franchising to learn about clear and present dangers and how to safeguard your data—and that of your customers!

Layers of security

And we found the perfect person: Armando D'Accordo, a franchisee and area representative for CMIT Solutions, which manages IT systems for small businesses. With his own territory in Long Island and responsibility for 10 franchisees in New York City and Long Island, he hears a lot about the cybersecurity worries keeping SMB customers up at night.

One big picture shift he's seen is the evolution of MSPs (managed service providers) to MSSPs (managed security service providers). Months before the recent "WannaCry" global attack, his newsletter warned specifically about ransomware and cited the following statistic: "Barely one month into 2017, cybercrime is already making headlines.... 2016 shattered all previous data breach records, with more than 4 billion records compromised worldwide."

Many, if not most, security experts expect each year to set new records as both the number and sophistication of hackers and attacks continue to rise. In the face of this onslaught, one of his mantras is "layers of security."

D'Accordo recommends three actions franchisors can take to minimize the chances that they'll be victims of a data breach (note that the first has to do with people, *not* technology):

1) Training, both initial and ongoing, for all employees. With a new client, he says, "We will have a lunch-and-learn session to explain the system we put in place and ask employees to sign that they understood what they learned." In addition, he provides clients with ongoing weekly tips on system usage and security, from teaching them how to use Microsoft Outlook securely to how to recognize scams

and something as basic as ensuring the server room is locked.

2) Standardization. The importance of using the same equipment and configuration cannot be overstated, from hardware selection to installing antivirus software—and keeping it updated. "We educate everyone on how important that is—no exceptions, not even the boss," he says.

3) Layers of security. It's not enough to have just antivirus software installed on every computer, he says. There's also antispyware, spam filters, and two-factor authentication (a new hot item he says that is now affordable for SMBs).

"These three things are really important," he says. "You can have all the technology, but if your employees are not trained to be really careful there's not much we can do about it. With phishing and social engineering, it's like having a bouncer at the door who lets everybody in."

Centralized control

MJ Worsham is the corporate IT manager for The Plamondon Companies, the franchisor of Roy Rogers Restaurants. He oversees all

aspects of technology for the company, from internal networks to PCI compliance and POS management, including the recent integration of the Roy's Rewards loyalty app.

First, he says, educate your staff about the things they can control—most importantly, their own actions. But someone's bound to slip up, especially as phishing scams become more devious and clever. Thus the importance of securing your system on the technology side.

"As a franchisor, I highly suggest that the most important thing is to standardize,



Armando D'Accordo

to get everybody on the same platform so you know everybody's behind the same fence and has the same protection," he says. "This helps mitigate the human factor." On the hardware side, that includes the network itself, a secure firewall, not having guest wifi on the same network as your system, and restricting access to your back office computer.

"All these things can be done and are easy to enable, but we see large companies breached every day," he says. "The biggest thing we've learned, and one of the first things I did when I came on board," he says, was to standardize the software and hardware across all 50 Roy Rogers units. "All our ports on our firewall are consistent in every store," he says. And all the stores use NCR's Aloha POS system.

"From there it becomes a task of getting buy-in from your franchisees without making it a mandate. You can make it a mandate in the franchise agreement, but we wanted to look at it more as an educational experience," he says. "We have a fantastic relationship with our franchisees, with a lot of mutual trust. We see it as an advisement, not a mandate."

Worsham says that with the brand's close relationship with its franchisees, this may have been easier than at larger franchise brands, or those with legacy systems or acquired units with their own technologies. One way to make the medicine go down and get that buy-in was to "kill nine birds with one stone," he says, by adding features and showing the franchisees the ROI.

When the brand launched its loyalty app, something the franchisees asked for, it had to be on the same system across the brand. "It's a lot easier when you show the ROI in the conversation: a more secure system that is up to date, PCI compliant, ready for EMV, and with online ordering," he says. "Network management and security was not the most important part of the conversation." Instead, he says, it was the new features and capabilities. "Everything was important. It was just easier to pile it together."

When it comes to advice for other franchisors, "Centralization is really the key," he says. So is limiting the number of people who have access to the system, and the level of that access. Store manag-

ers, for example, have access to the POS system at their store—and no others.

"Standardization and centralization allowed us to have a tight leash on who has access," he says. "It limits the points of failure if you have one person doing it."

He recommends starting with the low-hanging fruit and offers four pieces of advice:

1) Keep your software and hardware up

to date. Microsoft released a patch in March to fix the vulnerability that resulted in May's ransomware epidemic. Companies that did not install it were vulnerable.

2) When evaluating vendors, look at their PCI standards and compliance level. Are they innovative or reactive to PCI? While you never want to be guinea pig, he says, you also want to keep

up with the latest security technology.

3) If you're going mobile (and it seems everyone is), segment your network. Keeping everything separate is the easiest way to maintain network security and stability.

4) Finally, he says *read* to stay on top of security issues, which are a moving target as people find innovative ways to breach a system.

Hire out for help

At Jersey Mike's Subs, CIO Scott Scherer prefers to do it all in-house—well, almost. "This will probably go against what I've said in the past," says Scherer, who was an outside vendor before joining the brand (see *Franchise Update* Q3 2015). However, when it comes to data security, he says, "That would be one thing I'd outsource." And he does.

As he sees it, either plan on spending a lot of money and hiring a lot of people internally, or find a third-party partner (or partners) who are expert at protecting corporate and consumer data. "Though we like to do things in-house," he says, when it comes to security, "there are too many smart people going against us."

Jersey Mike's is getting help from Charlotte-based Global Linking Solutions, which provides 24x7 monitoring, management, and security services. Part of the brand's strategy, says Scherer, was "to make sure all our franchisees were on our network." The plan for that network (now international), which includes everything from its home-grown POS system to bar code scanners and terminals, was for it to

reside on a private network managed by Jersey Mike's through GLS.

For every new store opening, he says, GLS stages all of the firewalls and network equipment. Jersey Mike's calls its POS vendor, orders a hardware package, and GLS sends a tech to configure the equipment. "They deal with all that on their end," says Scherer. "The hardware gets installed and appears on our network." GLS monitors all the firewalls, routers, and switches and is authorized to speak with the ISP to resolve any issues. "On the networking side, they keep our system up and running."

When it comes to getting franchisees to cooperate to ensure the network is secure and compliant, he says, the franchise agreement dictates who to buy software, hardware, and networking equipment from—and the company's national credit card processing plan with First Data requires that all franchisees are PCI compliant.

PCI, standards, and tips

In January, John Christly, global chief information security officer for Netsurion and EventTracker, was named to the PCI SSC Small Merchant Task Force, where he plans to serve as a voice for SMBs and multi-location merchants to help make PCI compliance more achievable and payment data more secure.

Christly says the top five threats to restaurants are hackers, POS malware, ransomware, internal threats, and wifi security. For brands with 5 to 500 or more locations, he says, "If you want to protect the brand you have to take it seriously at the brand level." He says PCI compliance is a good place to begin.

His recommendation for franchisors is to have a rock-hard policy stating: "If you want to be a franchisee, you must prove you're PCI compliant." And, he adds, it must be legitimately true to avoid being whacked by penalties if a breach does occur. People will just check the boxes on the PCI Self-Assessment Questionnaire (SAQ), even if they're not compliant. "It will come out and be discovered," he says, but it usually takes a breach, and then it's too late. And thinking "We're insured for that" won't cut it, even for companies with cyber insurance.

"I think a lot of the requirements are a bit onerous on small businesses," says Christly. "But the rules are what they are. This is yet another cost of doing business you cannot ignore."



MJ Worsham

For the franchisor, he says, the challenge is how to make sure its franchisees know how important this is to the brand. “They know they need to protect the brand. How to do that is a different story,” he says. “PCI is not enough—people will do only what they need to do.”

His advice to franchisors? “You should not go at this alone. There are a lot of third-party providers like us you can work with for a fixed monthly fee,” he says. Besides the cost of hiring and hardware involved in doing it in-house, there’s also the burden of maintenance and around-the-clock monitoring.

Franchisors and franchisees, he says, should be particularly receptive to the idea of standardization in the context of security. If you take the same approach to your security as you do the your operations manual, store design, uniforms, and food, he says, it should be a no-brainer to understand why this is so important to the brand as a whole.

Best practices for system-wide security, he says, should see every site have its firewall set up by the same company, its computers all a certain brand, etc. Also, he adds, it’s extremely efficient to run standardized operations—and if things go wrong, this makes it easier for auditors or forensic investigators.

Even doing all these things and more is no guarantee. “Does this mean I can’t be hacked?” he says. “No, unfortunately. Anyone can be hacked.”

Another important tip: grill your vendor about their security practices. “Vendors can be really good at installation, but don’t know a thing about security,” he says, and will leave a back door open, or leave the password as “admin” when they’re done. “That’s how the majority of breaches happen.”

He offers three tips for franchisors:

1) Inventory. This is a PCI requirement, to take an inventory of wireless access points, computers, USB sticks in a POS you didn’t put there, etc.

2) Antivirus software. This should be updated *daily* he says. All it takes is to set it to check automatically. “This is a very important core security feature, especially for Windows,” he says. Christly, who in a former life was a computer forensic investigator, says he saw a *lot* of antivirus software expired.

3) Patch management must be kept up to date. Apple and Microsoft come out with updates all the time, but that doesn’t mean people install them. “A lot of hacking that has gone on is because people don’t do this,” he says.

Then, again, there’s the people factor. “I can’t make people take 15 minutes to watch a video or pay them to do it at home,” is something he hears way too often. If you don’t require and enforce education, he says, “You’re asking for trouble and should not be surprised when it happens.”

Another tip: give each employee their own ID to access your system. Otherwise, if an event occurs you can’t tell who was involved.

Securing credit card data

“In my experience, franchisors have different models in how they push out technology to their franchisees,” says

Robert Martin, vice president of security solutions at Ingenico Group, a Paris-based company that supplies technology for secure electronic transactions. In the past some would require their franchisees to accept credit cards but not specify how. Others would say, “This is the technology package you must use and must order it from us.”

Martin says the latter model is the one that should be pursued. The benefit of taking away some of the choice and flexibility, he says, is that it protects the brand—which is the job of the franchisor. When a breach happens, he says, “It’s the franchisor’s brand. Nobody cares who the franchisee is.”

What’s important in protecting the credit card data is removing the points of attack, says Martin. In the 2013 Target breach, which affected roughly 40 million cardholders and resulted in a \$39 million settlement, criminals installed memory scrapers at the point of sale to steal credit card data.

The way to prevent that, says Martin, is to make it so there is no credit card data flowing “in the clear” (unencrypted). “What’s important for franchisors is that they require a system that encrypts at the point of the card, at the terminal.” That terminal, he says, should meet the high-level security standards that have been

put out for the industry, specifically the PCI PTS (Point of Sale Pin Transaction Security Standard).

The key to securing customer credit card data with this system is that the decryption keys are in a remote location—which is the only place the data can be decrypted. In the past, he says, merchants would decrypt at the back of the store before sending the card data to a processor. “But the merchant location is still part of the attack surface,” he says.

In the discussion about PCI compliance, says Martin, it’s common for a very important distinction to be lost. “Compliance is something you do for the audits. Security is something you do to protect your brand, your franchisees, and your customers.”

Another reason to do the encryption at the terminal is that the security configurations of the terminals are controlled remotely so franchisees can’t change them. And the gold standard for encryption is a PCI Point-to-Point Encryption (P2PE) solution.

And there’s a benefit that franchisees have to love: compliance becomes significantly easier. Instead of having to answer several hundred “questions of joy” on the PCI SAQ, franchisees are faced with just a few dozen.

Then there’s the question of securing stored cardholder data. This allows customers the convenience of quick and easy ordering. Think Pizza Hut, for example,

which even stores customers’ favorite pies, saving time on both ends of the transaction. That data, explains Martin, is protected through “tokenization.” Rather than encrypting the data each time before sending it, a customer’s purchasing data is stored remotely at a “token vault” behind layers of security.

An order made through a mobile device, for instance, results in a token being sent to the high-security system where the data is stored. And there is only that one point where “detokenization” occurs before the data is sent to a payment card processor. Voila, a secure pizza delivered to your door! “For a franchisor that does mobile ordering, having a tokenization system as part of their mobile strategy is a very good answer for protecting the cardholder data,” says Martin. ■



John Christly



Robert Martin

BY SARA WYKES

CHOOSING TECHNOLOGY PARTNERS

HOW 10 BRANDS UPPED THEIR TECH GAME

Craig Ceccanti could be the Clark Kent of franchise software development. Beneath his everyday garb as CEO and co-founder of Pinot's Palette lies his hidden superpower: a double major degree from LSU in computer science and information systems, strengthened by seven years as a software developer for major clients, including the Florida House of Representatives.

When Ceccanti wants to build or update the software at Pinot's Palette, he and Charles Willis—Pinot's co-founder and president, as well as an electrical and computer engineering major in college—do it in-house.



Craig Ceccanti

Yet that's *not* what he recommends for 90 percent of his colleagues in franchising. Ceccanti coaches some of those colleagues and his advice is simple: If the choice is between building or renting software, rent. "Most people don't understand the full cost of buying," he says. "But to be successful whether you build or rent, you need to have some core competencies in technology."

Without that, navigating the addition of new technology for a franchise operation can seem like moving to a new town without friends or family. It's an unfamiliar landscape that, fortunately, can be transformed with smart decisions to help avoid dead-end streets and potholes. It's not easy or simple, but without exception, adding new technology to franchise operations is worth the effort.

Painful first steps

If Ceccanti's story represents perfect circumstances, Ron Holt's tale is the imperfect followed by a grand recovery. Holt, CEO and founder of Two Maids & A Mop, wanted to give his residential cleaning customers the speed and convenience of online scheduling and payment.

Holt was not a complete technology novice. He had already embraced the use of Facebook, Instagram, and Pinterest. The feedback from those social media platforms allowed him to evaluate traffic from those sites and follow a customer from first social media visit to appointment. He wanted more, but had few other industry-specific examples to follow. "The residential cleaning industry is 90 percent mom-and-pop, so there's been very little technological innovation. I saw the opportunity to create new technology that would give our business



Ron Holt

an advantage," he says.

To build the new software, Holt chose a firm about two blocks from his office. "We felt it would be important to work with a local firm because we assumed there would be hours and hours of face time needed to complete the project," he says.

That assumption turned out to be wrong: Holt discovered that 95 percent of his communication with the firm could be done online. He also learned that he had gone into the project with his "eyes not quite open," he says.

"I am not a software guy and I was naive early on about what the project would entail. I assumed there would be some flexibility with the contract," he says. "That naiveté turned into realism very quickly. We were billed for our time beyond what we thought would be our cost." The software delivered to Holt from the outside vendor took 18 months instead of the promised six and cost him \$500,000, instead of the \$150,000 he initially expected.

CHOOSING TECHNOLOGY PARTNERS

Finally, Holt made a hard decision: he hired two developers to work in-house. That decision wasn't without some anxiety, however. "When you go into this blind and it's a completely foreign subject to you, it's overwhelming and scary," he says. "At one point, we considered giving up."

Those painful first steps, however, did finally bring him the business advantage he sought—including additional, unanticipated benefits. For example, he says, "If our in-house team has a good idea, we can make abrupt changes. If we were still using an outside firm, that change would cost us." In some ways, he says, the new software is working too well. "We have a mechanism where you can report bugs and request new features. Now one of our biggest struggles is how to manage all those requests!"

The new software also has added new business options for customers, who can now connect with housecleaners willing to work weekends or evenings. Customers also can adjust the frequency of visits outside the more common schedule of weekly, biweekly, or monthly. The software also is guiding route mapping to reduce employee travel time.

Now that he's learned his rookie lessons, Holt has packaged and branded the software so it can be used by other service industries. And he has that proximity he sought initially: "Now we can literally walk across the building to talk with our in-house software developers," he says.

He does offer a few words of advice to others. "Work with a consulting firm or a software engineering firm to help you build the plan for the project—then use that plan to execute the hiring. You have to have a clear, realistic, and well-scoped plan because no project will go perfectly."

Specialized expertise

Always Best Care, a home healthcare service and assisted living facilities brand, faced an additional challenge in building a system: stringent and complex regulations governing its delivery and reimbursement. In such a highly regulated environment, it's hard to believe that as recently as 10 years ago the company did everything on paper.

The introduction of an electronic medical record (EMR) system in recent years made it possible to track patients, medications, doctor instructions, and

hospital records. Patient referrals could be centralized, diagnosis and billing coding insertion automated, and documentation of all patient care information improved in accuracy. But building electronic medical record software is not an in-house project.

Wading through the complexities involved in adding new technology in the healthcare field was made easier by industry resources such as the conventions organized by the National Association of Home Care & Hospice and the Home Care Technology Association of America. An annual home health technology summit is another chance for people like Elizabeth Brennan, vice president of area operations at Always Best Care, to scope out technology options from firms with specialized knowledge of the rapidly changing healthcare industry.

Brennan understood that the brand needed two important additions to its technology: 1) financial benchmarking, and 2) direct digital communication with referring medical providers and payers. The benchmarking software, built by a firm she found by exploring established, industry-recognized companies, allows Always Best Care to privately compare its performance with that of others in the industry. It can compare, for instance, percentages of expenses allocated to similar line items at its benchmark companies. That information, Brennan says, "told us we're not spending enough to fuel our business." The software also shows her where coaching and training

might be required.

The next step, she says, is to use the EMR system and new software platform to create system-wide communication portals to improve the interface between healthcare professionals and payers. Healthcare systems are growing and prefer to work with like-sized systems, not the mom-and-pop facilities that once dominated the market.

"We have to stay on top of where the industry is going," says Brennan, "or we lose our competitive advantage."

Kick the tires

Yona Smith, franchise development marketing and sales manager for Homewatch CareGivers, began with vendors recommended by industry colleagues, but took the evaluation one step further: she and her team compared demo performances of software offered by several vendors. "My team made a checklist of items we had to have versus items that were 'nice to have.' The vendor we selected had them all," she says. That vendor offered an additional benefit: one-on-one training for the team.

The new lead management system Smith's team approved has been up for only a couple of months, but she is pleased with the results so far. "Our franchise candidates are very impressed with the new online candidate portal. It allows my team to make instant updates on the fly, and allows our candidates to navigate the process themselves very easily with or without a sales representative," Smith says. "The new system is definitely more complex but has a lot more bells and whistles."

Narrow it down

Before seeking help from third parties, Chicken Salad Chick looked at the pain points generated by the company's essential tasks from two points of view: 1) What was taking a long time to do?; and 2) What wasn't easy to execute?

"There are people and companies that can do this better and quicker than we could," says Ali Rauch, director of marketing at the brand. "Sometimes the hardest part is accepting you can't do it all." The company worked hard, however, to build a robust compare-and-contrast list of possible vendors. "Slowly but surely, we check vendors off the list until we find the right one," says Rauch. "It can be a time-consuming



Yona Smith

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Ali Rauch

process, but it's worth it."

The results of that winnowing process have been very satisfying. "When we selected Reputation.com to manage all of our listings and reviews, one deciding factor was the mobile app they have that allows every one of us to receive and respond to reviews and social comments from one consolidated place—and where our owners and managers need to access it—on their phones," says Rauch. "It has made life easier and fulfilled our need."

Phase it in

In her early days with the brand, Nancy Bigley, CEO of Bottle & Bottega, knew what she wanted—and it was a tool crucial to the success of her small start-up brand. "I had a very specific vision for the experience I wanted our candidates to have as they evaluated our business. It was the same journey I went on when evaluating whether to buy into the company or not. We are a painting and wine party business, so I had to make our studios and the guest experience come to life for them since we were brand new and only had one location at the time." In those beginning days, she says, "Every dollar we spent had to count."

Bigley phased in the new technology, with the scope of work at each phase representing movement toward the long-term goals of her vision. That meant many phone calls to answer questions about functionality,



Nancy Bigley

she recalls. That level of specificity and interaction between vendor and client at each phase sometimes meant the vendor would catch something she didn't think about. "That helped us end up with a final scope of work that is pretty complete."

She also viewed the new platform as a work in progress. A year-one evaluation showed some areas for improvement. "Year two, we went back to the system and really tricked it out and took the design and questions to a completely different level," she says. "I've built out enough technology systems to know your first pass is not your last. It's your tester platform. I'm a believer that you have to walk before you run and make mistakes and go through a little pain to understand ultimately where the sweet spot is. One key piece of advice, she says, is to keep technology upgrades simple in the first phase, to learn what needs to be improved in the ensuing phases.

Two-vendor solution

Tropical Smoothie Cafe recognized that updated technology was essential to keep up with the brand's evolution from smoothies-only to smoothies and a full line of food. It wasn't a straightforward transition, combining a high-frequency product with fast casual-paced products such as wraps, flatbreads, and sandwiches. One thing that was certain, however: customers wanted to customize their orders and do that with a mobile app.

Tropical Smoothie used two vendors to solve this problem. One tool hones in on customer performance, tracks purchase

behavior, check average, and frequency; it also highlights opportunities around increasing user visits and spending through targeted campaigns along with a distinct loyalty program, says Kira McCabe, the brand's associate director of digital media. "The other software delivers directly to our cafes and assists in line management, order accuracy, and labor overhead," she says. "With both of these tools we are able to view into guest behavior, check size, and purchasing preferences in the cafes. Before our new technology, that wasn't possible."

An eye to the future

Sport Clips President Mark Kartarik had ambitions for the brand that could only be achieved through new technology. "We wanted to allow our clients to be able to check in online, see wait times on a fully integrated digital display wallboard, select specific stylists, and most importantly, manage their time by choosing where they want to wait for their service," says Kartarik. He also monitors the technology available for hairstyling businesses and selected a vendor that not only had the best existing solutions, but also was willing to innovate to suit the needs of the brand and its customers. His technology goals, just halfway through implementation, are like Holt's: first of its kind to offer all capabilities at all locations. "The early feedback," he says, "has been overwhelmingly positive."

Get the help you need

For Jonathan Barnett, founder and president of Oxi Fresh Carpet Cleaning, the results of its technology update have been spectacular. In its early years, Oxi Fresh's job data was entered into spreadsheets manually. As the company grew, Barnett realized he needed a tool that



Jonathan Barnett

would scale, automate, and streamline the process.

Like Brennan at Always Best Care, Barnett had the advantage of finding help at industry conventions. He also networked the question. He found the right company to begin the process, but has since hired a programmer. The transition from spreadsheet to CRM platform was so dramatic that Barnett said evaluation wasn't needed. But some numbers help.

"Since implementing the software,

we've scheduled well over half a million jobs in it," Barnett says. "And during our busy season, the Scheduling Center handles up to 2,000 calls a day. We went from adding up job values and durations by hand to a system that calculated all of that for us. The time saved alone made the transition worth it."

Patience pays

Sometimes, one technology must wait for others to develop. Salomon Mishaan founded OXXO Care Cleaners more than 15 years ago with new, innovative ideas about dry cleaning. Not only did he want to make the process greener, he also thought that the 24-hour drop-off and pickup doors he'd seen in Europe would make sense in the U.S. They were a hit—the first such to be available at dry cleaning franchises—but not



Salomon Mishaan

until Skyping and mobile apps became available could he offer his customers a communication method that matched the convenience of the 24-hour doors.

To complete his customer service vision, Mishaan stuck with the same developer that had produced his point-of-sale software. The resulting app allows customers to use their phones to retrieve their clothing and receive notices tracking the status of their garments throughout the cleaning process. The app also allows OXXO to send customers coupons and for customers to share their comments online.

The app is still in its beta phase, but Mishaan knows customers are happy to trade their OXXO card for a smartphone app. And he's not finished innovating. For example, drones could make deliveries—OXXOdrones, he jokes. But maybe it's not so wild an idea. "When we talked about the 24-hour door all those years ago, people said, 'Wow,'" he recalls. Now they're in all 50 of OXXO's stores. ■

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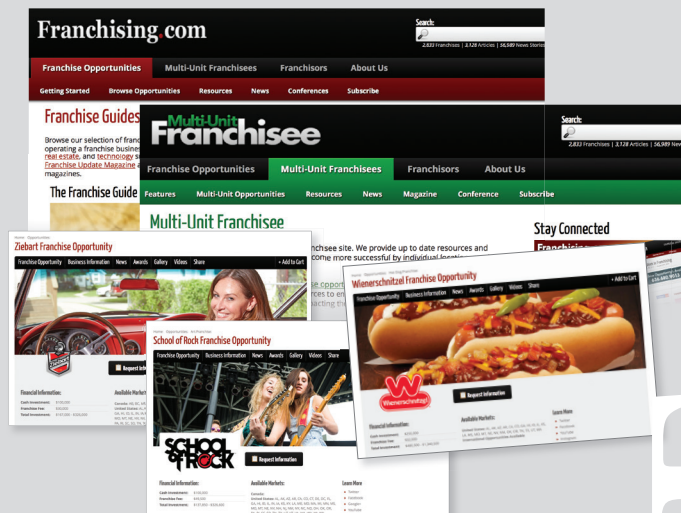
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Challenge the pros

"HOW ARE YOU USING BIG DATA AND OTHER TECHNOLOGIES IN YOUR FRANCHISEE RECRUITMENT?"

David Bloom
Chief Development Officer
Capriotti's

The data available through today's manifold third-party resources and related technologies is now required to inform and guide our decisions at every step of the lifecycle of our franchise owners. These decisions include franchise development, real estate and site selection, competitive and consumer trends, marketing messaging, media channel selection, marketing ROI analysis, and everything from menu and pricing management to employee productivity.

As a brand, Capriotti's has invested and continues to invest heavily to ensure that we have access to all of the best internal and external data resources, technology platforms, and tools, along with third-party consultants and analysts. The day when a brand could manage and ensure its competitive advantage simply by leveraging internal resources, tools, and analytics are long gone. To lead and ensure the future success of the business model and brand, we now need to align ourselves with the best thinkers, platforms, and analysts in each discipline that aligns with our business. Our commitment to providing the required financial resources, best-in-class personnel, and thought leadership within this area is foundational to the long-term success of our brand and our owners.

To be able to meet and exceed the standards mentioned above, Capriotti's uses many platforms. For the real estate and development teams, we leverage Restaurant Trends competitive intelligence data, Piiipoint mapping to visualize trends for expansion and provide actionable insights, along with Birchwood demographics and site selection predictive indexing, and Mastercard consumer purchase data. Internally, we employ Service Management Group's consumer surveys of our customer base to benchmark ourselves against the



competition and our own brand standards.

We also use the full suite of NCR restaurant and data management tools and the full suite of FranConnect Sky franchise lifecycle management software. On the marketing and media analytics and consulting support side of the business, we employ a variety of PR firms to manage our social platforms and provide digital content and brand awareness. Capriotti's also has three different digital marketing and media firms and platforms targeted toward specific audiences and media channels, SEO tools, and PPC ROI analytics. Last, we use creative and media buying agencies, brand-building experts, and restaurant-specific consulting groups in the areas of design, menu management, operational efficiency, and benchmarking our financial performance.

Dave Schaefer
Chief Development Officer
Driven Brands

Today, growing a franchise network is a much more complex challenge than just running ads, attending franchise business shows, cold calling, and ultimately hoping for the best. With the wide range of franchising opportunities available today, there no longer is a one-size-fits-all approach. Aligning potential business investors and franchise operators with the right brand is critical to the initial sale of the franchise—and the overall long-term success of the organization.

So how can a franchisor accomplish that? It begins with research. A wealth of data is available that can be analyzed collectively to unveil market opportunities we might

not have seen previously. Understanding how to evaluate all of that data requires analytical modeling and forecasting, and we've expanded our capabilities in that area to be able to fully leverage this information, with in-depth data analytics now a fundamental part of our business strategy. We look at driving trends across U.S. markets, accident and vehicle maintenance data, population forecasts and market growth patterns, fuel prices, age of vehicles on the road, new vehicle sales reports, consumer confidence reports, and more.

We also apply that technology-based approach to better understanding potential investors and business partners. Once we understand a market's opportunities, we perform a thorough data analysis on how that market is currently served and what the future might hold. Is a new neighborhood developing? How can we develop local partnerships to become part of the fabric of that neighborhood? We are now able, through our data, to determine who might be the best partner for that market and create a unique opportunity aligned for their growth and investment goals. Or, if a region is experiencing substantial growth, we can develop distinctive territories based on analysis of market data to harness the potential of that future DMA for a major investor.



None of this was possible 10 years ago. As data has become more available over the past few years, it requires a sophisticated approach to aggregate all of that information in an understandable format that can provide a clear view of a market's opportunity and understanding of the business partners and investors best suited for it. But advanced data isn't the only solution for successful

franchise growth. It still requires people who can connect with potential partners and build that vision together. The data only makes that connection more dynamic and powerful. ■

SMART TECH GUIDE

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We live in a digital age of innovation as technology companies race to improve their offerings in directions that today's franchisors, franchisees, and business owners demand. In response, many suppliers are making their systems easier to use, maintain, and install – not only from a technological and user perspective, but also in terms of affordability and ongoing updates and improvements.

We developed this guide with the intention of giving you a deeper look at the companies that offer technologies that serve your specific business needs. It provides a basis for tackling many of the issues associated with evaluating and selecting the right technologies for your business. Whether you're in the market right now, or planning to invest in a technology solution in the near future, you're sure to expand your perspective on how these franchise-focused vendors can help you grow.

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As you build your brand...



we can help you put it all together.



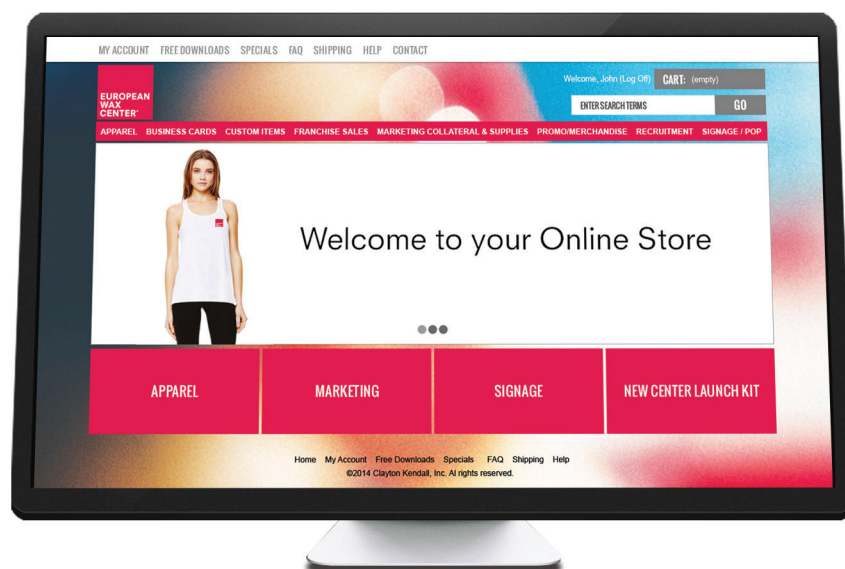
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Visit ClaytonKendall.com or contact CEO Dan Broudy via email at dan@claytonkendall.com to learn more.

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Clayton Kendall provides franchise communities nationwide with comprehensive branded merchandise programs, leading to greater brand exposure, cost-savings, streamlined operations and brand compliance. Our customized online stores give franchisees access to advertising and marketing collateral in one easy-to-use program.

LEVERAGE OUR TECHNOLOGY

Our proprietary technology is designed to meet the unique needs of your user community. We help you find the best assortment of marketing tools and display the offerings in a user-friendly, organized fashion

The technology platform unifies all aspects of the program and provides management with control of the brand as well as spend. Reports can be customized to monitor inventory, purchasing patterns, store profiles, participation and compliance. Our technology-based programs are scalable and can grow with you as the community expands.

- **TIERED LEVELS OF ACCESS** – You control the offering of different materials, marketing collateral and price points to specific regions. Also, we can assign varying levels of access to your users, including franchisees, regional managers or corporate.
- **BUDGETARY CONTROL** - Spend can be tracked by items, user, region or any measurable data. Inventory can be tracked real-time. We monitor purchasing patterns to help you manage your spend, validate brand strategy and monitor compliance. We offer drag-and-drop technology that allows you to easily select the specific data that you want to review. Customizable reports are available as well as dashboards. Our software assists you in setting budgets and controlling spend by individuals or user groups. For example, you can limit a specific dollar spend per person, product, department or location.

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As Orangetheory Fitness continued to grow rapidly, they wanted a PR partner that could make the company a household name and promote the passion the OTF workout has sparked nationwide. So they challenged Fish to help – and we delivered!



"With Fish's support, Orangetheory Fitness has doubled in size. Their team has helped us earn extensive top-tier national press, which has played a significant role in building our brand. I'm grateful for their partnership."

- David Long, CEO and Founder of Orangetheory Fitness



FISH CONSULTING

You launch the brand. We start the conversation.



WANT TO KNOW OUR SECRET?

We love what we do – and where we do it. It's true, Fish Consulting has been repeatedly named a Best Place to Work by a variety of organizations including PR Week and Inc. Magazine. This means that our team is excited about working together, both with our clients and with each other, learning and sharing, and going above and beyond expectations. Our culture celebrates connections and conversation, whether it's about a strategic media pitch or the season finale of The Bachelor.

Conversation is the cornerstone of the work we do for our consumer and franchise clients. Everything we do aims to get people talking about your business, products and services. We generate buzz to get people as excited about your company as we are.

We are deliberate. The results may seem organic, but we strategize and plan to make sure that your public relations matches your business goals. We blend content marketing, traditional and online marketing services and social media to get people talking about you and to you, in a good way. Two-way conversation is essential in modern marketing, no matter if you are trying to entice new franchise candidates or encourage consumers to try your pizza.

And, we're lucky enough to work across a wide variety of industries including fitness, hospitality and restaurants of all shapes and sizes, home services, automotive, consulting, finance and more. We get to learn something new every day, staying fresh, relevant and at the top of our game.

fish

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SUCCESS HAPPENS TOGETHER

Field Ops Resource center

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THE SUCCESS
OF EACH
FRANCHISEE.

VISIT THE
RESOURCE CENTER

to start improving
your field operations
practices today.

FranConnect®
FRANCHISING BUILT-IN™

As a franchisor, your success depends on the success of each franchisee. Your field operations team is the frontline of franchisee engagement, making your field consultants key to unit profitability.

When it comes to field operations, FranConnect has learned a few secrets from our 600+ customer base, and we've created free resources for field ops leaders and teams to read, learn, and act on proven best practices.

In FranConnect's Field Operations Resource Center, you'll find:

- An **ebook** featuring 5 operations secrets from 600 franchise brands
- A **workbook** that guides you in creating an action plan
- A **webinar** featuring the COO of The Dwyer Group on best practices to improve your field operations team
- A **webinar** featuring the COO of Nestlé Toll House Café by Chip on the importance of a field operations tool
- An **infographic** to benchmark your efforts
- And more!

Check out the resource center to start improving your field operations practices today.

[Franconnect.com/FORC](https://franconnect.com/FORC)

FranConnect is the leading provider of franchise management software built specifically for franchisors to manage their business through the entire franchise life cycle

FRANCONNECT

FranConnect[®]
FRANCHISING BUILT-IN™



Running a franchise system isn't easy. As a team of Certified Franchise Executives who know the franchise business model in and out, we get it. That's why we created FranConnect, the leading provider of franchise management software, to help franchisors and their franchisees more effectively manage, track, and run their business.

FranConnect's cloud-based software was built specifically for franchisors to manage their business through the entire franchise life cycle: develop, open, engage, and market. Information flows freely from stage to stage, complete with a detailed view of performance at each stage so you can make better business decisions. We constantly evolve as we learn what our customers want and need.

More than 600 brands and 110,000 franchisees rely on FranConnect, which is why we are the #1 company in franchising software. Only FranConnect comes with Franchising Built-In™ – exclusive functionality and best practices for the entire franchise lifecycle. We enable you to award more units and make those units more successful. Contact us to learn how we can support and empower you and your team.

CONTACT INFORMATION

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franconnect.com/contact-us/



Tired of being nickel and dimed by your Franchise Operations Software?

Switch to Naranga and you'll get better software, better service, and no upgrade fees.

More than 200 brands trust Naranga's franchise operations software for:

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And they get it all with industry-leading support and no upgrade fees – ever!



Here's what Outdoor Living Brands had to say after they switched to Naranga.

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– Natalie Nguyen, Outdoor Living Brands

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NARANGA

Simply Succeed With Naranga



Franchise Operations Software with No Upgrade Fees



While Naranga is well-known for its industry-leading Franchise Operations Software, what truly sets us apart is our passion for delivering meaningful results for our client partners. “Simply succeed” is more than our slogan, it’s our mission.

Working with our 200+ franchise partners, we’ve learned the key to achieving success is building a strong partnership with our clients. Yes, our software is industry-leading. Yes, our support is second to none. And, yes, we offer transparent pricing so you won’t get nickel and dimed. At the end of the day, however, the key to success is our passion for becoming a true partner for our clients and their franchisees.

We were created by a franchisor for franchisors, so we understand your need to protect your brand and maintain consistency across all of your locations. Naranga gives you a simple and intuitive way to:

- Provide one source of truth for franchisees
- Ensure open communication
- Cultivate and sign the right franchisees
- Provide templates to ensure a smooth onboarding process
- Automate contract expiration notifications to maintain compliance
- Provide version control of operations manuals
- Deliver training and quizzes to ensure comprehension
- Ensure brand standards

There’s a reason over 150 clients representing more than 200 brands trust Naranga as their Franchise Operations Software partner – we get results. Schedule a 30-minute demo today to learn more about Franchise Operations Software and how Naranga can help your franchise “Simply Succeed.”

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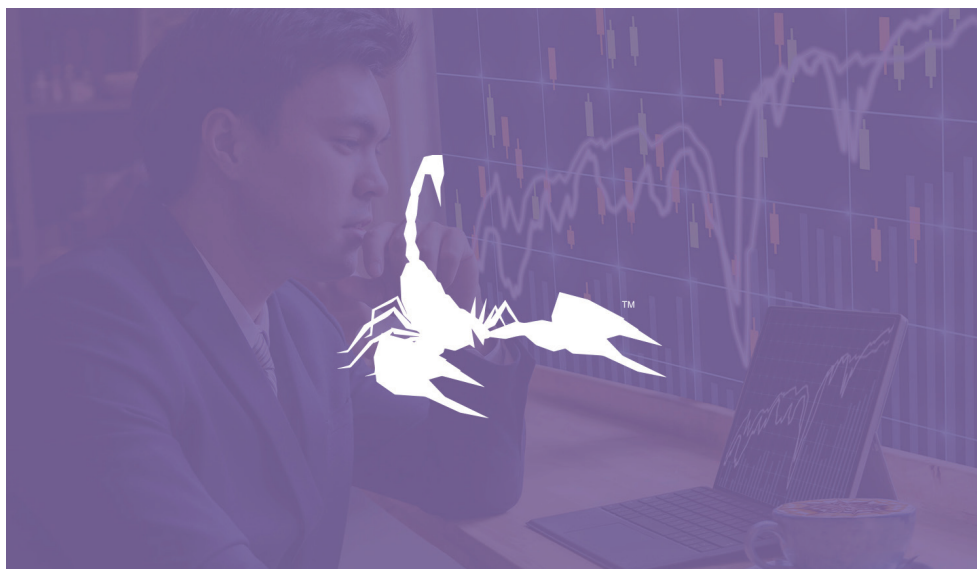
"NO FREAKING WAY I was expecting one week to be so powerful."

- HEATHER MCLEOD,
THE CLEANING AUTHORITY



SCORPION

Reenergize your franchise's online marketing



Scorpion is the fastest growing name in franchise marketing. Our franchise clients get award-winning web design and ROI-positive online marketing programs for sales growth across their entire network of locations - and that's not all. Our integrated online marketing solution and team of over 400 marketing experts are available 24/7 to help you get more leads in your local markets. From CMS integration and paid search advertising to national and local SEO, Scorpion is committed to exceeding clients' expectations in both service and results.

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- Pay-per-click advertising (PPC)
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- Content marketing
- Social media marketing
- Video marketing

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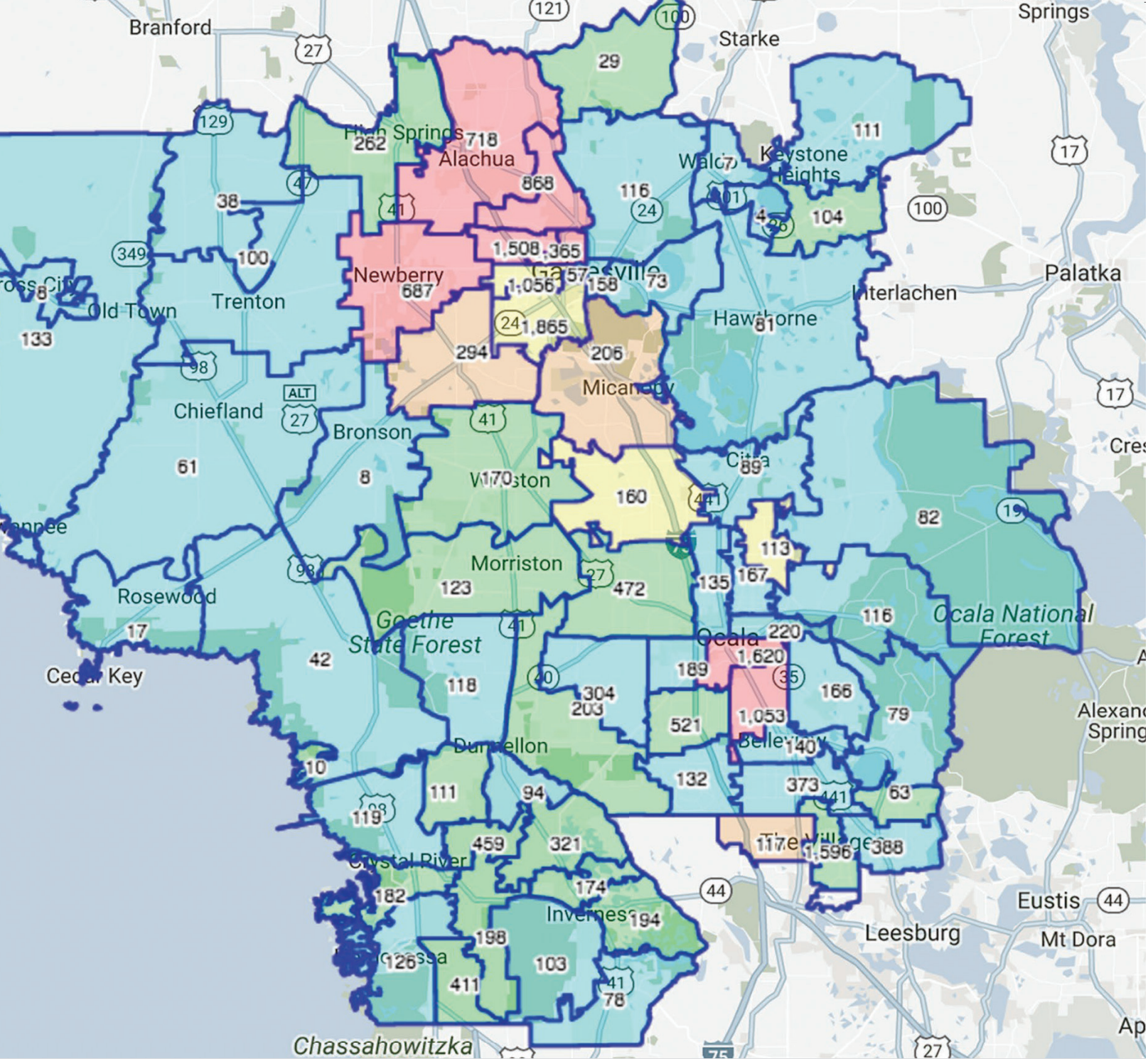
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Suite 300
Addison, TX 75001



Customer Propensity Heat Map

- < 12.8%
- 12.8% - 19.8%
- 19.8% - 25.7%
- 25.7% - 35.6%
- > 35.6%

Local Based Marketing Intelligence

Capture Local Transactional Data

Identify Your Ideal Customers

Gain Immediate Access to Advertising Options

A Local Advertising Strategy is Made

You Gain Full Transparency, Consistency & Compliance

SILVERCREST ADVERTISING

Discover Your Franchisee's Territory



It all starts with a map.

What if you could provide your franchisees even more marketing power within their territory?

And, what if on this map you could take any and all local data – transactions, email penetration, paid search click-thru rates, anything – and represent this information back to your franchisees on a geographic heat map specific to that local territory. See where there is action – and where there is not.

Go one step further and overlay all the available advertising options – those your franchisees use today – and those that they do not.

What picture is painted? Are there areas where no advertising means no transactions? Or current advertising is not moving the needle?

What about this, you take target demographics of your ideal customer –

the ones who are the most likely to need your product – and overlay this too. A story forms. A strategy is made.

Bundle this into a tool that provides immediate access to create, buy and track your franchisee advertising spend - all in one platform. A means to aggregate your local franchisee advertising spend collectively - for the benefit of the whole - building on an already reduced and negotiated national rate secured by Silvercrest Advertising.

Consistency and efficiency in local execution.

And above all - a strategic plan to monitor and measure your franchisee results to build the brand through the eyes of a local-based tool - for your owners.

Real-time.

Your story.

LMap



POWERED BY



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LMap.com

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YOUR BRAND IS IN THE HANDS OF HUNDREDS OF LOCAL FRANCHISEES!

Franchisors invest incredible amounts of time and effort to build their brands. Yet, on social media, that brand is managed by dozens, hundreds or even thousands of individuals. The result can be off-brand, damaging messages or rogue comments that hurt your brand image. Franchisors need a way of managing and protecting their brand investment across social pages, while empowering their franchisees to turn those networks into customer generating channels. That's where SOCi comes in.

Tens, hundreds or thousands of social media pages can be a powerful foundation for a franchise to connect with unique audiences and leverage the power of word-of-mouth, local marketing. The first step is to implement controls and procedures to protect your brand, and SOCi is the infrastructure you can use to turn your potential liabilities into assets.

MORE THAN 15,000 BUSINESSES RELY ON SOCi TO CONTROL THEIR BRAND AND EMPOWER THEIR FRANCHISEES.

SOCi delivers a powerful set of tools on top of a multi-tiered permission system specifically built for franchises – serving as the foundation from which your brand can run social media for the entire organization. Whether you are publishing content at peak traffic times for each location, sharing brand-approved content from cloud-based libraries, monitoring customer conversations, responding to reviews in real time, sending coupons across your network or delivering detailed, location-specific reports...

SOCI HAS THE TOOLS, APPROVAL PROCESSES AND WORKFLOW MANAGEMENT FEATURES A FRANCHISE NEEDS TO TAKE CONTROL OF SOCIAL MEDIA AND ALLOW FRANCHISEES TO THRIVE.

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HOT DISH ADVERTISING

How one agency uses technology to make the (franchise) world go 'round

“
IN CREATING OUR NEW FRANCHISE WEBSITE, HOT DISH PLACED EQUAL EMPHASIS ON DESIGN AND DATA RESEARCH TO ENSURE IT IS AS EFFECTIVE AS IT IS AESTHETICALLY PLEASING.
”

Sandee Devine, Murphy Business

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It's no secret that franchising is a booming business. Behind every successful franchise dominating their markets is a team working tirelessly to identify, reach, and recruit the best franchise candidates. This difficult feat is made easier by companies like Hot Dish Advertising.

Hot Dish, based in Minneapolis, is a full-service ad agency with experience in developing strategic marketing plans that help their clients grow their businesses. More specifically, they help franchise brands grow. The agency is headed by franchising dream team, CEO and co-founder Dawn Kane and President and business partner Jen Campbell.

“The more we understand about the prospects and what motivates them, the better it allows us to get more qualified leads into the pipeline,” says Campbell. “A lot of that understanding comes down to us unearthing good data and knowing what to do with it.”

The changing technology landscape provides more access to information than ever before, but data overload and erratic algorithms make knowing how to use it a challenge. Hot Dish shines here, proactively helping franchisors leverage their assets in a way that speaks to and connects with their audience. Pairing data with consumer insights, predictive analytics, and technology is key to the agency's process and the success they help clients achieve.

IMN, INC.

Measured Results: The Analytics Behind Email Newsletter Success



As a franchisor, maintaining the consistency of your brand and the loyalty of your customers is at the top of your list of priorities. Email newsletters have proven to be an effective vehicle for delivering targeted, dynamic content, but there is an important technological component to understanding that effectiveness: measured results through tracking and analytics.

Any email newsletter solution you may be considering, or have already implemented, should be backed by a full suite of tracking and analytics. The reason? This component gives you complete insight into which email newsletter articles, promotions, and products are most popular and impactful with your audience.

How do you know if the email newsletter solution you're looking at is up to the task? Check for these characteristics:

- Analytics should be easy to read and understand, and should highlight those customers who responded to articles and promotions, making it fast and easy to identify hot leads and the most interested prospects.
- When engaged consumers signal they are in-market for your products and services, your franchisees should be alerted through an automatically generated report. Each report should list the prospects who responded to articles and promotions.
- Ideally, include your own call scripts to turn every call into a sale.

Don't shy away from the technological component of email newsletters. Put the full power of measured results to work for you today!

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BY FRANCHISE UPDATE MEDIA

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OUR AIM

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Sales smarts

Predicting Buying Styles

Which of these 4 types is on the line?

BY JOE MATHEWS

In the early 1920s, an American psychologist named William Moulton Marston subscribed to the idea that there are four dominant communication and behavior styles. Marston observed that those who possess similar characteristics also happen to speak, listen, process information, make decisions, and produce results in similar fashion.

For franchise sales training purposes FPG personified these styles, classifying franchise buyers as the Action Hero, Comedian, Faithful Sidekick, and Private Eye.

The Action Hero



Action Heroes are visionary, entrepreneurial, results-oriented, big-picture thinkers. They are strategic and efficient, pushing for the quickest, easiest, simplest, and most efficient way to produce results.

They would buy a franchise because, "It is an efficient use of resources and the quickest and easiest way to achieve my objectives." They see the franchisor as a strategic partner, but would predictably arm wrestle from time to time over issues of control.

Keys to communicating. Get right down to business. State your objectives for the call up front and ask what they are looking to achieve; state a simple agenda and get their buy-in. Implement the "3 B" communications strategy: be good, be brief, and be gone. Have clear follow-up, knowing the answer to, "Who does what and by when?" Don't challenge their opinions without asking permission first, such as, "Would you be open to hearing any data contrary to your opinion?" or they might get argumentative.

The Comedian

Comedians are outgoing, gregarious, influential, charismatic leaders, personifying the typical sales and marketing personality. They are optimistic and entrepreneurial and work well on a team. They are brilliant at sales and marketing and make work fun. They



see the franchisor as a teammate and seek to build deep personal relationships with the franchisor's staff. They need to align the business with their identity, looking to "see myself in the business."

Keys to communicating. Chitchat. Get to know them as people. Ask personal questions and expect them to ask the same of you. They only do business with friends, so be informal. Have an agenda for every call, but let them zigzag in the middle. Move quickly. Crack jokes. Ask questions that get them back on agenda as they drift. Put all follow-up action items in writing.

The Faithful Sidekick



Faithful Sidekicks are slow, methodical, data-based decision-makers. Like the Comedians, they are strong relationship builders, but more low key and better listeners. They follow processes and systems. They relate to the

franchisor as an "insurance policy," thinking, "I would rather hit a single or a double with high degree of predictability than hit a home run but incur more risk." They desire security, stability, and belonging.

Keys to communicating. Slow down. Have an agenda for every call with clear action items. They ask many questions and prefer detailed answers, so leave time. Ask questions to draw them out. They may not volunteer information unless asked. End calls with clear action steps. They take longer to make decisions than Comedians or Action Heroes. Don't push them too hard or they will shut down. They have a tendency to lose sight of the big picture, get lost in the weeds, and are cautious decision-makers.

The Private Eye

Private eyes are highly informed, analytical, and pure data-based decision-makers. You must create a solid case as to why the business is unique, profitable, necessary to

the customer, and sustainable for the long haul. They follow processes and systems to a "T." They are very quality driven, excel in the technical parts of a business, and prefer to work alone.

Keys to communicating. They move slowly and methodically, collecting reams of data and asking many questions. They are very risk-averse and may appear to be low on trust or lacking confidence. They are professional in their approach and it is wise to



respect that boundary. Don't try to be "buddy-buddy" as they will see this as unprofessional and may create a trust issue. Have an agenda for every call.

Follow the agenda closely without jumping around. End meetings with clear action items, detailing "who will do what and by when."

Predicting buying styles

When on a call, listen for the person's speed and pitch of conversation. All fast-talking, expressive "headliners" are either Action Heroes or Comedians. In face-to-face meetings they talk with their hands. If you encounter a fast-talking, expressive, headliner immediately create some professional distance. Action Heroes will respect the boundary and engage you formally. Comedians will cross the boundary by asking you personal questions.

Conversely, if you immediately experience someone as slow talking, more monotonic, and who speaks in whole and complete sentences, know you are talking to either a Faithful Sidekick or a Private Eye. Don't feel compelled to break it down further as their communication needs are very similar.

Simple rule of thumb: franchisee recruiters want to recruit according to their style, while franchise buyers want to buy according to their style. The best recruiters are masterful at simply letting buyers buy, giving them what they need and how they need it to make an intelligent investment decision. ■

Joe Mathews is CEO of Franchise Performance Group, a franchise consultant firm specializing in growth strategies, recruitment, lead generation, and financing. He is the author of four books on franchising. Contact him at 860-309-1484 or joe@franchiseperformancegroup.com

Supplier Spotlight:

BY KERRY PIPES

GETTING A PIECE OF THE PIE

ApplePie Capital simplifies franchise funding

A dizzying array of financing options exists for franchise operators today. But not all lenders and capital are equal, so making the right choice can be complicated. And that, says Denise Thomas, CEO and co-founder of ApplePie Capital, is exactly why the franchise-exclusive lending company was created in 2014.

"We started with the belief that there was a need for growth-oriented lending solutions in the franchise industry and that we could improve the borrowing experience for franchisees through specialization on franchise businesses, a consultative approach, and technology," says Thomas.

Before making a single loan, ApplePie's founders spent more than a year speaking with franchisors and industry experts to better understand the needs and challenges that face franchise entrepreneurs.

The company began lending in January 2015. To



date, ApplePie has provided more than \$65 million to franchisees, with an additional \$500 million in commitments over the next few years from institutional investors and

banks who want to be a part of this asset class. In April, ApplePie announced the acquisition of Funding Solutions, a national franchise lending consultancy that specializes in SBA, conventional, and equipment finance loans, as well as the appointment of franchise industry veteran Ron Feldman as chief development officer. These additions allow ApplePie to provide new product options, an expanded network of lending sources, and an extraordinary wealth of franchise finance expertise for franchisees.

At its core, ApplePie is a growth delivery system for franchisors. "We unlock value for the franchise brand by providing not only access to capital for their franchisees, but also growth planning," says Thomas. "We are 100 percent focused on nurturing the growth of franchisees and giving them a full range of loan options through a single source, reducing the headaches and inefficiency of working separately across individual lenders."

The team at ApplePie has put together a group of franchise finance experts specializing in various financial product types to help guide franchisees and offer a diverse set of choices—and exactly the right loan for their current stage of growth. Rather than a typical, transactional experience with a lender, the ApplePie approach is to partner with franchisees over



Denise Thomas

the long term and provide loans that set them up for future success.

Thomas says the company relishes its place as “the only online lender 100 percent focused on the franchise industry.” The company has signed 43 franchise partner brands, who collectively have an annual capital demand exceeding \$1 billion. Franchisors like the “relationship lender” approach that supplies capital from multiple sources, eliminating the uncertainty of depending on a single-source lender, particularly in a down market.

ApplePie offers financing for both new and existing franchisees to open, expand, refinance, or acquire franchise businesses. The company also can help with equipment and remodels. “Our ApplePie Core loans are optimized for franchisees looking to accelerate their growth, and our lending network provides a full host of SBA and conventional loan options,” says Thomas. “Overall, our financing options are flexible and can be optimized for whichever factor is most critical, including speed to money, short-term cash flows, or future growth.”

The credit marketplace in 2017 is dynamic. Thomas says one financing trend the company has noticed is recapitalization and refinance options. Many franchisees have equity locked up in existing units, or their existing debt has tied up all their personal collateral, inhibiting their growth. Through a recap, she says, franchisees can access liquidity by borrowing against their units and then use those funds for down payments on their next wave of locations.

They are also seeing signs of credit tightening and consolidation throughout the industry. The trend is based on larger economic

“The only online lender 100 percent focused on the franchise industry.”



drivers and can ultimately lead to unpredictable access to capital. “This is a risk to both franchisors and franchisees because when lender rules change, it can result in loan commitments being pulled with little or no warning,” says Thomas. “Our goal is to provide a more sustainable solution that is less affected by these external factors by having a diverse set of capital sources. With more sources, our loan availability becomes much more predictable throughout the credit cycle.” ■

CASE STUDY

ApplePie to the Rescue

Keith Sirois has been a leader throughout his life. He has served in the U.S. Navy and worked in the food-service industry for 40 years. During that time he has managed restaurant operations large and small, including franchise systems with more than 800 restaurants. He has previously held management roles at brands including Checkers, Mrs. Fields Cookies, and Taco Bell. Today he is the CEO of Big Boy Restaurants.

As a franchise industry veteran, Sirois knows the value of working with quality brands. One such brand was Massage Green Spa, an innovative health and wellness luxury spa that features a price point for all budgets. He signed on with Massage Green to open three locations in Florida and was midway through his financing plan for the first location in Tampa when he met a member of the ApplePie team at a conference.

“I had been working with another lender for about eight weeks, but it was not a pleasant experience,” Sirois recalls. He says the lender did not thoroughly communicate its requirements at the beginning, which led to an extensive, drawn-out underwriting and documentation process.

“After meeting with ApplePie, I decided to make the switch right away,” says Sirois. “Not only were ApplePie’s terms better, they understood the Massage Green Spa brand, were clear about what was required, and didn’t change the rules midway through the funding process.”

As Sirois continues to grow his franchise footprint, he plans to work with ApplePie as his strategic financial partner. “It’s a big deal for a business owner to find a lender who is easy to deal with and I plan to stick with ApplePie.”

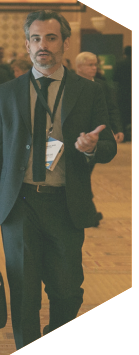
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Market trends

Fake News and Franchising

A chance to build trust and understanding

BY DARRELL JOHNSON

One of the more concerning lessons we learned from the 2016 election is the power of “fake news” to change perceptions and draw attention toward or away from an issue. Notwithstanding the political damage these stories attempt to create, they also can lead to tragic consequences for everyday people and businesses. Some are done to influence popular opinion, others just to make a buck. It is the latter reason that got me thinking about the ramifications and possible steps franchising should consider taking.

I see a parallel between the battles with fake news and the misunderstandings of the franchise business model. Putting aside any political motivations, many fake news stories are simply based on a profit motive. Fake news is nothing new and has been used, probably for centuries, by companies to boost their own perception or undermine their competition. What has changed is the speed at which fake news can spread.

Companies like Facebook and Google touch billions of people daily. Their algorithms are designed to capture activity that generates ad revenue; the more activity, the more the ad revenue. Nefarious computer specialists use bots to create false activity, and the fake story, accompanied by advertising, is off to the races. Facebook and Google have said they will crack down on fake news websites. In other words, they will try to do the right thing, even though it will hurt their revenue. I’m sure they mean it, but even with the best of intentions, will their actions be effective in a bot-driven world? That clearly is being answered with a resounding “No,” given all the misinformation we have today. Facebook and Google are not the guilty parties in creating this disease, although they may be criticized for hosting it, however unintentionally. Creating

and hosting are two different issues, and creating seems to me the greater evil.

All news “sources” face the same problem: How do they provide credibility in a world that demands rapid reporting? Years ago when a well-known national news anchor was retiring and was asked what his greatest accomplishment was, he said he was most proud that Americans didn’t know his personal political views.

I see a parallel
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A strong argument can be made that news became biased because it couldn’t satisfy the objectivity required to create trust within the time that people wanted the news. It takes time to fact-check a story. If we could provide in-the-moment news that has been properly fact-checked, evaluated, and confirmed as accurate *before* opinions are interjected, we would restore trust in news. In a video streaming world it seems to be all but impossible for news providers to apply the Reagan doctrine of “Trust, but verify.”

Franchising’s opportunity

I think the real fake news enemy we are fighting is time. Yet the mistrust with news today is an opportunity for the franchise community. In a world of mistrust, having something that you *can* trust will stand out. There are lots of certification and verification examples out there. Looking no further than the cord attached to

the computer I’m typing on, there is a sticker that says “UL Approved.” What does that mean? I think it means that the cord has been independently tested and certified as having met certain standards so I can leave it plugged in and not burn down the building.

Does franchising need a “Good Housekeeping” sticker? It depends on the significance of the topic. The franchise business model has been through some bruising years of legislative and regulatory attacks where battle lines often were drawn based on perceptions, not realities. In other words, fake news. In those instances, wouldn’t some fact-checking service have been valuable?

Most of the issues the franchise business model faces are not time-sensitive. That’s a big advantage in solving the potential of franchise fake news. A deliberative body could take the time to address the issue from multiple perspectives and issue a set of facts that all parties could “reasonably rely on” to debate an issue.

What would such a service look like? How about a core set of advisory members representing key constituencies of franchisor, franchisee, trade association, regulatory attorney, business model consultant, and perhaps a past regulator? That could be supplemented by one or two topic specialists. For instance, if it is a legislative matter, a former legislator might round out the authoritative body. Their responsibility would be to produce or commission to have produced the facts from which the issue should be considered. By putting their collective “stamp” on the result, it would be presented as properly fact-checked.

Sure, there are a lot of issues that would need to be addressed for this to work, not least of which is funding. Activating such a service on a topic would carry some costs that would have to be borne by some combination of stakeholders. But think for a moment of the possibilities. Instead of starting important business model arguments with “alternative facts” that inevitably end up with both sides calling each other names, we could at least start from the same set of facts. ■

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.

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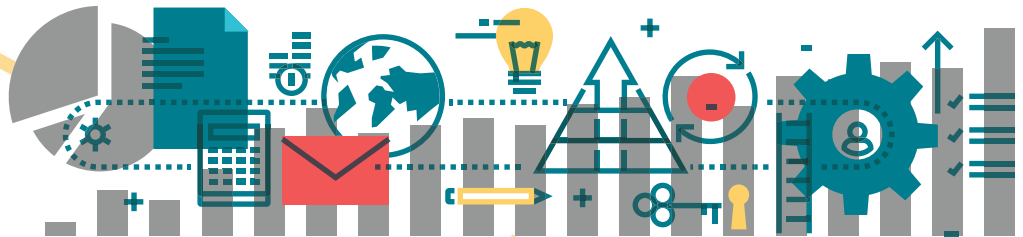
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International

Global Mobile

Worldwide trends in mobile payment

BY WILLIAM EDWARDS

There are 4.8 billion unique mobile subscribers today, a 65 percent penetration of the world's population; by 2020 these numbers are expected to grow to 5.7 billion and 73 percent, respectively. In 2016, the mobile industry was US\$3.3 trillion, 4.4 percent of total world GDP; by 2020 those corresponding numbers are expected to be US\$4.2 trillion and 4.9 percent.

In developed countries we have several ways to pay for a franchise's products or services: credit and debit cards, mobile pay apps like Apple Pay, and we can always use cash. In many developing countries, payments are generally by cash as cards are not widely available. In a world of 7 billion people and 5 billion mobile phones, just 2 billion people have a bank account.

The concept of mobile phone payments

is becoming a reality in many developing countries, which is leading to higher sales at franchise businesses that typically arrange for a mobile app or other mobile-related payment type.

From Apple Pay to proprietary apps, thousands of franchisees in the U.S. are moving into the mobile payments space, says John Gordon of San Diego-based Pacific Management Consulting Group. Of Taco Bell's approximately 6,000 U.S. locations, more than 5,700 now offer mobile pay options. Smoothie King recently implemented an iPad-based POS system in all 750-plus of its locations. Also in the U.S., Popeyes Louisiana Kitchen is putting mobile pay options on its counters.

Mobile payment growth

Mobile device ownership across the world far exceeds that of any other device or platform and is increasing rapidly. With the rapid adoption of smartphones over the past decade, improvement in telecom connectivity, and declining handset prices, mobile has become the primary device around which our daily lives revolve and is shaping how consumers search, purchase, and pay for goods and services.

As commerce is moving to mobile, so are payments. The number of contactless mobile payments made with mobile handsets reached 148 million globally in 2015, according to Juniper Research. Samsung and Apple will account for approximately 70 per cent of new customers.

According to Franchise Payments Network, wireless payment processing is great for 1) any business or franchise that offers delivery; 2) service or mobile businesses; 3) all businesses that accept credit cards; and/or 4) anyone who wants to save on interchange rates by taking cards in person instead of over the phone or Internet. Mobile payment also enables stores to ring up customers right on the sales floor with no checkout counter or lines. Apple Stores, for example, have roaming associates who ring up the sale quickly on the spot with a credit card or Apple Pay from a handheld device.

Developing countries

In sub-Saharan Africa, more than 60 percent of individuals now have access to a mobile phone.

Kenya leads the world in mobile money, with more active accounts than adults in its population. The total value of transactions





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made by mobile phone in 2013 was around \$24 billion, more than half the country's GDP. As mobile phones have become more widely available, mobile payment transfers have helped reach the "unbanked." In at least eight countries, including Congo and Zimbabwe, more people have registered mobile money accounts than traditional bank accounts.

Mobile payments also are booming in China, with total transaction value topping Rmb38 trillion (US\$5.5 trillion) in 2016, triple the previous year, according to Beijing-based iResearch. By comparison, the U.S. mobile payments market increased by 39 percent to \$112 billion last year, according to Forrester.

In places like India, Indonesia, and Brazil, it's easy to buy an Android phone for as little as \$25—even less for older, secondhand (or thirdhand) refurbished phones. But there's likely to be little onboard storage, and the pay-as-you-go data plan is too precious to waste on apps, especially those that send and receive data even when you aren't using them. Browsers are popular again, not just because typing a URL has become simpler, but also because they work harder to compensate for the nature of wireless access in emerging markets.

India and "demonetization"

Smartphone penetration in India was estimated to be at 239 million in 2015 (17 percent of the population), and is expected to grow to 702 million by 2020 (55 percent of population).

According to the Reserve Bank of India, the country of 1.3 billion people has fewer than 23 million credit cards and just 640 million debit cards—and 88 percent of those debit cards are used only for getting cash out of ATMs. India averages just 6.7 electronic payment transactions per person, compared with 249 in Australia, 201 in the U.K., and 14 in China. As for those paying by card, in a country with 1.3 billion people there are only 1.2 million machines that can accept them.

On November 8, 2016, Prime Minister Narendra Modi went on TV at 8 p.m. and, in an unscheduled national address, announced that "the 500 and 1,000 currency notes presently in use will no longer be legal tender from midnight tonight." (The notes were equal to about US\$7.50 and US\$15.) The abrupt move left Indians short of ready cash. I was in India the first week of December and we were unable to

get small bills anywhere to tip drivers, etc. There were very long lines at ATMs and a person was able to withdraw only a few thousand rupees at a time.

Before this jolt, India was a 90 percent cash economy. Homes and even large buildings were paid for in cash—not cards, cash money. The government wanted to change the cash economy so that corruption would decrease and Indians would begin to pay taxes (6 percent of Indians paid taxes last year; one result is very poor infrastructure). You had just a few weeks to take your 500 and 1,000 rupee notes to the bank to exchange them for new bills or your old money would be worthless.

Unable to pay for daily transactions in cash, millions of Indians have now gone digital, as have firms and small traders worried about a huge loss of business. Moolchand Parantha is just one example. The famous street food stall in New Delhi had only ever accepted cash for its Indian breads. But it signed up for Paytm, an Indian mobile wallet app, just hours after Modi dropped his 8 p.m. bombshell. Now about 20 percent of its daily takings come from the app.

Local perspective

I asked Rajeev Manchanda, founder director at Inventure India, for his thoughts on India's move to shift from a cash-based economy. Here's his response:

Payments-related technological innovations are changing the way Indian consumers pay. The recent demonetization drive by the government gave impetus to adoption of e-wallets like Paytm overnight. One of the greatest benefits of demonetization has been the fillip it has given to digital transactions: the cash-to-cards ratio saw a complete reversal. This quick adoption of digital payment methods has played out across the organized retail sector.

In the major cities, it would have taken people from different socioeconomic classifications three to five years to adopt digital payment methods. Demonetization fast-tracked the cash-to-digital transformation to a matter of months. Around 12 million additional customers were added in a single week to the number of Indians using "digital wallets." This opened more avenues for organized retail players as people explored alternatives such as shops in malls or other organized retailers to purchase basic items, which led to increased footfalls across the sector.

The government unleashed a formidable competitor to e-wallets by building the United Payments Interface [a payment system that allows money transfer between any two bank accounts or from a bank account to a merchant by using a smartphone] and an application that facilitates payments in an easy and quick manner. For people not having a plastic card or smartphone, the government is enabling payment through India's Aadhaar, the world's largest national identification number program, based on demographic and biometric identification through which seamless transactions are possible.

Paytm founder and CEO Vijay Shekhar Sharma says his business was gaining tens of thousands of new users a day before the rupee note shortage. "Now we're signing up half a million customers a day," he told CNN. Since the move was announced, he says Paytm has added 10 million users, growing its customer base by 7 percent in less than a month to 160 million. "In urban India, you have places where you can use cards, but in rural India you don't have so many places," Sharma said. "So mobile is the only way beyond currency." But for a country where more than 90 percent of daily transactions take place in cash, even for big ticket items such as jewelry and real estate, switching to a digital economy will be easier said than done.

The bottom line

In-store smartphone purchases worldwide were predicted to increase 1,000 percent in 2015, according a report by Deloitte Global, and its acceptance continues to grow. "Smartphones are already being used to check balances, transfer funds, and transact online, but they have not reached a 'mobile wallet' status globally," said Jolyon Barker of Deloitte Global.

The world of mobile payments is here—everywhere. Franchisors must adopt this payment tool or lose sales. Your competition is doing it!

William Edwards, CEO of Edwards Global Services, Inc., has 44 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. He has been an international master licensee and a franchisor executive. Contact him at 949-375-1896, wedwards@edwardsglobal.com, or read his blog at edwardsglobal.com/blog.

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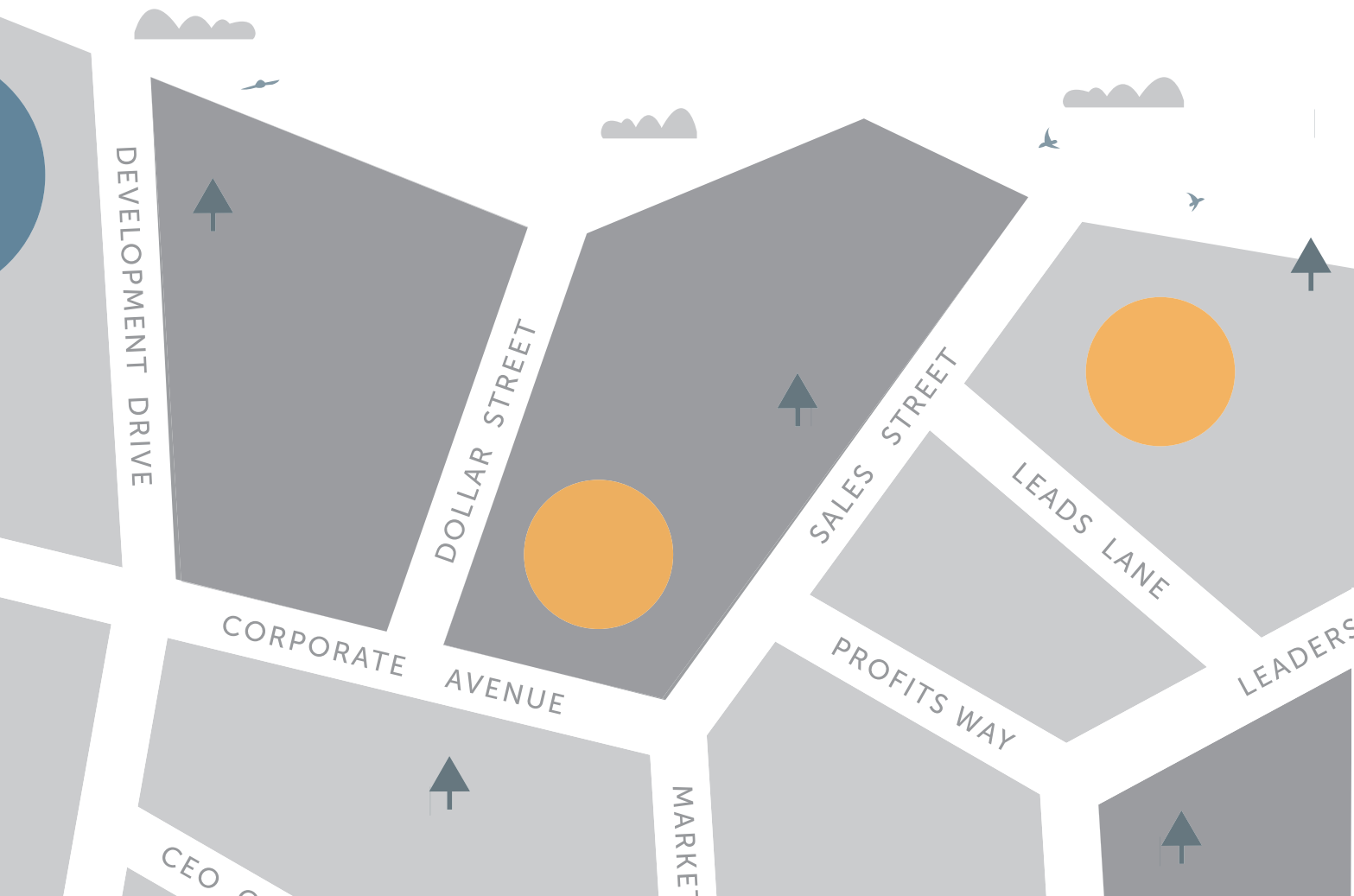
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It's closing time

Facing the Brutal Facts

Franchise development, we have a problem!

BY ART COLEY

subscribe to the Stockdale Paradox. Jim Collins made it famous in his best-selling book *Good to Great*. Here it is: *"You must never confuse faith that you will prevail in the end—which you can never afford to lose—with the discipline to confront the most brutal facts of your current reality, whatever they might be."*

In development, we are great with the "faith" and "prevail in the end" parts of the quote. However, the "confront the most brutal facts of your current reality" part is another story. The proof is in the data collected each year in Franchise Update's AFDR regarding lead generation, signings, mystery shops, conversion rates, and other aspects of franchise development.

I think we can do better. That's why I'm honored Therese Thilgen and *Franchise Update* magazine have asked me to join the team with a regular column focusing on the "brutal facts" and "current reality" of franchise development—and solutions for the challenges we face. Let's start with a basic outline of the process and results we want:

1. Targeted lead generation of qualified candidates.
2. An efficient and sustainable discovery process.
3. Secure targeted number of franchise agreements.
4. Successfully on-board new franchisees.
5. Repeat steps 1-4.

If these five steps are what "prevail in the end" looks like, we know that for most brands this is not the "current reality." There is a development challenge for many brands and it's chronic. It's systemic. It's deep and not easy to face or solve. Yes, we have a problem, but one that is worth addressing and conquering because your brand's future depends on it.

So, what is it we face? Here are some areas to consider:

- **Not understanding true develop-**

ment. Development is the timeline from planning to lead generation through at least the first 12 months of new franchisee on-boarding.

- **Wrong metrics.** Development is more than the number of leads and cost per lead. Through this column, we are going to look at the critical metrics of development and how you can track and measure what's really happening, and even forecast the upcoming months.

- **Lead generation.** I'm going to show you how to get it right, including how to efficiently and effectively implement a "multi-channel cross-media integrated marketing strategy." (I know, it sounds fancy but I'll explain why it's critical, what you need, and a simple way to implement it.)

- **Initial fees approach is old school.** Today's quality candidates must understand these fees and why they are paying them.

- **Recruitment as a profit center.** "How much money can we make from 'selling' franchises?" is the wrong question. Focus should be on the unit economics and royalty created with a successful new franchisee.

- **Many best practices are failed practices.** Lots of preaching and regurgitation of practices that do not work or are outdated. We must be willing to challenge our way of thinking... and that's what I pledge to do through this column.

- **All the "reward money" is at the signing.** Big fees to brokers, commissions, celebrations, etc. all happen around signings, while the franchisee is terrified about starting a business. We'll definitely dig deeper on this topic.

- **Goals and budgets not aligned.** The board and CEO want 40 signings while the budget is set for 10.

- **Referral industry.** We know the data: franchise brokers, coaches, and consultants, known together as the franchise referral industry, send over names of individuals who account for approximately 50 percent of all individual signings annually. They

play an important role. But the quality, consistency, and fees are all over the place. There is no standardization, and for many brands it's not the right solution.

- **Outsourcing the franchise development team.** There is nothing wrong with outsourcing, but leaving recruitment of future franchisees entirely to a third-party group is a mistake.

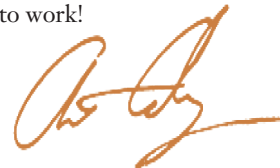
- **Development executives are not prepared.** Though willing and eager to succeed, many chief development officers and VPs of development have not been properly trained with the right skill sets and knowledge to deliver what is needed.

- **No existing business strategy (EBS).** EBS (what I've named it) targets non-franchised independents in your industry and consists of conversions, tuck-in acquisitions, acquire-and-converts, and/or bolt-ons. The big idea to implement an EBS usually fizzles when it becomes obvious how different it is from traditional development. It's not for every brand, but for those where it is a fit, an EBS can create a quantum leap with unit count, system sales, and royalty. But it's hard.

With each issue of *Franchise Update* I will climb into these areas and more. My mission is to help you improve your development results. Why? Because franchising is the greatest invention for small-business ownership—and each of us who has the privilege to work in this great industry owes it to those from the past and those in the future to keep pursuing a standard of excellence. Let's leave it better than we found it.

Most of all, we owe it to the millions of individuals who reach out to us wanting to better their lives through small-business ownership in a franchise. And their journey starts with a development team.

Let's go to work!



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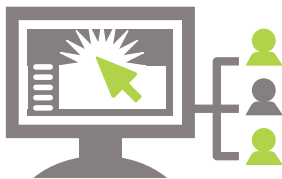
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