Franchise update

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

Q4 | 2017

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From the editor's desk

BY KERRY PIPES

Small Change Adds Up

This year's Franchise Leadership & Development Conference (FLDC) attracted the most attendees in its 19-year history. But that's just a footnote to a conference that continues to deliver the best in franchise sales and development training, education, and peer networking.

The bulk of this issue is dedicated to conference coverage, including a recap of the educational panels and discussions, the economic outlook for franchising, and the inspiration and lessons delivered by the keynote speakers. You'll also find coverage of the Annual Franchise Development Report (AFDR), the Mystery Shopper survey, and this year's STAR Award winners.

Yet (as we wonder each year), why do some franchise development teams continue to miss the boat while others sail ahead with award-winning performance?

Consider just these two facts from our mystery shoppers: 1) of the 136 brands contacted through their website, 45 percent never responded with a phone call; and 2) of the 137 brands dialed up by our telephone mystery shopper, 25 of those brands never responded *at all*—even after two tries. These results and more (see page 42) show that improvement is still needed at too many brands.

Some attendees from last year took the findings to heart—including some of the top performers. Take Shelly Sun, founder and CEO of BrightStar Care and this year's IFA Chair. Seeking to improve her company's already outstanding performance in last year's STAR Awards, Sun and her executives set about to recreate their own processes during the past year. The results? "We're closing more deals," she told us. Winning the top award this year for Best Overall Performance, she said, is "a validation of all the time and money we've invested."

Other brands too, took last year's lessons to heart—whether from using the AFDR to benchmark their performance against their peers or industry, or hearing from the assembled experts—and made adjustments to improve the effectiveness of their sales and development teams. Some of this year's winners were 2016 runners-up who bested their performance from last year. The awards, as Sun notes, are a bonus, a validation of a job done well—or at least better! The proof's in the signings, and in the cost per deal and cost per lead.

One attendee at this year's conference told us, "This conference helped me to re-evaluate our entire process and will help me in planning going forward."

Another said, "This group makes me strive to be the best I can be. I love learning new approaches to my business from respected peers. Everyone is always 100 percent willing to share the keys to their success with others. No other conference in the industry helps me better in my daily business."

If every brand took their sales and development as seriously as these two do, then perhaps next year's mystery shoppers will get a quick, high-quality response from *every* brand they contact. ■

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Leadership

FRANCHISE LEADERSHIP AND MANAGEMENT

BY KERRY PIPES

BETTING ON A BETTER BURGER

John Eucalitto leads Wayback into the future

The "better burger" marketplace may seem crowded, but for Wayback Burgers the competition makes for exciting challenges and opportunities.

"We have to be innovative, offer great food, world-class training and support, and we have to aggressively pursue development agreements with the right operators in the right places," says John Eucalitto, the 53-year-old president and CEO of Wayback Burgers.

Wayback, a Connecticut-based fast-casual brand known for cooked-to-order burgers and hand-dipped milkshakes, operates restaurants in 28 states with 135 locations worldwide. In 2017 alone the brand has opened more than a dozen new locations, and another two dozen are under development.

Eucalitto is proud of his leadership team and says their experience and commitment to the brand are attracting new franchisees and encouraging multi-unit growth among existing franchisees. As a leader, he believes it's important to solicit feedback from his management team as well as from franchisees, which he sees as customers of the home office. "Our franchisees, whether they realize it or not, own the brand and its direction as much as we do. Listening first, acting second, is critical," he says.

Part of the brand's growth plan involves a focus on international. "We already have restaurants open in Argentina, Brunei, and Saudi Arabia, and master franchisee agreements in another 30-plus countries," Eucalitto says. International growth will remain a focus of the brand in the coming months and years as Wayback pursues partners throughout Europe, the Middle East, and other parts of the world.

In the past year, he says, the brand has worked hard to implement innovative strategies that include a new in-store design and a mobile food cart—all while continuing to support franchisees with an experienced leadership team and a proven model.

Ultimately, Eucalitto envisions the brand reaching 1,000 units and enjoying a healthy and growing retail merchandising income. "We are trying to build and maintain a great reputation and create a brand with staying power that will be around for a long, long time."

NAME: John Eucalitto
TITLE: President, CEO
COMPANY: Jake's Franchising
UNITS: 135
AGE: 53
FAMILY: Wife Wendy, children Frank and Madison
YEARS IN FRANCHISING: 27
YEARS IN CURRENT POSITION: 9

Leadership

What is your role as CEO? To bring our corporate vision to life. Balancing company resources, developing a safe and respected culture, driving company performance, and most important, making good decisions.

Describe your leadership style. I am inherently a diplomat. Allowing the team, franchisees included, to be involved, creative, and take ownership in the decision-making process, in a fun, family environment.

What has inspired your leadership style? Experience. Having witnessed the rise and fall of brands over the years, I have come to realize that the more you solicit participation, the better the outcome. Our franchisees, whether they realize it or not, own the brand and its direction as much as we do. Listening first, acting second, is critical.

What is your biggest leadership challenge? Having the team understand that there are many pieces to a puzzle and the collective team is responsible for it.

How do you transmit your culture from your office to front-line employees? Direct involvement with them. We conduct monthly webinars where our leadership team and I give updates and open the floor for questions. The webinar is open to franchise owners and managers.

Where is the best place to prepare for leadership: an MBA school or OTJ? OTJ, starting at a very young age, usually influenced by your first job or an immediate family member. Embracing leadership, by choice or by fire, will allow you to grow quickly and learn to adapt to the ever-changing environment.

Are tough decisions best taken by one person? How do you make tough decisions? In the franchising world, most decisions are tough ones, therefore we make them collectively. Our goal is to involve as many franchisees as we can in the decision-making process.

Would you rather be liked or respected? Both. Being liked is self-satisfying on a personal level. Being respected goes much deeper and is much more difficult to achieve. I am a believer that achieving both creates a more dynamic leader.

Advice to CEO wannabes: Never quit on yourself or your team.

Management

Describe your management style. A combination of affiliative, participative, and pacesetting. Family and life are most important. This is reiterated daily, yet involvement, accountability, and responsibility also are required.

What does your management team look like? We have a mix of broad and focused franchise veterans. Most have been franchisees at one point, both successful and not so successful, all appreciating our customers, the franchisees.

How does your management team help you lead? We all accept and embrace collective decisions. Senior management meets every Monday to discuss current issues, objectives, and goals. Our desire and ability to work together is paramount.

Favorite management gurus: Do you read management books? I don't spend enough time reading books. Most of my time is scouring industry updates and management tips. Recently I have been listening to podcasts while driving. I always enjoy "How I Built This."

What makes you say, "Yes, now that's why I do what I do!"? When a team member—including franchisees—has a successful moment in life, inspired by their involvement with us.

Operations

What trends are you seeing with consumer spending habits in your stores? Average tickets are up slightly, without an increase in pricing. A slight move to chicken versus beef as well.

Has the economic recovery reached all of your customers? Not necessarily. Our demographic is very broad and some segments continue to struggle. Price consciousness has not gone away.

How is the economy driving consumer behavior in your system? We have not experienced a significant change in behavior recently.

What are you expecting from your market in the next 12 months? Continued system-wide growth of 15 to 20 percent and a substantial increase from our international partners.

Are your franchisees bullish or bearish about growth and adding units? Most continue to be bullish as we continue our transition from single-unit operators to multi-units.

Are commodity/supplies costs any cause for concern in your system? Most of our products have been stable for the past two years, some with a slight decline, which has allowed us to maintain local pricing.

In what ways are political/global issues affecting the market and your brand? Government sanctions affect our development opportunities, Sudan for instance. Until January 2017, we were not allowed to work with prospects who were willing to open. We are now in the final stages of construction and will hopefully be the first U.S. brand there.

Personal

What time do you like to be at your desk? 7 a.m. It's usually quieter then and you can better plan your day, although others have joined in!

Exercise in the morning? Wine with lunch? Our office is a 4-story building without an elevator, so we all exercise all day. Lunch, if not brought in, is somewhat of a rare occurrence.

Do you socialize with your team after work/outside the office? Usually not. Family is most important so we try to respect each other's personal time.

Last two books read: Our 2017 FDDs—U.S. and Canada.

What technology do you take on the road? I always have my three devices: iPhone, Dell laptop, and iPad.

How do you relax/balance life and work? My relaxation comes when I am with my very, very large family. We rarely discuss work and truly enjoy being together, whether at the family lake house or vacationing together.

Favorite vacation destination: Italy.

Favorite occasions to send employees notes: Birthdays and holidays.

Favorite company product/service: Hot dogs, mustard and relish.

Bottom Line

What are your long-term goals for the company? Reach 1,000 units system-wide and retail merchandising from Wayback worldwide.

How has the economy changed your goals for your company? Not at all. You have to adapt to the ebbs and flows of the environment to win in the long term.

Where can capital be found these days? Most franchisees have been using bank loans, SBA guaranteed, to expand their businesses. We have been fortunate not to have had the need for capital, although private equity is readily available.

How do you measure success? Progress, both personally and professionally. When our team members are growing and the system is growing, we are progressing.

What has been your greatest success? Developing our team to build our brand.

Any regrets? No, we make decisions and live with them. If they are wrong, we adjust and continue to move forward.

What can we expect from your company in the next 12 to 18 months? Continued domestic and international development, with an additional 40 to 50 locations opening. ■

4 TRAITS OF A SUCCESSFUL FRANCHISE SYSTEM

A healthy franchise system is a successful franchise system. There are 4 key traits that combine to build a healthy franchise system. Acquiring these traits leads to low franchisee turnover, an attractive investment opportunity for new investors, sustainable outlet growth and strong brand recognition and consumer satisfaction

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BY KERRY PIPES

"REDNECK CEO"

Gary Findley is country-raised and proud of it

Gary Findley will proudly tell you he was raised in the country and that's where he picked up his work ethic. "Whether I was a kid raising horses and cows, driving tractors, or working on the railroad, those jobs, in some of the hottest and dusty places you can imagine, have inspired me forever," he says. "It also taught me that nothing replaces honesty and integrity, and you have to work hard for your success," says the 55-year-old CEO of Restoration 1—and, as of this past summer, of bluefrog Plumbing + Drain.

Findley has taken his country roots to some of the biggest cities and successful franchise brands in the country. He has an entrepreneurial drive that has seen him operate his own businesses, serve as a franchisee of multiple brands, and ultimately become an executive who grew some of the biggest franchise networks around. He has previously served as vice president of franchise sales for Rainbow International at The Dwyer Group, president and COO at Curves International (where he helped grow the brand to more than 8,000 locations worldwide), and as COO of EnVie Fitness.

Since becoming CEO of Restoration 1 in 2016, Findley has beefed up his corporate team, elevated programs with national vendors, and unveiled a new marketing campaign, all while expanding the brand from 18 locations to more than 140 locations in just 15 months.

He says the company acquired bluefrog Plumbing + Drain last summer because the move "broadens the franchise brands and complementary services that we deliver to a growing residential and commercial customer base across the United States." And he'll likely look for more acquisitions, he says.

Findley ultimately wants to see Restoration 1 and bluefrog Plumbing + Drain be household names for their services. In the immediate future, he sees sustained growth and happy, satisfied, and dedicated franchisees offering a quality service to customers in a time of need.

NAME: Gary A. Findley
TITLE: CEO
COMPANY: Restoration 1; bluefrog Plumbing + Drain
BRANDS/UNITS: Restoration 1, 150; bluefrog Plumbing + Drain, 22
AGE: 55
YEARS IN FRANCHISING: 27
YEARS IN CURRENT POSITION: 1.5

Leadership

What is your role as CEO? To oversee the vision of the company, to direct and guide staff, and to continue to provide resources, knowledge, and talent for the growth of the organization across multiple franchise brands.

Describe your leadership style. I find top staff members who are self-motivated and knowledgeable, and then I let them do their jobs. I have an open-door management style and grant my team full access. They can come to me for direction, and I provide them what they need to succeed. At the same time, I don't have meetings just for the sake of having meetings like other companies. And I don't micromanage.

What has inspired your leadership style? I take great pride in calling myself a redneck CEO. I was raised in the country. I learned responsibility early in life, and I grew to understand and appreciate the meaning of hard work. Whether I was a kid raising horses and cows, driving tractors, or working on the railroad, those jobs, in some of the hottest and dusty places you can imagine, have inspired me forever. It also taught me that nothing replaces honesty and integrity, and you have to work hard for your success. That upbringing has served me well, from my roots in the country all the way to the biggest cities across America and in places around the world.

What is your biggest leadership challenge? Since I am a relational manager, not a dictator, my biggest challenge is separating the relationships I have with my staff. I don't take my role lightly and respect and reward my staff.

How do you transmit your culture from your office to front-line employees? It's all about the Golden Rule. I treat people the way I would like to be treated. And that should extend all the way down to the front-line employees. I absolutely think it starts from the top with a constant goal to lead by example. In return, since my leadership style has worked well to attract great employees with the same respect for others, it creates a ripple effect across our rapidly growing network.

Where is the best place to prepare for leadership: an MBA school or OTJ? My personal opinion is that nothing prepares a leader like being in the line of fire on a daily basis. Experience trumps knowledge any day of the week. When I graduated high school my friends all made plans to head straight to college. I just had the desire to start making money. So I went to work on a rail gang for the railroad and started my work career. Fast forward to when I retired from Curves at the age of 40 after growing the franchise network to more than 8,000 locations and I finally decided it was time to go to college and get my degree. The first lesson I had to read on day one in my textbook was the story of Curves. I'm happy to say that I made an "A" in that class.

Are tough decisions best taken by one person? How do you make tough decisions? I hit them head-on. There will always be tough decisions to make. And many times they will affect people's lives in unpleasant ways. But there is no point in putting off the inevitable. I never make tough decisions from an emotional point of view, I don't make them without looking at all the facts, and I don't make them by the seat of my pants.

Would you rather be liked or respected? Respected.

Advice to CEO wannabes: I know this is a bit of a cliché, but treat people the way you want to be treated, respect everyone, treat the company's money as your own, and never sacrifice your integrity.

Management

Describe your management style: Same as my leadership style. Find the right team members and let them do their job.

What does your management team look like? We cover sales, accounting, and operations with a lead executive in each role. They come with a combined skill set in franchising and in the service trades.

How does your management team help you lead? By being up front with me regardless of the outcome, inspect what they expect from their team, and keep me informed.

Favorite management gurus: Do you read management books? My favorite books are all about the founders of franchise companies: Subway, Chick-fil-A, Interstate Batteries, McDonald's. I also love books written by Chuck Swindoll regarding men of integrity in the Bible. Most of my reading is half Christian-based books and half business books.

What makes you say, "Yes, now that's why I do what I do!"? When I see individuals who have made their success by honesty and integrity and then given others the credit.

Operations

What trends are you seeing with consumer spending habits? Our business is a bit different because the consumer is met by a need and not a want. In all occasions, what we deliver is a service that must happen to address a disaster.

Has the economic recovery reached all of your customers? Our industry is not necessarily dependent on the economy. If you wake up tomorrow with six inches of water on the floor, you must do something. You can't put it off.

How is the economy driving consumer behavior in your system? It's only driving behavior as it pertains to franchise development. We have more and more people leaving the daily grind to be in business for themselves and they want something that is non–brick-and-mortar, low investment, low overhead, and recession resistant. We meet those criteria.

What are you expecting from your market in the next 12 months? Continued franchise location growth.

Are your franchisees bullish or bearish about growth and adding units? Bullish, and very much the ones who have been in business for a year or less. The sophistication of franchisees entering our system speaks to the business mindset they have to run solid operations for the brand and quickly scale up.

Are commodity/supplies costs any cause for concern in your system? Not really since our industry is insurance-driven.

In what ways are political/global issues affecting the market and your brand? We don't see a real impact.

Personal

What time do you like to be at your desk? 9 a.m.

Exercise in the morning? Yes.

Wine with lunch? No wine for lunch, but I'm willing to try.

Do you socialize with your team after work/outside the office? Yes. I value strong relationships with my team. We work hard and we play hard. We have terrific events. We've gone hunting and fishing.

What technology do you take on the road? iPad.

How do you relax/balance life and work? I love time on my ranch—ranching, hunting, and driving my tractor.

Favorite vacation destinations: Italy, Ireland.

Favorite occasions to send employees notes: Christmas.

Bottom Line

What are your long-term goals for the company? I want Restoration 1 and bluefrog Plumbing + Drain to be household names for their services. We will continue to add brands to meet the needs of the home and business owners.

How has the economy changed your goals for your company? It has given us the opportunity to enjoy tremendous growth. It has taken away the fear to allow people to live out their dream of owning their own business.

Where can capital be found these days? There are all types of financing opportunities today from equipment leasing, SBA loans, and 401(k) rollover programs.

How do you measure success? Happy franchisees and staff.

What has been your greatest success? My family.

Any regrets? None. I live life to the fullest without looking back. Life is full of mistakes and you learn from them and move on. Having gone bankrupt and losing everything we owned at one point taught me to be thankful for what I have and to pick myself up and try harder.

What can we expect from your company in the next 12 to 18 months? New service brands, more than 150 new franchise locations from our brands, and the happiest franchisees. ■

BY ANDY WIEDERHORN

BURGER TO THE STARS

Fatburger Celebrates 70 Years as "The Last Great Hamburger Stand"

Succeeding in the fast casual restaurant business is often as simple as consistently executing on what you do best and remaining open to the small changes that help you take advantage of new opportunities. The burger business has been booming in recent years, growing 3.2 percent between 2013 and 2016 and raking in more than $90 billion in sales in 2016, according to research firm Technomic. As such, industry experts expect even greater growth for burger sales over the next few years. This industry boom means Fatburger has a tremendous opportunity to continue our own growth, and we're eyeing several opportunities and trends in the market to help us take advantage of the surge in burgers' popularity. Before we look at where we plan to go, it's best to start with how Fatburger became the international brand it is today.

The last great hamburger stand

Our founder, Lovie Yancey, opened her first hamburger stand—originally called Mr. Fatburger—in South Los Angeles 70 years ago in the post-World War II years. During this time, the hamburger was the fastest-selling sandwich in the U.S., and her business became a fast favorite in the neighborhood around the original location on S. Western Avenue. After breaking up with her boyfriend, Yancey dropped the "Mr." from the stand's name and officially became Fatburger in 1952. Before long, she was staying open late to meet the growing demand for her burgers from night shift and early morning workers.

In the early days, entertainers such as Redd Foxx, James Brown, and Ray Charles were regular customers, but Fatburger's popularity with the Hollywood crowd exploded in 1973, when Yancey opened her second location on La Cienega Boulevard in West Los Angeles. In the following years, Fatburger was featured on the show "Sanford and Son," mentioned in Ice Cube's song "It Was a Good Day," and made it into David Letterman's Top 10 List of things he'd miss about Los Angeles when he moved to New York to start "Late Night." Yancey began selling Fatburger franchises in 1981, and more locations soon began popping up across the U.S.

Where we're going

Today, there are more than 200 Fatburger locations open or under development in 32 countries, with recent openings in Panama, Cairo, Shanghai, Beijing, and Qatar. Seventy percent of our business is still focused on the United States, with 15

percent of our sales coming from Canada and another 15 percent coming from other international locations, mainly in Asia and the Middle East. When the mid-2000s financial crisis struck the U.S., we were able to continue growing by adapting and refocusing our expansion plans on locations in places like China and the United Arab Emirates, where capital was more available at the time. Our current plans include growing to more than 350 units through continued expansion both in the U.S. and abroad. We've also continued to grow our business by expanding into the world of consumer packaged goods by selling Fatburger-branded frozen patties in Walmart stores across the country.

Third-party delivery trend

While sales of burgers have climbed steadily in recent years, competition is still stiff, especially among fast casual restaurants. Partnerships with Grubhub, Postmates, and UberEats help us differentiate from our competition by providing a service many consumers demand. In today's world with our busy lifestyles, delivery adds a layer of convenience that attracts those who don't want to take the time to drive to pick up their food, or who live in areas that make it inconvenient to drive to one of our locations.

Partnerships with third-party delivery apps are also convenient for the business owner, as they eliminate the need to put time, energy, and resources into developing our own apps. In addition, by tapping into their well-established user bases, it gives us the ability to boost brand visibility with customers both new and old.

These partnerships have been an important strategy for our stores, as some of our franchisees have seen an increase in marginal revenue with double-digit increases in same-store sales. Franchisees don't need to be in the business of delivery—they can focus on serving high-quality burgers, shakes, and fries without having to incur the costs of offering delivery in house, some of which include labor, insurance, and transportation to name a few.

Our focus on making delicious burgers the same way Lovie Yancey made them 70 years ago has allowed Fatburger to become a favorite not only in Hollywood, but around the world. By taking advantage of new opportunities in emerging markets, we've been able to achieve important, significant growth and expand the brand worldwide. We've also found a way to accomplish prominent same-store growth by taking advantage of new technology to offer delivery services. As sales of burgers continue to grow in the coming years, Fatburger is poised to remain highly competitive in a crowded fast casual restaurant field. ■

Andy Wiederhorn is the CEO of Fatburger and the founder of Fog Cutter Capital.

5 GAME-CHANGERS for 2018

KEEPING UP WITH EMERGING TECHNOLOGIES

BY BENJAMIN FOLEY

Over the past few years, technological advancements have been growing at an accelerated rate. We've seen a shift from a desktop-dominated web to a mobile-dominated web. Users no longer schedule their lives around your schedule. With the advent of YouTube, Netflix, TiVo, and other streaming devices and technologies, users shape their world around their lives. The common consumer is mobile, interactive, and expects to have access to the content they want at the push of a button, or even a spoken word.

As emerging technologies make their way into the mainstream we, as franchise professionals, must be aware and prepared for them. Most important, the world wide web is changing. Several new technologies have been introduced making the web faster, safer, and more user-friendly. We will see some fairly major changes beginning in 2018. Let's take a look at my top 5 technology game-changers that will affect franchising in 2018.

5.

Virtual assistants

A few years ago Siri and OK Google became the hottest trend with Millennials. With the shift to a wider audience, voice-activated technologies became more accessible to more people. Today they are widely used by all levels of business to get everything from directions to appointment reminders to ordering lunch.

> Getting in front of franchisees and consumers will become more challenging over the next year.

To add a layer of accessibility to this, Amazon, Google, Apple, Microsoft, and several others have introduced virtual assistant devices such as the Amazon Echo, Google Home, Apple HomePod, and Microsoft Cortana. This has brought an unprecedented accessibility to voice-operated interaction.

Several franchises, notably Domino's Pizza, have jumped on board this technology. Their DRU Assist allows users of a virtual assistant to order and schedule delivery directly from their device without the need of an employee interaction.

Over the next year, I expect to see several franchises jump on board this train and bring not only service to their customers through digital order request, but also new ways for people to learn about their franchise opportunity. While I don't see this technology replacing the world wide web, I do see it opening many doors of opportunity for new ways we can interact with our customers and prospects.

4.

4K resolution aims at becoming mainstream

The average site today is built to be responsive and scalable up to 1440 pixels wide. With the surge of 4K technology hitting the market and prices dropping to mainstream affordability, we will start seeing a surge of web users browsing with resolutions up to 3840 pixels.

Why is this important for you? If your site was designed to look great at 1440 pixels wide and you use smaller font sizes, you will need to take into consideration that the screens of tomorrow will have three times the number of pixels you currently have today. This means your fonts, graphics, and layouts will shrink on screen. A 7-point font will be completely unreadable by most humans and will be considered a micro-font.

So how do we prepare for this? When designing your responsive sites, make certain to increase the font size on browsers more than 1440 pixels wide so you can maintain readability. While this won't by any means be the primary resolution for people who visit your site, you don't want to miss out on the opportunity to provide an enjoyable (and legible) experience for a visitor and possible franchisee.

Additionally, 8K monitors are starting to emerge, so we may be looking at

7680×4320 resolution monitors (five times larger) by 2022.

3.

Progressive web apps

Over the past two years many web developers have been buzzing about AMP, or Accelerated Mobile Pages. This was a new technology that aimed to speed up the web. Why, you ask? Did you know that Google reports that 53 percent of Chrome users abandon a page that takes longer than 3 seconds to load? In addition, while mobile browsing has surpassed desktop browsing at this point, more than 60 percent of worldwide users are still on 2G networks. This means that a slow loading page would result in only 47 percent of the potential traffic ever seeing your site.

An approach called progressive web apps, or PWA, aims to close that gap and take the technology to the next level. This is a new web technology that allows you to have a native application on a user's phone built straight off your website. This will allow a smooth and fluid user experience without lengthy download times. This is done by caching things locally on a user's phone or mobile device, much like a mobile app. Then data is pulled from your website to fill in the moving parts, allowing a very fast user experience with a very low abandonment rate. Best of all, you can have content download locally to someone's device so that even while they're offline they can browse your content.

The progressive web app movement aims to put user experience first, giving them faster access to web-based content without lengthy load times. Be sure to have your development teams look into progressive web applications and how they can be used to better reach your customers and potential franchisees.

2.

General Data Protection Regulation (GDPR)

With the continuing outbreak of cybercrime, hacking, and data breaches, the European Union (EU) assembled a committee to oversee the development of new laws, policies, and procedures for handling personal data on the Internet. Over the past 4 years the General Data Protection Regulation (GDPR) has been discussed and retooled into its current state, which the European Parliament approved on April 14, 2016. It is set to go into effect on May 25, 2018.

Why is this important to you? Even though it is an EU regulation, it has been adapted globally as a standard for protecting user data. So let's break down the GDPR and look into the key factors that might affect your franchise business.

- **Awareness.** Each organization must have assigned people who follow the changes in the law and identify any areas where the organization might have compliance problems.
- **Storing personal information.** If your company holds any personal information including name, email, mailing address, or phone number, you will be required to document what data is being held, where it came from, and who it is shared with.
- **Individual rights.** Organizations will be required to allow users to delete their own information upon request.
- **Privacy.** In addition to privacy policies, under GDPR organizations must provide users with an explanation of how their information is processed, your data retention timelines, and inform individuals that they can complain to the ICO (ico.org) if they feel their data has been mishandled.
- **Reporting data breaches.** Organizations will be required to report data breaches within 72 hours.
- **Consent.** Organizations must receive consent from people when passing their personal data to a third party. This will largely affect lead generation sites and how data is handled between them and franchisors.

These are just a few of the key points of the GDPR that I believe will affect franchisors in the coming years. Be sure to have your legal and technology advisors investigate how the GDPR will affect your franchise thoroughly, as administrative fines can range up to 10 million Euros or 2 percent of annual worldwide revenue of the preceding financial year, whichever is greater.

1.

Ad blockers becoming standard practice

This is the single most important technology game-changer franchising will have to endure in 2018. At the recent FUSE Media conference in Philadelphia, publishers met to discuss the changes coming to the content generation world, and the biggest topic was ad blockers. Business Insider reports that more than 30 percent of users currently use ad blocker technology to prevent ads from showing on pages. This trend has grown more than 5 percent in the last year, and major technology providers such as Google, Apple, Mozilla, and Microsoft all have plans to build this into their browsers over the next year.

Ad blockers don't block only advertisements. They also block tracking scripts such as Google Analytics and many of the scripts that allow remarketing to work. Even Google announced at its Chrome Dev Summit 2017 that their new Chrome browser would have ad blocking enabled by default. They are specifically targeting "invasive ads" that pop up, block interactivity, make noise, animate, and otherwise provide a negative experience for the user. Even Forbes.com is having to rebuild its well-known "Quote of the Day" landing page, which has been a staple of the site for nearly a decade, as it is flagged as invasive.

How does this apply to franchising? To start, many franchise companies invest thousands in pay-per-click advertising both through display networks and through portals that may be affected by this new surge in privacy-based technology. In addition, web analytics will become a snapshot of a *portion* of the actual traffic, and server-side tracking will become the primary method for getting accurate web usage data.

Conclusion

Getting in front of potential franchisees and consumers will become more challenging over the next year, but I feel that content marketing, native advertising, and other content-based marketing will take the spotlight in optimal ways to generate traffic to your franchise.

Benjamin Foley has served as Franchise Update Media's director of technology for 14 years and oversees the development and maintenance of Franchising.com. He began building websites in 1993 at the age of 14 and since has built more than 200 websites for companies ranging from small business sites to Fortune 500 companies including HP, Agilent, Oracle, and Siebel.

Consumer Marketing

CONSUMER MARKETING INITIATIVES

CMOQ&A

Chief Smoothie Marketer

Rob Collins is passionate about innovation

BY KERRY PIPES

Rob Collins is one of the new kids in town. The marketing veteran was part of Tropical Smoothie Cafe's five-member executive team hire this past October. As the new CMO at the fast casual brand known for its "better-for-you" food and smoothies, he promises to push hard on the brand's marketing efforts to get results and help the brand continue its recent growth surge.

The 20-year-old brand, which has grown to more than 600 locations in 42 states, has reported comp sales exceeding 26 percent over the past three years—and has signed 140 new franchise development agreements and opened more than 50 new locations so far in 2017.

Collins' background and experience should serve him well in this environment. Over the past 25 years, he has a proven record of developing and executing successful integrated branding and marketing campaigns. He's held numerous high-level marketing positions with companies including Paramount Parks, Nickelodeon, Universal Studios, Turner Entertainment Networks, and most recently, CMO for Carmike Cinemas.

As CMO at Tropical Smoothie Cafe, he is charged with overseeing the planning, development, and implementation of the company's marketing strategies including branding, advertising, media, product development, insights and analytics, and customer engagement.

Describe your role as CMO. I lead the marketing department at Tropical Smoothie Cafe and oversee strategy to further develop the brand, increase guest engagement and acquisition, and drive consistent financial results for our 600-plus restaurants across the country.

What's the most challenging part of being a CMO today? Differentiating our product offering to consistently attract customers in a competitive and growing marketplace. We're tasked with keeping up with consumer preferences so we can incorporate those into our product innovation and marketing efforts, which can be challenging given the constant evolution of industry trends.

What are the 3 most important keys to being an effective CMO leader today? Flexibility, creativity, and strategic thinking. In our field, it's inevitable for things to not always go as planned. So as a CMO, being flexible and willing to adapt to unpredicted changes is crucial. Creativity will always be the backbone of effective leadership and marketing, particularly for us at Tropical Smoothie Cafe because the fast casual segment has become increasingly crowded over the past several years. For us to stand out, our ideas must be creative and out of the box. Last, the ability to think strategically is essential for success, and it's important to communicate to your teams the importance of forward thinking.

How do you prepare a marketing plan and execute the strategies? For me it starts with a solid foundation. Before we start building out ideas and concepts, we first identify objectives and do extensive research on our customers' needs and desires so we are best positioned to meet them. When it's time to execute, I ensure that my team is thoroughly prepared and clear on goals and expectations.

How do you measure marketing results and effectiveness? Of course we measure our sales and transaction results, but the great thing about marketing today is that we are able to measure our marketing initiatives in our 1:1 communication. That helps us to optimize our programs on the fly so that we continually get better at targeting our customers.

Discuss your core consumer marketing strategies and objectives. For me, it's about making sure we have enough awareness about our better-for-you food and smoothie offerings to consumers who may not have considered us before. We generally find that when people try our products, they like us. As we begin that relationship with customers, we get to know them better and are able to deliver messaging and promotional offers that match their needs.

How do you go about creating a "customer-centric" marketing and brand philosophy? We really understand the importance of being customer-centric. We pride ourselves on not only offering superb products and service, but also an overall experience that puts our customer at the core of our business. We do this by exemplifying our mission and values through our own practice, meeting our customer's demands by understanding their behaviors and interests, and fostering a community-like feel that deepens their connection to the brand.

Describe your marketing team and the

role each plays. Our marketing team is organized in several key areas. The integrated marketing team oversees brand, advertising, media, public relations, digital media, 1:1 communication, and creative development. They work to deliver the right message, at the right time, to a targeted customer on the right device. Our field marketing team provides support to our franchisees and local co-ops and takes the lead on local store marketing initiatives. Our research and analytics team provides us with business intelligence to how our marketing performance is affecting sales and transactions on a store level. The digital technology team is constantly developing ways to connect with our consumers through technology and doing all we can to learn from their behavior. The product development and innovation team is continually looking at our product offerings and consumer trends and desires to make sure that we have menus and limited time offerings that meet the needs of our guests.

Why is it so important for the marketing department to have a "personal touch" when it comes to helping the brand connect with franchise prospects? We aren't looking for just anyone to join our franchise network. It's important for us to work with candidates who share our guest-centric values and commitment to making better-for-you options affordable and accessible. Therefore, it's essential for us to connect with potential franchisees on a personal level to make sure that the relationship makes sense for both them and us.

How does this help your franchise sales and development effort? I think it demonstrates to prospective franchisees that we are an organization that really cares about them and their success. We always have the filter to make sure that what we're doing is good for the franchisee's business. And knowing that, we want to bring on board the right type of franchisee: someone who truly believes in our brand and genuinely wants to be a part of our ongoing growth and success. As a result, we have had several existing franchisees expand within their territories, with around half of the development agreements signed this year coming from franchisees adding new locations to their portfolios.

What ways/tools do you rely on to do this? We rely on multiple franchisee recruitment tools that help us connect with the right candidates, including external PR and digital marketing resources that communicate our success and brand differentiators to prospects. We also use analytics to identify the best markets for our brand to target for expansion, and seek out potential franchisees and multi-unit operators who may be looking to diversify their portfolios in those areas.

Do today's prospects expect more from the franchise marketing department? What, and how do you provide it? Yes, as marketing gets more sophisticated and targeted, franchisees expect us to be able to help them reach their target markets in their trade area. Over the past several years, Tropical Smoothie Cafe has become one of the strongest franchise opportunities in the fast casual segment and, as a result, franchise prospects come to us expecting top-notch marketing strategies. Our proven business model has continually helped our franchise network achieve success in their respective markets, and marketing is an integral component of that. We work hard to ensure we are always available for every franchisee and help them develop personalized marketing plans that fit the unique needs of their individual territories.

How is today's consumer and marketing data helping you fine-tune your marketing initiatives? Consumers are very vocal about what they want. We take it upon ourselves to listen to their feedback and use it to develop initiatives that we know will resonate with them. By analyzing their dining habits, spending behavior, and what they're attracted to, we're able to market to them in a way that's appealing and authentic.

Describe the evolving role of social media in your brand's marketing efforts. We've been integrating social media with our marketing efforts more and more over the last several years, and there is a lot more to come. While our social presence has expanded across new platforms, the key for us is to develop content that speaks directly to our customer, encourages engagement, and, most of all, is authentic to the brand. It's been an effective tool for us. As a result, we're investing in paid resources to amplify our efforts, such as boosted posts and targeted ad campaigns.

How do you work with other internal departments, and does technology help? We have a lot of cross-departmental collaboration and we use internal intranet platforms, webinars, shared cloud documents, and brand-wide newsletters to stay connected.

How do you manage costs and budgets for the marketing department? We budget based on our national ad fund royalty projections and build a plan to meet our strategic objectives from that. We constantly monitor the performance of our marketing programs and reallocate funds to continue to maximize our investment.

Do you see vendors as business partners? Why/why not? Yes, absolutely. Vendors are an essential part of our business and we really see them as an extension of the team. They help us achieve the goals we set for the brand and are as much a part of our success as we are.

How have marketing strategies/tools changed over the past decade? How have you adapted? Technology has had the greatest impact on our marketing strategies. With consumers' increasing dependency on it, we've really had no choice but to adapt. And we've done so happily because it's given us the opportunity to connect directly with our customers. We recently unveiled an updated mobile app, which enhanced our digital cafe experience by prioritizing convenience and placing control of on-demand ordering, entertainment, and payment at the guests' fingertips. We're also launching a newly designed website that will further optimize the digital experience and provide simplified access to the online ordering platform.

How is your marketing/branding strategy developed, and how does it flow through the system? We have a company-wide strategic planning process—obviously marketing is a huge part of that—and through that process, it gives all departments the focus needed to reach our long-term objectives.

What advice would you offer to aspiring CMO executives? Surround yourself with smart people… and then listen. Be passionate about innovation. Never settle for the status quo. Listen to your customer. Be a voracious reader and embrace new trends and concepts. ■

CONSUMER MARKETING

CMOroundtable

"WHAT CONSUMER MARKETING STRATEGIES AND TACTICS ARE YOU PLANNING TO CHANGE OR CONTINUE IN 2018?"

Doug Zarkin
VP, Chief Marketing Officer
Pearle Vision

The focus of our 2017 consumer marketing campaign has been to earn patient trust by showcasing our genuine commitment to eye care. We have done this by leveraging storytelling that depicts the moments when people need us most.

This came to life through our 2017 marketing campaign, "Ben's Glasses," which recently earned a Clio Award in the short film category, an honor reserved for excellence in innovation and creative advertising. The campaign showcases how Pearle Vision's commitment to genuine eye care goes beyond the eye exam and looks at the whole person, and how vision affects lives all day, every day. "Ben's Glasses" embodies our mantra: "Nobody Cares for Eyes More Than Pearle."

This campaign is one component of our current marketing strategy. By positioning Pearle Vision as the neighborhood hub for genuine eye care, we continue to portray our commitment to the communities we serve. We build on this in several ways. For instance, one of our grassroots marketing tactics, C.O.R.N.E.A (Community Outreach Reinforcement of Neighborhood Eye Care Activation), allows us to create a stronger relationship between the local eye doctor and the neighborhood while helping to educate the community on the importance of eye care.

In 2018, our focus will remain the same, even as we build on our marketing strategy. A core piece of our 2018 efforts will include improving geo-targeting across multiple channels to help our owners attract patients within a nine-mile radius of each EyeCare Center.

Another important element of our 2018 marketing strategy will be reputation management. We will be implementing new tactics that help to improve and amplify word-of-mouth marketing. We want our patients to start sharing their experiences with their neighbors, friends, and family.

Looking ahead, we will also be implementing messaging that relates the brand to caring for the entire family. It is not just about mom taking her child in for an eye exam. We want to capture the moment that makes mom realize caring for her eyes is important.

Pearle Vision remains focused on the same principle it has for decades: genuine eye care in a neighborhood setting. Our goal is to strengthen our current marketing approach, while incorporating new storytelling angles to reach new patients.

Alison Glenn Delaney
Chief Marketing Officer
Huddle House

We'll do three big things: 1) harness social and digital advertising; 2) implement our online ordering and loyalty programs; and 3) get local.

Everyone now pretty much does some form of digital advertising, still mostly email. Email is still the most reliable way of finding customers, communicating with them, and ultimately getting foot traffic through the door. Most franchise companies probably have done other types of digital advertising, such as programmatic media buying using display ads or video.

When I say "harness" social and digital advertising, I mean that of all the myriad choices of content and digital/social media, which combination of those elements is really going to result in foot traffic through the door, rather than counting impressions or click-throughs? To determine this, we try to dig both a mile wide and a mile deep to really know our customers and potential customers—not just their dining patterns, but their lifestyles, their likes and dislikes, and their use of digital media that ultimately results in customer visits. When I talk to my counterparts, most haven't quite figured that out yet, and at Huddle House we're putting enormous effort into this.

Second, we'll implement online ordering and a loyalty program. Just about every restaurant chain either has online ordering or is heading that way. We're no different, but given our mostly rural and small-market footprints, our customers don't face the same convenience issues that drive online ordering in urban and suburban markets. So we took our time and really studied the capabilities of our franchisees so that when we do implement, we do so with a program that allows our partners to deliver the same experience of delicious food, served with warmth and friendliness, that can be consumed anywhere.

And finally, I mentioned getting local. Huddle House is a fantastic brand. We're the go-to community gathering place in the locales we serve. It's quite unique. I've never seen as strong a connection between our partners and store teams and their customers as I have with this brand. It's heart-warming and makes me proud to work for Huddle House. We're harnessing those strong relationships as well, through local advertising and community involvement in such a way that we maintain that special place in people's daily lives. Community involvement is the "secret sauce" in making the brand work. ■

Customer service

Who's Your *Real* Customer?

(And does your home office know?)

BY JOHN DIJULIUS

Most franchise company leaders preach to their home office team that they also have customers: operations, development, marketing, field reps, and all the other corporate employees who franchisees count on every day to deliver what they need to serve their own customers. However, every organization we have worked with says the same thing: "Our home office is *not* world-class."

To say that every employee and department must understand the critical role they play in creating a world-class customer experience is a serious understatement. I am not talking about employee engagement, world-class internal culture, or how likely employees are to refer a family or friend. All of those have more to do with how good the organization is to work for. While important, it is a totally different topic. I am talking about the experience the home office delivers on a daily basis to all the employees who call in for support, including IT, marketing, human resources, accounting, maintenance, etc.

• **Measure the experience your home office provides.** "Improving the self-esteem of the world." That is the lofty goal of Self Esteem Brands, the parent company of Anytime Fitness, the world's largest and fastest-growing co-ed fitness club chain, which has repeatedly been named "Best Place to Work." Why? One key reason is they are not focused solely on the member (customer) experience. They are equally obsessed with how their headquarters delivers a similar experience to their team members in their more than 3,500 locations.

• **What gets measured get managed.** One way Anytime Fitness focuses on providing a world-class home office experience is by measuring how satisfied their franchisees are with headquarters, just as they do when a member visits one of their clubs. After a franchisee has an interaction with someone at their home office, they may get an email asking them to rate their experience with that home office team member.

> Front-line employees have never been their own customer, don't know what it is like to be in their customers' shoes, and have little empathy and compassion for what affects their customer.

This type of accountability is crucial in changing the culture and revolutionizing the mindset of traditional home offices, which too often act as if the people from the field or operations are an interruption—instead of the reason they have their jobs. "Ongoing stakeholder feedback (consumers, franchisees, and employees) is critical for growth and turns shareholders into 'careholders,'" says Chuck Runyon, co-founder and CEO of Self Esteem Brands.

• **Who really is your customer?** Ask your employees in every department who their true customer is and you will get varying answers. Truth is, your primary customer is the person you communicate with directly on a day-to-day basis and who is affected the most by the work you do. In the business-to-business world, in manufacturing and corporate office settings, the customer is mostly internal people who work at the same organization in positions including management, administration, IT, HR, marketing, regional sales managers, warehouse, branch managers, legal, and regional directors. Every company I have ever worked with suffers from people in these positions truly not understanding who their real customers are, i.e., the person or group most dependent on their services.

• **Discovering UPS's customer.** While I was in college, I worked at United Parcel Service as a pre-loader, loading trucks in the middle of the night. I was never told that my customer was the package driver who drove the truck I loaded and had to deliver those packages all day. When I didn't do as good a job as I could have, I would have drivers come in and share their frustration with me. I just blew them off as jerky co-workers.

After I graduated from college, I got promoted to a UPS driver and quickly realized that my daily success was predicated on how well my truck was loaded and organized. Some days it was horrible. I would find packages at 3 p.m. in the back of my truck that I should have delivered at 10 a.m., when I was on the other side of town. Now I had to backtrack, making me late to get all my stops in on time and I would get home late. UPS missed a golden opportunity to teach loaders who their real customer was, and how our actions affected their day. (Here is a 3-minute video of me speaking on this: youtube.com/watch?v=38kzwDFuoik.)

As I've said before, in most businesses front-line employees have never been their own customer, don't know what it is like to be in their customers' shoes, and have little empathy and compassion for how and what they do affects their customer. ■

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.

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Millennial Data Mining

A marketer's dream come true

BY SHAWNA FORD

We already know that Millennials are on social media. A lot. In a recent study from Qualtrics, 42 percent of Millennial respondents said they couldn't go five hours without checking their social media feeds. These stats may change as the group ages and has less recreational time on their hands, but for now they can be found on social media sites regularly, and marketers would be remiss to ignore that.

What are they doing while they're online? They're sharing far more information than other generations. Beyond the social media basics like their name and location, they're willing to share profile data just to find out which snack food they are. Yes, really. "Which Snackfood Are You?" is an online quiz you can take to find out what popular snack food you are, based on 10 random questions that have nothing to do with food. (I'm potato chips, apparently.)

On a more serious note, according to Bank of America's "Trends in Consumer Mobility Report," when compared with the average smartphone user, Millennials are: 19 percent more likely to share their spending data, 7 percent more likely to share their location, and 15 percent more likely to share their schedule.

Retailers and businesses can, and should, take advantage of this. Millennials are willing to share their personal information with you as a business, or with other sites and media that can help you better target this group. They're basically telling us what they find interesting, where they are, and how they like to shop. This is a marketer's dream come true.

Types of targeting

With "always-on" campaigns on Facebook, Instagram, Twitter, or Snapchat you can continually hit your target demographic with branding or lead generation ads. Using detailed and precise targeting will ensure you get your message in front of the desired Millennial consumers who are using those sites regularly, while avoiding spending resources on those who aren't a good fit for your product or service.

Let's say you're in Joliet, Illinois, and you sell widgets. Millennials love your widgets. You want to make sure your ad is being seen by young people in your area who are interested in your product. So you use the following:

> They're willing to share profile data just to find out which snack food they are. Yes, really.

- **Contextual and behavioral targeting** to hit consumers who are searching for information on and relating to widgets.
- **Re-targeting** to hit consumers who have been to your site or profile but have not converted.
- **Geo-targeting** to hit the specific ZIP codes or areas you know most of your customers come from. This way you ensure you aren't marketing to people who are too far away because that's unlikely to lead to a sale. No one wants to drive from Chicago to Joliet for a widget.
- **Look-alike targeting** to serve ads to people who are similar to your existing customers and thus likely to be interested in your widgets. For example: Kelsey is on your targeting list because she's been to your site, has searched for your widget on Facebook, and has converted. Kailey is nearly identical to Kelsey in her location, likes, and purchases. Look-alike targeting allows you to serve ads to Kailey.

What makes all this possible and effective is the amount of data Millennials provide to social media sites, businesses, and other sites, like Google. As marketers, you have the ability to granularly target by nearly any topic, interest, or demographic relevant to your product or service. Use that ability to your advantage.

Types of ads

Now that you have your targeting down and your ads are going to get in front of consumers who are most likely to purchase, you need to design your posts for maximum effect.

The primary rule of thumb today is that video brings better returns than text-only ads. If video production is difficult for you, or your product doesn't translate well to a full video, think about using gifs to add movement without the added cost and stress of video production. But keep in mind that 85 percent of Millennials use video in their own marketing campaigns and 45 percent set aside more than a quarter of their ad budget to video, according to recent research from Marketo. They wouldn't use it if they didn't see the value.

Video posts are now common on all social media platforms. Snapchat and Instagram cater to video posts and have added linking features to allow easy marketing connections and lead generation. Facebook auto-play video posts are commonplace and quickly grab the attention of those scrolling through their feeds. Just remember to make the first five seconds of your video as attention-grabbing as possible to engage potential customers before they scroll past.

Final thoughts

Link to your website or profile whenever possible so your consumer target doesn't need to search for you after seeing your ad. As always, be sure to continually monitor your ad results and optimize your targeting and message based on what is working best.

Remember, proper targeting saves money and drives leads. Get your ads where they need to be and make it as easy as possible for your target to convert. ■

Shawna Ford is a marketing coordinator at Mindstream Media and has a background in social media marketing and copywriting. To learn more about Mindstream, call 800-548-6214 or email inquiries@mindstream-media.com.

Growing Your System

FRANCHISE DEVELOPMENT INTELLIGENCE

The dokshop effect:
Where The Joint finds relief

When The Joint was looking to lock-down their brand integrity in 2015, they knew the process had to begin with examining their marketing supply chain. Frustrated with slow turnarounds, they sought a full-service provider who could fulfill the needs of the franchise, and work seamlessly with their franchisees.

Then, they found Prisma. A one-of-a-kind company offering a full spectrum of marketing solutions in a streamlined approach. From the initial order to fulfillment, Prisma proved capable of handling all aspects of production in-house with the quality and control brands trust. In the eyes of a quickly growing franchise, what set them apart from their competition was their proprietary web-to-print solution, dokshop.

The level of adaptability and customization dokshop offers The Joint ensures franchisees can cater to their local audiences while upholding brand standards. The online marketplace provides digital assets, promotional materials, digital ads, print, and grand format products, available to all 370+ locations.

The results are simple: increased speed-to-market and exceptional quality.

To ensure the accuracy of the brand and individual clinic, the auto-population of variable data is assigned to every location. When owners or managers order marketing materials, whether print or digital, pertinent information like pricing, hours, and addresses are automatically inserted into the selected item. In addition, critical medical and legal disclaimers are linked to users too, assigned to franchisees by corporate based on zone criteria. The system updates this information daily so customers are always up-to-date.

Thanks to store profiling through dokshop, The Joint can offer a seamless experience for their patients nationwide. Since each user is tied to their respective location data, window dimensions and wall sizes are saved to signage. As a result, franchisees will only ever be a few clicks away from marketing materials catered to their specific site.

For franchisees, the hassle of managing multiple vendors is a thing of the past. Even items that aren't produced on-site, such as promotional pieces, are still available via dokshop and can be inventoried for on-demand orders. For The Joint, that means gel packs, uniforms, and other miscellaneous branded items are always readily available to their franchisees to purchase.

When The Joint was looking to better prepare franchisees for clinic grand openings, Prisma worked with corporate to create a dynamic kitting option. With essential items such as signage, collateral, and uniforms, these required kits guarantee every clinic opens with the perfect impact. Most franchise companies rely on kitting, and the ability to send different products to different locations is simple with dokshop.

Combining cutting-edge technology with cost-saving benefits, dokshop truly goes above and beyond. The Joint's partnership with Prisma has not only strengthened their brand but also offered their franchisees much-needed relief.

> "Our previous provider lacked the full-service capabilities Prisma offers, handling all aspects of production in-house. The streamlined nature of dokshop allows our team to customize and order items quickly and easily, and the customer service we receive is second to none."
>
> THE JOINT CHIROPRACTIC

BY EDDY GOLDBERG

2018 AFDR

HOW DO YOU RATE?

MEASURE YOUR RECRUITMENT AGAINST 142 BRANDS

Results from the 2018 Annual Franchise Development Report (AFDR) were unveiled in mid-October at the 19th annual Franchise Leadership & Development Conference. The 2018 AFDR is based on responses from 142 franchisors representing 85,734 units (74,000 franchised and 11,734 company-owned).

Participants in the survey consisted of franchisors that completed an online questionnaire. Responses were aggregated and analyzed to produce a detailed look into the recruitment and development practices, budgets, and strategies of a wide cross-section of franchisors. The data and accompanying commentary and analysis provide the basis of the 2018 AFDR.

Highlights from the report were presented in a general session at the conference by Franchise Update Media Executive Vice President Diane Phibbs. Other aggregated high-level observations gleaned from this year's survey included:

- 1,209 domestic locations transferred
- 820 franchises sold 45 days before close of the survey
- 400 franchises sold through brokers in the past 12 months.

For 2018, growth plans among the 142 respondents target a total of 5,990 additional franchise units, 2,064 through existing franchisees and 3,926 from new franchisees. That compares with last year's target of 6,536 additional franchise units from 167 respondents, 2016's target of 6,442 additional units from 134 brands, and 2015's target of 6,063 new units from 139 brands.

Below are additional highlights from the 2018 AFDR. Ordering information can be found on page 36. (Conference attendees each receive a complimentary copy.)

• **Recruitment budgets.** Average 2018 media budget plans for franchise sales and recruitment (advertising and media expenses, not including brokers and employee compensation) among respondents was $202,462, with a median of $140,000. This is an increase from last year, where the corresponding numbers were $181,510 and $125,000—although the average is comparable to 2014. This could reflect today's heightened competitive environment for franchise brands vying to attract and sign the best candidates, and be a factor in this year's increased spending on sales and recruitment. While the numbers are up, the average is about the same as 4 years ago, though the median cost is the highest in the past 5 years.

Recruitment Budgets

	2018	2017	2016	2015	2014
Average	$202,462	$181, 510	$162,821	$166,693	$201,817
Median	$140,000	$125,000	$120,000	$100,000	$120,000

• **Where the money goes.** With the increased emphasis and steady shift to online recruitment methods, we did something new this year: we broke out spending on franchise websites and social media from the "digital" category. Adding back spending on franchise websites (12 percent) and social media (10 percent) shows a total of 52 percent on overall digital spend, up slightly from previous years. We also added three new categories this year to provide finer granularity—direct mail, in-market meetings, and TV/radio—which subsequently reduced the "other" category. Spending on print (10 percent), trade shows (17 percent), and public relations (11 percent)

The annual report provides franchisors with the ideal tool for studying their development practices, benchmarking their sales and recruitment budgets against their own industry categories, and setting goals and budgets for the year ahead.

has remained essentially the same over the past 6 years, with print showing a gradual decline as digital takes a greater share.

Where the Money Goes

	2018	2017	2016	2015	2014	2013
Digital	30%	49%	48%	44%	45%	46%
Print	10%	11%	10%	13%	15%	15%
Direct Mail	2%					
Trade Shows	17%	17%	18%	16%	16%	15%
Public Relations	11%	13%	14%	12%	12%	12%
Other	3%	10%	10%	15%	12%	12%
Franchise Website	12%					
Social Media	10%					
In Market Meetings	4%					
TV/Radio	2%					

• **Where the digital money goes.** In recent years, as digital spending has accounted for an increasing percentage of recruitment budgets, we've asked franchisors to break out their digital spending by category. And this year, as we've done with overall spending (above), we've added new categories that used to be included in other numbers—franchise website (13 percent), social media advertising (12 percent), and digital asset creative (3 percent)—making direct comparisons with previous years more difficult, but also providing a deeper look into where development budgets are headed. This also reduced the "other" category. Next year's AFDR will provide one-to-one comparisons year over year for these new categories.

Where the Digital Money Goes

	2018	2017	2016
Franchise Opportunity Sites	22%	33%	33%
Other Business Media	4%	8%	x
Pay-per-click	15%	19%	18%
Search Engine Optimization	10%	13%	12%
Email Marketing	7%	9%	9%
Social Networking	6%	11%	12%
Re-Marketing / Target Trailing	7%	8%	7%
Franchise Website	13%		
Social Media Advertising	12%		
Digital Asset Creative	3%		

• **Top sales producers.** After taking the lead in 2012 as the top sales producer, digital took a hit in 2017, dropping from a remarkably steady 42 percent to just 31 percent this year. Yet, with the inexorable reliance on digital, this begs the question of attribution, noted Phibbs. "Where do leads really come from?" she asked. "Where do they learn about the brand *before* they fill out the form on your website?" As Franchise Update Media Chair Gary Gardner pointed out 2 years ago, "The last click gets the credit." He urged attendees to consider the extent to which their other efforts contribute to the more easily measured digital share of spending on sales. The other big difference from previous years is referrals—considered the strongest source of high-quality leads—which rose from about 30 percent in previous years to 43 percent this year.

Top Sales Producers

	2017	2016	2015	2014	2013	2012
Digital	31%	42%	42%	42%	42%	42%
Referrals	43%	30%	27%	30%	31%	32%
Brokers	14%	12%	15%	16%	17%	16%
Print	0%	2%	3%	3%	0%	3%
Other	7%	8%	7%	9%	10%	7%
Trade Shows	1%	5%	4%	N/A	N/A	N/A
Public Relations	4%	1%	2%	N/A	N/A	N/A

• **Top digital sales producers.** We asked respondents to segment their digital spending as it relates to sales. Nothing startling here, but two trends to note over the past 5 years: 1) portals, after rising to account for about one in three sales in the past 3 years, fell to about one in four this year (26 percent); and 2) email marketing as a source of sales has risen steadily over the past 3 years, and at 10 percent has more than doubled from 2 years ago. (Perhaps the recent flurry of articles about email still being an effective medium for sales is worth paying attention to?) Oddly, in this era of more data than we know what to do with, the "don't know" category more than doubled from the past 2 years and is back to where it was in 2013. Again, it may be worth looking into attribution. If you don't know where more than one in 10 of your sales is coming from, there's room for improvement.

Top Digital Sales Producers

	2017	2016	2015	2014	2013
Digital Franchise Ad Portals	26%	32%	33%	35%	23%
Search Engine Optimization	20%	22%	24%	24%	49%
Pay-Per-Click	13%	16%	15%	15%	6%
Social Advertising	7%	5%	4.5%	4%	4%
Remarketing	2%	4%	4.5%	4%	N/A
Email Marketing	10%	6%	4.5%	N/A	N/A
Other	9%	9%	9.5%	12%	5%
Don't Know	12%	5%	5%	6%	11%

Franchise experts continue to shake their heads and wonder how any professional sales team can set a budget, spend the money, and *not* measure the effectiveness of that effort.

• **Measuring costs.** About six in 10 respondents (61 percent) said they track cost per lead (identical with last year), while 56 percent track cost per sale (57 percent last year). This means that four in 10 respondents *still* do not track their cost per lead, and slightly more don't track cost per sale. With all due respect to franchise sales teams, are you kidding? To repeat our observations from last year, franchise recruitment experts continue to shake their heads and wonder how any professional sales team can set a budget, spend the money, and *not* measure the effectiveness of that effort. Why 100 percent of brands don't track these critical metrics remains a mystery—and could be one reason that so many development departments continue to miss their annual sales goals. Among the six in 10 who do track these numbers, the average cost per lead reported in this year's survey was $112, about the same as last year's $109. However, the average cost per sale of $8,571 was up significantly from last year's $7,558 (which was up from $6,300 the year before). So cost per lead remained about the same, but cost per sale continues to rise.

Measuring Costs

- 61% track cost per lead
- $112.00 average cost per lead
- 56% track cost per sale
- $8,571 average cost per sale

• **Sales closing ratios.** How about some good news? Applications-to-sales ratios and discovery days-to-sales ratios were both noticeably higher this year. The leads-to-sales ratio fell slightly though, for the second consecutive year. (Note: In 2014, our panel of experts categorized that year's figures as unusually high, more of an aberration than a norm.) The biggest trend here is the steady increase in the applications-to-sales ratio, which rose to 26 percent from 20 percent last year, nearly matching even those 2014 numbers, and almost doubling from 2012. And while the ratio for discovery days to sales, at 72 percent, was up nearly 10 percent from last year's 63 percent, it still fell short of the ratios reported in 2012 and 2013. Many factors contribute to closing ratios, so no hard conclusions to be drawn here. For perspective, 2 years ago we wondered if more unfit candidates were making it through to discovery days; if franchisors were becoming more selective in the final stage of the award process; or if the economy and financing issues were the reason for the declines. Last year we asked if greater uncertainty during a sluggish economic recovery dampened the appetite for risk among candidates; if increased competition for prime real estate for the many brands with similar footprints was contributing to the decline; and if pre-qualifiers were making a difference where the ratios had improved. Whatever the reasons, the silver lining here is that almost three in four candidates making it through to discovery day are signing deals. Still, we must ask, with all the stages in the sales process, prospects coming in with more information than ever, and more and more technology being deployed at each stage, could—should?—these numbers be higher?

Sales Closing Ratios

	2017	2016	2015	2014	2013	2012
Leads to Sales	1.8%	2%	3%	7%	2%	2%
Applications to Sales	26%	20%	18%	27%	20%	13.5%
Discovery Days to Sales	72%	63%	61%	67%	77%	75%

• **Franchisors exceeding goals.** Unlike last year, where brands exceeding their sales goals spent much less on cost per lead than the average ($76.50 vs. $109), this year's "exceeders" spent more ($128 vs. $112). When it came to cost per sale, however, brands that exceeded their goals spent much *less* than the average when compared with the year before—$6,398 vs. an average $8,571 this year, compared with $6,266 vs. an average of $7,558 last year—so even though they spent slightly more than last year to close a deal, when measured against

9 DIFFERENTIATORS

The following are nine of the most important things more successful brands have seen or done in their franchise recruitment and development efforts that helped them to rise above the competition:

• Higher cost per lead, lower cost per sale

• Higher conversion rate of leads, applications, and discovery days

• 80 percent reported the quality of leads is up

• 95 percent described unit-level business conditions as good (68 percent of franchisors below goals described business conditions as good)

• Focused, strategic growth

• Use multiple marketing vehicles

• Use local marketing strategies

• Allocate dollars specifically to their franchise opportunity website

• Shop their competition

"The 2018 AFDR is packed with timely information and benchmarking data that can help your franchise system grow faster and close more deals."

the average cost per sale, they performed relatively better in 2017. They also exceeded the average ratios for applications to sales (31 percent vs. 26 percent) and discovery days to sales (79 percent vs. 72 percent). Among other things, these numbers indicate that franchisors exceeding their goals are much more *efficient* in their recruitment spending than the average.

Franchisors Exceeding Goals

	2017	2016
Cost per lead	\$128 (avg. \$112)	\$76.50 (avg. \$109)
Cost per sale	\$6,398 (avg. \$8,571)	\$6,266 (avg. \$7,558)
Applications-to-sales ratio	31% (avg. 26%)	15% (avg. 20%)
Discovery day-to-sales ratio	79% (avg. 72%)	80% (avg. 63%)

By segment, food brands (40 percent), despite dropping from the previous 2 years, continued to lead in the segments exceeding their goals. They were followed by service brands (25 percent for brick and mortar and 10 percent for territory/population). Finally, looking at money as a factor, 63 percent of those with an investment per unit above \$250,000 exceeded their goals, compared with 57 percent in 2016, and 71 percent in 2015. A comparison of the "exceeders" with previous years by industry segment reveals the following:

Segment	2017	2016	2015
Food	40%	44%	59%
Retail non-food	5%	9%	11%
Service (brick and mortar)	25%	30%	15%
Service (territory/population)	10%	9%	11%
Retail food	20%	9%	4%
Investment per unit > \$250,000	63%	57%	71%

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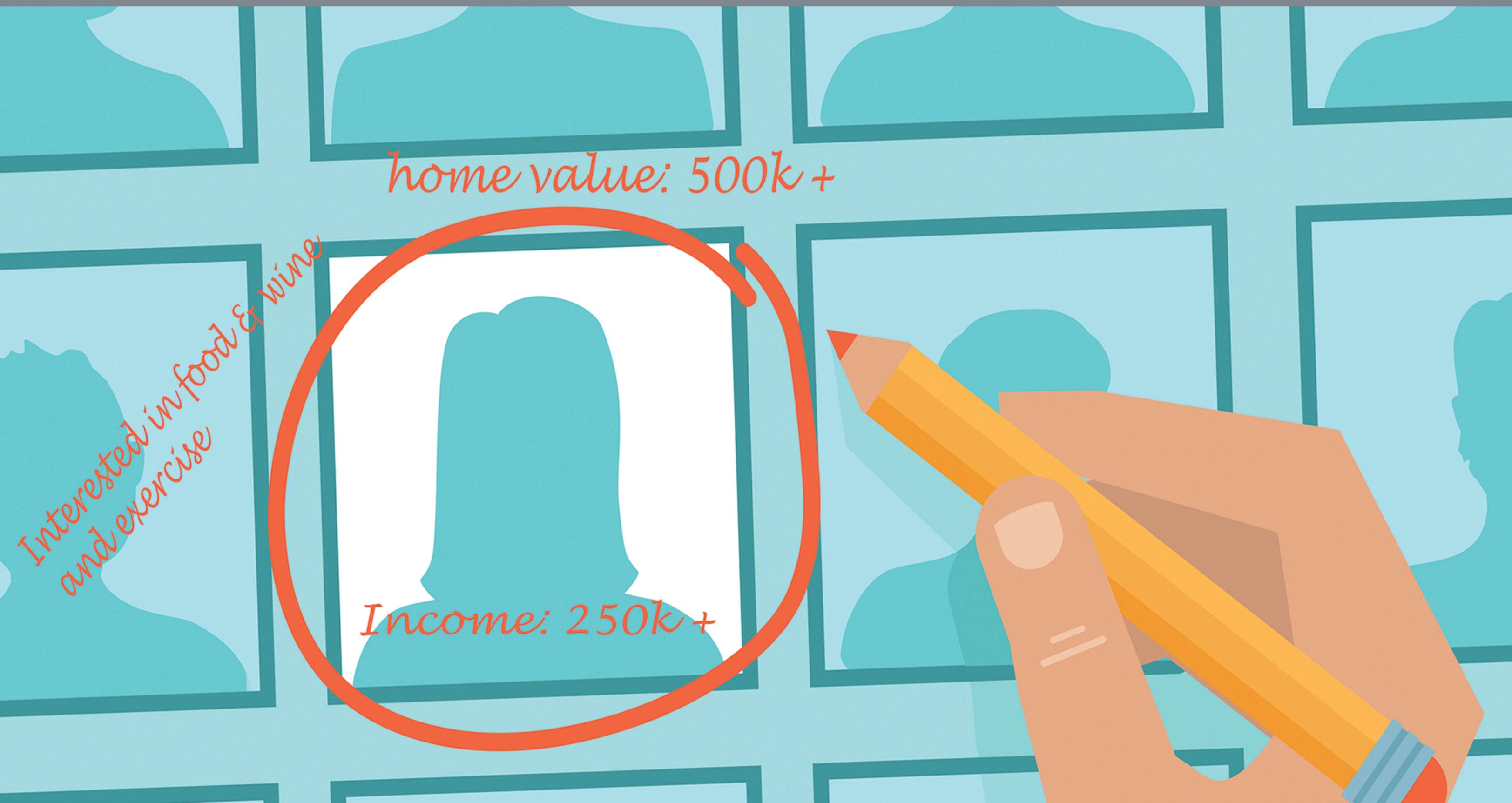

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BY KERRY PIPES & EDDY GOLDBERG

It's Growing Time!

19th Leadership & Development Conference raises the bar

For the first time in the 19-year history of the Franchise Leadership & Development Conference (FLDC), more than 500 top-level franchising executives gathered for franchising's premier sales and development event. The FLDC has become the priority "go-to" conference for sales and C-level franchise professionals looking to sharpen their sales chops, improve their development teams, learn best practices from the pros, and network with the best in the business.

Strictly by the numbers, this year's event at the InterContinental Buckhead in Atlanta attracted 508 total attendees: 321 franchise executives representing 187 brands in the food, retail, and service sectors. Seventy-three companies stepped up to sponsor this year's conference.

Once again two full days were carefully planned to provide opportunities for franchise veterans, panelists, and guest keynote speakers to address and interact with attendees in sessions, roundtables, and large general sessions. The Conference Advisory Board helped plan timely and topical sessions that packed meeting rooms.

A last-minute schedule change brought NFL Hall of Famer, Super Bowl champ, and all-time NFL rushing leader Emmitt Smith as a keynote speaker. Marketing, branding, and relationship expert Scott Stratten was the conference's second keynote speaker.

The Exhibit Hall was sold out once again and remains a popular networking venue each year. Third-party suppliers and franchise executives mingled freely to discuss business strategies, solutions, and products and services to help brands grow.

This year's Platinum Sponsors were FranchiseGrade and Manalto. Gold Sponsors were GbBIS, Hot Dish Advertising, Nimble [is], OneSource Communications, Prisma, and Scorpion. ApplePie Capital sponsored the STAR Awards Dinner.


Jeff Sturgis, Conference Chair

2017 CONFERENCE NUMBERS

508 TOTAL ATTENDEES

321 FRANCHISOR PROFESSIONALS

187 FRANCHISOR BRANDS

73 SPONSORING COMPANIES

Day 1: special sessions

The conference kicked off Wednesday morning with the annual CEO Summit, an opportunity for franchise CEOs and presidents to meet with their peers in an exclusive, all-day session to discuss common concerns and work together in roundtable brainstorming sessions to find solutions. Topics included Redefining Operational Support for Franchisees; 20 Practical, Proven Ideas in 30 Minutes on Operational Support Best Practices for Franchisees; Helping Franchisees Manage the Challenges of Today's Workforce; and Franchise CEOs and the Development Process. Discussions included dealing with different types and sizes of franchisees, unit economics and profitability, the value of annual conventions, and communicating both consistency and change to franchisees across the system. Therese Thilgen, Franchise Update Media's CEO, facilitated this year's Summit.

Meanwhile, two all-day sessions were running in parallel for sales and development executives. The two tracks—Smart & Sustainable Growth and Maximize Sales Performance—were each divided into a morning and afternoon session. The former consisted of Right-Sized Growth for Optimum Brand Development and Franchise Sales Process Deconstructed; the latter was divided into Mastering Sales Fundamentals and Lead and Nurture a Sales Team for Optimum Results.

In the Mastering Sales Fundamentals session, Mike Hawkins, The Dwyer Group's vice president of franchise development, facilitated a panel consisting of Kelly Parker, franchise sales and marketing for Walk-On's Bistreaux & Bar, Scott Milas, vice president of franchise development for Wayback Burgers, and Trevor Robinson, director of franchise development for Camp Bow Wow.

Each shared how their brands handle prospect phone calls throughout the lead generation process, spending time discussing when to call, what to talk about and when, and how to create a relationship with prospects that not only informs, but simultaneously assesses their fit for the brand. As Hawkins said, "We're not selling a franchise but helping people find the right opportunity… even if it's not us."

In the Lead and Nurture a Sales Team afternoon session, John Teza, a director at NRD Capital Management, and Jennifer Durham, chief development officer at Checkers and Rally's, facilitated an engaging session that had panelists and attendees alike discussing their own strategies and tactics in this area. The panel consisted of Richard Leveille, vice president of franchise development at Floor Coverings International; Pete Lindsey, vice president of franchising at Sport Clips; Charles Watson, chief development officer at Tropical Smoothie Cafe; and Shawn Caric, senior manager of franchising at Dunkin' Brands.

This session delved into the roles and responsibilities of the development cycle, from franchise sales to real estate to design and construction. As a brand grows, panelists noted, those steps and departments become more complex and brands must focus on finding the best talent they can to fill these roles.

"The right team members and an environment of accountability are important to getting results," said Teza.

"Creating the right compensation and incentives is also essential," said Durham.

Success developing the best sales team for your brand boils down to defining goals, finding the right team members to fit your culture, and fostering an engaged team at every level of the brand.

Following the day of educational sessions, attendees, panelists, and CEOs streamed into the Exhibit Hall for the conference's Welcome Reception. Food, drink, and elbow-rubbing with exhibitors, suppliers, and fellow franchisors made for a great way to conclude the day.

Emmitt Smith, keynote speaker

Day 2: kickoff!

Breakfast awaited early risers for day two before gathering for the conference's Opening General Session. Jeff Sturgis, chief development officer at Fazoli's, served as this year's conference chair. He welcomed attendees and introduced the conference's first keynote speaker, three-time Super Bowl champion and NFL Hall of Famer Emmitt Smith, who proved as captivating a speaker as he was a player during his glory days on the football field.

Last August, Smith became a co-owner of The Gents Place franchise brand. In his motivational keynote, he consistently drew parallels between playing for a football team and being part of a franchise team. In doing so, he recalled his humble beginnings and his drive to succeed. As a nine-year-old growing up in Florida, he saw the Dallas Cowboys on TV and told his dad he was going to play for the Cowboys one day. In high school, already a budding football star, he got to attend a Super Bowl at the Rose Bowl in 1987—and told the friend he brought with him that one day he, Emmit Smith, was going to play in a Super Bowl there. And he did both: Smith went on to play for the Cowboys in a Super Bowl, at the Rose Bowl. (And yes, the Cowboys won.)

"If any of you have a dream about what you want to accomplish in this business, write it down, put it on your vision board, and look at it every day," he told the crowd. "We all have to overcome the spirit of intimidation and fear," he added, whether it's being tackled by a 350-pound lineman, opening a new store if your first one went badly, or being ready to take advantage of the moment if a 5-store territory opens up.

"You have what it takes to be successful," he encouraged, adding, "You have to be patient; you have to be persevering." One of his coaches, he said, told him that his mission was to raise young men and grow them into men so they'd be successful in life; and that football "was a bonus." In fact, it was one of his coaches who taught him about writing down his goals.

"No one becomes successful by themself," he said, in football, in franchising, or in life. To achieve success, he said, "It takes a whole team working consistently for a period of time—and humility. Success makes us all complacent."

And once you've achieved some level of success, turn around and pass it on, he said. "Don't ever lose the feeling of wanting to help someone along the way, because someone helped you. Always extend a helping hand to someone in need. It's part of who I am, part of the human spirit, gratitude and grace."

Finally, he advised, don't take yourself too seriously. "Success is to be enjoyed, not necessarily celebrated, but enjoyed." With that, he left the stage to a standing ovation.

Economic outlook

FRANdata President Edith Wiseman stepped up next to deliver the annual "State of the Economy" report. Domestically, 2018 will look very similar to 2017, she began, as the second longest expansion since the Second World War continues to inch along. Domestically, potential headwinds include uncertainty as the new administration and Congress continue to struggle. Globally, they include the growth of political movements in Latin America; the impact of Brexit on Europe; a slowing economy in China; and the rise of nationalist sentiments in South Asia. On the whole, she said, the economy remains stable, affected by a declining unemployment rate and a slight uptick in consumer spending.

Mapping her economic forecast onto what she called the "8 Pillars of Franchising" (training, brand marketing, corporate financial efficiency, real estate construction and design, business opportunity/unit economics, development, compliance, and support), Wiseman discussed such topics as how the commoditization of services is changing markets (think Uber and Airbnb); GDP growth (stable at 2 percent with a possible rise in Q3); unemployment (down toward 4 percent); and interest rates (flat, with moderate hikes likely in 2018).

AFDR and Mystery Shopping

Franchise Update's EVP and Chief Content Officer Diane Phibbs presented an overview of the findings from the 2018 Annual Franchise Development Report and Mystery Shopping survey. (See full coverage of both starting on pages 32 and 42.)

Sturgis, in his role as chair, facilitated a Q&A panel discussion with two of this year's mystery shopper researchers and two of last year's STAR Award winners. Michael Arrowsmith, CDO at Captain D's, and Charles Willis, CEO at Pinot's Palette, each won STAR Awards last year. The mystery shoppers were Art Coley, CEO at CGI, and Todd Owen of Alpha Omega Franchising.

The central message? Some brands are handling leads extremely well, while many others continue to drop the ball on fundamentals such as returning prospect calls quickly (or at all) and pre-qualifying. All the panelists agreed there's room for improvement and recommended that franchisors routinely mystery shop their own sales teams.

Day 2: sessions begin

The Exhibit Hall opened back up for lunch and more opportunities to meet, greet, and do business. Then it was time for afternoon breakout sessions.

Topics for the afternoon's first round of breakout sessions included Franchise Prospecting—Engaging & Letting Go; Franchisee Exit Strategies & Resales; Target Marketing for Lead Generation; and Avoid Litigation in Franchise Development.

David Wells, senior director of franchising at Sport Clips, facilitated the session on Target Marketing for Lead Generation. The panel consisted of Shemar Pucel, director of franchise marketing and development at sweetFrog Frozen Yogurt; Lauren Wanamaker, senior development marketing manager at WellBiz Brands (Fitness Together, Elements Therapeutic Massage, and Fit36); and Cassidy Ford, franchise development manager at Huddle House. The session dug into how franchisors identify markets, territories, and target audiences for growth. Panelists discussed how they specifically target leads through strategies such as content marketing, digital, and traditional media.

Ford described the process at Huddle House. "Our definition of targeted recruitment is finding the right buyers in the area in which you want to grow," she said. "Truly understanding our buyers allowed us to target our efforts and kick recruitment into high gear."

When it comes to leads, Pucel said, sweetFrog focuses on "casting a smaller net because it means less time chasing the wrong fish." She also said the brand is very engaged in using new marketing techniques to get the results they want. The results of sweetFrog's more targeted lead search? Lower volume and higher conversion rates.

The final breakout sessions of the day included Sales Measurements for Success, Market Planning for Optimum Market Penetration, and Crafting the Right Message for Your Target Audience.

Day 2: big finish!

The day's educational offerings concluded with a Business Solutions Roundtable Challenge Session, Overcoming Objec-

tives To Seal the Deal, led by Scott Stratten, author of *Unmarketing* and *Unselling*. Stratten used his considerable wit and firsthand experience working with and being a customer of numerous brands to weave a tale of how brand image, responsiveness, and customer service focus are essential to creating companies that rise above the competition.

That evening, attendees gathered at nearby Maggiano's Little Italy for the an-

nual STAR Awards dinner and ceremony. Interviews with this year's winners begin on page 50.

Day 3: planning for 2018

Friday morning concluded the conference with a final wrap-up session called Smart & Sustainable Growth—Franchise Development Plan Template. The high-energy session, facilitated by Art Coley, featured a high-powered panel consisting of Steven Brown, COO at SpeedPro Imaging; Tom ("not that Tom Monaghan") Monaghan, chief development officer at Philly Pretzel Factory; and David Bloom, CDO at Capriotti's Sandwich Shop.

Each presented an overview of how they develop their sales and development budgets, teams, and strategies each year. Bloom led off the presentations with "What is the Vision?" Monaghan followed with "Managing Expectations—Building a Realistic 1-Year Plan." And Brown finished with "The Right Team To Implement the Plan." The session featured small group breakouts after each presentation, with attendees tackling the challenge of crafting plans and devising solutions to enhance their franchise development practices in the coming year.

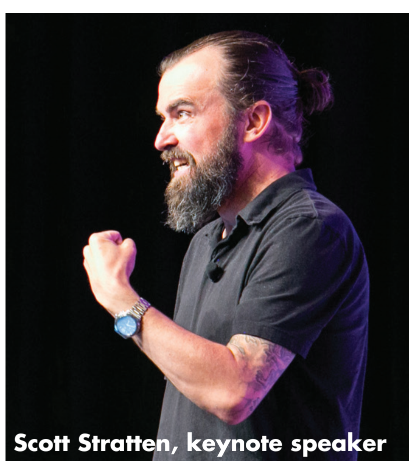
Coley concluded the session, and the conference, with what he called the "gives a damn factor," reminding the room full of sales pros "how privileged are we to do what we do: talk with people making life-changing decisions, matching it up and finding the right fit."

Wait until next year!

"The FLDC is a great conference that packs a lot of content and networking opportunities into just 48 hours," said Dan Stone, chief business and people development officer at Front Burner Brands. "I always walk away with valuable insights of what we should focus on, as well as validation of tactics and strategies we already use."

For Omar Oselimo, CEO of the Reggae Shack Café, "The Franchise Leadership & Development Conference was great. As someone that is getting started, and who lost $50,000 by choosing the wrong franchise development company, I wish I knew about the conference beforehand. I learned so much and met so many great leaders it was a life-changing experience."

To learn more about this year's FLDC and register for 2018, visit www.franchisedevelopmentconference.com. ■



Scott Stratten, keynote speaker

Franchisor Profiles

BY TITLE

- 20% CEOs
- 3% CFOs, CIOs, COOs
- 26% CDOs, SVPs development
- 43% Directors and managers of franchise development
- 8% Real estate, communications, compliance professionals

BY CATEGORY

Service	51%
Food	26%
Retail Non-Food	13%
Retail Food	10%

BY INVESTMENT LEVEL

Over $1 million	13%
$500,000–$1 million	14%
$250,000–$500,000	28%
$100,000–$250,000	25%
$50,000–$100,000	9%
Under $50,000	11%

BY NUMBER OF UNITS

> 1,000	14%
501–1,000	9%
251–500	13%
101–250	25%
26–100	18%
< 25	11%
0	7%

BY ANNUAL SYSTEM-WIDE GROSS REVENUE

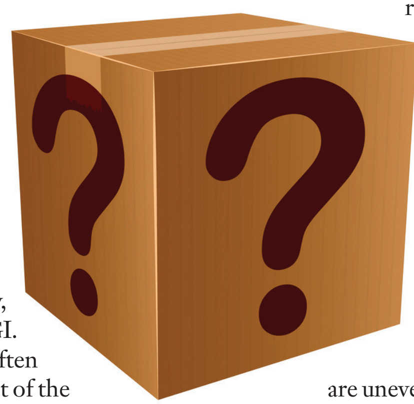
> $100 million	37%
$80 million–$100 million	6%
$60 million–$80 million	8%
$40 million–$60 million	8%
$20 million–$40 million	10%
$8 million–$20 million	10%
$1 million–$8 million	13%
< $1 million	7%

BY HELEN BOND

What's the Mystery?

Technology matters, but effective franchise development is still personal

When it comes to franchise recruitment in the digital age, first impressions count—now, more than ever. With so much information already online, from recruitment websites to customer reviews, today's prospects know more about a brand than ever before—long before the sales team even knows they exist.



Yet, while technology may have taken center stage for many brands in their franchise development process, the personal connection remains critical to closing the deal and finding the best matches for both the potential franchisee and for the long-term success of the system. Business is still about people.

"It's not rocket science," says Art Coley, CEO of franchise development company CGI. "It's the things that were happening more often before technology was such a big component of the process. Now that we have technology, and all these automated tools, video, and content, I think we have forgotten some of those basic fundamentals. Therefore, the brands that do them now really stand out."

Adds Coley, "In franchising, we talk about systems, about predictable, quantifiable, and measurable results with your franchisees and units. Sometimes we do everything but that with recruitment."

A renewed focus on the fundamentals was just one of the findings of the 2017 Mystery Shopping survey. The annual review and analysis of the best (and sometimes worst) practices of franchise development programs and teams was presented in October at the Franchise Leadership & Development Conference in Atlanta. Mystery shopping was conducted on most of the 150 franchisors attending the conference.

Along with Coley and Jenny Langfeld, CGI's chief operating officer, mystery shopping and research was conducted by Todd Owen, owner of Alpha Omega Franchising; Jack Monson, director of digital strategy at Qiigo; Keith Gerson, president and chief client advocate of FranConnect; as well as by FranchiseGrade.com (FDDs), Franchise Business Review (franchisee satisfaction), and Landmark Franchise Network. The researchers mystery shopped brand responsiveness by telephone and website, and also examined the social media components of the recruiting process.

One change franchisors must adapt to, and many already have done so, is the predominance of inquiries coming from people on the move. Mobile searches from prospects are up 50 percent since 2014, according to a study by Landmark, whose research found that 63 percent of investment inquiries now come from mobile devices, up slightly from the previous year, and a rise from 42 percent in 2014. Being mobile-friendly can be critical to making those all-important first connections with potential franchisees. Smartphones have become today's communication form of choice for many prospects, and franchise brands must be prepared to respond appropriately.

The bottom line? On the whole, brands are doing a better job of franchise development from start to finish, but the results are uneven and there is still much room for improvement for too many franchise companies.

We went to the researchers to uncover the key findings and recommended solutions resulting from what they unearthed in this year's mystery shopping survey.

Telephone mystery shopping

This was the second year that CGI evaluated how well brands responded to telephone inquiries from potential prospects. Posing as qualified leads seeking information, Coley and Langfeld called 137 franchise brands.

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Methodology. They employed a three-step approach: find the right number to call, telephone the franchise, and follow up. The task of Round 1 was simply to search for the franchise development telephone number on the main franchise website. If the number was found in no more than three clicks, the brand moved to Round 2. Four out of five (82 percent) of the brands made it to Round 2, a big jump from last year when just 52 percent of participating brands passed the first test.

Round 2 was all about the call. The CGI team phoned the 111 brands that passed Round 1. A sales rep picked up the phone for a live conversation at 44 franchises (40 percent). Another 35 brands (32 percent) returned the call within 24 hours. The focus of Round 3 was to follow up with these 35 brands.

Brands were awarded points for gathering basic information from the would-be franchisees. They earned a higher score if they inquired how the caller heard about the franchise, or provided information or education on the process of becoming a franchisee of the brand.

Franchisors did a much better job in the follow-up phase than in the previous year, says Coley. Mystery shoppers connected live with 43 percent of the brands on the second try, up from 25 percent during the same phase of the study in 2016.

"It was interesting to us that, with the second call, we still connected with someone live in 15 of those 35," says Coley. "It begs the question, where were they in Round 1? It is back to consistency, and making sure that things are happening and functioning correctly on a daily basis."

Last (and worst), 25 of the 137 brands *never* called back. That's 18 percent, nearly 1 in 5!

Observations: Pros

Coley and Langfeld noted the following as positives:

• The majority of franchise development phone numbers were readily visible on websites this year. Only one brand required the shopper to click more than three times.

• About 4 in 10 (43 percent) of live contacts mentioned the discovery process.

• Overall, people who first picked up the phone were more knowledgeable and open to answering questions than last year.

Observations: Cons

On the flip side, Coley found brands repeated many of the same mistakes as last year.

• The person who picked up the phone didn't communicate with the director or sales person. As a result, the person who returned the call had no information on the prospect.

• Connecting with someone live, only to be sent back to the website to fill out a request for information.

• Generic or nameless voicemail messages. Whether from an increased use of sales development outsourcing or employee cell phones that don't reflect the brand, this can be perceived as unprofessional and confusing to the caller.

• Data dumping, i.e., too much talk about the brand and not enough questions for the caller.

Recommendations

"When they do finally pick up the phone and call, we have to appreciate how big a deal that is," says Coley. His advice?

• Slow down. Ask questions, educate, and establish your brand's sales process.

• Match your sales process with a predictable buying process. If a prospect expects to get a personal email, educational video, or drip marketing, the franchise should deliver.

• Use the CRM system and/or email to provide information that will move the sales process along and facilitate and enhance the experience of the prospect, who is often making a life-changing decision.

• Voicemail messages should be both professional and brand-related. Require contract sales employees to have a designated franchise line.

• Answer the phone and keep it positive! Don't just do a data dump. There's a good chance you are giving them information they already have.

Conclusions

Franchise brands *are* paying attention to the findings from previous mystery shopping surveys, says Coley. He found significant improvement by brands to make their recruitment phone number visible and provide information and education on the process of becoming a franchisee. Once connected, however, there remains a "big separation on how the call was handled," he says. "About half didn't get what we considered to be the basic information, or not all of it—name, address, email address, and phone number."

Overall, franchise brands should analyze the role of the phone call in franchise development. Fewer phone calls does not mean the telephone is a less effective strategy, even though more people tend to do their initial research online long before they pick up the phone.

Website mystery shopping

Todd Owen, owner of Alpha Omega Franchising, was charged with evaluating the website responsiveness of franchisors in the recruiting process. His mission was to submit an inquiry through a brand's website and "do my best to present myself as a viable candidate."

Methodology. Owen set up separate email, telephone, and voicemail accounts. Using a fictitious name, he contacted franchisors through their website and expressed interest in becoming a franchisee. Each avenue of response was tracked and scored on a variety of objective and subjective factors.

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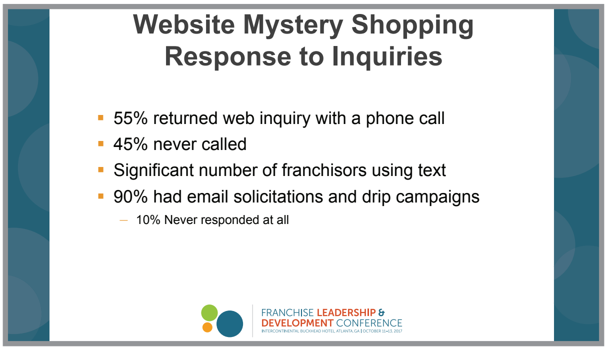
Findings

Owen distilled the following aggregate information from his mystery shopping:



Observations

These days, potential franchisees can discover and request almost anything about a franchise with just a couple of clicks. The ways brands responded varied widely, and could be the difference-maker between a qualified investor making a deal or moving on.

"Organizations, by and large, have a pretty good grasp on some form of communication—90 percent had some form of communication with me," says Owen. "But 45 percent did not make a phone call. They may have communicated with me via an email drip campaign, but a significant number did not ever actually reach out and make a call."

Those who did call also were analyzed subjectively. For example, did the person sound engaged and enthused? "There were a number of respondents where I thought, 'Were you watching TV or eating something?,'" says Owen.

"This is the first impression they have of this potential franchise investment. First impressions can be about the quality of the website and content in the emails," he says. "Much of it was impressive, solid, and beneficial. But if that conversation you have with a prospect is negative, how do you think that is going to affect the sales process?"

Owen also found more franchise brands using text messaging to communicate with potential franchisees. Text campaigns are fine, he says, but because this method implies a level of intimacy, make sure the prospect gives the green light before communicating this way. Most franchise development websites didn't address the issue of texting in the form field of the CRM. To be certain of a prospect's preferences, an opt-in check box is an easy solution.

Recommendations

Based on his experience as a mystery shopper this year, Owen offers the following suggestions for better sales team performance.

• Understand how the technology you use to attract franchisees interacts with the potential buyer. Three weeks into the project, he discovered a flood of franchisor emails in the "Promotions" folder of his newly created email account. "You do not want to be in that folder," he says.

• Use a web-based appointment calendar to reserve a time with the sales director for an initial informational call. Owen was impressed with the number of call scheduling programs he found. Some companies, however, offered callback times two to three days out. An effective strategy offers an engaged lead a quick connection.

• Look for ways to separate your brand from the competition. Although most of the franchise inquiries followed up with some type of content or an e-brochure, one franchise caught his attention by sending him a physical brochure in the mail.

Finally, he cautions, franchise brands should avoid being overconfident in relying too much on technology in the sales process. And when it comes to responding, he says, "Some people want to be communicated with in certain ways, and we have more communication methods than ever. Depending upon your personality, age, income, and business sophistication, different methods will be effective for different people."

Website evaluation

Mystery shopping veteran Keith Gerson took on the task of analyzing the websites of 136 franchise brands. Gerson, president and chief client officer at FranConnect, scored the websites in four areas: technology basics, search engine optimization tools, website usability, and key content. Top points were awarded for a franchise-specific URL; unique franchise or business opportunity SEO title tags; a clear step-by-step learning process; and effective use of technology, particularly videos, Flash, social media, and advanced technology. Gerson also gave big points to websites that featured strong franchisee testimonials and a detailed Frequently Asked Questions (FAQ) section.

Findings

In his analysis, Gerson found the following:

• 51 percent provided unique starting points on their franchise site (66 percent last year).

• 65 percent provided a process for learning (68 percent last year).

• 65 percent had video on the franchise site (60 percent last year).

• 31 percent had financials on the qualification form (49 percent last year).

• 92 percent of franchise sites were mobile-friendly (74 percent last year).

• 58 percent did not provide franchisee testimonials (60 percent last year).

Recommendations

Winning franchise recruitment websites do what they do best—sell. Make sure your brand's online experience includes:

• Strong and easy to find talking points that outline why your franchise is a good investment opportunity, and better than the competition.

• A comprehensive FAQ section, video, and franchisee testimonials. On a recruitment website, the FAQ section is where prospects expect to find specific answers to their questions (and where you want to entice them to progress further in your process).

• A map of available territories that can act as an early filter.

• News a potential investor can use. Prospects are looking for more current and relevant information earlier in the sales process than ever before, so give it to them. Include a news feed that is kept up to date.

- A call to action (CTA) on every page.
- Search engine optimization for every page.

Social media recruitment

Online content has shifted from being a research tool for prospects to a tactic for touching potential franchisees much earlier in the process, says Jack Monson, director of digital strategy at Qiigo, the digital marketing firm that handled the social media side of franchise recruiting this year.

Paid social media, particularly on Facebook, is at the top of this strategy. "We are seeing the biggest increase in lead generation when it comes to digital marketing as retargeting people, specifically on Facebook after they visited the website," he says. With that in mind, Monson focused some of his mystery shopping on seeing if brands were taking advantage of this growing trend.

Methodology. Initial points were awarded to brands with active consumer pages on Facebook and LinkedIn and, to a lesser extent, channels such as Instagram, Twitter, and others. Credit was given for having an active consumer presence that a candidate could easily find for validating the brand. Points were not awarded for "vanity metrics" such as number of likes or followers.

Findings

Some of the numbers from Qiigo's research include the following:

Observations

During the awareness and consideration stages of a buyer's journey, paid social advertising is one of the most effective ways to reach qualified prospects. Monson awarded the highest scores to brands that created awareness through social ads and, more importantly, retargeted their website visitors with ads on social media. Of the brands participating in 2017, only a small minority are currently retargeting on social media.

"The good news is that there were a few brands that did—and they did a tremendous job with terrific ads that were engaging," says Monson. "Some of them even used the new Facebook form fill and hit me with good video. I was really pleased that the ones doing the retargeting did an excellent job."

Additional credit was given to brands that retargeted website visitors with display ads in other places across the Internet. While technically not a part of social media, these ads complement the Facebook ad campaign and provide a strong early touch point.

Recommendations

Based on his findings, Monson offers the following recommendations for franchisors.

- For engaging potential candidates, social media is not a storefront or a portal. You can't build it and hope they will come! Brands must engage with potential candidates where the candidates live online and draw them into the conversation.
- Make it easy for prospects to engage through social media. People are engaging online more and more, so don't make it hard for them to click on an ad and then require them to fill additional forms with their personal information. You must make it easy—and quick—or they will move on.
- Use LinkedIn as a forum for your franchise by focusing on the executives of the brand, rather than just the business. Company leaders and sales development and marketing executives publishing about their brand, industry, or franchising on the largest professional networking site can be a gold mine for recruitment. The result can cascade into a ripple effect spread through the connections of executives' own networks, says Monson.

Conclusions

"It all comes back to retargeting," he says. "Anything we can do to get someone to the franchise development website is important, because just getting there is really half the battle." And, with the ever-growing number of franchisors drawing from the same pool of potential franchise investors, retargeting will become increasingly important for franchise development programs.

"Even if they don't fill out a form or call you to talk to you about owning a franchise, they did lean in at some point to show interest in your brand or in owning their own business," says Monson. "To me, that becomes more important than just about any other thing you can say about a lead."

Final thoughts

Mystery shoppers agree that franchisors should pay attention to who is on the front lines of franchise sales; invest in training and coaching; and regularly practice ongoing quality monitoring of both their people and their process. Do you mystery shop your own brand? Researchers say you should.

"Put yourself in the shoes of the potential franchisee," advises Owen. "The vast majority do a great job, are very professional and thorough, and I'm proud of my industry and the franchises. But this also is saying there are some out there that don't seem to get it, or don't monitor the quality of what they are doing."

There is no silver bullet or single formula for franchise development success, says Coley. But as more brands find difficulty achieving their growth and unit opening goals, a little self-reflection can go a long way.

"If you are determined to win and are continuing to struggle to have that victory, it can sometimes force you to do a deeper level of soul-searching," says Coley. "I think there is a deeper level of maturity in franchising today; that the brands are realizing it is not just about having a fancy logo, or the right SEO, the right PR firm, or a neat automated drip email campaign. The truth is that it is about doing a lot of little things correctly, more consistently, and being more disciplined—day in and day out." ■

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BY SARA WYKES

STAR TIME!

LESSONS GALORE FROM THIS YEAR'S BEST PERFORMERS

Kix Mobile, an emerging cellphone exchange franchise, is less than a year old. But as a registrant for the annual Franchise Leadership & Development Conference, Paul Wolbert, Kix's director and CEO, signed up to be mystery shopped by a team of sales and lead generation experts. Wolbert wanted to know how well his newly formed team is doing.

"The franchise business is so competitive you have to bring your A game all the time," he says. "This mystery shopping allows you to test how well you're doing that."

For a first-timer, Kix Mobile placed well: runner-up in the Best Telephone Prospect Follow-Up category. Not bad for a brand new franchise up against 136 other franchise competitors!

In addition to telephone follow-up, mystery shoppers evaluated brands on franchisee satisfaction, website response, websites, and FDDs. The results are scored and the top performers in each category, and the overall winners, are recognized with STAR Awards at a banquet held on the final night of the conference. The awards dinner, sponsored this year by ApplePie Capital, was held at Maggiano's Little Italy, a short walk from the InterContinental Buckhead, where the conference took place.

What did the winners do to perform so well? STAR Award (Speaking To And Responding) honorees share their thoughts on winning strategies and tactics for outstanding franchise development performance—and the value of the STAR Award to their future recruitment and development efforts.

To learn more about the methodology employed by the mystery shoppers—and more important, their observations, analyses, and suggestions for improvement—see page 42. A longer list of this year's winners and top runners-up appears at the end of this article, on page 53.

BEST OVERALL PERFORMANCE
1st Place
BrightStar Care


Shelly Sun

Last year, BrightStar took home a STAR Award for Best Overall Responsiveness and was a runner-up in the Best Telephone Prospect Follow-Up category. This year BrightStar stepped up to earn the top STAR Award. But the plan and campaign to win the top honor began at last year's awards banquet where Shelly Sun, the company's CEO and co-founder told a colleague, "Next year, we're taking Best Overall."

That goal "was a kick in the butt," she says. "We set out an action plan and spent the last 10 to 12 months revamping. Seventy-five percent of our organization was rebuilt." Still, Sun says, she was surprised—pleasantly—by this year's more comprehensive win.

Of course, the work was not just about winning the top award, she says. "We felt we'd lost momentum and entrepreneurial push." She wanted fresh eyes and expertise, so she worked with BrightStar's board and asked David Bloom, chief development officer at Capriotti's Sandwich Shop, to consult for two days with the team, "to make sure we had a message that would resonate with our franchisees," she says. (Sun is an investor in Capriotti's.)

Changes were made to all forms of BrightStar's social media and to website content aimed at prospects. "We asked, 'What would I need to know if I'm going to invest?' and discovered that 20 percent of the old content answered that question. The other 80 percent was covered in training," she says.

The fresh look at that content, such as who reports to whom, and messaging honed to be on point with BrightStar's differentiators, has produced great results. The evidence?

"We're closing more deals," says Sun. Winning the award, she adds, is a bonus and "validation of all the time and money we've invested."

BEST OVERALL PERFORMANCE
2nd Place
Christian Brothers Automotive


Josh Wall

Christian Brothers also was a runner-up in three other categories this year: Best Social Media, Best Website Prospect Follow-Up and Best Overall Responsiveness; and tied for second place in Website Best Practices.

"We are so pleased and feel so blessed," says Josh Wall, vice president, franchise and strategic development, whose list of alterations and additions to the brand's development efforts is long. And 2017 has been a good year, he says, with unit-level economics "better than they've ever been."

Expanding from one development manager to three front-line recruiters is one example of what Wall says could be the theme of all the work that's been done in the past year. "It comes down to how we are allocating people's time and talents," he says.

Another change: Wall stepped back from the responsibility for 100 percent of lead generation to take over the franchise's real estate and development team. He then promoted a franchise development specialist as the front-line leader of that area. It wasn't so much a question of delegating, but rather one of having enough of the right people to carry the ball, he says.

He also cut back on the long blog posts he'd been writing and asked an outside vendor to do some streamlining and freshening of the website. The new website was launched in May, around the time the mystery shoppers were testing performance. "We're still tweaking it," Wall says, "and looking for our next breakthrough."

BEST OVERALL RESPONSIVENESS
1st Place
Wild Birds Unlimited


Paul Pickett

"We know there's a limited amount of time and that our candidates are very busy, and we are honored to have anyone even consider us," says Chief Development Officer Paul Pickett.

"We have, in the past, received a first place for Best Telephone Prospect Follow-Up," he notes. Whether by phone or online, the responses must be authentic and reflect the idea that "we listen more than talk, and respond rather than react," he says. "We are always editing, always massaging the way we reach new candidates, to find people who are a good solid match."

Wild Birds also placed first for Best Website Prospect Follow-Up. "I have to admit I was surprised, especially for our website," he says, but changes to the brand's website have made it easier for people to navigate.

"The old website was not optimized for mobile. Now, right under our name is our phone number, and all you have to do to call is click it," he says. And when people call, they will have a conversation with one of three people, including Pickett. Cross-training and a willingness to take calls, regardless of one's primary job, he says, avoids long waits for callbacks or responses to initial calls.

BEST FRANCHISEE SATISFACTION
1st Place
Home Instead Senior Care

Franchise Development Manager Kathleen McKay says the brand is "very honored and proud" to have received


Kathleen McKay

this award in both of the first two years it has participated. "For us, winning the Best Franchisee Satisfaction award back-to-back is a welcome acknowledgment of how seriously we take our owner vetting process. It ensures we partner with incredible business owners with exceptional integrity and heart for making a positive difference in the lives of seniors and their families," she says. Following last year's win, McKay's team has added another lead qualification specialist. Home Instead also was a runner-up in Website Best Practices.

WEBSITE BEST PRACTICES
1st Place
The Melting Pot


Dan Stone

"Our practice has been continuous improvement," says Chief Business and People Development Officer Dan Stone. "When we go to conferences, for instance, we look for key nuggets to improve our website and social media."

The brand recently signed a contract with Internet marketing company Scorpion to develop a refreshed franchise development website. It won't necessarily mean new content, says Stone, but it will mean that many functional additions can be sorted out from scratch. Stone wants to make sure that people can find the information they seek without so much effort that they leave the website. "People want what they want when they want it," he says. "If it's not at their fingertips, we've found they will move on."

The new website, which will reflect innovations at the brand, also will continue to feature business-to-business stories that prospects will find useful, an image gallery, testimonials, and an interactive map that shows The Melting Pot's operating and available locations. Scorpion, Stone says, can provide updates as needed and raise the level of the site's SEO marketing.

The Melting Pot also earned a second place finish in Best Social Media. The double awards, Stone says, "are flattering and a proud moment for us to be recognized by our peers."

WEBSITE BEST PRACTICES
2nd Place (tie)
Arby's, Christian Brothers Automotive


Greg Vojnovic

"All the credit goes to our franchising team here," says Greg Vojnovic, Arby's chief development officer. The award, he adds, is a "wonderful recognition for the team." That team, led by Joe Sieve, Daphne McManus, Bert Lane, and Jodi Fraser, has done "an incredible job of focusing our franchising efforts," he says.

At the heart of Arby's franchise development approach, says Vojnovic, is the idea that anyone who takes the time to ask about a franchise is someone who likes Arby's. That drives a process that doesn't initially filter candidates, so a softer filter is especially important, he says.

"Some people have a lifelong dream of opening a franchise," Vojnovic says. "If we see that they don't currently have the resources to make that happen, we say, 'We want you to be successful. Don't give up. Here's what you need to do to qualify.' We always want to be respectful and open-minded when speaking with prospective franchisees."

BEST WEBSITE PROSPECT FOLLOW-UP
2nd Place (tie)
Window Genie, Showhomes Home Staging


Rik Nonelle

"An award like this confirms why we get out of bed every day excited to support our owners," says Rik Nonelle, Window Genie's president and founder. "It's always great to be recognized and validated for something you're doing right so we can continue to believe in what we're doing to grow the system."

The Dwyer Group bought the franchise in 2016. This increased the brand's development team, but it didn't change its franchise development philosophy. "We pride ourselves on not being pushy and on being more available and helpful than other franchise systems our prospect may be pursuing," says Nonelle. Using technology to the fullest, including Skype and reminder emails, keeps candidates feeling organized and in control of the process, he says.

BEST TELEPHONE PROSPECT FOLLOW-UP

1st Place
Office Pride Commercial Cleaning Services


Gerry Henley

Office Pride's win explained some unusual pre-dinner behavior at the conference. "A couple of my staff asked me if I was going to the awards dinner. I was a little suspicious," says Gerry Henley, executive vice president.

"We really appreciate the honor," says Henley, who has been with the franchise only two years, during which he's made some new hires, including Richard Helm as franchise development manager. "Rich won us this award," says Henley. "He has set an example for how to implement and be accountable for a process we already had in place."

The award, Henley believes, honors the idea that "It's not just how fast you answer the phone, but what happens after, how you interact. It's all about engaging prospects where they're at." That idea evolved into the addition of another category of prospect: engaged. "It means that a prospect is still qualifying and we're not pushing. We guide them through the system, on getting to know them while they're getting to know us. It's a mutual qualification." Some leads may stay at that level for months, Henley says. "We don't start measuring our closure rate until there's a franchise application."

BEST TELEPHONE PROSPECT FOLLOW-UP

2nd Place
College Hunks Hauling Junk & Moving

College Hunks includes texting in its follow-up options. This is for a very good reason, says Franchise Development Officer Chelsea Renno: "Many of our prospects are currently employed." Responding to a text can be done silently. This sensitivity to a prospect's current employment status


Chelsea Renno

also prompted her to offer callback appointments on weekends and evenings.

"I've had a lot of success with it. We want people to be comfortable and relaxed when we talk, instead of having to run out to their car to talk," she says. To increase that comfort and relaxation, Renno also tells prospects, "We'll take it easy. You're driving the bus. I'm just the tour guide." College Hunks was also runner-up for Website Best Practices. The two recognitions were a "nice surprise," she said.

BEST SOCIAL MEDIA

1st Place
Capriotti's Sandwich Shop


David Bloom

Capriotti's, says Chief Development Officer David Bloom, "has most definitely taken a multichannel approach to social media." In part, that's been aided by a strong set of partnerships. In January, Capriotti's added a PR partner, Fishman Public Relations, which has helped the franchisor build a process that has produced "a thorough understanding and passion for the brand," Bloom says. "That enabled us to spark new ideas and execute them on a whole new level."

The content generated by Fishman boosted the work of another partnership, with The Producers Network, to design outstanding email and social media campaigns on LinkedIn and Facebook. Capriotti's thinks of LinkedIn not as a transactional sales tool, but "rather as a long-term relationship and reputation builder," says Bloom.

"I personally work on expanding and communicating with my network on a daily basis, and have been doing so for years. To date, I have established well over 10,000 direct industry connections on LinkedIn, which has taken me years to build. This network of industry leaders, owners, and operators enables me to accelerate Capriotti's brand exposure on a national and even global basis."

Capriotti's also takes advantage of networking at industry events. "Our CEO Ashley Morris and President Jason Smylie are extremely active outside the four walls of our office, and our marketing team does a tremendous job of socializing at every event," Bloom says.

"When we take a look at our brand presence, we are amazed at the progress we have made," Bloom says. "We plan on continuing to incorporate all of the above tactics into one, comprehensive social media strategy."

BEST SOCIAL MEDIA

Runner-Up
Taco John's


Van Ingram

When Taco John's took home the Best Overall Performance trophy two years ago, Van Ingram, vice president of development, used that as an internal validation tool for those who "might not understand all we do to generate new leads and new franchises," he says. "It also helps us justify our ad budgets and overall spend. Winning these awards is a third-party verification that we are not only adhering to best practices—we're excelling."

This year, Taco John's was a runner-up in Best Social Media and in Best Website Prospect Follow-Up.

During the past year, Ingram and his team have added new features to their process that they feel have made a big difference, especially because the team is small. "We've added the ability for people to set a time that's convenient for them for us to get back to them," he says. "That makes it easier for us and for them. It's dramatically improved our ability to connect with our candidates."

To bolster the team, Ingram asked Steve Lazenby, director of construction, to take a more active role in sales. "He just completed his first franchise signing, and he was the person who took the mystery shopper call," says Ingram.

Since 2015, Taco John's has worked with Franchise Performance Group, which has been "helping us to cultivate a professional, responsive, and comprehensive social media platform," he says.

It all adds up, says Ingram. "These awards are a great honor when you see that we are being compared with 136 other franchise development departments. There are a lot of really smart people in the competition, and to be mentioned in the top tier is exhilarating." ■

AND THE WINNERS ARE...

Franchise Update Media's annual STAR Awards are a recognition of excellence by franchisor recruitment and development teams. There are many players, but only the best take home the trophies.

BEST OVERALL PERFORMANCE

1st Place
BrightStar Care
2nd Place
Christian Brothers Automotive
Runners-Up
Big Frog Custom T-Shirts
College Hunks Hauling Junk & Moving

BEST OVERALL RESPONSIVENESS

1st Place
Wild Birds Unlimited
Runners-Up
BrightStar Care
Christian Brothers Automotive

BEST FRANCHISEE SATISFACTION

1st Place
Home Instead Senior Care
2nd Place
Pinch A Penny Pool Patio and Spa
Runners-Up
Wild Birds Unlimited
CruiseOne/Dream Vacations
Christian Brothers Automotive
Checkers & Rally's
Captain D's
Office Pride Commercial Cleaning
FirstLight Home Care
Orangetheory Fitness
Showhomes Home Staging
Tropical Smoothie Cafe
Right at Home
Big Frog Custom T-Shirts
Sport Clips
TeamLogic IT
Mighty Auto Parts
Marco's Pizza
College Hunks Hauling Junk
Window Genie

WEBSITE BEST PRACTICES

1st Place
The Melting Pot
2nd Place (tie)
Arby's
Christian Brothers Automotive
Runners-Up
College Hunks Hauling Junk & Moving
Home Instead Senior Care
The Melting Pot
Home Instead Senior Care
McAlister's Deli
Bach to Rock
Molly Maid
Captain D's
Costa Vida
Fantastic Sams
BrightStar Care
Epcon Communities
Handyman Connection
FirstLight Home Care
PuroClean
Cinnabon
Mr. Handyman
Great Clips
Auntie Anne's

BEST WEBSITE PROSPECT FOLLOW-UP

1st Place
Wild Birds Unlimited
2nd Place (tie)
Showhomes Home Staging
Window Genie
Runners-Up
Taco John's
Christian Brothers Automotive
Fantastic Sams
Handyman Connection
Home Instead Senior Care
Mr. Handyman
U.S. Lawns
College Hunks Hauling Junk & Moving
Teriyaki Madness
Mooyah Burgers, Fries & Shakes
PuroClean
Renew Crew
Waxing the City
BrightStar Care
Dogtopia
Tropical Smoothie Cafe
Comfort Keepers

BEST TELEPHONE PROSPECT FOLLOW-UP

1st Place
Office Pride Commercial Cleaning
2nd Place
College Hunks Hauling Junk & Moving
Runners-Up
BrightStar Care
Kix Mobile
Johnny's Italian Steakhouse
Wild Birds Unlimited
ComForCare
Comfort Keepers
Sport Clips
Right at Home
Big Frog Custom T-Shirts
PuroClean
The Brothers That Just Do Gutters
Pinch A Penny Pool Patio and Spa
Christian Brothers Automotive
Pillar To Post Home Inspectors
Dessange Group North America
UFC Gym
Hounds Town USA
Mighty Auto Parts

BEST FDD GRADE

Christian Brothers Automotive
Two Men and a Truck
Sport Clips
Primrose Schools
Goldfish Swim School
Captain D's
Massage Envy
Jamba Juice
Marco's Pizza
Cinnabon
The Joint
Moe's Southwest Grill
Signal 88 Security
Right at Home
Mosquito Squad
FirstLight Home Care
Tropical Smoothie Cafe
McAlister's Deli
School of Rock
SpeedPro Imaging

BEST SOCIAL MEDIA

1st Place
Capriotti's Sandwich Shop
2nd Place
The Melting Pot
Runners-Up
Taco John's
Christian Brothers Automotive
Big Frog Custom T-Shirts
Massage Envy
Bach to Rock
BrightStar Care
Title Boxing Club
Tropical Smoothie Cafe
The Brothers That Just Do Gutters
The Joint
Denny's
Home Franchise Concepts
Oxi Fresh Carpet Cleaning
Tony Roma's
School of Rock
Showhomes Home Staging
The Spice & Tea Exchange
Two Men and a Truck
Fitness Together

Challenge the pros

"WHAT RECRUITING STRATEGIES AND PRACTICES ARE YOU THINKING ABOUT CHANGING OR CONTINUING IN 2018?"

Scott Thompson
Vice President
Global Franchise Development
Tutor Doctor

We are considering a number of options as we work toward our 2018 franchise development goals, focusing primarily on zeroing in on what is working and switching up the approaches that are not. This may seem obvious, but the franchising landscape continually changes as technology evolves and company goals become even loftier.

For example, we will continue to push information to the franchise portals, but we have found that the quality of leads from the portals isn't quite what we are looking for. As a result, our conversion rates are slowing.

We have to focus on *quality* over *quantity* and we have to find ways to pinpoint the ideal franchise candidate. To do so, we are going to put more concerted efforts into marketing to a specific demographic, geo-targeting, nurture campaigns, landing pages, and InMail and LinkedIn sponsored ads. To attract prospects with similar backgrounds and interests, we need to create as much content and look-alike campaigns as we possibly can that showcase successful franchisees within our system.

We will also continue to put a major emphasis on cost-effective lead generation, developing our website conversion and click-through rates for lead tracking and using franchise networks and brokers. Our company executives are firm believers in tapping into connections and people within the franchise community to identify the best possible prospects for the brand. This includes conversations with our franchisees on who they think will be good fits.

Finally, a major point of emphasis in 2018 will be developing our brand at the international level. We have identified Australia, Latin America, and South Africa as key markets to continue our growth and have country managers in place to develop those areas. We have studied the markets extensively and are beginning to put together the playbooks and campaign channels to target our top candidates.

Although each year presents new goals and challenges for a brand, it is important to take a step back and identify what is working and what isn't. It is essential for companies to evolve with the times and switch up approaches to be successful. Most importantly, the quality of leads is much more important than the quantity of leads. To keep the quality coming in consistently, however, is a challenge that will never fade away.

Rick Howard
Director
Franchise Sales and Real Estate
Massage Envy

With our recent rollout of new services and products to deliver total body care, brand differentiation will be front and center in 2018. While we're still selling the same widely recognized global franchise brand with nearly 1,200 franchised locations, the language and messaging with prospects has changed significantly with the new offerings.

People are used to thinking of this brand as massage-only, but the franchise network is now collectively the number-one provider of skin care services in the U.S. We're talking with candidates about advanced skin care treatments such as chemical peels and our trademarked Microderm Infusion. We're explaining progressive new service offerings such as Total Body Stretch, and in June became the Official Massage Sponsor of the PGA Tour and PGA Tour Champions. Our elevator pitch has evolved.

Along with the new message, we're squarely focused on two types of candidates. In the U.S., we are actively recruiting multi-unit franchise operators who want to open five or more franchised locations. This is a change for us from actively recruiting single-unit owners. We're also putting emphasis on developing growth internationally with master franchise partners to develop an entire international region or country. We approached Australia in this way and we plan to use this strategy in the U.K., India, and key territories throughout Canada.

We will continue to show a strong presence at franchise trade shows, where we pick up many leads. At the trade shows we can visually showcase the new identity and products with prospective franchisees to demonstrate potential areas for ROI.

Transparency and clear presentation of facts to candidates will continue to be an emphasis. We're up front with prospects about upgrades being made throughout the franchise network to digital and technology infrastructure to help elevate the customer/employee experience. We openly discuss industry challenges and what the brand is doing to help address them, such as providing various resources to franchisees to help attract therapists and estheticians to a franchisee's location. Some of these resources include access to continuing education for the service providers employed by franchisees, and practices and strategies used throughout the franchise network made available to franchisees in their recruiting and retention efforts. And, if a prospect has visited any older franchised locations, photos can be shared to show how the franchise system is actively being refreshed to update the image system-wide.

From a sales perspective, we will continue to invest in a robust online presence through franchise portals, advertising, and content. Today's candidates do a ton of online research. To help convert quality leads, the brand's content, unit economics data, and other insights must be up to date. We've been successfully franchising since our inception in 2002, but we're never complacent. There's plentiful room for growth. ■

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Selling for Beginners

What emerging brands need to know

BY KAY AINSLEY

For many new and emerging franchisors, the transition from selling their product or service to selling the opportunity to own a franchise can be challenging.

"New franchisors have to learn to sell a franchise," says MSA Worldwide's Senior Consultant Theresa Huszka. "Selling a franchise is a skill that, like any skill, requires practice and experience to become proficient. Franchise prospects ask different questions and expect different information than a customer of the business."

Effective franchise sales people use a consultative approach, and the sale is often closed—or not—based on the relationship the franchise sales person is able to establish with the prospect.

"An experienced franchise sales person almost instinctively knows how to provide information, answer questions, and close the sale," says Huszka. "To help our new franchisors, in addition to sales training, we work alongside the franchisor to coach them until selling a franchise becomes second nature and they are confident they can manage the process on their own."

This begins with creating a solid sales plan. "Having a game plan to follow provides a level of comfort to new franchisors," says Huszka. "We create a well-structured franchise prospect qualification process that provides the framework for a quick response to all inquiries, establishing a relationship, and ultimately, selecting franchisees that fit the optimal franchisee profile. Our goal is to enable each side to get to know the other in order to come to a mutually beneficial decision about whether to pursue the franchise opportunity."

Knowing whom you want in your franchise network is a fundamental part of the plan. The first step is to create a detailed prospect profile that identifies the skills and personality traits necessary for a franchisee to optimize their success as an owner—for example, strong sales skills for a home-based business, or business management skills for multi-unit operators.

Another critical component of the sales plan is determining markets for growth. Franchisors must be able to balance signing franchise agreements with their available resources to provide the support necessary to get their new franchisees off to a good start. Generally it is good to start close to home, but be prepared to take advantage of an outstanding opportunity wherever it occurs.

Franchisors also need a lead generation plan that delivers the proper message to their target prospects. Jan Muhleman, president of re:group, inc. advises franchisors on the importance of crafting a franchise message that fits the brand.

"Your brand is who you are, what you do, and why you are better or different. It is how you look, speak, and act. It is the values and beliefs that define how you act. As such, your communications should consistently reflect your brand and brand personality," says Muhleman.

However, she adds, "All franchise brands have multiple target audiences with different needs, interests, and customer journeys. A franchise may use in-your-face, price-promotion advertising to sell product to consumers, but must change the tone and content of the message when explaining the business case for doing so to a franchisee prospect. Defining your different audiences, what motivates them, and their particular customer journeys, is the first step to effective communications."

"Once the plan is in place we work on the sales skills," says Huszka. "Being able to assess whether the prospect is serious and qualified is key. I've seen franchisors too quick to cut off someone who may have been an excellent candidate, and I've seen franchisors spend way too much time with prospects who will never close. Being able to judge the difference takes time."

Just as in any sale, people buy benefits not features. Franchisors often have only a few minutes to either pique someone's interest in the franchise or turn them off. Having a concise "elevator speech" that then turns the conversation to the needs and wants of the prospect helps to demonstrate the franchisor's interest in the prospect.

"We end up doing a lot of role-playing and working to develop answers to the common questions and objections," says Huszka. "I think there is great value just in having someone with experience to bounce ideas off and to commiserate with you. Not every prospect will like the franchise opportunity and losing a sale is disappointing, but many new franchisors take it personally and become discouraged. It's that much harder for them to move on to the next prospect."

New franchisors need franchisees to get the franchise going, but those franchisees will be with the brand for a long time. Learning the tricks of the trade from a pro can shorten the learning curve and produce better results. ■

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.

Market trends

Predicting Loan Performance

FUND Scores help lenders assess franchisees

BY DARRELL JOHNSON

A franchisor wants unit success. A franchisee wants franchisee company success. A lender just wants its money back. What is the relationship among the three?

When assessing loan credit risk, the franchise business model has two unique advantages: consistency and uniformity. Every unit in a franchise system is, by design, intended to function like every other unit. Therefore, a franchise system's performance history is a valuable indicator for predicting franchisee company success and assessing potential loan performance—if the right information can be collected and properly evaluated.

The first challenge in relating unit, franchisee, and loan success is with the term "success" itself. Success needs context. A loan may get paid back, but was it on the terms agreed upon? That is a key issue with the use of SBA failure rate data. (The central issue with SBA data is that it is inaccurate, as discussed below.) The SBA's definition of a failed loan is one that goes 60 days past due. Whether the lender (and the SBA if the guarantee is honored) end up getting their money back depends on other circumstances. Yet lenders used to use that definition to assess a franchise system's success or failure—whether or not the unit continued to operate and, for that matter, whether or not the franchisee continued to operate. Therefore, the best indicator of franchise success is the basic unit of measure in a franchise system, the unit itself.

What does a franchise system's history actually tell us about its likely future performance? With lots of input from experienced franchise lending institutions, we developed a model that measures credit risk in franchise brands based on 12 credit factors and weighted according to their influence in the overall outcome. Applying this model to more than 500 brands, a predictable pattern between loan performance and franchise performance factors emerged.

Back-testing the scoring model with brand-level unit and loan performance led to a highly correlated ability to project implied loan performance. Franchise loan performance over time is influenced by the interplay of customer preferences, borrower management ability, and franchisor/franchise system performance. Lenders are proficient at assessing the implications of customer trends and borrower management ability. Now lenders are able to differentiate loan performance expectations based on the implied credit risk of the associated franchise brands. FUND categories and FUND Scores show the credit risk position of each franchise system relative to all other franchise systems and help inform a lender's loan performance expectations.

From this rigorous predictive analysis, the relationship between FUND Scores and implied loan performance are:

FUND Score	Implied Loan Performance
>800	>97.19%
700–800	92.09% - 97.19%
600–700	86.99% - 92.09%
500–600	81.89% - 86.99%
<500	>81.89%

The foundation of franchise system performance is a franchised unit. The FUND model first consistently measures unit and system performance outcomes. Next, it assesses the ways a franchisor influences unit and system performance based on how the franchisor has built and supported the system.

The next step was to relate FUND Score results to loan performance. That was done in two ways. First, we used SBA data, which is the deepest pool of available loan data on franchise systems. A necessary initial step was to clean up the SBA franchise data. We then correlated FUND Scores to adjusted SBA loan performance outcomes. The result was a very strong positive correlation of .75.

While a correlation of .75 is considered very good, we further examined what would lead to differences in the remaining *uncorrelated* component.

FUND Credit Scoring Ranges

High Performing	750 - 950
Average	650 -750
Below Average	550 -650
Under Performing	550 below

In addition to demographic and industry factors, for systems with predominantly or exclusively single-unit franchisees, the correlation is higher than for systems with predominately multi-unit operators. As the borrower adds units under one loan agreement or cross-collateralized loan agreements, the correlation was slightly lower because a unit might fail but the loan may or may not continue to perform based on the ability of remaining units to support the loan.

Another factor in the remaining .25 uncorrelated component is that SBA loan programs are intended for higher-risk small businesses. The majority of franchise systems have only a portion of franchisees that qualify and use SBA programs. If conventional and other types of non-SBA loan performance were available and incorporated into the analysis, the correlation is likely to be even higher than .75.

A second form of FUND Score/loan performance assessment was done with one of the major business credit reporting organizations. They tested the impact of including FUND scores in their small business credit scoring model. While the details are confidential, they concluded that the FUND scores provided material lift to their small business scoring model. ■

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

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Pete Lindsey, *Vice President of Franchising,* Sport Clips

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Paul Pickett, *Chief Development Officer,* Wild Birds Unlimited

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International

Growing Overseas?

2018's best bets for global expansion

BY WILLIAM EDWARDS

Bringing a franchise brand to a new country requires significant investment and a positive local investment climate. High annual GDP growth in a country means higher new investment. For the first time since 2007, the world's major economies are all growing in sync. The IMF in July projected global economic output would grow 3.5% this year and 3.6% in 2018, up from 3.2% in 2016. Let's take a brief look at where good economic growth and franchise development opportunities are expected in 2018.

The Americas

• **Argentina.** The positive economic reforms of President Macri have turned around the Argentine economy, which is expected to grow at a rate of 3.2% in 2018. U.S. brands are highly desired in Argentina, good news for U.S. franchisors.

• In **Brazil,** the region's largest economy, there are signs of life after the continued implementation of positive economic reforms. GDP growth is estimated to be 1.8% in 2018 after many years of negative growth. U.S. franchisors should once again consider market development activities in this huge market.

• **Mexico,** with an expected GDP growth rate of 2.2% in 2018, should provide better opportunities for U.S. franchisors than 2017, which was a down year after the 2016 U.S. elections.

• **Peru's** GDP growth is expected to be 3.9% in 2018. US F&B franchise brands have been well-received in this country with its fast-growing middle class.

Asia Pacific/Near East

This region is expected to have a GDP growth rate of 6.2% in 2018. Exports are up, as well as business investment, with strong levels of domestic demand across the region—a good trend for franchisors.

• **China.** The IMF has revised China's growth forecast for 2018 to 6.4%. New franchise development in China is hindered by increased government regulation of foreign brands and the emergence of strong local franchises.

• **India** expects GDP growth of 7.5% in 2018, and the IMF predicts it will crack 8% in 2021. Although the business environment is a major challenge to navigate, the size of the market continues to draw attention. Consumerism is on the rise thanks to a rapidly growing middle class.

• **Japan's** GDP is expected to grow 1% in 2018. The combination of rising consumer confidence and significant business investment continues to provide opportunities for U.S. franchisors in this major first-world economy.

• The Franchise Association of **New Zealand** published a survey showing that this is probably the most franchised country in the world: 11% of its GDP is from franchising, versus 3% in the U.S. In a country of 4.7 million people, there are more than 630 franchises.

• **The Philippines** continues to be the new star for U.S. F&B brand development. For example, after two years of operation, the Denny's country licensee has four restaurants open in Greater Manila.

Europe

GDP growth in the European Union (EU) is projected at 2.8% in 2018, the highest in more than 10 years. Business confidence is at its highest point in more than a decade.

• **Central Europe.** With 2018 expected GDP growth of 3.3% in Hungary, and 2.8% in Poland and the Czech Republic, these markets offer good opportunities for U.S. franchisors.

• **Ireland** is one of the fastest-growing EU economies, with expected GDP growth of 3% in 2018. New franchise investment is expected to increase accordingly.

• **Italy's** relatively low GDP growth rate is being offset by increased business investment and significant household consumption, making this market a surprising bright spot for U.S. franchisors. The popularity of U.S. brands continues to attract Italian investors.

• **Spain,** with GDP growth estimated at about 3%, continues to benefit from a dynamic economy, with record levels of tourism and domestic consumption, as well as exports and business investment. New franchise development is now limited only by the availability of cost-effective retail space for new franchise locations.

• The **United Kingdom** is moving ahead with Brexit implementation. The uncertainty associated with the breakaway from the EU is expected to lead to a low GDP growth rate in 2018 of 1.3%, which will likely lower new investment.

Middle East

Regional GDP growth in the Middle East is expected to recover to 3% in 2018 as oil prices are expected to rise modestly.

• **Egypt** was long a bastion of international franchise development before a prolonged economic slowdown. In recent months, the government has put in place politics that have resulted in strong foreign investment. *The Economist* predicts GDP growth of more than 4% in 2018. Perhaps it is time to reconsider this large market.

• The **United Arab Emirates** continues to be the place in this region where new U.S. franchise brands first enter because of the positive and open business environment and the receptivity to new brands. The IMF expects GDP to grow at 3.4% in 2018.

Some final advice

Potential investors in international franchises around the globe are increasingly sophisticated, have high unit sales expectations, and are negotiating a lot more of the terms of license agreements. While a domestic single- or multi-unit franchise agreement can take a fairly short time to complete, closing an international license agreement can take 1 to 2 years and another year to open the first unit. To find and sign the best international licensees, it is critical to show the clear differentiation of your brand from what already is in their country. To determine if a country has the potential to provide you with an acceptable return on your investment, it is essential to know the unit economics and viability of your brand ahead of signing an agreement. ■

William Edwards is CEO of Edwards Global Services (EGS). Contact him at bedwards@edwardsglobal.com or 949-224-3896.

It's closing time

DIY or Outsource?

What's the right balance for your brand?

BY ART COLEY

You're the CEO working on the 2018 budget, and once again you're back in that same familiar spot—not hitting the targeted EBITDA your board and ownership wants.

Do you increase revenues or cut expenses? You know royalty revenue is maxed out and you've already budgeted aggressively on dollars from your vendors. Cutting expenses means losing staff, reducing technology investment, and fewer opportunities to fund the initiatives franchisees are screaming for.

So where do the roads lead? Same place they did last year and the year before: franchise development. So you start saying to yourself and the team…

"What if we signed five more deals in 2018?"

"What if we increased fees by $10K?"

"What if we cut lead generation in half?"

"What if all leads came through brokers?"

"What if we reduced the team to one person?"

"What if…"

And before you know it, you've convinced yourself and your management team that you can sign 20 agreements, collect initial fees of $1.2 million, and contribute 50 percent ($600,000) toward EBITDA by implementing all the "what ifs" and believing it all will work out as planned. Sure, you bought some time with your board by presenting the desired EBITDA target knowing later you can blame franchise development, fire the person leading it, and maybe survive another year of missing your targeted EBITDA.

DIY or outsource?

Any franchise executive knows exactly what I'm talking about. And often this leads you to consider this question regarding recruitment: Do it yourself (DIY) or outsource? What's right for my brand?

We can't forget that a core responsibility for a franchise executive is to optimize allocated resources to create the most efficient and effective ROI to shareholders. ROI can be maximized with the right mix of DIY and outsourcing. What is right for recruitment? That's a question that requires some attention. I've never seen a brand 100 percent DIY or 100 percent outsourced. In my experience, it's some combination of the two. What's the right recipe for *your* brand and current situation?

If you need recruitment to be more variable expense-based, the right recipe likely has a higher mix of outsourcing. This means your monthly fixed cost is lower, but the variable expenses are higher. However, while you eliminated the risk of losses from a low number of signings, you also eliminated the reward of EBITDA contribution with record signings.

However, EBITDA is only one component. The DIY vs. outsourcing strategy discussion must also include the following considerations:

- Candidate relationship during the discovery process?
- Short-term initial fees vs. long-term unit economics?
- Variable vs. fixed investment?
- Onboarding resources?

A signing is an event (sprint) while unit economics is a process (marathon). Champion franchise executives and boards understand solid shareholder value is created not on the signing, but with a successful unit. Whichever recipe you choose, don't forget to focus on unit economics with everyone on the brand team.

Let's go to work!

Art Coley is CEO of CGI, a recruitment and onboarding firm dedicated to helping franchise brands maximize their recruitment and development efforts. Contact him at 254-239-5411 or acoley@cgifranchise.com.

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