Franchise update

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

30 YEARS STRONG

Q4 | 2018

2019 ANNUAL FRANCHISE DEVELOPMENT REPORT

- ✔ REFERRAL COST
- ✔ SOCIAL MEDIA
- ✔ BROKER PRICING
- ✔ ONLINE SPENDING
- ✔ CONVERSION RATES
- ✔ CLOSING RATIOS
- ✔ SALES BUDGETS

MEET THE STAR AWARD WINNERS

PAGE 46

PAGE 42

2019 MUFC

MULTI-UNIT FRANCHISING CONFERENCE

All-in-One Platform That Can

- ✓ Buy Local Media Without Local Reps
- ✓ Print-On-Demand
- ✓ Specialty Products
- ✓ Email Marketing
- ✓ Social Media Platform

YUP!...It's a Thing Now

LMap

SPOTIFY
NEWSPAPER FSI
NEWSPAPER STICKY NOTE
MOVIE THEATER ADVERTISING
IP RE-TARGETING
POSTAGE OPTIMIZATION
TERRITORY ANALYSIS
SPADEA
PANDORA
EDDM
GAS STATION TV
CALL TRACKING
VALPAK
CO-OP FSI
GRAND OPENING KITS
LINKED IN
DIGITAL
B2B MAIL
DOOR HANGER
SOLO SATURATION
AUTOMATED PROGRAMS
SPECIALTY PRODUCTS
CREATIVE CUSTOMIZATION
MARKETING MATERIALS
REDPLUM
RADIO
GOOGLE ADWORDS
REPORTS
POLYBAG
MONEY MAILER
TRUCK WRAP
TV
DYNAMIC MOBILE
NEWSPAPER ROP
MAIL TO YOUR OWN LIST
CASH REGISTER TAPE
BARCODE TRACKING
DIGITAL PRE-ROLL
SOCIAL MEDIA

For more information and to schedule a demo contact:

(818) 336-4800 Press Option 1 for Sales | Sales@LMap.com

Silvercrestadvertising.com | **LMap.com**

Franchise update

BUSINESS INTELLIGENCE FOR GROWING FRANCHISORS

Q4 | 2018

Franchise update | Q4

CHAIRMAN
Gary Gardner

CEO
Therese Thilgen

EXECUTIVE VP OPERATIONS
Sue Logan

CHIEF CONTENT OFFICER
Diane Phibbs

VP BUSINESS DEVELOPMENT
Barbara Yelmene

BUSINESS DEVELOPMENT EXECUTIVES
Krystal Acre Jeff Katis Judy Reichman

EXECUTIVE EDITOR
Kerry Pipes

MANAGING EDITOR
Eddy Goldberg

CREATIVE MANAGER
Kevin Waterman

MAGAZINE DESIGNER
Peter Tucker

GRAPHIC DESIGNER
Cindy Cruz

DIRECTOR OF TECHNOLOGY
Benjamin Foley

WEB DEVELOPER
Don Rush

WEB PRODUCTION ASSISTANTS
Esther Foley Juliana Foley

DIRECTOR OF EVENT OPERATIONS
Christa Pulling

SENIOR MANAGER, EVENTS & PRODUCTION
Katy Geller

SENIOR SUPPORT MANAGER
Sharon Wilkinson

PROJECT COORDINATOR
Joanne Peralta

SUPPORT COORDINATOR
Leticia Pascal

FRANCHISEE LIAISON SUPPORT
Greg DelBene

CONTRIBUTING EDITORS
Eddie Block, Andrea Brandon, Art Coley, Nigel Davies, John DiJulius, William Edwards, Jerry Fogel, Darrell Johnson, Mike Lockerby, Cordell Riley, Dan Santy, Andrew Seid, Peter Vogel

CONTRIBUTING WRITERS
Helen Bond, Sara Wykes

ADVERTISING AND EDITORIAL OFFICES
Franchise Update Media
6489 Camden Avenue, Suite 204
San Jose, CA 95120
Telephone: 408-402-5681
Fax: 408-402-5738

SEND ARTICLE INQUIRIES TO:
editorial@franchiseupdate.com

FRANCHISE UPDATE MAGAZINE IS PUBLISHED FOUR TIMES ANNUALLY
Annual subscription rate is $39.95 (U.S.)

SUBSCRIPTIONS
sharonw@franchiseupdate.com
or call 408-402-5681

REPRINTS
Foster Printing at 800-382-0808
www.fosterprinting.com

From the editor's desk

BY KERRY PIPES

FLDC: 20 Years Strong

20 years of franchise sales and development training, education, and networking. That's what Franchise Update celebrated this past October as the company held its 20th annual Franchise Leadership & Development Conference (FLDC).

Things have changed quite a bit along the way. What began as a modest gathering of franchise sales executives in San Jose has blossomed into one of the must-attend events in franchising. The conference now routinely attracts more than 400 franchise executives each year, representing upwards of 100 brands—a testament to its ability to keep a close watch on industry trends. Each year, attendees can count on the FLDC to offer relevant, timely insights and perspectives on some of the most topical issues in franchise development. This year was no different.

As I walked the halls and listened in to numerous sessions throughout the conference, I noticed not just great session topics—everything from leadership and sales essentials to the latest in technology solutions—but also the high quality of the attendees and panelists, some of the brightest and smartest leaders in franchising. These are people who know the ropes of franchise leadership and development. They've fought the battles and lived to tell about it.

And that's perhaps the essential "personality" of this conference: these seasoned development pros freely share what they've learned through hard experience. It's a camaraderie that unites leaders of more mature brands with those from emerging brands trying to find their way—with everyone looking for ways to innovate and grow, and on finding solutions to common problems ranging from franchisee recruitment to building the best sales team possible for their brand. Time after time I witnessed attendees offering not only professional advice, but also personal advice to both longtime and brand-new friends.

As Conference Chair Paul Pickett put it in his opening address, "You won't find a more approachable group of people who want to help you, share their own experiences, and offer great advice to help you grow."

That's the essence of the Franchise Leadership & Development Conference.

We've dedicated most of this issue to coverage of this year's conference. You'll find highlights from the educational panels and discussions, the economic outlook for franchising, and inspiring advice from keynote speakers including legendary NFL quarterback Joe Theismann.

As always in this issue, you'll also find coverage of the Annual Franchise Development Report (AFDR), the Mystery Shopper survey, and insights from this year's STAR Award winners.

Plans are already under way for next year's event. So get ready for another 20 years of the world's best conference for franchise sales and development! ■

Leadership

FRANCHISE LEADERSHIP AND MANAGEMENT

ceo profile

BY KERRY PIPES

KICK IT UP!

9Round founder envisions 5,000 units worldwide

At 39, Shannon Hudson has earned two advanced degree black belts in martial arts and is the International Kickboxing Federation (IKF) Light Middleweight World Champion. He's also the co-founder, along with his wife Heather, of 9Round, a decade-old and rapidly growing kickboxing gym franchise approaching 750 studios open worldwide.

Boutique fitness franchises have blossomed in recent years, but Hudson says 9Round is unique in its approach. "9Round thinks differently about exercise," he says. "We believe that people do not need to spend more time in a gym, they just need more intensity. Add in a coach who provides quality instruction at no extra charge and you've got a winning combination."

Hudson and his wife, also a martial arts devotee who relies on kickboxing for fitness, came up with the idea for 9Round while he was competing in martial arts events all over the world. They noticed there wasn't a place where the average person could be exposed to the type of training used by the best fighters in the world. He knew that if he could take the grueling workouts he did in the ring and create a non-intimidating, convenient circuit workout format, the average person could enjoy the benefits of boxing and kickboxing—without getting hit.

9Round began franchising in 2008, 3 years before he won the IKF title. Together the husband-and-wife team ensure that the product is consistently good; that they bring in quality franchisees devoted to the brand; and that they focus on marketing, communicating with, and developing scalable systems for 9Round franchisees.

Hudson says he has a great corporate team that works well together. "We are all aligned on the same specific mission and goals, and we all work to get things done very quickly," he says. They must, because the company has some audacious goals. "We want to expand further internationally and ultimately reach 5,000 locations worldwide," he says.

Beyond the nuts and bolts of business strategy and expansion, Hudson says the real reward is seeing the people whose lives are changed from being a 9Round customer. "When I hear stories about how a member has lost XX pounds since joining the 9Round family, it reminds me that what we are doing is important and can really make a positive impact both physically and mentally in people's lives."

NAME: Shannon Hudson
TITLE: CEO, co-founder
COMPANY: 9Round Franchising
UNITS: 743
AGE: 39
YEARS IN FRANCHISING: 10
YEARS IN CURRENT POSITION: 10

Leadership

What is your role as CEO? The job requires me wearing many hats, from recruiting franchisees, to training those franchisees and trainers, to maintaining an active role in their operations. But one of my primary roles as CEO is to push along the company's growth. Even with more than 740 studios open worldwide, I think we still have a very long way to go before reaching a maximum number of locations. I can see the brand at potentially 5,000 locations worldwide in the next few years.

Describe your leadership style. I try to push everyone to be a CEO in their own position. If a team member is pushed each week to deliver, they will grow into an incredible asset for the company. Just like pushing your muscles in a workout in order to experience results (it's gonna hurt), I do the same with my team. You have to be pushed to greatness. It doesn't *just happen*.

What has inspired your leadership style? My father is a veteran and an entrepreneur, so growing up I saw that he delivered each and every week for the family. He had to hustle or we didn't eat. I learned a lot from that example. And being a martial artist practically since birth has taught me to set goals and strive to be great as well.

What is your biggest leadership challenge? Patience! I want things done yesterday and sometimes I have to slow down and understand it will have to wait.

How do you transmit your culture from your office to front-line employees? This is another challenge I find myself facing for sure. I constantly wonder, "How do I make sure I connect with each and every employee?" We have created several things in the past six months to help with this, including regional trainings I personally teach at, and online training modules with tests included to help make all of our trainers what we like to call "Champion Trainers."

Where is the best place to prepare for leadership: an MBA school or OTJ? Personally, I received all of my leadership experience and training from hands-on experience, so I think OTJ is the best way to fully immerse yourself as a leader and to become most comfortable with that role. Of course, that's not to say going to an MBA school is not a valuable experience, but there are situations you will come across in a leadership position that no textbooks or classes can truly prepare you for, the way real-life application can.

Are tough decisions best taken by one person? At the end of the day, all decisions rest on my shoulders. We do have a great leadership team here, including my wife, who is 9Round's co-founder and COO. But at the end of the day, if the decision turns out to be a bad one, it is my responsibility.

How do you make tough decisions? The trick is speed. I make these tough decisions very quickly. After I learn all the info and facts, I decide right then and there. Waiting does not give you the confidence you need to put a plan into action. I have to make the decision as soon as possible so things can happen in the business. The worst thing you can do as a leader is *not* make a decision.

Do you want to be liked or respected? Definitely respected! I don't need friends—I need a team to get the job done. However, I do believe that the respect piece needs to be earned by being respectful and professional toward others at all times, inside and outside the business. Those two worlds will blend together so you must be on point at all times, never letting your guard down.

Management

Describe your management style: See above.

What do you think makes a good management team? Alignment and speed. We are all aligned on the same specific mission and goals, and we all work to get things done very quickly.

How does your management team help you lead? They are great sounding boards. We can sit in a conference room with a whiteboard and together come up with some amazing ideas. Those meetings are always fun.

Favorite management gurus: Do you read management books? I'm a constant reader. *The E-Myth Revisited* by Michael Gerber, *The Compound Effect* by Darren Hardy, and *The 10X Rule* by Grant Cardone are a few of my favorites.

What makes you say, "Yes, now that's why I do what I do!"? There is nothing I love more than hearing incredible fitness success stories from our franchise locations around the world. We began this brand with the goal of providing a kickboxing fitness option to the masses in a way that was feasible and convenient, yet still completely effective. When I hear stories about how a member has lost XX pounds since joining the 9Round family, it reminds me that what we are doing is important and can really make a positive impact both physically and mentally in people's lives.

Are there any trends in the fitness industry that you foresee having an impact on your brand? Small boutique fitness studios are the trend today. This will continue as consumers today are more educated than ever on all the different workout styles available to them. It's a great time in history to be a 9Round owner.

Personal

What time do you like to be at your desk? By 9 a.m. because I usually take my son to school at 8:15. He's in 6th grade.

Exercise in the morning? Sometimes, but I try to get two or three 9Round workouts in each week at whatever times work best for that day's schedule.

Wine with lunch? Never. I actually usually eat at my desk so I can continue building the company.

Do you socialize with your team after work/outside the office? I hardly ever do. We do throw a great Christmas party and a good birthday bash for me, but that's about it.

Last two books read: *The 1-Page Marketing Plan* by Allan Dib, and a biography of Bruce Lee. I'm a big Bruce Lee fan.

What technology do you take on the road? My iPad with an attachable Bluetooth keyboard. It's just like having a laptop, but smaller.

How do you relax/balance life and work? There is no such thing as balance. It's all-consuming. Sometimes my wife Heather and my son will come with me to a dinner with a client.

Favorite vacation destinations: Europe is always fun. My wife and I went to Paris and Rome the last two years and had a blast.

Favorite occasions to send employees notes: I don't do this much, but perhaps I should start doing so more often!

Bottom Line

What are your long-term goals for the company? Our vision is to be the leader in the global kickbox fitness space. We want to bring the brand to 5,000 locations worldwide.

How has the economy changed your goals for your company? The economy actually has not really affected our goals. In fact, our model is so low-cost that we still flourish even when the economy is bad!

How do you measure success? Is the company good at delivering on its promises? Do we have integrity? If so we are very successful.

What has been your greatest success? Becoming the largest kickboxing chain in the world is definitely a great success. Personally, winning my own IKF Kickboxing World Championship back in 2011 was definitely a big plus as well.

Any regrets? I just wish I would have started sooner!

What can we expect from your company in the next 12 to 18 months? We will strive to keep delivering on our mission, "Stronger in 30 minutes," and will hopefully expand into even more cities and countries. New countries we are entering include India, Kuwait, Argentina, Singapore, Malaysia, Indonesia, Colombia, Panama, Ecuador, and Guatemala. It's definitely an exciting time for 9Round in terms of growth. ■

ANATOMY OF A BRAND

BY CHRIS BRAUN

"Live Life Juiced!"

Juice It Up!'s new ownership blends the best of old and new

In 1995, Juice It Up! opened its first location in sunny Brea, California, where locals were seeking a lifestyle brand that provided guests with a variety of great-tasting, better-for-you food and drink choices designed with personal wellness in mind. Today, with more than 100 locations open or in development, Juice It Up! is one of the nation's leading handcrafted smoothie, raw juice, and superfruit bowl franchise brands.

In February 2018, Juice It Up! was acquired by SJB Brands, a partnership of California-based private equity firms. Under our new leadership, the team's principal objective is to pursue initiatives designed around innovation, growing average store sales, and expanding the company's franchise base to build on the success of the 23-year-old brand. Since the acquisition, we've overhauled our menu, streamlined store operations, introduced a new POS system, and are preparing to introduce a new mobile app.

Chris Braun

Each of our customers has their own definition of health, along with different tastes, wants, and needs, and our updated menu was designed to satisfy a broad range of nutritional demands. We rolled out our new menu in Q2 2018, and the feedback we've received from both new and existing fans has been extremely positive.

Additionally, each store has been updated with new menu boards and POS systems designed to highlight guest favorites, streamline the ordering process, and strengthen the transparency of our product offerings. The simplified aesthetic and flow has increased speed of service—which our franchise partners are thrilled about because they can process orders more quickly and

assist more guests throughout the day.

And our customers love that they can now easily find the right products for them, choosing from our classic and specialty blended-to-order real fruit and veggie smoothies, fresh-pressed and blended juices, and custom-built acai bowls with a plethora of healthy toppings to choose from.

Along with the new look and feel of the menu, we've added some new items, like our PB Cold Brew Mocha smoothie. We've also permanently added a few of our most successful limited time offers, including our fan-favorite Chili Lime Mango smoothie and The Turmeric blended juice. The menu design was purposefully created to make it easy for guests to identify what makes the most sense for them nutritionally and what they're craving at that moment.

At our "Bowl Bars," we give customers the freedom to modify their bowls with a large variety of delicious, nutrient-rich toppings. Guests can even transform their favorite smoothie into a nourishing meal replacement with the choice of premium ingredients. The customization options are endless!

With our center menu board highlighting our healthy smoothies and our variety of bowls, we chose to surround these popular items with our freshly pressed juices, which guests love because they also can be 100 percent personalized. This has resulted in a menu refresh that reflects the brand's active personality and motto to "Live Life Juiced!"

We now have more than 100 locations open and in development across California, New Mexico, Oregon, Texas, and Florida, and our company is awarding a variety of franchise opportunities to new and experienced franchise partners. These franchise packages include area development, single-unit, and non-traditional storefronts such as college campuses, airports, mall kiosks, convenience stores, and gyms. Our ideal franchisees possess an entrepreneurial spirit, a creative local store marketing mindset, and are passionate about living a healthy lifestyle.

Additionally, we're on the verge of launching a user-friendly mobile app, available for both Apple and Android devices. The new app will include mobile ordering, mobile pay, a comprehensive loyalty program, store locator with directions, nutritional details, and more. From the technology side, it embodies the ease, functionality, convenience, and active customer engagement we've implemented in-store with our menu refresh and POS system.

> I'm proud to lead a company dedicated to fueling the healthy and active lives of our guests.

I'm proud to lead a company dedicated to fueling the healthy and active lives of our guests, and I love that we're constantly evolving to stay ahead of the trends to offer the most functional products and ingredients to our diverse customer base. As we continue to see shifts in flavor trends, nutritional regulation, and consumer demand for transparency and healthier options, we will continue to evolve Juice It Up!'s menu. Our latest updates are driven by this commitment, and we're thrilled guests have loved the ease of ordering, customization options, and our delicious new items.

Today we have come full circle to focus on our roots… it's what we know best! Our new menu and other innovations were created to remind our longtime guests why they gravitate to Juice It Up! when craving healthier options that fit into their daily lives, and to attract a new base of health-conscious customers. As an established name in the raw juice and smoothie segment, Juice It Up! has a solid reputation as a trustworthy brand that many have grown up with and loved from the very first sip! ■

Chris Braun is president and CEO of Juice It Up!

LEADERSHIP

Legal view

Safety First!

Preventing cyber intrusions

BY EDDIE BLOCK, MIKE LOCKERBY, & PETER VOGEL

Every day, headlines around the world report cyber intrusions exposing credit card data and personally identifiable information (PII) and causing business disruptions. If you think your franchise system has not been affected, you may be living in a fantasy world! As the FBI has said, most businesses fall into one of two categories: 1) those who already know they've had a cyber intrusion, and 2) those who don't know they've already been the victim of one.

We use the term "intrusion," even though the news media use the term "cyberattack." Intrusions can describe multiple events, ranging from unauthorized access to PII or credit card data, to an attacker using your computer systems as a proxy to attack other entities, to a competitor obtaining access to your franchise system's most valuable trade secrets.

The FBI estimates that the time of intrusion to detection is about 8 months. What happens during those 8 months will be telling as to how bad the damage could be. What the franchisor does upon detection—and how quickly the franchisor acts—may well determine the severity of the damage and the extent of the franchisor's exposure to claims from customers, franchisees, and federal and state enforcers.

What are they trying to steal?

Like other businesses, franchisors do (and should!) worry about theft of credit card data and PII. This is the type of intrusion that receives the most headlines. Most IT departments are familiar with the need to comply with Payment Card Industry Data Security Standard (PCI-DSS). What many do not realize, however, is that PCI-DSS is not law. Rather, it is a set of requirements established by the credit card companies to reduce credit card fraud. PCI-DSS is not truly voluntary, however, because failure to comply may jeopardize a franchise system's ability to process credit cards.

Once a breach involving credit cards has been discovered, the credit card numbers can be cancelled or changed. But who pays for monies stolen? Cyber insurance is one answer for mitigating this and other consequences of an intrusion. Obtaining the right cyber insurance policy is a separate subject of great importance that is beyond the scope of this discussion.

The potential liability for breach of credit card data and PII may fall on the franchisor, regardless of where the intruder gained access.

Unlike changing a credit card number, changing PII can be much more difficult—if not impossible. Once a Social Security number has been stolen, it is virtually impossible to change. Health records are a particularly attractive target for attackers because they can be used to defraud private insurance carriers and Medicaid alike. Outside the health care industry, most franchisors and franchisees do not have health records for anyone besides their own employees. But health records are just one of many types of records containing PII that can be used for identity theft.

Most franchisors have some of their most valuable trade secrets stored on the Internet, or otherwise accessible online. These can include the "secret sauce" for the franchise concept itself. They can also include plans to go public, plans to go private (think Tesla), and potential merger or acquisition talks. Most franchisors have proprietary software used by both the franchisor and franchisees that is vulnerable to attack. This happened with Wyndham's hotel reservation system a few years ago. And most franchisors have a "franchisee only" portal that no competing franchise system should access—making it a very attractive target for attack.

Franchisees: the weakest link?

Potential attackers may think so. And they may be right, since franchisees may not have the budget for security and be less sophisticated about technology. The massive data breach that Target suffered in 2013 resulted from an attack through a vendor. Similarly, an intruder's access to a franchise system's "mother ship"—including not only customer credit card data and PII, but also the franchisor's trade secrets—may come through franchisees. But the trade secrets put at risk are the franchisor's to lose. And the potential liability for breach of credit card data and PII may fall on the franchisor, regardless of where the intruder gained access.

Conclusion

It should come as no surprise to anyone that cybercriminals are getting more and more sophisticated. Gone are the days where the biggest threat is teenagers defacing websites. The threats today come from organized crime, nation-state actors, and competitors—especially as employees leave the franchisor or a franchisee, or the franchisee leaves the system.

The vast amounts of data and intellectual property available through franchise system websites provide a lot of "bang for the buck." When Willie Sutton was asked why he robbed banks, he reportedly answered, "Because that's where the money is." Today, the robbers on the Internet still go where the money is. That could be your franchise system. ■

Eddie Block, Mike Lockerby, and **Peter Vogel** are attorneys with Foley & Lardner, LLP. Block has more than 20 years of experience as an information security professional and is a Certified Information Systems Auditor and Certified Ethical Hacker. Lockerby is co-chair of the Distribution & Franchise Practice and a member of the Appellate, Intellectual Property Litigation, Antitrust, and Privacy, Security & Information Management Practices and the Automotive and Food & Beverage Industry teams. Vogel is a trial and transactional lawyer who deeply understands technology, science, and intellectual property, and the opportunities and problems they pose for clients.

LEADERSHIP

Technology

Future-Proofing

7 areas you can automate now

BY NIGEL DAVIES

Talk of how artificial intelligence will take over jobs performed by lowly humans in a fourth industrial revolution (Industry 4.0) has been scaring employees and employers alike in recent months.

But it's less likely to be the future threat of a droid takeover than the more immediate fear of being left in the dust by the competition that has prompted business leaders to look within and future-proof with technology.

While a macro approach to technology is crucial, begin to probe individual departments and franchisees about their micro processes and it will appear some are stuck in the Dark Ages. The reality is that many are still in manual mode for countless small things—and you can't build an empire until the foundations are laid.

In a world of cloud computing, virtual assistants, and self-driving cars, there is no reason so many good moods and human minutes must be sacrificed to things like manual data input, training, and reordering supplies. Here are seven things your franchise can start automating today.

1. Billing. If any of your billing systems involve paper, stop what you're doing. Cloud accounting software will automatically extract key information from old invoices, validate new ones, and route them to the relevant department instantly. All bills are automatically reflected in quick-view financial reports, and systems can be set up to issue invoices and send reminders to late payers without any manual input.

2. Project management. Five franchisee branch managers are all collaborating on a project with the franchise CEO. Every person is located in a different state and meeting up can't work because of busy schedules and cost limitations. Project management software allows every user with permission to see a live project online, receive status and progress updates, and view remaining tasks and deadlines. You could argue this is not automation, but I beg to differ. Imagine the alternative: a project flying back and forth through a lengthy email thread with no version control, and vulnerable to human error. In short, unnecessary chaos.

3. Appointments and reservations. Telephone reservations are a waste of manpower, prone to human error, and act as a barrier to customers who have only seconds to spare to reserve an appointment or a table, and cannot deal with the telephone preamble. Yet, I bet you can think of at least one customer-facing business in 2018 that still uses paper, pencils, and erasers to take and rearrange reservations.

> Since it costs five times as much to make new customers than keep your existing ones, once you've got them, you can use technology to make sure you keep them.

Online systems are simple, very affordable, can be configured to convey your company values, culture and "personality," and can be synced with your customer database so you can see who's returning and who is new. Automating appointment reminders in the dental sector, for example, showed a 22 percent reduction in client no-shows over 36 months, and an ROI of all first-year software fees within six months after activation, according to research by Sesame Communications, a provider of online services for the dental industry.

4. Onboarding. Hands up if your new hires fill in paperwork, complete training courses, and get a breakdown of general day-to-day on a quick walkaround. While a guided tour from an enthusiastic member of the staff and a chat with a manager will always be welcome, several elements of onboarding work better for everyone as a paper-free experience. Employees can use HR self-service to input their personal details, reducing labor costs, and training can be given through e-learning portals with a gamification element that engages employees and checks that the information has been absorbed.

5. Human resources. An HR department cannot achieve greatness while still handling payroll, holiday requests, and timesheets. Switching from paper to e-forms, secure applications, and online portals means sensitive data is kept private, secure, and is processed with greater efficiency—without the need for manual data input at all.

6. Workplace supplies. The workplace consumables supply chain can often be fragmented and messy. There is no reason why anyone should be paid to order pens or toilet paper. Software programs can track when stocks are running low and automatically purchase more, comparing the best prices before buying. It may be the little sibling of full supply chain automation, but things like H-P's Instant Ink and automated copy machine and printer paper ordering can save a lot of hassle. There are even rumors that "smart" coffee machines and refrigerators that can reorder their own refills will go mainstream.

7. Communications. Emails, emails, and more emails. Internal communications can be managed through automated email and follow-up systems, or chatbots, meaning you never have to write another email saying, "Thanks, that's great!" or "I look forward to seeing it." Externally, systems that auto-send personalized emails on customers' birthdays with discount codes and coupons can easily be done without lifting a finger. And since it costs five times as much to make new customers than keep your existing ones, once you've got them, you can use technology to make sure you keep them. ■

Nigel Davies is the founder and CEO of U.K.-based Claromentis, a provider of digital workplace software used by U.S. franchise businesses to improve learning, collaboration, and productivity. Contact them at marketing@claromentis.com.

POS-itive Results!

How Sonic's POS system boosts profits

BY JERRY FOGEL

Leveraging new technology has always been at the forefront of the Sonic Drive-In business. When the brand launched 65 years ago in 1953, founder Troy Smith wanted to offer guests "service at the speed of sound." He did so by connecting guests in their vehicles to the crew members indoors through a two-way radio adapted from drive-in movie speakers, allowing guests to order without having to wait for a Carhop. At the time it was a novelty, but it also led to faster service, a reduction in labor costs, and an increase in revenue and guest turnover. It revolutionized our business, and we've remained dedicated to guest-oriented innovation ever since.

As a franchisor, we work to improve the Sonic experience for guests as well as for franchisees, who own and operate more than 94 percent of our drive-ins. Enabling our franchisees to run profitable drive-ins is mutually beneficial, and is the basis for the development of the Margin Improvement Management (MIM) team in recent years. The MIM team helps franchise operators kick-start a process in which existing technology tools and sophisticated POS systems are leveraged to their full capacity, allowing for closer monitoring of a bevy of variables that have a significant cumulative impact on the individual drive-in and the franchise group overall.

The MIM training initiative is designed to help franchise operators better monitor and evaluate inventory, discounting, and staffing, all through the POS software at each drive-in. While most operators understand how to use the POS system daily to manage guest orders and crew schedules, they may not be aware of the functionality available at their fingertips to optimize available data and reporting options. We work to shed light on the newer POS software functionalities at hand that, when they are all working together, lead to more profitable operations, including: loss prevention, inventory control, staffing efficiencies, predictive forecasting, waste reduction, discount tracking, and more. While many franchisees we have trained were already doing some combination of the above, the addition of the MIM training has allowed us to showcase how these tools and reporting options work together to improve their business.

Our MIM training process takes place over the course of a few months. It begins with two days of in-person trainings with supervisors and general managers in drive-ins. To start, we dive straight into the onsite technology and software to demonstrate new ways of analyzing all available data to better inform their day-to-day operations, especially when it comes to inventory management, one of the greatest opportunities for measurable change. This is the bulk of the education process, with in-depth, hands-on guidance.

After two intense days, we give the operators a month to digest the information and get to know the system. We then have a follow-up call to talk through any questions or challenges they have faced. At this time, we take the opportunity to retrain, redirect, or solve problems. We then circle back another month later to discuss preliminary results. This is when many operators and general managers get excited about the long-term ramifications of this program. They begin to see how all these cost savings and efficiencies start to add up over time, especially if they run more than one location. Drive-in leadership at this level often have bonuses tied to drive-in success, so showing them tangible ways to improve profits results in a real financial boost to the individual as well.

We continue to follow up with franchisees, as regular visits help keep teams focused on the program and allow for training any new managers. Throughout the entire process, our MIM team members are only a phone call away, available to problem-solve or give personal guidance to anyone in the drive-in. This is by far the most important factor of this entire program, and without this person-to-person connection we would not have the success we have seen to date. Additionally, as the program expands throughout our system, franchisees are talking with each other about their experiences, leading to stronger interest in the program and a faster spread of awareness, adoption, and success.

The success has been impressive. Franchisees who have been through the MIM process have experienced significant decreases in food costs, paper costs, and order voids, leading to higher profits. These higher profits are resulting in more dedicated (and happier) general managers, which in turn creates a better workplace for hourly crew members and the overall franchisee organization. Beyond the financial benefits, franchisees have seen other unintended but equally beneficial outcomes of the program.

First, there is a greater understanding of how small actions (burning a burger patty, wasting napkins, making guest order errors, etc.) can affect the bottom line, giving the crew greater accountability for and ownership of the success of the business.

Second, there are happier crews in the drive-ins owing to increased collaborative opportunities, with management and hourly crew members feeling empowered and working together toward a shared goal.

Finally, the MIM training leads to more knowledgeable and business-minded general managers who become more invested in their jobs and interested in additional career paths at Sonic, building a pipeline of potential operators and franchisees who will help grow the brand in the future.

The moral of the story is simple. Provide the right tools for your business and ensure you are using every capability of that tool to its fullest to improve performance, profits, and passion in the workplace. ■

Jerry Fogel is senior manager of system margin improvement at Sonic Drive-In.

Market trends

What's in a Claim?

Standard measures needed for franchising

BY DARRELL JOHNSON

In my previous column, I wrote about the "information war" that has rolled into the franchise business model from the political and economic fronts. I noted some battleground issues that have arisen: joint employer, minimum wage, and anti-poaching. Those are serious macro issues for franchising. However, there also are serious battles we are confronting in franchising on a system level as well.

When brands claim they have "world class support," a "best-in-class training program," or "unrivaled franchisee support," what they are really doing is undermining the entire franchise business model because of a lack of credibility. What does "world class support" even look like? Sure, we can dismiss these comments as marketing hype, but they are really part of a rapidly growing and very dangerous trend in so-called alternative facts.

Australia is a case study of what happens when alternative facts clash with reality and common sense. Some brands were aggressive in their self-promotion, but failed with poor performance. The result was media backlash, followed by regulatory and legislative invasiveness. How they are addressing it provides some guidance. (I'll come back to that below.) Unless we recognize this as a war and find solutions here, we are heading to a further slide in the public perception of franchising that will have consequences for years to come in legal and regulatory actions.

Time for standards

So far, we are doing battle in this information war by engaging in best practice conversations. That's a start, but it isn't enough when alternative facts are swirling around us. Best practices should be the precursor to performance benchmarks that evolve into standards (yes, standards). We need to move beyond opinions and rules of thumb. Someone saying it doesn't make it so.

Data and objective analysis are our best weapons in this war.

It starts with having common definitions. What is an emerging brand? Has a brand "emerged" when it has yet to have a franchisee sign a contract or open a unit? This matters because we should know what success for a franchise brand actually looks like—or failure. It comes down to what we should measure.

We need to move beyond opinions and rules of thumb. Someone saying it doesn't make it so.

What does a successful franchise system look like? Countless management books over the years tell us we get what we measure. And in the absence of good measures, stakeholders grab whatever makes their case.

Lenders used SBA failure rate data for years, even while knowing that the SBA itself said *not* to do so because it was flawed data. They did so anyway. Why? Because there was no better way to assess franchise system credit risk. Now there is: FUND scores. Banks are adopting this much better assessment tool, but it takes time. Who knows how many brands were tainted by flawed SBA data, while other brands had easier access to credit than they deserved?

Out of the back-and-forth with banks to develop a standardized approach to franchise system credit analysis emerged terms such as "recurring revenue self-sufficiency," "historical unit success rate," and "projected unit success." Lenders had a stake in the outcomes, and they had a voice in the development of these terms.

There are many areas of franchise system performance and activities that should have some common definitions and measures. Another example is what the hotel franchise industry has done to standardize important performance measures. We just need to be cautious about who should have a voice in their development.

For instance, franchisor marketing teams migrate to any third-party "best" ratings that promote their brands. That's natural, but it's also dangerous. How often have we seen a "best" rating by some source on a brand that we know to be a poor performer?

The IFA confronted that issue with its VetFran program. The IFA found a solution by using a third party to develop some objective criteria they signed off on, but were not responsible for measuring. They had a voice in the measurement and created a way to independently validate the method of measuring.

We need to find ways to develop definitions involving the right stakeholders on each topic. We're doing so now in one of the technology areas in franchising. And, as the lending community has done for franchise system credit risk, we need to find a way to measure and independently validate performance.

To see how all this might come together, let's turn back to Australia. FRANdata Australia, with the support of the Franchising Council of Australia, is in discussions with regulators and legislators. We also are working directly with franchisors to develop a national rating system for franchise brands that would objectively assess how well individual brands meet reasonable performance expectations on system and franchise unit levels, franchisee engagement, training and support, franchisor financial stability, lender relations, and compliance and assurance. This is designed not to call out bad performers, but to identify brands that have achieved acceptable and superior performance across these measurable activities.

There are many opportunities for franchising in the U.S. to do the same. There are serious risks to the franchise business model if we *don't* figure out when, where, and how to measure what not-so-good/better/best looks like across many areas of franchising. ■

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.

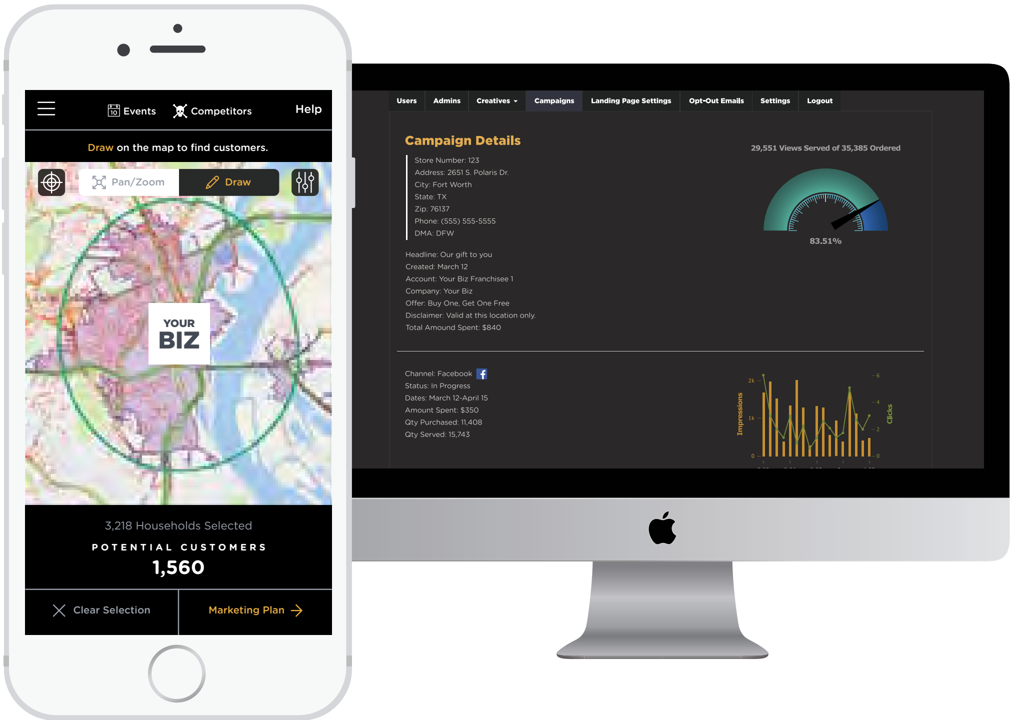
Consumer Marketing

CONSUMER MARKETING INITIATIVES

LSMx

Powered by Buxton™

EMPOWER YOUR FRANCHISEES WITH LOCAL STORE MARKETING



LSMx uses your customer profile to show your franchisees where to find new customers and lets them target those customers through Facebook, email, direct mail, banner ads and Google Search.

Control your brand's standards with the ability to customize photo and headline options available to your franchisees. Monitor campaign spend, results and usage through the LSMx corporate portal.

LEARN MORE: MYLSMX.COM | REQUEST A DEMO: LSMX@BUXTONCO.COM

CMOQ&A

Brand Transformation

From pain management to active living

BY KERRY PIPES

Kieran McCauley is on a mission to make HealthSource the recognized name for holistic health—and based on his track record he'll make it happen.

McCauley has been vice president of marketing for HealthSource—which specializes in chiropractic, rehab, and wellness services—since August of 2017. He came to HealthSource after 3 years with Marco's Pizza as senior director for brand marketing. He's a former ad man with a reputation for creating bold advertising campaigns for a long list of consumer and Fortune 500 brands, including White Castle, Hotels.com, Sherwin-Williams, Volvo, and BP. He's also a proven leader who knows how to lead marketing campaigns and help drive sales, execute brand strategy, and meet annual budget and sales goals.

His first step at HealthSource was to understand Americans' views on healthcare and how treatments for pain and wellness programs fit into their busy schedules. This insight led to the creation of HealthSource's "Do What You Love" campaign—a major departure from typical rehabilitation service provider messages, which focus on a consumer's pain instead of their passions.

Based on the number of new visits to HealthSource clinics after the campaign's launch, the message is hitting home: the brand's network of clinics saw a 39 percent increase in new customers, the largest jump since it was founded in 2006, and revenues rose 8 percent.

Describe your role as CMO. I equate my role to that of a ship captain. After establishing a map for the future based on consumer insight and brand positioning, I execute our brand strategy through initiatives to meet our annual budget and sales goals. I am constantly adjusting to market conditions to get the brand safely into port.

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

of channels available to reach your target audience. Media buying has become highly fractured and you are constantly testing and evaluating new channels to see if they are more effective. Even traditional television buys are complicated by the explosion of over-the-top (OTT) and connected device options. Sometimes old methods still deliver better results than newer and highly targeted options. It just depends on the target and tactic.

What are the 3 most important keys to being an effective CMO leader today? 1) Never deviate from your brand position; everything you do should be in alignment with this position so consumers know what you stand for and what makes your product or service unique. 2) Ensure everyone is living the brand throughout your organization, not only in signage and advertising, but in how they interact with customers. 3) Over-deliver on promises to your customers so they will sing your praises on social media.

How do you prepare a marketing plan and execute strategies? After the marketing team understands revenue goals for the upcoming year, we conduct a series of brainstorming sessions with our business partners and a group of franchisees to come up with quarterly promotion ideas. The strongest ideas are further refined and the execution tactics are matched up with spending budgets. We then unveil the yearly plan to all franchisees.

How do you measure marketing results and effectiveness? HealthSource has two KPI areas: one for brand goals, the other for revenue goals. This helps us separate our efforts to build brand awareness through advertising and public relations, and consumer engagement using social media from initiatives to drive new patients, patients visits, and product sales into our clinics.

Discuss your core consumer marketing strategies and objectives. Consumers today are looking for ways to manage pain so they can stay active. However, they don't need to be reminded of the pain they're experiencing, they need to focus on how they can get back to doing the things they love, whether that's walking, running, biking, golfing, etc. This is our consumer message. We've essentially flipped the focus from pain management to active living. This positions HealthSource as the place to receive holistic healthcare, building lifelong patient relationships for our clinics.

How do you go about creating a "customer-centric" marketing and brand philosophy? Through a combination of CRM systems we have in place and our "live-local" approach to marketing. The live-local approach is all about having our clinics support local groups in the communities in which they operate. It's also about personalizing messaging to patients, providing details that demonstrate a personal understanding.

Describe your marketing team and the role each plays. Our team is divided into three groups: offline communications, online communications, and field communications. Social and digital are covered in online communications; broadcast, print, out-of-home, and point of purchase are offline. Field manages local clinic marketing and in-clinic activities. Each group develops programs based on the overall promotional strategy developed during the annual planning session. It has proven to be a very efficient way to operate.

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? HealthSource exists to help people do what they love through wellness products and services. This is our brand essence. Marketing meets with small-business owners and entrepreneurs to explain our brand position and marketing support programs. It's important so that they understand how we approach marketing, and to make sure they are passionate about delivering exceptional holistic health services.

How does this help your franchise sales and development effort? Seeing how energetic the marketing team is about the brand is a strong selling point for prospective franchisees. It also helps explain the systems we have in place for media buying, social media, public relations, and promotions. Essentially, we take the work out of marketing for our franchisees.

What ways/tools do you rely on to do this? During a discovery day event, we walk prospective franchisees through the quarterly promotional schedule, showing them everything from the POP kits each franchisee receives, to advertising elements and local clinic marketing activities. We then review all the systems available from our various partners to execute social media, email, custom printing, and media buying locally. They leave the day knowing what to expect, and that is a big selling point for our brand.

Do today's prospects expect more from the franchise marketing department? What, and how do you provide it? I wouldn't say they expect more today, rather that marketing has become more complicated and requires more expertise to execute. The biggest area is SEO/SEM, which is continuously evolving. This is why we employ experts in these areas and have several key partners to help us execute and track. Consumers also like to deal with local businesses, and we have a number of systems in place to ensure our franchisees can localize messaging and engagement.

How is today's consumer and marketing data helping you fine-tune your marketing initiatives? We use both quantitative and qualitative consumer research to adjust our marketing plans. Focus groups are particularly insightful because they uncover opportunities and issues that might not yet have been identified by secondary research studies. Digital analytics also contains a significant amount of data about those interested in our services.

Describe the evolving role of social media in your brand's marketing efforts. Social media is another way for our clinics to engage with patients. Our clinics use various social media platforms to provide wellness advice, introduce new products and treatment techniques, and to encourage patients to tell their stories and discuss therapies and products that have worked best for them. This back-and-forth dialogue helps our clinics stay connected with the patients. Social media is important, for both existing and prospective patients. Today's consumers research doctors and look at reviews before making an appointment to learn more about the staff and what current patients are saying about the clinic.

How do you work with other internal departments and does technology help? As with most organizations, we have regularly scheduled meetings with other departments so we are all on the same page. Most of these meetings are conducted using Zoom or some other type of video conferencing. In addition, we travel together to visit franchisees in the field. We find this to be the most beneficial interaction because we are working together as a team to introduce programs and address issues.

How do you manage costs and budgets for the marketing department? Through our annual planning, we allocate funds for each of the quarterly promotions. Some quarters are heavy media buy periods developed to drive more traffic to our clinics, which means we are spending considerably higher levels. Beyond the quarterly promotions, we devote a percentage of our budget to activities that are always on for brand awareness. In addition, we have minimized the number of vendor partners we work with, which makes it easier to track expenditures.

How have marketing strategies/tools changed over the past decade? How have you adapted? Obviously, the advent of digital and social has forever changed the advertising landscape. You have to incorporate communications elements for these two spaces. What I don't do, that I see so many others do, is abandon more traditional advertising channels completely. To me, it's all about balance. Reaching the consumer through multiple touchpoints makes for a more effective campaign.

How is your marketing/branding strategy developed, and how does it flow through the system? It starts with a look outside our four walls, then inside. Outside we are studying consumer trends, our competition, the economy, and other influences such as government regulation. Inside we are examining budgets, forecasts, goals, and who we are and what is our reason for being. With this knowledge we create the strategy, confirm that the management team agrees with the direction, then go through the process of communicating with everyone else within the organization.

What advice would you offer to aspiring CMO executives? Never stop asking "What if?" and "Could we?" types of questions. In my opinion, the best CMOs push the boundaries and try different approaches. This is how you will excel. ■

CMOroundtable

"WHAT ARE THE MARKETING CHALLENGES ASSOCIATED WITH TAKING YOUR BRAND ACROSS BORDERS?"

Liz Wahl
Franchise Marketing Coordinator
Young Rembrandts

When we bring our North American-based franchise to a new country, our understanding of the local culture shapes how we market our concept to both customers and potential franchisees. Having a solid understanding of the cultural differences at play is especially important for child-based concepts focused on enrichment and education, like Young Rembrandts.

In a given international target market, we need to know: Is education a priority? Do parents and families invest significantly in children's or grandchildren's education? Can those cultural differences shape our franchise model to become more attractive to potential franchisees internationally?

For example, in South Korea the expectation is often for children to go to school all day and then go to a learning center afterward. So although in the U.S. our franchisees typically teach in host sites such as schools or community centers, our master franchisee in South Korea opened a learning center for children to come to for lessons.

Similarly, we need to adapt based on the educational and learning environments in international markets. While school districts in the U.S. are often very independent and can vary broadly even in neighboring districts, in Canada national boards oversee schools in their country. So the way Canadian franchisees interface with the national board is slightly different than how our franchisees in the U.S. secure new business.

Most important, we like to focus on *commonalities* between consumers, regardless of culture or country. The strengths in our franchise concept come from the fundamental appeal of drawing and the universality of art, which transcends cultures and languages. For our concept, our niche is our proprietary, copyrighted curriculum and the longevity of what we provide. Many international consumers often seek out Western products and services with a longer history of success.

When it comes to parents and children, especially in terms of education, parents are always looking to give children an academic advantage, and the fundamentals of drawing are rarely taught, so parents are attracted to models that are unique, like ours.

Adam Gogolski
Marketing Director
Dale Carnegie Training

As an established brand with more than 100 years in the business of personal, professional, and organizational transformation, Dale Carnegie is a recognized market leader in the U.S. But although he himself is well-known internationally as the father of modern professional development, a variety of factors contribute to limiting the visibility of Dale Carnegie Training outside North America.

As a result, a key component of marketing our opportunity overseas is educating potential franchisees on the brand itself, its cultural applicability, and the business climate. Given the long history of Dale Carnegie as an initially American franchise, the vast majority of our North American territories are moving through various stages of resale, while internationally most markets represent opportunities for new development, without established franchise partners in the area.

Our main goal when marketing Dale Carnegie worldwide is ensuring our concept is a fit for the market. The personal and professional development principles detailed in Dale Carnegie's famous book *How To Win Friends and Influence People* are renowned for how generally applicable they are, regardless of country or cultural boundaries. However, the franchise opportunity itself often needs to be adapted slightly to fit individual local markets. So our marketing efforts are customized accordingly.

Similarly, we work to adjust the business model to suit the market so franchisees can best present our services to local businesses and professionals—for example, whether franchisees should prioritize on-site development classes, go virtual, or primarily offer the curriculum at a Dale Carnegie office location.

Finally, the main challenge in marketing our franchise abroad is finding the right individual to act as a brand ambassador in an international market, especially in countries or regions where there is not already a strong brand presence.

Beyond the personal fit, there is another important educational piece at play: ensuring potential franchisees understand the characteristics and expectations of our franchise system. To achieve these ends, we devote significant resources to carefully vetting candidates in international markets to make sure they're the perfect franchisees to represent our brand and carry on Mr. Carnegie's legacy. ■

Traditional Is Back!

Measurability is *not* the Holy Grail

BY DAN SANTY

Traditional media is suffering from a perception problem. Advertisers and agency media buyers struggle to attach appropriate metrics to print, radio, out of home (e.g., billboards), and television. Conversely, digital media can be fileted, weighed, and measured to death.

The ability to track every action and tightly target distribution has made digital marketing the darling of the ad world for several years now. We can achieve top search ranking. We can see a lift in social engagement. We can count every click-through.

But does knowing the quantity of a thing make it more valuable? No.

"If we want to target audiences at the right time and place, and deliver ads that trigger a positive response, we must use digital as part of the media mix and prioritize traditional channels," said Charles Bruce, former CEO of a multi-unit pizza chain. "You'll trigger response if you choose the right mix for the desired target audience. And if you don't use traditional media, you very well may miss large swaths of your audience."

Here's what we know about traditional media: *It works*.

It can be used to deliver compelling content that generates an emotional response from your intended audience. Placements can be highly targeted based on geography, demographics, day part, and contextual/editorial and other considerations. Plus, it often has a lower cost per impression than many digital channels.

For far too long we have been relying on perception and instinct that tells us digital is a more cost-effective channel and provides the best ROI, ignoring the evidence. When we measure traditional media based on sales volume, we have proof of its value.

Advertisers are beginning to see the writing on the wall.

One study conducted in the U.K. found that only 26 percent of respondents reported high confidence in their ability to quantify digital media ROI. The rest, presumably, recognize the challenges of equating clicks, likes, and shares to sales.

"The truth is consumers use media intuitively and work it into their daily lives," says Media Buying Services founder and CEO Kathy Munson. "They listen to the radio, satellite radio, and podcasts for news and entertainment when they commute to work. They sign up to receive email and social media for updates and deals from their favorite brands. They read magazines and blogs that are relevant to their work and personal interests. At the end of the day, you cannot discount traditional media because it's part of a day in our everyday lives."

For far too long we have been relying on perception and instinct that tells us digital is a more cost-effective channel and provides the best ROI, ignoring the evidence.

If we take a step back and look at the primary functions of advertising—brand building and customer acquisition—we can reveal a balanced approach to media planning. Here are three simple steps to help you with this process.

1) Start with the business goals in mind, not the media goals. What is the bottom line you want to achieve? Is it increased customer traffic, third-party delivery, online ordering? Or is the goal as specific as improving traffic for your lunch business? It's also crucial to make sure you have full C-suite agreement on these goals. All the research we've conducted on the dining occasion decision indicates that it's a spontaneous event. If you hope to drive lunch customers, traditional radio is a great way to reach these potential consumers in the morning. To increase breakfast sales, late-night television delivers in big numbers.

2) Base the allocation of your budget to align with your business objectives. Balance does not mean a 50-50 split between traditional and digital. There is no formula to dictate how much to spend in the respective channels. This is where media buying expertise comes into play. Your goals dictate your media buying strategy. For example, a seasonal campaign for holiday gift shopping might rely heavily on digital shopper ads to push customers to your online retail site. A back-to-school campaign, however, would be better served through traditional media, like television, to quickly build brand awareness and drive families to your store.

3) Test and optimize all media channels. Test offers and incentives on the same channel, or test performance of customer loyalty rewards. For optimization, it's all about being agile in response to how your customers' behaviors change, and how they respond to your campaigns.

Conclusion

Make sure your campaigns are set up to meet and, whenever possible, exceed industry standards. And when a channel is not working, get out of it. Don't use a channel just because your competition is there. Use it because that channel is performing.

Media buying strategy is fluid. Keep in mind that what works this week may change next week. ■

Dan Santy is CEO and owner of Scottsdale, Ariz.-based Santy, a full-service marketing and advertising firm known for unexpected thinking and delivering results-oriented campaigns. He can be reached at dsanty@santy.com or www.santy.com.

Here Comes Gen Z!

Are you ready for these up-and-comers?

BY ANDREA BRANDON

Still marketing to Millennials and their elders to bring in the business? Good! Not marketing to Gen Z yet? Maybe not so good.

Depending on your franchise's products or services, waiting to captivate this audience born in the mid-1990s through early 2000s could be a costly oversight. Google calls Gen Z "the most informed, evolved, and empathetic generation"—and they now represent over a quarter of the U.S. population. Moreover, research states that Gen Z will beat Millennials as the most populous generation at 32 percent of the global population by the end of 2019.

Not only should their collective and personal buying behaviors be appreciated, so should their influence on family purchases, estimated at $200 billion.

So who are these teen- and college-aged kids? Gen Z has never known a world without the Internet, and the average age they first had a mobile phone was 12. They're so used to a digitized world that they're the generation most comfortable with online ads, even going so far as to value—not just tolerate—personalized ads based on their interests and shopping habits (42 percent, according to eMarketer). Additionally, they prefer native ads with relevant content over those ads they see as interruptions.

Gen Z buying behaviors

Gen Z is beginning to make their mark on businesses from global brands to local franchisees, but there's an interesting mix of data on how they're going about it.

- They insist on the gratification of online shopping, but they enjoy buying at shopping centers and malls.
- They expect two-day shipping, but they'll wait for seven or more days if they don't have to pay for shipping; and they'd rather drive to a local retailer than deal with shipping costs.
- They're tied to their smartphones, yet they prefer to make online purchases from a laptop or desktop.

It's worth remembering that we're talking about a generation here, not a teenage demographic. The oldest Gen Zs are now entering their twenties and are on the cusp of joining the full-time workforce. That means their buying power is about to expand exponentially.

Google calls Gen Z "the most informed, evolved, and empathetic generation"—and they now represent over a quarter of the U.S. population.

And when you do engage them, you won't be alone. Sixty-five percent of retailers say they intend to increase marketing spending that targets Gen Z this year. Get to know them now, so you can market to them and learn from them as they begin shopping for what you're selling.

Private data, public opinions

Since Gen Z has been growing up both offline and online, they've been keenly aware of the risks of sharing personal data online and having that data stolen. While they may be young, they're nobody's fools. They are much savvier than you may expect about protecting their identities and financial information.

While they're appropriately skeptical about sensitive information being misused, they are generous in sharing their opinions on social media channels. About half of Gen Z buyers give feedback online. That's more than any other generation. Give them a good research, shopping, and service experience and you're likely to be rewarded online. Failing to do so will cost you.

Where to start

Given that Gen Z is about to explode onto the consumer landscape—and already has a respectable foothold—determine where your franchise products and services fit into their lives now, and where they will fit in the near future.

Plan for Gen Z's disregard of marketing they sense is interruptive and focus on personalization and usefulness.

Remember that cost savings and value can win over instant gratification for this generation.

Finally, treat them well as consumers. They'll often reward you with online acknowledgement. ■

Andrea Brandon is vice president, marketing and creative services at Mindstream Media and has a background in digital and traditional marketing strategy and communications. To learn more, visit mindstreammedia.com or email to inquiries@mindstreammedia.com.

Customer service

Upgrade Customer Service

Can a company go from bad to great?

BY JOHN DIJULIUS

A company with bad customer service can no longer hide. In the age of smartphones and social media, customer service scandals will be exploited. Can historically bad customer service companies change? If so, how? Take United Airlines for example—United cannot stay out of the news for repeated customer service scandals. Why? Where does it start? And how can it be fixed?

1. World-class starts at the top. It is easy to see why world-class customer service companies are superior. The person leading the organization is obsessed with the experience they deliver. If the top people can't passionately believe in the customer experience, the company will never embody it.

Howard Schultz (Starbucks), Tony Hsieh (Zappos), Richard Branson (Virgin Airlines), Steve Jobs (Apple), Horst Schulze (The Ritz-Carlton), Truett Cathy (Chick-fil-A), Herb Kelleher (Southwest Airlines), John Nordstrom (Nordstrom), and Jeff Bezos (Amazon) all have something in common: Each of these leaders obsessed over their company's customer experience, down to the smallest detail. They passionately articulated their vision for world-class experience every time they spoke, to anyone and everyone who would listen. And their companies are all known for world-class customer service. Service aptitude starts at the very top.

Conversely, for every poor customer service company, you can typically track the reason back to the lack of service aptitude of its leader. United's troubles extend far beyond a single mistake. In recent years, the airline has injured passengers, sold their seats, misplaced their pets, and caused a pet's death. Many believe United's problems start in the C-suite, beginning with their CEO.

"It's a top-down culture, meaning the CEO and other leaders set the atmosphere for the rest of the employees," airline expert George Hobica told *Business Insider* earlier this year. "It's just a lack of integrity in their leadership."

Without senior leadership being fanatical about customer experience, it will never be a priority and nothing will change. A great place to start is creating your company's service vision statement.

2. Service aptitude training. *"It is not the employees' responsibility to have high service aptitude; it is the company's job to teach it to them."*

Most would agree that the soft skill side (how customers are treated and cared for) is just as important as the technical/operational side of what the customer receives. However, the vast majority of a company's employee orientation and ongoing training contradicts that.

How many hours do you train new employees before they can start interacting with your customers? It may be two days, two weeks, or a month. How many of those hours are devoted to technical training (product knowledge, processing orders, scheduling appointments, etc.) versus customer experience training (customer service vision, non-negotiable standards, building customer rapport, service recovery, etc.)? The vast majority of businesses spend nearly 100 percent of their training on the technical part of the job and breeze over their customer service philosophy because they think it is common sense.

Your service training needs to be certifiable, just like your technical training. It all comes down to service aptitude training. If today's younger generation lack the skills gained from human interactions, who is responsible for improving their people skills and increasing their service aptitude? The businesses that hire them! We need to have better training programs, not just training on product knowledge and the technical side of the job, but also training and certification on the soft skills. The companies that deliver world-class customer service are the companies that understand this and provide training in customer service skills.

3. Create a world-class internal culture. *"If it is not felt on the inside, it will never be felt on the outside."*

To have a world-class internal culture you must attract, hire, and retain only those people who have what I call "Service DNA." The best service companies do an incredible job of achieving this goal, starting with the process of recruiting and hiring, extending through orientation, and continuing throughout the entire employee career experience.

According to a Gallup survey, the top three reasons employees leave their jobs are: 1) lack of faith in the leadership or vision of the company; 2) concern with the way management is treating people; and 3) lack of management support in areas such as performance reviews and employee development. The single most important determinant of an individual's performance and commitment to stay with an organization is the relationship the individual has with their immediate manager. As the saying goes, people leave their manager far more often than they leave the organization.

As business leaders, we need to have standards that require prospective employees to *earn* the right to be part of our company. Having a set of non-negotiable hiring standards—characteristics an employee must embody that are clearly defined and articulated—will turn your prospective employees either on or off. The main objective of your interview process is to scare the applicant out of wanting to work for you. If you can't, chances are very good the applicant will be successful. ■

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.

Growing Your System

FRANCHISE DEVELOPMENT INTELLIGENCE

BY EDDY GOLDBERG

2019AFDR

HOW DO YOU MEASURE UP?

BENCHMARK YOUR RECRUITMENT AGAINST 100+ BRANDS

Results from the 2019 Annual Franchise Development Report (AFDR) were unveiled in late October at the 20th annual Franchise Leadership & Development Conference (FLDC). The 2019 AFDR is based on responses from 109 franchisors representing 34,058 units (26,838 franchised and 7,220 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 2019 AFDR.

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

- 710 domestic locations transferred
- 327 franchises sold 45 days before close of the survey
- 288 franchises sold through brokers in the past 12 months.

For 2019, growth plans among the 109 respondents are targeting a total of 3,617 additional franchise units. This compares with the previous year's target of 5,990 additional franchise units from 142 respondents.

Below are additional highlights from the 2019 AFDR. Ordering information can be found on page 33. (Conference attendees receive a complimentary copy.)

• **Recruitment budgets.** Average 2019 budget plans for franchise sales and recruitment (advertising and media expenses, not including brokers and employee compensation) among respondents was $186,818, with a median of $127,000. This is a decrease from last year, where the corresponding numbers were $202,462 and $140,000. While the budget numbers are down, they remain well within the range of planned spending during the previous 5 years.

Recruitment Budgets

	2019	2018	2017	2016	2015	2014
Average	$186,818	$202,462	[illegible]	[illegible]	[illegible]	[illegible]
Median	$127,000	$140,000	$125,000	$120,000	[illegible]	$120,000

• **Where the money goes.** With the increased emphasis on and steady shift to online recruitment methods, the AFDR continued reporting on a new metric introduced last year: breaking out spending on franchise websites and social media from the "digital" category total. Adding spending on franchise websites (14 percent) and social media (12 percent) back in shows a total of 58 percent of overall digital spend, an increase from last year's 52 percent. To provide finer granularity, we also continued tracking three new categories from last year—direct mail, in-market meetings, and TV/radio—which significantly reduced the "Other" category. Planned spending on print (8 percent) and trade shows (14 percent) was down slightly from 2018, while spending on public relations (13 percent) remained essentially the same as in the past 6 years. In sum, recruitment spending is balanced and spread across multiple marketing methods and channels.

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.

Where the Money Goes

Digital	32%	30%	40%	40%	44%	40%	40%
Print	8%	10%	11%	10%	13%	15%	15%
Direct Mail	2%	2%					
Trade Shows	14%	17%	17%	18%	10%	18%	13%
Public Relations	13%	11%	13%	14%	12%	12%	12%
Other	2%	3%	10%	10%	15%	12%	12%
Franchise Website	14%	12%					
Social Media	12%	10%					
In-Market Meetings	2%	1%					
TV/Radio	1%	2%					

• **Where the digital money goes.** As digital spending continues to account for an increasing percentage of recruitment budgets, franchisors were asked to break out their digital spending by category. Last year, as with overall digital spending (above), we added new categories that used to be included in other numbers: franchise opportunity sites (25 percent), social media advertising (11 percent), and digital asset creative (4 percent)—making direct comparisons with previous years more difficult, but also providing a deeper look into where development budgets are headed. This year we added another new category: sponsored content/native advertising (5 percent). Breaking out these categories reduced the "Other" category to a mere 2 percent, which compares with 4 percent in 2018 and 8 percent in 2017. Brands are becoming more aware of where they're spending their money on digital.

Where the Digital Money Goes

Franchise Opportunity Sites	25%	22%	33%	33%
Other Business Media	2%	4%	8%	*
Pay-per-click	24%	15%	19%	19%
Search Engine Optimization	8%	10%	13%	12%
Email Marketing	8%	7%	9%	8%
Social Networking	6%	9%	11%	12%
Re-Marketing / Target Tracking	6%	7%	8%	7%
Social Media Advertising	11%	12%		
Digital Asset Creative	4%	3%		
Sponsored Content / Native Ads	5%			

• **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. But for 2018 it rose to nearly half, at 47 percent. Yet, even with the growing reliance on digital, attribution remains uncertain. Where did the prospect who contacted the brand online begin their journey? Did they read a print article? See a television commercial? Hear a radio ad? See a billboard? Use the product or service and liked what they saw? As Phibbs put it at last year's FLDC, "Where do they learn about the brand *before* they fill out the form on your website?" And while these percentages represent the #1 categories named by respondents as sales producers, she noted, "If you look at a weighted score of how franchisors ranked each category, digital comes out on top, with referrals, print, PR, trade shows and brokers all very close in rankings." A big difference from previous years is referrals—still considered the strongest source of high-quality leads—which rose from about 30 percent in 2016 to 43 percent in 2017, but tumbled to 28 percent in 2018, in line with most previous years. "The good news," noted Phibbs, "is that everything's working to some extent."

Top Sales Producers

Digital	47%	31%	42%	42%	42%	42%	42%
Referrals	28%	43%	30%	27%	30%	31%	32%
Brokers	7%	14%	12%	15%	18%	17%	18%
Print	0%	0%	2%	3%	3%	0%	3%
Other	7%	7%	8%	7%	9%	10%	7%
Trade Shows	2%	1%	6%	4%	N/A	N/A	N/A
Public Relations	5%	4%	1%	2%	N/A	N/A	N/A

• **Top digital sales producers.** Respondents were asked to segment their digital spending as it relates to sales. No major changes here from previous years, other than a drop in SEO to 16 percent, its lowest percentage since 2013 (when it was an usually high 49 percent before settling into an average of 22.5 percent for 2014–2017). Sponsored content, a new category this year, accounted for 3 percent of digital sales. Portals, after a slight decline last year, returned to their average range of the previous 3 years to account for 1 in 3 sales. Remarketing as a digital sales source rose slightly. And at 9 percent, email marketing remained close to last year's 10 percent, up from 4.5 percent 2015 and 6 percent in 2016. Phibbs noted that, as in the previous slide, a look at the weighted scores shows the rankings more balanced. Yet even in this age of extreme data, more than 1 in 10 respondents (12 percent) still checked off "Other" or "Don't Know," down from 21 percent last year, and slightly lower than the preceding years. Again, it may be worth looking into attribution. For brands that don't know where more than 1 in 10 of their digital sales came from, there's room for improvement.

Top Digital Sales Producers

	2018	2017	2016	2015	2014	2013
Digital Franchise Ad Portals	33%	26%	32%	30%	35%	23%
Search Engine Optimization	16%	20%	22%	24%	24%	49%
Pay-Per-Click	15%	13%	16%	15%	12%	6%
Social Advertising	6%	7%	5%	4.3%	4%	4%
Remarketing	3%	2%	4%	4.5%	4%	N/A
Email Marketing	3%	10%	5%	4.3%	N/A	N/A
Other	5%	8%	8%	8.5%	12%	5%
Don't Know	6%	12%	5%	5%	8%	11%
Sponsored Content	3%					

• **Measuring costs.** Both average cost per lead and average cost per sale rose in 2018. Nearly 2 of 3 respondents (65 percent) said they track cost per lead, up slightly from 61 percent last year, and 56 percent the year before—so steady improvement there. Yet as franchise consultant Steve Olson is quick to point out, this also means that 1 in 3 brands still do *not* track cost per lead. And if you look at the 53 percent who track cost per sale, it means nearly half of respondents didn't know what their cost per sale was—perhaps the most critical number in franchise development metrics. As we noted last year, "With all due respect to franchise sales teams, are you kidding?" And to further repeat last year's observations, franchise recruitment experts continue to shake their heads at the number of franchise sales teams that set a budget, spend the money, and fail to measure the effectiveness of that effort and spend. 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 (see below). Among the two-thirds who do track these numbers, the average cost per lead reported in this year's survey was $126, up from last year's $112 and the previous year's $109. And the average cost per sale of $8,984 edged up slightly from $8,571 in 2017 (up from $7,558 in 2016 and $6,300 the year before).

Measuring Costs

- 65% track cost per lead
- $126.00 average cost per lead
- 53% track cost per sale
- $8,984.00 average cost per sale

• **Sales closing ratios.** The three most important metrics in evaluating the effectiveness of a franchise development team are the ratios of leads to sales, applications to sales, and discovery days to sales. All three ratios this year were within range of those from the previous 6 years. However, this year we made a change in the leads-to-sales question, specifying "qualified leads," not all leads. This explains the huge increase to 14 percent from previous years, which were nearly all in the 2 to 3 percent range. This higher closing ratio speaks to the importance of having a pre-qualifier working at the front end of your sales process. Weeding out the more "iffy" leads on the front end saves the sales team a lot of wasted time and effort during the ensuing stages of the sales process. And, noted Phibbs, "With the number of leads going down and the applications and discovery days to sales ratios increasing, it looks like we're reaching the right target audience."

Sales Closing Ratios

	2018	2017	2016	2015	2014	2013	2012
Leads to Sales	Qualified 14%	1.6%	2%	3%	7%	7%	2%
Applications to Sales	23%	29%	26%	19%	27%	20%	13.5%
Discovery Days to Sales	71%	72%	63%	81%	67%	77%	75%

• **Franchisors exceeding goals.** Unlike last year, where brands exceeding their sales goals spent more on cost per lead than the average ($128 vs. $112), this year's "exceeders" spent significantly less ($72 vs. $126). When it came to cost per sale, brands that exceeded their goals spent *less than half* of

7 DIFFERENTIATORS

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

• Lower average cost per lead and cost per sale

• 75 percent reported the quality of their leads is up

• Higher conversion rate of qualified leads, applications, and discovery days to close

• Shorter time to deal close (10 weeks)

• 93 percent described unit-level business conditions as good (69 percent of franchisors below their goals described business conditions as good)

• Use multiple marketing vehicles

• Fewer resales (50 percent fewer than franchisors below their goals)

"They have a strategy. They know where they want to grow, who their target customer is, and how to reach them," said Phibbs.

In addition, she pointed to the importance of unit-level business conditions as a factor in how today's top-performing brands differentiate themselves from the competition. "Locations that aren't doing well can lead to transfers and closures. Surveys of multi-unit franchisees tell us that transfers and closures can be deal killers or red flags for them," said Phibbs. "If this is happening in your system, I'd suggest you have a conversation with your partners in operations and marketing right away. Get the brand on board to improve unit-level conditions before they kill your growth."

the average ($3,974 vs. $8,984). They also exceeded the average ratios for applications to sales (39 percent vs. 23 percent) and discovery days to sales (83 percent vs. 71 percent). Among other things, these numbers indicate that franchisors exceeding their goals are much more *efficient* in their recruitment spending than the average. In short, the better performers are spending less and getting better results. This table shows the results of the top performers compared with the average for all survey participants.

Franchisors Exceeding Goals

	2018	2017
Cost per lead	$72 (avg. $126)	$128 (avg. $112)
Cost per sale	$3,974 (avg. $8,984)	$6,398 (avg. $8,571)
Applications-to-sales ratio	39% (avg. 23%)	31% (avg. 26%)
Discovery day-to-sales ratio	83% (avg. 71%)	79% (avg. 72%)

By segment, food brands exceeding their goals (27 percent) dropped precipitously from previous years. Possible explanations include oversaturation of the domestic market for fast food brands, changing consumer preferences for healthier fare, and the spate of mergers and acquisitions resulting in consolidation. It also could explain why so many U.S. food brands are looking overseas for growth. The segment that fared best by far was investments above $250,000, where 3 out of 4 (77 percent) brands exceeded their goals. Brick-and-mortar services exceeding their goals fell from the previous 2 years, while services based on territory/population doubled from the previous 3 years. A comparison of the "exceeders" by industry segment, reveals the following:

Segment	2018	2017	2016	2015
Food	27%	40%	44%	59%
Retail non-food	13%	5%	9%	11%
Service (brick and mortar)	20%	25%	30%	15%
Service (territory/population)	20%	10%	9%	11%
Retail food	20%	20%	9%	4%
Investment per unit > $250,000	77%	63%	57%	71%

2019 AFDR NOW AVAILABLE!

The 2019 Annual Franchise Development Report (AFDR) delivers data collected from 109 franchisors representing 34,058 units, with responses organized by industry, unit investment, system-wide sales, and more. 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. The report also includes research into online recruitment practices, the growing use of mobile and social tools by prospects, and best practices by franchisors.

The AFDR, the only sales and lead generation benchmark report available in franchising, identifies industry sales trends and top lead generation sources for meeting sales goals. For example:

- How does your sales budget compare with other brands in your segment?
- Are your closing ratios in line with your industry and investment level?
- What conversion rates should you expect from your website?
- Is your online spending paying off? How do you know?
- Are your brokers delivering—and is their price per deal too high?
- Are you using referrals, and how much are you paying for them?
- How are franchisors using social media to recruit candidates?
- Some franchisors are exceeding their sales goals. What are they doing differently from those falling short?

The 2019 AFDR is packed with timely information and benchmarking data that can help your franchise system grow faster and close more deals—while saving thousands of dollars in cost per sale. Based on in-depth surveys from 109 franchise companies, this thoroughly researched report reveals the success drivers that are sure to boost the output and quality of your sales department.

Filled with the most comprehensive sales and lead generation data in franchising, the 2019 AFDR, at more than 250 pages, is a must-buy tool for franchisors, development consultants, and advertising, marketing, and technology suppliers—and is ideal for benchmarking and building budgets and media plans.

The complete 2019 AFDR, with analysis and benchmarks, is available for $350. For ordering information, go to https://afdr.franchiseupdate.com or email your questions to AFDR@franchiseupdatemedia.com.

AFDR

Annual Franchise Development Report

The comprehensive benchmarking guide for sales & lead generation in franchising

2019

BY KERRY PIPES & EDDY GOLDBERG

20 Years Strong

FLDC CELEBRATES TWO DECADES OF GROWTH

"20 Years Strong" was the theme of this year's Franchise Leadership & Development Conference (FLDC), held in Atlanta October 9–11. For two decades now, Franchise Update Media has hosted this industry-leading annual conference focusing on franchise recruitment, sales, and leadership.

The FLDC's 20th anniversary was celebrated in numerous ways at the event. As always, the focus was on presenting speakers, panelists, and sessions on strategies, tactics, and solutions aimed at helping attendees improve their recruitment and development practices.

This year's conference, held at the InterContinental Buckhead Atlanta, drew 460 total attendees, including 290 franchise professionals representing 190 brands in the food, retail, and service sectors.

Working alongside Conference Advisory Board members, Franchise Update executives and staff identified the topics and issues deemed most important to the current state and future growth of franchising—and selected the panelists and speakers best able to address those issues in breakout sessions, roundtables, and general session panels.

NFL Hall of Famer quarterback and Super Bowl champion Joe Theismann was a dynamic and inspirational keynote speaker. Ryan Dohrn, sales and marketing expert, business coach, and author, conducted a combination keynote and roundtable workshop session. And Ginger Hardage, Southwest Airlines's former senior vice president of culture and communications, made a special presentation at the CEO Summit.

Networking opportunities abounded in the Sponsor Networking Gallery, where exhibitors and suppliers lined up to meet with franchise executives to explore and shop for business solutions, strategies, and products and services to help them grow. The hall, which once again was sold out, overflowed into the adjacent hallway.

The platinum sponsor this year was Silvercrest Advertising. ApplePie Capital sponsored the STAR Awards dinner. Gold sponsors were 919 Marketing, Hot Dish Advertising, GbBIS, LSM, and Synuma. AmVenture sponsored the keynote speaker, and FRM Solutions sponsored the mobile app.

Pre-conference workshops

The first day kicked off on a Tuesday with full-day pre-conference workshops, including the annual CEO Summit; IFA Fran-Guard (the IFA's sales management and compliance program); and workshops on sales and development (see below).

The CEO Summit began with a presentation from Ginger Hardage called "Building a Brand from the Inside Out." She focused on Southwest's famous customer-centric culture, illustrating her theme with stories from her 25 years at Southwest, where she served as a member of the CEO's executive leadership team. The day was filled with guest speakers who discussed private equity, the role of CEOs in development, innovation, workforce challenges, and legislative and regulatory threats. There also were roundtables where franchise founders and leaders could brainstorm and problem-solve with their peers—and build relationships that will last long beyond the conference.

Just down the hall, running simultane-

Paul Pickett, 2018 Conference Chair

2018 CONFERENCE NUMBERS

460
TOTAL ATTENDEES

290
FRANCHISOR PROFESSIONALS

190
FRANCHISOR BRANDS

70
SPONSORING COMPANIES

ously, sales and development professionals had their own opportunity to participate in pre-conference sessions. Two 3-hour morning sessions—Franchise Development Process & the Culture of Growth, and Mastering Sales Fundamentals—offered deep dives into the challenges and opportunities facing development professionals, and on ways they can refine their sales process.

In the former, Cheryl Fletcher, senior vice president of development at Tropical Smoothie Cafe, moderated a panel that included Candace Couture, vice president of franchise sales at Planet Fitness, Mark Jameson, executive vice president of franchise support and development at Fastsigns, Scott Thompson, chief development officer at Level 5 Capital Partners (Big Blue Swim School, CorePower Yoga), and Matt Stanton, chief development officer at WellBiz Brands (Elements Massage, Amazing Lash, Fit36, Fitness Together).

Their discussions ranged from organizational structure, lead generation, and franchise candidates to real estate, training, and support. A recurring theme throughout the session was the importance of brands building a "culture of growth." To achieve this, said Fletcher, every department within the brand must understand the importance of growth and of supporting the development team.

Nearby, the Mastering Sales Fundamentals session dug into sales basics and ways that sales teams can improve their skill sets. Moderated by Chris Cheek, COO at Newk's Eatery, the seasoned panel of sales and development professionals discussed how they move a prospect from lead to engaged candidate to franchisee.

One of the two afternoon tracks kicked off with a session called Engaging with the Modern Customer (Prospective Franchisee). This session was moderated by Maureen DiStefano, vice president of development at Magnolia Bakery. Panelists were Wes Barefoot, director of franchise development at ShelfGenie; Dan Collins, director of franchise development at Pilates ProWorks; Dan Henry, director of franchise sales at Tough Mudder Bootcamp; and Laura Tanaka, director of franchise development at Del Taco. The group focused on how brands must tailor their communications to different prospects, and how to establish a relationship and better engage with those prospects.

Joe Theismann, keynote speaker

Barefoot emphasized having a CRM system that's more engaging to prospects, while also investing in the technology and content to provide as much important information as they need. Collins spoke about how his prospects are Millennials. For this group, he advised, "have brevity in your message."

Another afternoon session, Grow Your Team and Yourself, was exclusive to leaders of franchise sales teams. Facilitated by Michael Arrowsmith, chief development officer at Pinch A Penny, the workshop focused on how sales team leaders could build bench strength to grow, take on new responsibilities, and prepare for the next step up toward executive leadership.

As the sessions wound down, attendees, panelists, and CEOs headed for the Sponsor Networking Galley for the conference's Welcome Reception. There was plenty of food, drink, and conversation with exhibitors, suppliers, and fellow franchisors, bringing the day to a buzz-filled close.

Day 2: Keynotes, sessions

Gary Gardner, Franchise Update Media Chair, began the day by welcoming attendees to the conference. He then handed the microphone to Sam Liotta of AmVenture, the keynote sponsor, who introduced Joe Theismann.

The former NFL star quarterback spent 12 years in the NFL, playing in 163 consecutive games. He won a Super Bowl, was league MVP, and holds several Washington Redskins team records, including career passing yards and completions. In his post-football career he's been a motivational speaker, sports commentator, and told the crowd he's been in the restaurant industry for 40 years.

Perhaps best known for having his career ended by a gruesome leg injury on national TV in November 1985, Theismann used that situation and other events from his life to demonstrate why business executives need to face and embrace change in today's world. He spoke about the importance of setting goals (personally, professionally, spiritually, and financially) and writing them down; having the right attitude ("If you don't believe in yourself, who's going to believe in you?"); and giving back to the community.

"Success is what happens when you reach a certain point and you start giving back," he said. "It's not what we get for ourselves, but how we can influence other people and affect their lives in a positive way." He's also a big believer in lifelong learning. "You need to know

Diane Phibbs, Jayson Pearl, Art Coley, Wendy Odell Magus, Rick Batchelor

Paul Pickett, Lori Merrall, Josh Wall, Jayson Pearl

more today than you did yesterday, and more tomorrow than you do today," he said, and recommended attendees ask themselves every morning, "What am I going to learn today?"

After the enthusiastic "standing O" for Theismann quieted down, Therese Thilgen, Franchise Update Media's CEO, introduced this year's conference chair, Paul Pickett, chief development officer at Wild Birds Unlimited. His energetic, inspiring address emphasized not only how attending past conferences had benefited both himself and his brand, but also about the long-lasting relationships he has built over the years by attending the conference. (Pickett is one of the few who attended the first FLDC.)

Next up was a presentation on the state of the economy by FRANdata's CEO Darrell Johnson and President Edith Wiseman. Calling for greater honesty, transparency, and standards on the part of franchisors, their presentation was titled the "Era of Information Warfare." One example: A brand claims it is "best" in training—but what does that mean, and according to who? Making overblown or unsubstantiated claims about your brand, said Johnson, endangers both the brand making those claims and the franchise business model itself, putting it under the spotlight of both the public and regulators. "The facts must correlate with reality to combat 'alternative facts' and mistrust," said Johnson. (See page 16.)

As for the economy and its impact on franchising, "The economy is slowing," he said. "GDP and manufacturing will decline over 2018, 2019, and 2020." And while he said that no big shocks are on the immediate horizon, a number of factors could rock the boat in the coming years: tariff issues, fewer benefits from the massive tax cuts than promised, record world debt and the huge amount of debt coming up for refinancing, and the end of the era of cheap capital.

What it all means for 2019 and 2020, they said, is that while franchise growth is slowing, it still is growing; that business and consumer confidence should remain high; that the cost of capital will continue to rise; and that what franchisors present to candidates and the public must correlate with reality to build trust.

AFDR & mystery shopping

Each FLDC includes the presentation of the much-anticipated Annual Franchise Development Report (AFDR) and Mystery Shopping survey. Diane Phibbs, Franchise Update's executive vice president and chief content officer, presented an overview of the findings from the 2019 AFDR and Mystery Shopping survey. (See full coverage of both elsewhere in this issue.)

In a general session panel, the mystery shoppers who posed as qualified prospects discussed how they conducted their research and what they uncovered about best recruitment practices. Art Coley, CEO at CGI, Rick Batchelor, CEO of Qiigo, Wendy Odell Magus, president of Magus Marketing and Communications, and Jayson Pearl, president of ServiceScore detailed their methods and results.

One recommendation from Batchelor: to improve both recruitment and SEO results, franchisors should fold their franchise development website into their consumer site. (See page 41.)

The mystery shoppers were joined by Josh Wall, chief development officer at Christian Brothers Automotive, and Lori Merrall, senior director of franchise development at BrightStar Care. The star-studded panel, which included three previous STAR Award winners, was facilitated by this year's Conference Chair Paul Pickett.

The Sponsor Networking Gallery reopened for lunch and new opportunities to meet, greet, and do business. Then it was time for the afternoon's first group of four concurrent breakout sessions: Mastering Lead Qualification, Operations' Importance in Franchise Development, Maximize Market Penetration, and Making the Decision To Grow International. These were followed by another set of concurrent sessions: Understanding Lead Attribution, Exit Strategies and Resales, Right-Size Franchisee Deals To Maximize System Growth, and Preparations for International Growth.

The session on operations was moderated by Eric Lavinder, director of franchise development at Saladworks, and featured a panel that included Todd Leonard, vice president of operations and development at Executive Home Care, and Charles Willis, president and co-founder of Pinot's Palette. This session tackled the importance of the relationship between the franchise development and operations

Therese Thilgen, Steve Romaniello, Aziz Hashim

Ginger Hardage, keynote speaker

departments, and how critical that relationship is to the all-around success of the brand, especially franchisees. As Lavinder put it, "Your sales team plus the operations team equals successful franchisees."

Two general sessions closed out the day. The first was called Amp Up Your Franchise Development Program Using Real Data. Pete Lindsey, CEO at Franchise Drivers, led a panel consisting of Christina Chambers, senior vice president of franchise development at Huddle House; Jeff Sturgis, chief development officer at Fazoli's; and Jennifer Durham, chief development officer at Checkers & Rally's. Panelists shared their stories on how they are tracking prospects in this "age of data" and the unique ways they use data from their CRM systems.

The final event of the day was a business solutions roundtable/keynote led by Ryan Dohrn, a sales and marketing expert, business coach, author, and founder of Sales Training World. His mixture of humor and insight shed light on sales and marketing tactics that get results. He used his own experience working with such Fortune 500 organizations as Boeing, Lockheed Martin, Ford, and Bayer, and allowed plenty of roundtable interaction. The goal of the session was for participants to come up with six sales ideas they could put to use right away to grow sales in the next 30 to 60 days.

That evening, attendees braved the pouring rain from Hurricane Michael, which skirted the Atlanta area but still made its presence known, to attend the annual STAR Awards dinner and ceremony at nearby Maggiano's Little Italy. This year's winners and their thoughts on why they were recognized begin on page 46.

Day 3: Action planning!

The final morning of the conference wrapped up with a session designed to turn the previous two days' fire hose of information, data, analysis, and perspective into an actionable package participants could take home and implement. The stated objectives of the day were: 1) discuss key components of planning, 2) gain some insights from others (best practices), and 3) get started to plan for your best year yet!

Art Coley, CEO of CGI, led the session, called Build Your 2019 Action Plan for Success. Coley was joined by Red Boswell, global chief development officer at ActionCoach Global, and Larry Sidoti, chief development officer at Garbanzo Mediterranean Fresh (and founder of Juice It Up!).

Participants broke into small groups based on their job titles (development directors/recruiters, CDOs/VPs, CEOs/CFOs, support and other roles) and worked with their peers to create a plan to spur growth when they returned home.

"If you are serious about franchise leadership or development, you're going to be here," Boswell said of the FLDC. "This is the only place I'm going to go that is focused on what matters: building franchise organizations and then managing them correctly. CDOs and CEOs, you should be here."

Plans are already under way for the 2019 Franchise Leadership & Development Conference, which will take place October 15–17, 2019 at the same venue. To learn more about this year's FLDC and register for 2019, visit www.franchisedevelopmentconference.com. ■

Ryan Dohrn, keynote speaker

Franchisor Profiles

BY TITLE

- **19%** CEOs
- **3%** CFOs, CIOs, COOs
- **35%** CDOs, SVPs development
- **34%** Directors & managers of franchise development
- **9%** Real estate, communications, compliance professionals

BY CATEGORY

- Service **56%**
- Food **27%**
- Retail Non-Food **10%**
- Retail Food **8%**

BY INVESTMENT LEVEL

- > $1 million **13%**
- $500,000 – $1 million **16%**
- $250,000 – $500,000 **31%**
- $100,000 – $250,000 **20%**
- $50,000 – $100,000 **11%**
- < $50,000 **9%**

BY NUMBER OF UNITS

- > 1,000 **9%**
- 501–1,000 **9%**
- 251–500 **21%**
- 101–250 **22%**
- 26–100 **19%**
- < 25 **10%**
- 0 **9%**

BY ANNUAL SYSTEM-WIDE GROSS REVENUE

- > $100 million **37%**
- $80 million – $100 million **7%**
- $60 million – $80 million **7%**
- $40 million – $60 million **9%**
- $20 million – $40 million **12%**
- $8 million – $20 million **7%**
- $1 million – $8 million **9%**
- < $1 million **12%**

The Song Remains the Same

Mystery Shop finds brands still struggling with consistent recruiting efforts

BY HELEN BOND

Technology may be changing the face of franchise recruitment, but the fundamentals remain the same. A winning development strategy is still all about the connection. First impressions count—and they are being made faster and earlier than ever before.

"Today, franchise development candidates have formed an opinion about your brand long before they reach out to contact you," says Rick Batchelor, CEO of Internet marketing firm Qiigo.

Batchelor joined a slate of franchise development experts on stage at this year's Franchise Leadership & Development Conference (FLDC) to unveil the findings from the 2018 Mystery Shopping Survey. This annual best practices review of franchise recruitment practices included mystery shopping results from 155 brands, along with analysis from the largest study yet of online sales leads.

Among the high-level findings: Franchise sales programs are increasingly driven by digital automation for prospects in a 24/7 world, yet brands risk a disconnect when they put too much trust in technology during the all-important early stages of franchise development.

"At a time when you think technology is going to replace a phone call, it is actually the reverse," says Jayson Pearl, president of ServiceScore, a company he founded in early 2018 to help franchisees improve their responses to inquiry calls. In fact, he says, making phone contact in the initial inquiry phase is more important than ever today.

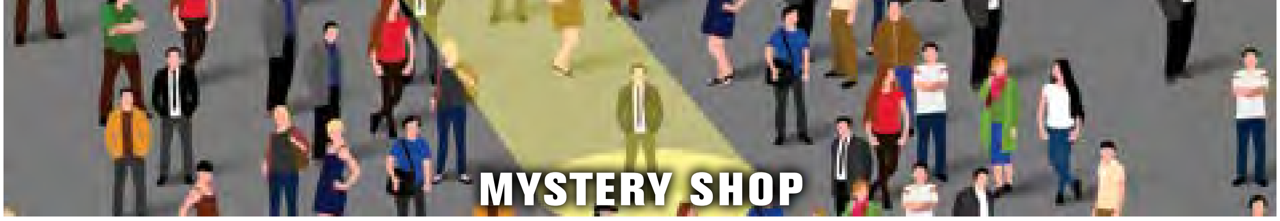
"Candidates can do a lot more research on their own. If there is a point where a candidate submits a contact form that says, 'I'm ready to talk to someone,' they really are," he says. "They aren't just looking for basic information. They are probably ready to take the next step, or have a specific question they can't get answered by themselves, in spite of trying."

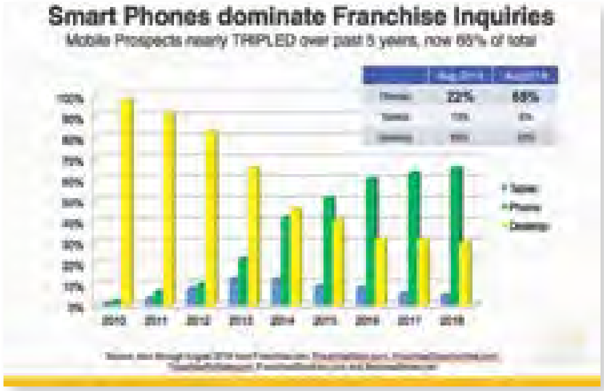
Along with Qiigo and ServiceScore, this year's survey was conducted by Franchise Business Review, Landmark Interactive, Magus Marketing Communications, and CGI.

Veteran mystery shopper Art Coley, CEO of franchise development company CGI, says a lack of attention by brands to the quality and approach of communication before a prospect becomes a candidate continues to be an issue. His survey results showed that many brands have no training or dedicated individual for this pre-engagement phase, a lack of a defined process, few tools, and little content during this critical period.

"The 2018 Mystery Shop results again pointed to what we believe is the number-one problem facing franchise brands in recruitment: poor execution in the pre-engagement phase," says Coley.

Here is a breakdown of the highlights from this year's Mystery Shopping survey, conducted each year in conjunction with the FLDC to uncover best practices—and areas to improve—for brands looking to build a stronger recruitment strategy.





These days, potential franchise buyers largely do their research on the fly and around the clock, making it more important than ever for brands to step up their mobile communication strategies and tactics.

The number of mobile prospects has nearly tripled over the past 5 years. In 2018, nearly two of three (about 65 percent) potential investors used a smartphone to connect with brands, compared with 22 percent in 2013. The smartphone has supplanted the desktop computer, which was used for brand inquiries 30 percent of the time this year, down from 65 percent just 5 years ago. The survey also found prospects used their tablets only 5 percent of the time for inquiries, down from 13 percent in 2013.

Michael Alston

These mobile findings are even more significant when combined with the survey's look into daypart data. Michael Alston, president of Landmark Interactive, analyzed prospect data from 1,524 franchisors in the U.S. and Canada over 12 months to track prospect inquiries by time of day.

The results, the largest data set ever compiled for purposes of daypart analysis, showed a shocking mismatch between time of inquiry and the business hours franchise development teams are most likely to be available, says Alston. Overall, a stunning 67 percent of all prospect inquiries are made *outside* the standard business hours of 9 a.m. to 5 p.m.—underscoring the need for franchisors to develop a way to respond to these inquiries quickly, and highlighting an untapped and powerful opportunity to improve lead generation.

"Use the phone in the prospect's hands to your advantage," Alston advises. The multitude of franchise inquires made outside regular business hours also affects development teams differently by time zone:

• East Coast teams must develop automated responses for the 65 percent of franchise leads that arrived outside their normal working hours.

• For Pacific Time Zone teams, 7 of 10 (71 percent) prospect inquires arrived outside their normal business hours.

• West Coast development teams are particularly challenged by the population distribution of the U.S., which is heavily weighted to east of the Mississippi.

Alston, who says franchisors can improve contact rates for online leads, provides the following recommendations for franchise development teams:

• Never hesitate to call; chances are the prospect inquired from a mobile phone.

• Pay attention to the location of your prospect; be willing to call outside your business hours to match the prospect's time zone.

• Note *when* the lead arrived. If you are calling several hours later than that middle-of-the-night inquiry, be prepared to leave a short message pointing out time zone differences. Ask when it is convenient to reconnect.

• Leave a message and remind the prospect that an automated email message from your brand should already be in their inbox. Every connection counts, and it may take multiple communication channels to finally connect with a prospect.

When it comes to lead generation strategies, Qiigo's Rick Batchelor shopped the digital touchpoints of 137 brands and found a fairly level playing field. He found most brands are active on Google paid search, Facebook, and other social media channels relevant to their business. Executives are increasingly active on LinkedIn, and many brands have started implementing programmatic tactics, with retargeting being the most popular.

Rick Batchelor

Batchelor says there is plenty of room for brands to find a competitive edge, starting with leveraging the power of the brand itself. While more than 7 of 10 (73 percent) brands have a standalone site for franchise development, he recommends that brands consider creating a single site for both consumers and franchise recruitment to establish a strong domain authority. As Batchelor puts it, "A rising tide lifts all boats."

Merging the two sites runs contrary to longstanding advice from recruitment experts in recent years, who urged franchisors to create a separate franchise recruitment site. Yet, Batchelor asks, "Why would you spend double the money for a different site if you are all under the same brand and all driving toward the same company goal?"

Thank You Sponsors & Exhibitors

PLATINUM SPONSORS

BREAKOUT VIDEO SPONSOR

KEYNOTE SPEAKER SPONSORS

GOLD SPONSORS

FRANCHISEE OPENING SOCIAL SPONSORS

FRANCHISEE LUNCHEON SPONSORS

MOBILE APP SPONSOR

SILVER SPONSORS

MVP AWARDS SPONSOR

American Family Care (AFC)

AGENDA AT A GLANCE SPONSOR

Bojangles' Famous Chicken 'n Biscuits

FRANCHISEE TOTE BAG SPONSOR

Jersey Mike's Subs

CONFERENCE ADVISORY BOARD MEETING SPONSORS

INFINITI HR
The Rawls Group – Business Succession Planners
Silvercrest Advertising

LANYARD SPONSOR

FisherZucker

COFFEE CUPS SPONSOR

Broken Yolk Cafe

CUBE SIGN SPONSORS

Captain D's
Inspire Brands

ESCALATOR BANNER SPONSOR

Inspire Brands

AISLE BANNER SPONSORS

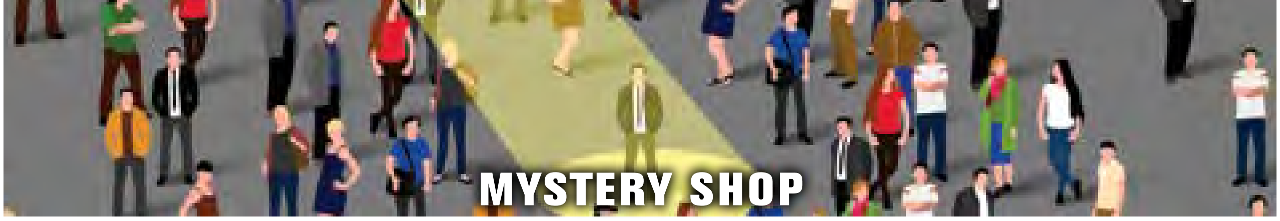
Captain D's
Tijuana Flats

BRONZE SPONSOR

Modern Business Associates

EXHIBITORS

7-Eleven, Inc.
A & W Restaurants, Inc.
AAMCO Transmissions
Accelerated Brand
Altitude Trampoline Parks
Amazing Lash Studio Franchise
American Family Care (AFC)
Angry Crab Franchise
Another Broken Egg Cafe
ApplePie Capital
Arby's Restaurant Group
Ascentium Capital
Avitus Group
Bahama Buck's Original Shaved Ice Company
Bar Louie
Beverly Hills Rejuvenation Center
Big Blue Swim School
Black Bear Diner
Blue Martini
Bojangles' Famous Chicken 'n Biscuits
BrightStar Senior Living Franchising
Brixmor Property Group
BRIXX Wood Fired Pizza
Broken Yolk Cafe
Brooklyn Fitboxing USA, LLC
Buffalo Wild Wings
Buffalo Wings & Rings
Buff City Soap
Burn Boot Camp
Buttry & Brown Development, LLC
The Camp Transformation Center
Capriotti's Sandwich Shop, Inc.
Captain D's
Casio America, Inc.
The Catch
Checkers & Rally's Restaurants, Inc.
Chicken Salad Chick
Church's Chicken
CKE Restaurants
Clean Juice Franchising
The Coffee Bean and Tea Leaf®
Concept Development Solutions (CDS)
Copper Branch
CoreLife Eatery
Dairy Queen
Deliver Media
DEL TACO
Denny's
direct2you
Dogtopia
Dunkin' Brands
Earl of Sandwich
Eat the Frog Fitness
Energy Wise, Inc.
European Wax Centers
Fazoli's Restaurant
Floyd's Barbershop
Focus Brands Inc.
Fountain
FRANdata
Freddy's Frozen Custard
Freshii
FSV Payment Systems
G6 Hospitality LLC
Global Franchise Group
Go Go Curry
Golden Corral
Granite Telecommunications
Great Harvest Franchising, Inc.
Guggenheim Retail Real Estate Partners
Guinot SAS
The HoneyBaked Ham Company LLC
Hooters of America, LLC
Huddle House, Inc.
The Human Bean
Hungry Howie's Pizza
IceBorn, an Ice House America Franchise
Impact Mailers
INFINITI HR
IFA (International Franchise Association)
Intrideo
Ivy Kids Early Learning Center
J.D. Byrider
Jersey Mike's Subs
Johnny's Italian Steakhouse®
The Joint Chiropractic
Joyal Capital Management, LLC
la Madeleine French Bakery & Café
LaRosa Grill
LEI Home Enhancements
Liberty Tax
Little Caesar Enterprises, Inc.
Long John Silver's
Lunchbox Wax
Marco's Franchising, LLC
Mary Brown's
Massage Envy
Massage Heights
Miracle Health Centers
MOOYAH Burgers, Fries & Shakes
My Eyelab
MY SALON Suite and Salon Plaza
N3 Real Estate
Nathan's Famous, Inc.
Newk's Eatery
Nikita Hair
Office Evolution
Old Chicago Pizza & Taproom
OVISS Labs
Oxi Fresh Carpet Cleaning
OXXO Care Cleaners
Pancheros Mexican Grill
PanIQ Escape Room
Paycor
Pearle Vision
PCS VoIP
Penn Station Inc.
Perspire
Pet Supplies Plus
Peterbrooke Chocolatier
Poki Bowl
Pollo Campero
Proliant Inc.
Pronto Insurance
PuroClean
Qdoba Mexican Eats
Quaker Steak & Lube
The Rawls Group – Business Succession Planners
Rent-A-Center, Inc.
Retail Data Systems
Retail Solutions
Retail Strategies
Retail Food Group
RF Technologies
RimTyme Custom Wheels and Tires
RNR Tire Express & Custom Wheels
Romacorp, Inc., Franchisor of Tony Roma's and TR Fire Grill
Rubicon Global
Rusty Taco
Salsarita's Fresh Mexican Grill
Save-A-Lot-Food Stores
Scissors & Scotch
Scooter's Coffee
Shoney's Restaurants
Siempre Tax+
Silvercrest Advertising
Sirius Day Spa
SiriusXM - Music For Business
Smoothie King
Sonic Drive-In
Steak 'n Shake
Stratex
StretchZone
Sydnee's Pet Grooming
talentReef
TEMSCO, Energy Management Solutions
Tijuana Flats
Tommy's Express LLC
Tropical Smoothie Café
True REST Float Spa
Twin Peaks Restaurants
TWO MEN AND A TRUCK®
uBreakiFix
United Franchise Group
Urban Bricks Pizza
VeganBurg
Wayback Burgers
Which Wich Superior Sandwiches
Wienerschnitzel
Wingstop, Inc.
Yooz Inc.
Zaxby's



Further, he says, "In every case I have ever looked at when I put the consumer site and the brand development site side by side, the consumer site is stronger. So why wouldn't you want your franchise development site to benefit from that? When you combine the two you get even more strength."

A combined SEO strategy could also benefit the development team and allow the financial and human resources needed to maintain two separate sites to be reallocated. "Your franchise development team is typically not a digital team, but you have them making digital decisions and all they have to lean on is the way they have always done it," says Batchelor. "Technology changes really fast. I think the brands that actually do unify and don't try to silo out franchise development win, because it is no longer different. You are talking to the same people." Here are his recommendations for the coming year:

- Combine your franchise development and consumer websites.
- Leverage SEO for all (consumer and franchise development).
- Franchise development should be a subfolder within the core brand site, with its own menu structure.
- Provide a clear path to return to the consumer site.
- Share social media accounts with the consumer side.

Franchise marketing specialist Wendy Odell Magus, principal at Magus Marketing & Communications, posed as a prospect to evaluate the websites of 137 brands. She found measurable improvements from last year by franchisors investing in their websites to provide a richer experience for prospective investors.

The large majority (72 percent) provided franchisee testimonials, with 55 percent showcasing franchisees in video testimonials.


Wendy Odell Magus

The number of companies defining their qualifications for prospective franchisees doubled over last year, and there was a noticeable increase in companies providing a detailed investment chart (up 7 percent). Most websites (72 percent) provided a road map showing how the prospect could learn about the business and be prepared to run their franchise. Slightly fewer (63 percent) clearly outlined the steps toward a franchise purchase.

"Technically, most franchisors are using analytics. However, many more could do a better job of tracking lead sources, financial qualifications, and a time frame from the prospect," she says. "Most franchisors could do better with richer title tags, and by providing three or more links to the development site from their consumer website."

Here are some additional findings:

- 42 percent of websites did not include a Frequently Asked Questions section; FAQs provide an easy overview and are great for cross-linking within the franchise development website—an SEO best practice.
- Only 30 percent of franchisors provided an FPR to website visitors, and barely half provided information about their development and leadership teams.
- 50 percent of websites had no territory map.

Key takeaway: transparency. Franchisors, says Magus, should provide enough detail to allow prospective franchisees to be well informed to evaluate the opportunity and their own qualifications when they enter the sales process.

Bottom line? There is still plenty of room for improvement in recruitment websites.

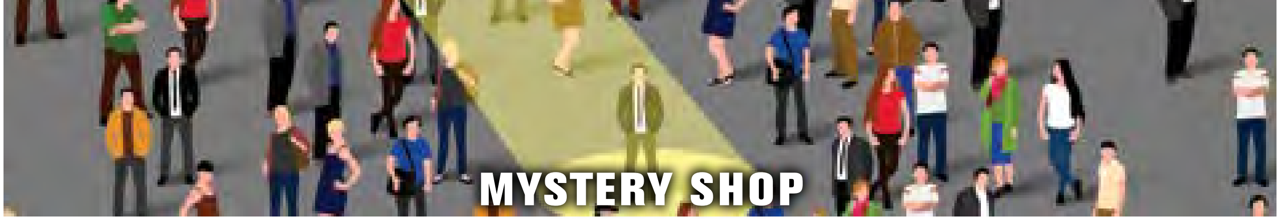
ServiceScore's Jayson Pearl was charged with evaluating the website responsiveness of franchisors in the recruiting process, as well as the tools brands use to qualify a potential prospect. As part of his process, he submitted a form on the franchise development website and tracked how quickly a brand followed up through email and texts, first call response, qualifying questions, and best practices. His research revealed the following:


Jayson Pearl

- 45 percent of brands returned the web inquiry with a phone call.
- 34 percent returned the web inquiry with a phone call within 24 hours.
- 91 percent responded by email (largely automated).
- 55 percent never called.
- 9 percent never responded at all.

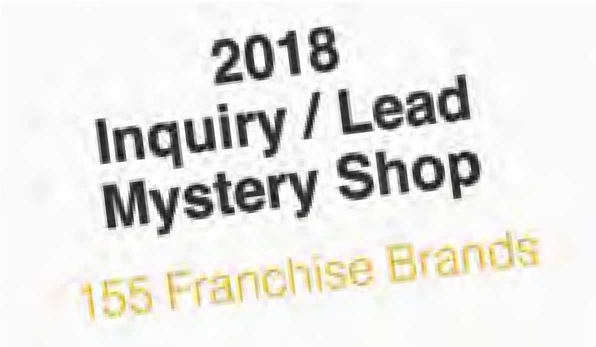
Pearl says when it comes to follow-up, there is no uniform screening process. "There were brands that were heavily automated and used technology, and some that used none at all," he says. "There were calls that were 40 seconds and calls that were 40 minutes, open-ended calls and calls that were very regimented."

Pearl says the prequalification period is a critical moment for franchisors to convert calls into prospects and candidates.



"There were a lot of brands that talked about their process or qualification criteria, but they didn't take that opportunity to make that connection or share what was special about their brand," he says. To improve in this area, he recommends the following:

- **Wow/first impression.** Simply thanking a prospect for showing interest in your brand can go a long way toward taking a qualified candidate to the next step in the recruitment process.
- **Connect/qualify.** To ensure a good fit for both the prospect and the franchisor, take the necessary time to connect.
- **Identify three needs.** Research has shown that if you identify three needs of any sale opportunity, your conversation rate will double (in any industry). Ask questions to uncover why the prospect called and what is motivating them to want to learn more about franchising with your brand.
- **Sell the brand.** Share what is special about your brand and why it is better than the competition.
- **Be flexible.** Too often recruitment is a rigid process. Whether offering up a "day in the life of the brand" or the chance to dig more into the financials, a flexible approach to the next step can go a long way toward making a future investor feel self-directed in the process.



CGI's team mystery shopped websites. They had three goals: 1) find the right phone number to call, 2) telephone the franchise, and 3) evaluate follow up. Every brand fit into one of four categories: phone number only, online form only, phone number and online form, or no phone number or online form.

Art Coley

To have a better shot at solid brand and shareholder growth, Coley recommends that brands make it a priority in 2019 to track and improve their brand's pre-engagement practices. Top takeaways from CGI's research include the following:

- **Lack of attention and resources means fewer candidates.** Study after study shows there still are a huge number of leads generated annually who *never* hear back from a brand. Suspects cannot develop into candidates without serious attention and tracking in the pre-engagement phase.
- **Quality is more important than speed.** The brands that completed the mystery shop the fastest scored the worst. Nothing kills the chance of a potential franchisee becoming a prospect and candidate more quickly than careless speed. Communication must be safe, measured, relevant, and meaningful. Know the difference between speed and quality.
- **Big money is being wasted on marketing.** Survey results show again the problem isn't lead generation. Instead, look at pre-engagement.
- **A phone number on the website matters.** As a group, brands with a phone number on their website had an average score of 15 points and completion of the mystery shop of 30 percent. Brands without a phone number had an average score of 4 points and a 4 percent completion rate.

Franchisee satisfaction

When it comes to franchisee satisfaction, the best brands keep getting better. Franchise Business Review (FBR) researched 62 brands representing 18,254 business outlets. A total of 6,986 franchisees completed a survey conducted by FBR that consisted of more than 50 questions related to their business performance, satisfaction with their brand, and general business. Results were compared with FBR's benchmark data gathered from more than 330 franchise brands representing more than 25,000 franchisees across all industry segments.

Satisfaction was measured across eight key areas: training and support, franchise system, leadership, financial opportunity, core values, franchisee community, self-evaluation (franchisee performance), and general overall satisfaction.

Overall, the test group's score (70.2) was nearly identical to the FBR Franchise Sector benchmark (71.7). Of the three major industry sectors researched (food, retail, and services), FBR found that food franchise brands had 10 percent lower franchisee satisfaction overall, and no food brands made the top 10.

While the influx and interest of private equity in franchising is changing the face of some franchisors, the core of what satisfies a franchisee has not changed, says Eric Stites, CEO and managing director of FBR.

Eric Stites

"Most franchisees understand that the franchisor still has to make the decision at the end of the day, and not everything is going to go their way," he says. "But as long as they feel they are involved in that process and listened to, I think that is critical."

All of the brands in this year's top 10 represent the best in franchising, says Stites. He says companies that made the top 10 in this year's survey of franchisee satisfaction scored substantially higher than everyone else overall: 20 to 25 percent higher, which, he says, is a "huge separation" from the other brands surveyed.

"They have a deep-rooted culture of inclusion, caring, and shared success and have been at the top of our research for many years," says Stites. "The common thread is simply the 'golden rule' of franchising: Treat your franchisees like you would like to be treated."

BY SARA WYKES

STAR Shine

2018 WINNERS' RECRUITMENT PRACTICES REVEALED

Whether it was a franchisor's revitalized website or an ongoing "How can we do better?" philosophy, the winners of this year's STAR (Speaking To And Responding) Awards represent the best in franchise recruitment. Mystery shoppers contacted franchise brands to evaluate their performance in telephone follow-up, website response, franchisee satisfaction, and social media. The hard work of the best performers was recognized with STAR Awards at a banquet on the final night of the 2018 Franchise Leadership & Development Conference (FLDC) in Atlanta. The awards dinner, sponsored by ApplePie Capital, was held at Maggiano's Little Italy, a short walk up the road from the InterContinental Buckhead, where the conference was held.

To learn more about the methodology employed by the mystery shoppers—and more important, their observations, analysis, and suggestions for improvement—see page 40. The full list of winners and top runners-up appears at the end of this article on page 48.

So how did the winners do it—and what can your brand learn from them? This year's first place STAR Award honorees share their thoughts on their winning strategies and tactics for outstanding performance in 2018.

BEST OVERALL PERFORMANCE
1st Place
Mighty Auto Parts


Josh D'Agostino

Josh D'Agostino, executive vice president for sales and business, knows that promoting a wholesale franchise is a tougher sell than the retail variety. When he joined Mighty Auto Parts two and a half years ago, lead flow numbers were dismal: just one or two per month. He kicked off a complete overhaul of the website—and everything else in the franchise recruitment process. The website now includes "all those phrases people are looking for, and links and videos—all those things that search engines tell you help people find you," says D'Agostino. "We have done a good job, but there's always a better way." Raising the quality of the website's content was also essential because automotive aftermarket parts are not that dynamic, he says. "We are technology-savvy, but the actual business is pulling parts off the shelf." The revamp has significantly improved recruitment response: the company is now pulling in 10 to 12 leads monthly.


Ryan Dohrn, Paul Pickett, Jim Carpenter, Seth Holan, Denise Thomas

BEST OVERALL RESPONSIVENESS
1st Place
Home Care Assistance


Barbara Schuh

When Barbara Schuh, vice president of franchise operations, analyzed two years of leads, she discovered that the time and money being invested were not as effective as they could be—or as she liked. "We were leaving good leads on the table because we weren't getting to them," she says. "We needed to make sure we treated every lead as the most valuable one we would ever receive." That type of singular attention made a difference. In recent reviews of recruitment data, says Schuh, the brand has surpassed all previous years' recruitment categories by 3 to 5 percent; and interviews of 50 franchisees by a third party told her that the brand had also greatly

Ryan Dohrn, Steve Shields, Chad Tramuta, Denise Thomas

improved in this key metric. This kind of feedback, she says, "means our franchisees really believe in our systems and our support. They are our customers and we are there to deliver the best quality service within our culture of caring. They, in turn, do the same for their clients." This year, she says, Home Care Assistance began a campaign to educate its franchisees on the brand's key differentiators—sharing the "beautiful stories" that highlight the franchisees' work toward making a difference in the lives of both caregivers and clients.

BEST FRANCHISEE SATISFACTION
1st Place
Wild Birds Unlimited


Paul Pickett

Wild Birds Unlimited is a regular STAR Award winner, and this year was no different: the brand also was Runner-Up for Best Overall Responsiveness. Chief Development Officer Paul Pickett, who served as chair of this year's FLDC, believes the brand's excellence springs from its "How did we do?" culture. Not only do the franchise's employees ask that question, he says, they also ask each candidate, "How could we do better?" One example is the daylong formal approval visit for franchise candidates. Asking that second "how" question told Wild Birds that it might be helpful for candidates to have a document with information that included answers to frequently asked questions and suggestions about what candidates could do to make the best use of that day. With those changes, Pickett says, "We've seen candidates be better prepared." Wild Birds also asks candidates what most inspired them in the brand's marketing material. After winning the award, Pickett followed up with the STAR Award mystery shopper to find out where the brand might improve even more.

WEBSITE BEST PRACTICES
1st Place (tie)
LearningRx


Tanya Mitchell

What's characterized the most recent version of Learning Rx's website is its responsiveness to change. LearningRx, which started in 2002, offers one-on-one brain training and cognitive skills improvement programs. Keeping up to date in a field where research has grown tremendously since the brand's early days is an absolute requirement for success. "We self-evaluate every year, and we're opening ourselves up to growing after being on hold while we did the research needed for brain training," says Tanya Mitchell, chief research and development officer. The brand now has much more information to share with franchisee candidates, including randomized control trials that LearningRx has been involved with, along with testimonials from clients highlighting their own improvements through the programs they've taken. The published research, Mitchell says, "makes it easier for us to talk with our franchisees, a lot of whom feel a calling." The website now features many more videos from customers telling tell their stories of how the training has worked for them. Often, says Mitchell, people say, "I need to see it."

Smoothie King


Kevin King

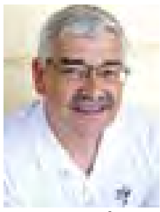
With 1,000 franchises launched, Smoothie King has honed its website into a tool that's precise and well organized. "We have a calendar and a schedule for what we're going to post and we review it every quarter," says Kevin King, chief development officer. "We create content that's relevant to the time of year and to the company. The other thing that's important to our website—and that people often miss—is communicating with people in the different ways that they learn. We created a resource page that serves people who may not want all the details, but who don't want to feel as though they have to jump through hurdles to get certain information. I've encountered so many people in franchising who think everybody wants everything. What we try to do is make sure people are aware that we have extensive resources on our website, without intimidating them." King also appreciates how much more he can share with franchise candidates today—and how much less it costs to do so—than decades ago when franchise candidate packages would be mailed out. "Today, all that is at my fingertips on our website."

BEST WEBSITE PROSPECT FOLLOW-UP
1st Place
BrightStar Care


Steve Schildwachter

"We were delighted to earn this recognition," says Chief Brand Officer Steve Schildwachter. "It makes sense, though, for a couple of reasons. First, in the kind of business we're in, people usually need help right away, so fast response is ingrained in the culture. Second, our whole reason for being is to help improve people's lives—and that extends to franchising, where we see our mission as helping make people successful." BrightStar Care also acts on its mantra of continuous improvement, he says. "We run a tight ship when it comes to marketing, and that includes development. Our franchising website was already converting visitors to leads at a rate above the industry average, but we kept optimizing, A/B testing the response mechanism, and rotating content to find the best franchisee testimonials to the strength of our model."

BEST TELEPHONE PROSPECT FOLLOW-UP
1st Place
Big Frog Franchise Group


Ron Bender

Last year, Vice President of Franchise Development Ron Bender was a one-man development team. "The benefit was that I had total control," he says. The downside was his inability to return phone calls within the time frame he knew would be most effective. "The question was how we could reach out to candidates before anyone else did," he says. "They are clicking on four or five other sites at the same time." This year, his newly augmented team decided the goal would be a text message within 15 minutes of an inquiry and a phone call within an hour. Even though a surprisingly large percentage of people still don't have anything but a land line, Big Frog's percentage of conversion from portal leads increased by 22 percent with Bender's text-based response approach. But he also learned a good lesson this year after an upgrade to email dispatching software proved deceptive. It was showing that informational emails to franchise candidates had been sent and delivered—but the delivery part wasn't actually happening. Bender found out about the problem after a particularly eager candidate called to say he hadn't received the email. "You have to be prepared to do it yourself," says Bender.

BEST SOCIAL MEDIA
1st Place
Scooter's Coffee

"This award is a huge honor for us," says Jen Chaney, vice president of franchise development. "We are a Midwest-based drive-thru coffee franchise that had very


Jen Chaney

little social media presence in development in years past," she says. "When we partnered with our marketing agency, they took over all the management and content creation for our platforms, including images and video that support the visual quality of our brand. With their content and expertise on targeted advertising, we have seen an increase in leads this calendar year." That increase was also aided by the franchisees and corporate staff, she says. "Scooter's Coffee is a large community, and the engagement we see on our posts can be directly linked to the company involvement. We also make sure that we take our PR success and immediately turn it into content to share on our development social pages." She says sharing that news helps to send the brand's story to the largest audience possible. "We recently were part of a feature in the *Wall Street Journal*, a media outlet with worldwide reach. Being able to share that content on our social channels truly is invaluable." ■

AND THE 2018 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
Mighty Auto Parts
Runners-Up
Pinot's Palette
Wild Birds Unlimited

BEST OVERALL RESPONSIVENESS
1st Place
Home Care Assistance
2nd Place
Alta Mere
Runner-Up
U.S. Lawns

BEST FRANCHISEE SATISFACTION
1st Place
Wild Birds Unlimited
2nd Place
Fastsigns International
Runners-Up
Christian Brothers Automotive
Home Care Assistance
Home Instead Senior Care

WEBSITE BEST PRACTICES
1st Place (tie)
LearningRx
Smoothie King
2nd Place (tie)
FirstLight Home Care
Mighty Auto Parts
Tropical Smoothie Cafe
Runners-Up
College Hunks Hauling Junk
Fastsigns International
Home Instead Senior Care

BEST WEBSITE PROSPECT FOLLOW-UP
1st Place (tie)
BrightStar Care
Fitness Together
2nd Place (tie)
Ductz (Belfor)
Home Care Assistance
Runners-Up
Denny's
Mooyah Burgers, Fries & Shakes

BEST TELEPHONE PROSPECT FOLLOW-UP
1st Place
Big Frog Franchise Group
2nd Place (tie)
DreamMaker Bath & Kitchen
Home Care Assistance
Runners-Up
City2Shore Real Estate
Image360
Jiffy Lube
U.S. Lawns
Wild Birds Unlimited

BEST SOCIAL MEDIA
1st Place
Scooter's Coffee
2nd Place
Pillar To Post Home Inspectors
Runners-Up
Alta Mere
BoConcept
Budget Blinds
SpeedPro Imaging

Challenge the pros

"HOW DO YOU TAILOR YOUR COMMUNICATION TO REACH AND ENGAGE WITH YOUR TARGETED FRANCHISE PROSPECTS?"

Ed Yancey
Director of Franchising
PizzaRev

Tailoring communication to reach prospects effectively in today's environment is more multifaceted than ever before. To simplify the process, the first step is to plan ahead and make sure you have developed consistent and on-brand messaging that communicates your franchise opportunity and incentives properly.

Next, tweak and tailor that message to make sure you have variations that appeal to different audiences. Understand that all prospects communicate differently. Being prepared to answer any and all questions about your opportunity is key to successful conversations.

For instance, have a specific message that will appeal to a multi-unit investor. If you're in the restaurant sector, have one that would spark the interest of an entrepreneur with significant restaurant management experience. Localize these conversations as well. But always remember that a consistent, on-brand message should be the common thread in all your conversations.

As we know, in today's marketing and communications mix you can't forget about your online and social media presence. Building opportunities for several multimedia touchpoints increases your visibility and chances of attracting prospects. When it comes to social and digital media, craft "snack-sized" tidbits of information that draw in people who may not be familiar with your brand. These should inspire them to want to learn more. And, while all of these elements should be aligned in terms of messaging, also make sure they're localized and tailored to specific audiences.

Finally, be authentic. There's a dearth of authenticity in business across the board today. Don't fall victim to it. Be honest about your brand and what you bring to the table for prospects. Remember that you should also establish whether they're a good fit for your brand. The conversation should always go both ways.

So, while all of the above are important —planning ahead, crafting consistent and authentic on-brand messaging, tailoring content for specific audiences, and setting up several touchpoints across digital and social media—none of it can happen without the right team.

Spending time to assemble the right team to execute your strategy and go to market effectively is the most fundamental aspect of communication. Ensuring that the people who are speaking with prospects have a soup-to-nuts understanding of the franchise opportunity—including subjective and objective details—sets apart the winners from the losers.

Scott Walker
CEO, co-founder
Screenmobile

When you start a conversation with a prospect, one of the first things to establish is why they're considering buying a franchise, and what in particular about your brand caught their attention. Make it your mission to uncover the true motivation behind their interest in becoming a franchise owner.

Are they coming out of the service and returning to civilian life? If so, then share details on your brand's processes and systems that could resonate with them. If the prospect has been recently laid off, share statistics and background on the stability that being a franchise owner offers. If they're an executive and enjoy managing a team, share how your concept lends itself to growth and the possibility to manage several locations and a large team.

Finally (and we get this one a lot!), maybe they're tired of a 9-to-5 schedule or working long hours at a desk job. If that's the case, talk up the ability to set their own hours and have control over their schedule. This also resonates with family-oriented folks looking to spend more time with their loved ones.

The personal touch, as outlined above, is integral to tailoring communication with prospects. But the next thing you need to establish with prospects is what your brand stands for, and effectively communicate your core values. I urge you to not falter on this. Do not deviate from or massage your message to appeal to a prospect you may think is a candidate. Realize your brand may not be a fit for everyone, and that's okay.

Here's the thing: If you aren't true to your brand and honest from the get-go about what you can offer franchisees, you aren't playing the long game. In the long run, you want franchisees who respect, value, and believe in what your brand stands for. Without that, you'll never achieve brand consistency—which, as we know, is key to a franchise system's success.

Brian Knuth, from our development team, said it best: "It's key to go through the process of articulating the brand and expressing what we can and can't fulfill. We also hit the trigger point of what may have piqued their interest initially. But at the end of the day, franchisors have to live up to their commitment to franchisees—that is the product, and it needs to be quality. If you can back that up, describe the brand, and personalize your pitch just a bit, you have a winning formula." ■

Training Sells!

3 keys to get new franchisees started

BY CORDELL RILEY

Young and growing franchise organizations have many responsibilities to handle:

• Assembling the right team/selecting the right partners
• Fully documenting the operating system
• Forming supplier relationships
• Registering with appropriate state and local agencies
• Announcing and marketing the opportunity to own a franchise
• Establishing a new and/or larger online presence

This is a long list of essential things to do, but there is one more activity franchisors must be thinking about too: franchise development.

Franchise development means starting to bring new franchise owners on board. There are many moving parts in this process: creating a strong brand image, advertising, presenting the franchise opportunity at trade shows, and finally awarding licenses to the new owners who will invest and expand the business and the brand.

To help their new franchisees succeed, franchisors must have an effective training program in place, for many reasons. One is that new owners will be more successful—and sooner—when they are well trained. Another is that if they are well trained, they will be better validators for the system. This means that when a prospective new franchisee speaks with them, they will have great things to say about the franchise's training, which got them up to speed quickly and quickly generated income.

How do you get training working for you and your franchisees in that way? Let's take a closer look. Based on my 20 years of working with franchise brands on their training programs, here are three keys to putting a great training system in place.

1) Make sure training is part of your franchise culture. That means writing it into your franchise's mission and vision statements, talking about it at conferences and conventions, measuring who is taking the training, and comparing their performance to that of the people who are not. When a strong training program is part of the brand's culture, franchisees will understand that they are going to succeed as owners—well before they come on board.

Three Keys To Starting Franchise Training Right

1. Make sure training is part of your franchise culture.

2. Use your business system and operations manual as a road map to the training you will create.

3. Don't try to teach everything at once; select and introduce training topics according to a master training plan.

2) Train from the business system. A franchise organization is an operating system that contains information such as, "This is how we greet guests," "This is how we make the product," and, "This is how we do things here." That system needs to be documented, typically in the form of an operations manual. But how do that system and those beliefs become alive? Through training. So when you are about to build your training program, look first to your system to determine what you are going to train on.

3) Don't try to immediately teach everything. Many young franchise systems make this mistake. Their owners think, "We have great products, great marketing materials, great branding, a great system, and we are going to train everybody about every single piece of it all."

When franchises try to cram too much information into every owner's head, the result is like trying to get people to drink from a fire hose. They cannot absorb everything so quickly, will feel overwhelmed, and actually learn less.

The solution to this desire to teach everything at once is to think creatively and strategically about which things need to be trained, and when. To determine that for your system, ask yourself the following questions: What are the most important skills and knowledge to teach brand new owners? Which skills can be taught later, when owners have opened locations? What should be taught even later, when owners are staffing up, or getting involved in marketing and expanding?

The bottom line here is to think about training strategically and avoid the temptation to cover everything at once. Success comes from having a process in place that allows you to identify what matters most—and when. ■

Cordell Riley is the owner and president of Tortal Training, a training development company in Charlotte, N.C., that he founded in 2000. After college and the military, he began a 20-year career at Driven Brands, owner of Meineke and Maaco, where he rose through the ranks with increasing levels of responsibility for operations and training. Follow him @TortalTraining or learn more at tortal.net.

Making Your First Sales

Advice for emerging franchise brands

BY ANDREW SEID

For many emerging franchisors, finding a candidate to take that initial leap of faith can be difficult. After all, you have no validation from existing franchisees that your system even works. Even if you have a great track record of running company-owned locations, there is still no evidence that you can train and support anyone. Worse yet, your financial resources to support franchisees may be stretched too thin to allow you to best take advantage of the franchisee recruitment methods available to mature franchisors.

Rest easy. Most people making the decision to become franchisees of emerging brands often do so with a touch more heart than head. Becoming a franchisee is really an emotional decision for many new franchisees. Often, the first franchisees of an emerging franchisor are customers of your brand or know someone who is. People naturally want to be part of opportunities they know, and the idea of getting involved on the ground floor of a growing brand can be exciting. Their personal experience with you can strongly influence how they view your opportunity.

This personal connection is why early in the franchise development process, even before they can offer anyone a franchise, we recommend to our clients that they tap their existing customer base by making it extremely apparent that "franchises are coming soon." Then, once franchise sales are legally allowed, have every receipt, napkin, packaging, point of sale, outside messaging, website, and social media account scream "Franchises Available," together with instructions on how to find more information.

At this point, training all customer-facing staff is essential. Your team members can be your best brand ambassadors, and, if properly trained, they will know what to say and not run afoul of federal regulations. This will save a good prospect from becoming potentially tainted.

Common stumbling blocks

Not all candidates will meet your qualifications. Two early filters will be their experience and their access to funding. To streamline the process and ensure that potential candidates don't slip through the cracks, it is useful to have a single person act as a screener, responding quickly to every lead, capturing the information you need, and focusing the franchise development process on the qualified candidates. After all, most emerging franchisors will still be spending much of their time on their existing business. Developing a franchise system is not a part-time job.

According to Franchise Update's Annual Franchise Development Report (AFDR), an incredible number of leads—sometimes more than 50 percent—are never followed up by franchisors. It's not because franchisors don't care about contacting every lead that comes in, but simply because they don't have the time or an appropriate follow-through system.

When dealing with today's prospects, response times are measured in minutes, not days. Waiting until it is convenient to get back to a candidate can cost you dearly. It is imperative to have a system in place to process leads efficiently and in a timely manner. In addition to personalizing the process, there also are a number of technological options available that will automatically respond to all incoming leads until a person-to-person contact can be made. People have learned to be impatient, and there are plenty of other franchise opportunities available.

The lack of a proper FPR can also be another major hurdle to overcome. Since the beginning of the Great Recession, the inclusion of an FPR has become more common, even an expectation. For potential franchisees who lack an emotional bond with the brand, information on sales, major areas of cost, and other statistical data is important. Providing financial information and other metrics that potential franchisees can use to develop their own localized unit economics is an advantage over merely giving them gross sales data. Including information such as average ticket amount, customer count, and average weekly employee hours can be just as helpful as revenue and cost numbers.

If you are not able to include an FPR because the information you have does not accurately reflect the franchise opportunity, be prepared to proactively explain *why* it is not included. Most often, the limitations you have as a new franchisor will be understood—as long as your messaging is honest, your presentation of the brand vision is compelling, and your existing locations reflect your own passion for the brand.

Be transparent about your limitations and be frank about how you will overcome them. Trying to avoid discussing those issues is not productive, as candidates will discover them on their own anyway. Once a candidate thinks you are trying to hide something, you've lost their trust—and with that the franchise sale. Honesty will give the potential franchisee the ability to trust in your vision, and with that they are more likely to take that first leap of faith with you.

Getting that first franchise sold will not be easy. You will be stressed until you reach that threshold of those first franchise sales. Take a deep breath and remember, every franchisor you admire started with that first franchise sale.

If your offering is properly designed and speaks to the candidate you want to attract; your company-owned operations reflect the passion you have for your brand; you intelligently market your opportunity; you have a system in place to work with candidates; and you execute your strategy ethically and honestly, those first franchise sales will come quickly. Let us know if we can help you get over that first franchise hurdle. ■

Andrew Seid is senior consultant for MSA Worldwide. Contact him at msaworldwide.com or 860-523-4257.

Global Supply Chains

Expert advice on their importance

BY BILL EDWARDS

When we go to our favorite franchise chain restaurant we expect the food to be high quality and safe to eat. This happens because of an established, reliable supply chain that is neither simple nor easy to keep in place. So what is a supply chain, and why is it so important for successful international expansion?

According to Investopedia, "A supply chain is a network between a company and its suppliers to produce and distribute a specific product, and the supply chain represents the steps it takes to get the product or service to the customer. Supply chain management is a crucial process because an optimized supply chain results in lower costs and a faster production cycle."

A food supply chain can be difficult to maintain, even in so-called first world countries. In February 2018, KFC had to temporarily close 750 restaurants in the United Kingdom after running out of chicken. At the peak of the shortage, only 70 of the chain's 900 U.K. and Ireland stores were open. In an attempt to cut costs, KFC had made a major change of supplier and distribution system. Instead they incurred huge losses for almost a week.

Managing supply chain issues on a global basis is even more "exciting," as KFC and McDonald's found out in China in 2014. A story in *PR Week* began, "The two global fast food chains scramble to assure Chinese customers after a TV sting report accuses supplier of processing expired meat. What can these MNCs do to win back consumer trust in the wake of the latest scandal to hit their credibility?" The rotting meat came from a local supplier (an affiliate of Illinois-based OSI Group) that had been supplying meat to the two chains for years. A local TV station showed workers at the plant putting expired meat back on the production lines after a team of food safety inspectors from McDonald's had gone.

What are some of the specific challenges major food chains face when managing a global supply chain? If a brand is importing food products to the United Arab Emirates, where a large number of foreign food and beverage brands are operating, they must ensure the "sell by" date is 6 months or longer when the product reaches port or it will be destroyed by government officials. Then there is the need to ensure that food is halal when managing supply to Muslim countries. And beef from the U.S. is sometimes banned from countries because of concerns about mad cow disease.

Some countries impose high tariffs on imported food. Chinese customs officials make it particularly hard for U.S. companies to import such things as spices and seasoning mixes. Several years ago Rita's Italian Ice had frozen products banned from entering China for their licensee because the Chinese questioned a food coloring chemical.

And let's not forget the social media impact when there is a food quality problem: one customer in Indonesia goes on Facebook to tell friends she got sick at a Western food brand and you have a global problem.

With all of this in mind, we contacted franchise sector experts in global supply chain management to get their input.

Joyce Mazero, Global Franchise and Supply Network Practice, Polsinelli LLP. "A successful franchise system relies on the ability of outlets operating under the franchisor's brand name and business system to deliver high-quality products and services in the most efficient and sustainable way possible. This is best achieved through strategic and competitive use of a franchise system's supply chain. A broken or compromised supply chain can have deadly consequences on a franchise system, including failing to timely deliver products to outlets necessary to meet consumer demand, or providing adulterated products for consumer consumption."

William Gabbard, president, Edwards Global Services. "Supply chain activities cover everything from product development, sourcing, production, and logistics to the information systems needed to coordinate these activities. Supply chain and logistics go hand in hand. This also depends on whether it's local, regional, or international, as well as whether the product is frozen or fresh, inventory that retail operations use for resell, or services that franchise systems need for the functions of their operations. Local supply chains are attractive, but remember Chipotle had supply chain issues with local suppliers regarding E. coli."

Tom Healy, vice president for international supply chain at Dairy Queen, says the key issues he has in managing the overseas supply chain for 1,900 restaurants in 27 countries are product shelf life, consistent supply, quality assurance, providing safe food day after day, product transport time between countries, packaging changes required in various countries, no GMO products allowed in the European Union, and global cost control. Dairy Queen seeks global vendors, but also tries to deliver products on a regional basis to manage shipping costs and transit times.

Michele Rushing, vice president of international supply chain management at CKE Restaurants, manages the supply chain for more than 500 restaurants in over 25 countries. "Every country is different in terms of import requirements, and they change randomly, which can restrict the export potential overnight. Be aware that currency changes will affect cost of goods for imported products. Shelf life of food products is a huge issue when trying to import products. Balancing quantities, filling the container, and managing shelf life while trying to minimize cost is difficult. When you have a lot of proprietary items, the goal is to get to scale in the market so items can be localized. Cost will start off high when localizing, but write-offs will be reduced. Align with an experienced distributor to assist in planning, logistics, ordering, etc. Usually the distributors that supply other QSRs have the proven expertise for this type of business (rather than local options). In terms of market knowledge, the U.S. Commercial Service can be a good resource when entering a new country. And major

U.S. suppliers that have international presence such as Coke, Pepsi, Lamb Weston, and McCain Foods can be enlisted to help identify local expertise."

Yes, services, too

While we typically think that supply chain relates only to food and beverages, service franchises also must ensure a consistent and high-quality supply of the materials needed to do their business under tight quality control standards.

Mosquito Squad recently started operations in Indonesia and Kenya. When the brand began its efforts to expand internationally, it worked with its key suppliers to determine where their supply chains were already established in the international markets under consideration. The company decided to target only markets where it could connect its international licensees into the established supply chains of its partners who manufacture the core ingredients blended into its mosquito control barrier treatments.

"Mosquito Squad's supply chain goals are to establish strong local points of contact and supplier relationships that are beneficial to all parties; secure fair local pricing for licensees; secure reliable distribution and access to local product advice as the concept is refined in international markets; and to have a sense of urgency to address any country-specific issues that may arise," says Chris Grandpre, the company's chairman and CEO.

"These relationships take time to develop and nurture," he says. "While the company's core suppliers are multinational chemical companies, the people in those organizations responsible for international markets—and their local distributors—are different than the primary U.S. contacts. Patience and persistence are needed to build the same long-term productive relationships in new global markets."

The bottom line

No matter where in the world franchisors develop their brands, they maintain their home country supply standards. While this presents challenges, it is what makes the franchise a "brand," and is why customers and licensees alike want brands worldwide today. ■

William Edwards is CEO of Edwards Global Services (EGS). From initial global market research to developing new international markets and providing operational support, EGS offers a complete international operations and development solution for franchisors based on experience, knowledge, a team in more than 40 countries, and processes based on decades of experience. Contact him at bedwards@edwardsglobal.com or 949-224-3896.

It's closing time

Pre-Engagement Matters!

4 top takeaways from the 2018 Mystery Shop

BY ART COLEY

It's another year and another Franchise Leadership & Development Conference Mystery Shop. With a few modifications to the process we have some big findings! Our eyes have been opened much wider to what's truly happening in the pre-engagement phase of recruitment. If you care about growth and shareholder value, keep reading and get your results from the 2018 FLDC Mystery Shop today.

Before I share key findings, let's start with defining "pre-engagement." Pre-engagement is where an individual goes from being a suspect to a prospect and then a candidate for a franchise brand. A suspect wants to remain at a distance. They will go to your website, social media pages, mystery shop a location, research your industry online, and more. They like getting information from a brand but want it on their terms. Their desire as a suspect is to keep things safe and efficient in the beginning to determine if they will become a prospect.

A suspect becomes a prospect when they decide to communicate. It's now two-way *with* the brand vs. one-way *from* the brand. Based on the quality, style, and approach of communication a prospect will decide whether to become a candidate and engage in the brand's recruitment process or disappear. The activity before engaging and becoming a candidate is the "pre-engagement" phase.

> Pre-engagement is where an individual goes from being a suspect to a prospect and then a candidate for a franchise brand.

Here are our top takeaways from our 2018 mystery shopping:

1. Lack of attention and resources means fewer candidates. Survey results revealed no training, lack of a defined process, few tools, little content, and no individual being dedicated to the pre-engagement process. Study after study shows there is a huge number of leads generated annually who never hear back from a brand. Suspects cannot develop into candidates without serious attention and tracking in the pre-engagement phase.

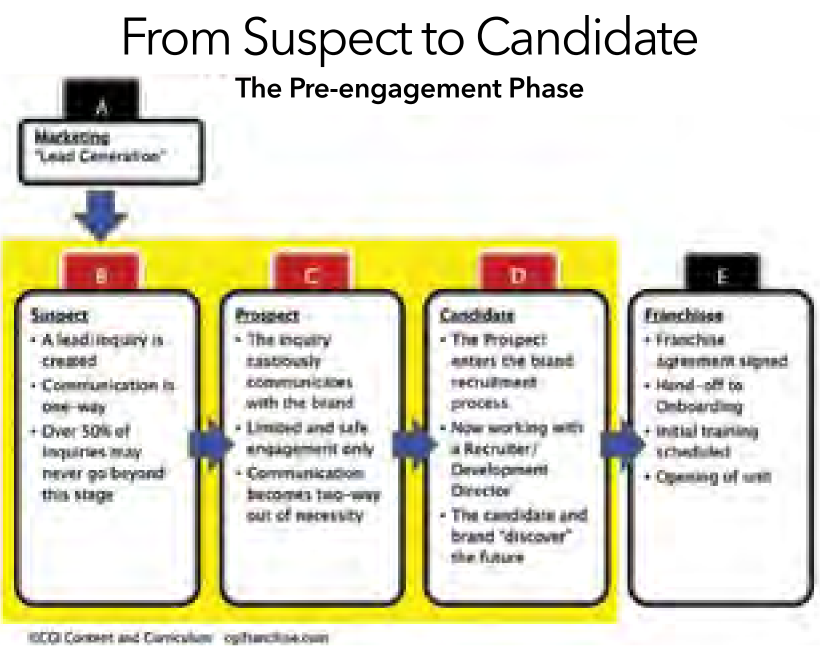
2. Quality is more important than speed. The brands that completed the mystery shop the fastest scored the worst. We've all said it… "Time kills deals." But in the pre-engagement phase, nothing kills the chance of a suspect becoming a prospect and candidate more quickly than careless speed. Communication must be safe, measured, relevant, and meaningful. Know the difference between speed and quality.

3. Big $ is being wasted on marketing. *"We need more leads!"* … *"I need better candidates!"* These are battle cries heard regularly by franchise development recruiters. Survey results show again this year the problem isn't lead generation. Look at pre-engagement.

4. A phone number on the website matters. As a group, brands with a phone number had an average score of 15 points and completion of the mystery shop of 30 percent. Brands without a phone number had an average score of 4 points and 4 percent completion. Maybe brands with a phone number listed simply view the pre-engagement process as more important.

The 2018 Mystery Shop has again pointed to what we believe is the #1 problem facing franchise brands in recruitment: poor execution in the pre-engagement phase. Make it a priority in 2019 to track and improve your brand's pre-engagement, to have a better shot at solid brand and shareholder growth.

Let's go to work!



Art Coley has been helping franchise brands maximize their investment in recruitment and onboarding of new franchisees for more than two decades. Contact him at 254-239-5411 x101 or acoley@cgifranchise.com.