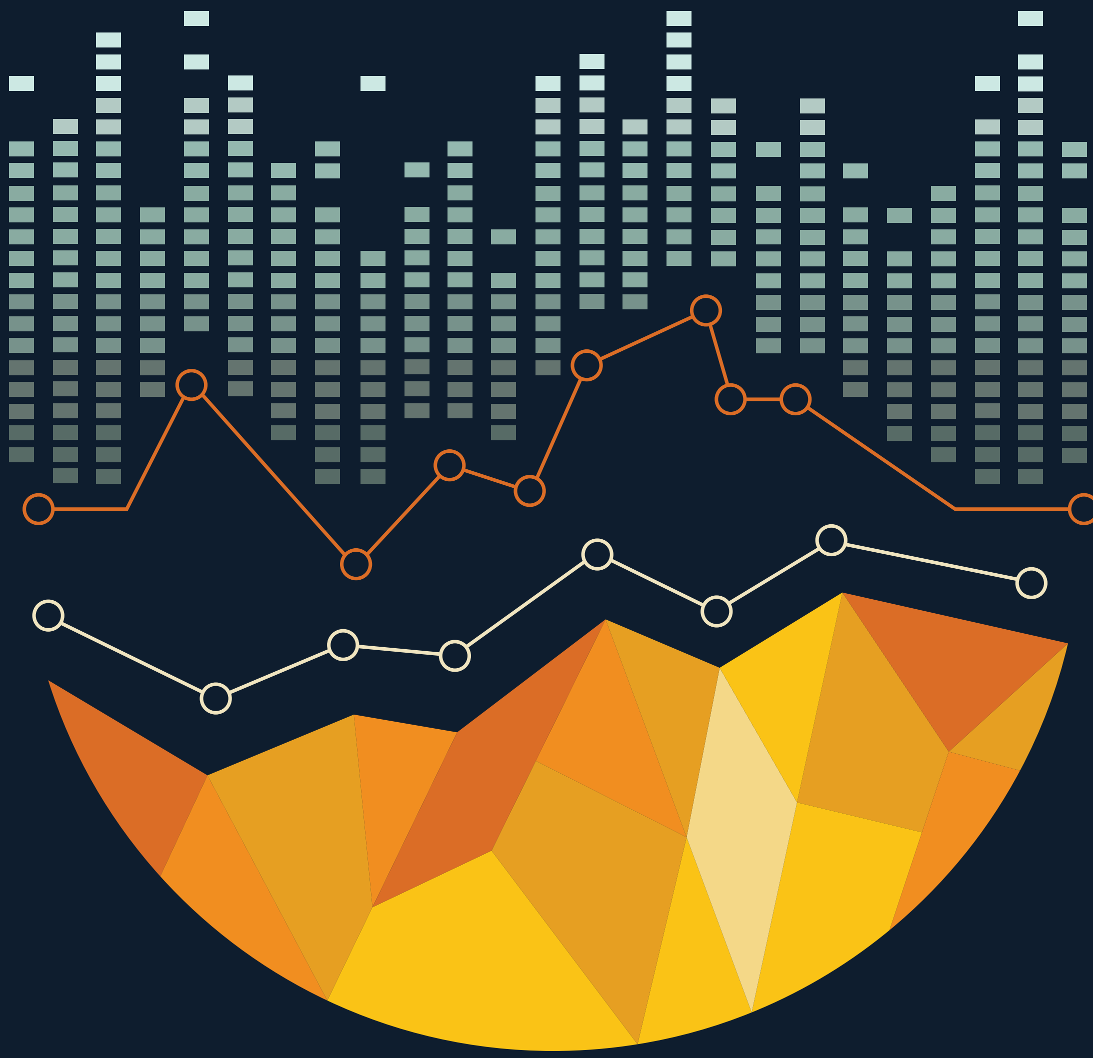
FRANCHISE Update
Business Intelligence for Growing Franchisors
Q4 | 2019

2020 ANNUAL FRANCHISE DEVELOPMENT REPORT



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CONTRIBUTING EDITORS
Kay Ainsley, Andrea Brandon
Art Coley, Luis Despradel
John DiJulius, William Edwards
Evan Hackel, Darrell Johnson
Tim Linderman, Sue Morgan

CONTRIBUTING WRITERS
Helen Bond, Sara Wykes

ADVERTISING & 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
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REPRINTS
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EDITOR'S NOTE

FLDC Shines Again

Written By **KERRY PIPES**

Fresh on the heels of the annual Franchise Leadership & Development Conference (FLDC) is the best time to capture the excitement of what went down in Atlanta this October. This year's theme of "Developing a Culture of Growth" provided ample educational and networking opportunities for anyone in franchising who plays a role in the recruitment process.

The conference, held at the InterContinental Buckhead Atlanta, attracted franchise sales and development professionals, along with brand presidents and CEOs, for 2½ days of workshops, sessions, keynote speakers, and awards. You'll find the event fully documented in this issue.

It's always fascinating to hear franchise executives from different industries—even different countries—gather to discuss franchise development challenges and share insights into maximizing development opportunities. Attendees repeatedly told us the content was first-rate and directly relevant to their work. Another plus was hearing from both longtime attendees and first-timers about how much value they got from the one-on-one, serendipitous encounters, conversations, and connections they made, whether in the lobby or in the Exhibit Hall.

Data is always a staple of the FLDC in the form of the Annual Franchise Development Report (AFDR), the Mystery Shopper Survey, and the STAR Awards, with the winners featured at a closing dinner. The AFDR, which takes the pulse of brands that registered in advance for the conference, revealed the latest numbers on everything from franchise recruitment budgets to which digital tools are being used in recruitment to how much brands are compensating their key people. Find more details in the following pages.

The annual Mystery Shopping Survey measured just how well the brands in attendance are doing in reaching, responding to, and engaging with prospects—taking those invaluable first steps in qualifying prospects and moving them on to the next stage in the development process. Yet, while the best performers are doing stellar work, the results still show a need for improvement at many brands. The brands that did best were recognized with the annual STAR (Speaking To And Responding) Awards.

People are what make the FLDC what it is today. After more than 20 years, the conference remains a place where some of the most successful people in franchise sales and development gather each year in search of new ideas and solutions to help their system reach the next level. And, when they inevitably discover a strategy, technique, solution, or nugget of useful information—whether in a session or at the bar (networking)—they return to the office to implement changes that will lead to a culture of growth.

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LEAPING AHEAD

URBAN AIR ADVENTURE PARK IS RIDING HIGH

Written By
KERRY PIPES

Michael Browning, a software developer and entrepreneur, was on a break from a trade conference and happened upon a trampoline park. It lit a spark in him that's still burning brightly today. Nine years later, Browning is one of the founders and the CEO of Urban Air Adventure Parks, a Dallas-based franchise that bills itself as the world's largest adventure park operator.

What began as a simple trampoline park that Browning opened in 2011 has evolved beyond trampolines to include indoor skydiving wind tunnels, high-performance go-karts, bumper cars, and full-service cafes and Wi-Fi lounges.

Browning researched, built, and continually refined his concept to create a perfect place for family fun, parties, and more. Word quickly got around and customers began asking how they could open their own park. "It made us think maybe there was something here," he says. "We started franchising and haven't looked back."

Today, the company has 267 locations open and under construction. He calls his business model recession-resistant and says it offers price points accessible to a broad customer base. Monthly memberships and one-day passes are available.

"We sell events like birthday parties that are highly valued in our customers' hearts and minds," he says. "More and more guests are wanting to spend their money on experiences instead of things, and gravitate to experiences they feel are active and add value to their everyday lives."

That seems to be true for franchisees as well: Browning says more than 75 percent of new unit openings are by franchisees opening another park. "The great thing about our business is that we have a very low cost of goods associated with serving a guest," he says.

Next year will be a big one for Urban Air, with new locations set to open in Pennsylvania, Arizona, Tennessee, New York, and Wisconsin. Browning says he's marching toward a goal to build the largest location-based entertainment company in the world and serve more than 100 million guests each year. "The ultimate goal is to grow, innovate, and bring new attractions to market."

Michael Browning

CEO

Company: Urban Air Adventure Park

Units: 267 open and under construction

Years in franchising: 9

Years in current position: 9

LEADERSHIP

What is your role as CEO? I cast the vision and empower a strong senior leadership team to achieve the highest level of success.

Describe your leadership style. To build a culture of people empowered with the tools and resources to achieve the highest goals possible. I operate by setting measurable objectives and key performance indicators to measure success. Urban Air believes that speed and innovation win. To have success with this style, we bring a minimum viable product to market and continually improve it using a continuous feedback loop.

What has inspired your leadership style? My leadership style is inspired by the top professional sports coaches and how they brought their teams together and achieved success. (I played hockey!)

What is your biggest leadership challenge? Building a team and infrastructure to handle the demand for our product. We manage a global supply chain and deliver a product that serves over 20 million guests on an annual basis so there are a lot of moving parts, touch points, and personalities to manage.

How do you transmit your culture from your office to front-line employees? We hire based on our core values, and it starts with the top. Our core values are posted across the office and employees are required to go through a thorough onboarding process where we cast the vision and expectations of those core values. We are also firm believers that our employees and guests need to understand the *why* behind our business, which is to create lasting memories for families. Our goals are to keep guests safe, happy, and generate a profit for our shareholders.

Where is the best place to prepare for leadership: an MBA school or OTJ? I do not have an MBA. I began working full-time in college where I learned a tremendous amount about business, people, and leadership. I also believe that you never finish learning. I get up every day and try to improve myself. I read numerous books and connect with my mentors on a regular basis.

Are tough decisions best taken by one person? How do you make tough decisions? I believe in surrounding myself with diverse perspectives, backgrounds, and experience sets. By doing this, I am able to properly evaluate the cause and effect of a particular decision from varying perspectives. I am a firm believer that my staff feel empowered and comfortable challenging and asking questions, but once a decision is made they are to commit to the decision. We will not always agree, but we will always commit. My staff is comfortable committing because they know we will evaluate the decision quickly using data—and pivot if needed.

Do you want to be liked or respected? I realize that at my level of leadership and scale of business not everyone will like me. However, I would like to be respected and considered a leader who is authentic, courageous, innovative, and gritty.

MANAGEMENT

What does your management team look like? Diverse. We all come from different backgrounds and experiences in the culture, leisure, and entertainment fields. I hire people I respect with proven success, professionals who are willing to take a calculated risk.

How does your management team help you lead? I surround myself with people who are smarter than I am in their respective areas. I trust them to do their jobs and make the right decisions so I can focus on the long-term vision and success of our company.

Favorite management gurus: Do you read management books? *Learning to Lead* by Ron Williams, and *Blitzscaling* by Reid Hoffman and Chris Yeh. Chris Tanco, executive vice president and chief operating officer for 7-Eleven, is my mentor and management guru.

What makes you say, "Yes, now that's why I do what I do!"? The smile and joy I see on the guests' faces when they are experiencing our parks, especially the young

ones who come to Urban Air for an escape. Also the thrill of achievement and sense of pride our franchisees have in owning an Urban Air location. I try to go to as many grand openings as possible.

PERSONAL

What time do you like to be at your desk? I like to spend a few hours a week at my desk thinking about the business and planning for the future.

Exercise in the morning? Wine with lunch? I try to exercise 3 to 4 times a week. I do not drink wine at lunch but do enjoy a nice glass in the evening.

Do you socialize with your team after work/outside the office? I enjoy socializing with my executive team. I feel it is a big part of building trust, which builds toward success. We actually have a Ping-Pong table and other fun activities in the middle of our corporate offices. It's good to spitball ideas while engaging in activity.

Last two books read: *Learning To Lead* by Ron Williams and *Measure What Matters* by John Doerr.

What technology do you take on the road? iPhone, laptop, reMarkable Tablet.

How do you relax/balance life and work? I do not believe in work/life balance. I believe they work synergistically together but do not always balance.

Favorite vacation destination: Destin, Florida. Disney World with my kiddos.

Favorite occasions to send employees notes: Birthdays, big wins, work anniversaries.

BOTTOM LINE

What are your long-term goals for the company? To build the largest location-based entertainment company in the world and have an impact on over 100 million lives on an annual basis.

How has the economy changed your goals for your company? The economy and access to capital has only increased the pace at which we grow.

Where can capital be found these days? Banks are lending freely and, in my opinion, private equity has more opportunity than ever.

How do you measure success? I consider money just the scoreboard. My success is really derived by lives positively affected.

What has been your greatest success? Outside of my two beautiful children and amazing family, I would say my greatest achievement so far is changing the direction and offering of the company from a trampoline park to a full-fledged indoor family theme park.

Any regrets? Mistakes build character. I have made a ton (ha-ha!). I would say my biggest mistake over the years has been that I can be too trusting and have had vendor partners create huge problems because they were not tied to a contract. My dad always taught me that my word is my bond and that people should be able to trust with a handshake. Not everyone operates this way. Maybe it's my Texas roots.

What can we expect from your company in the next 12 to 18 months? We will continue to grow our park footprint, innovate and bring new attractions to market, and have an impact on the lives of tens of millions of guests through amazing experiences. I love what I do, and when guests light up, I love it even more. In the market, we expect more consolidation with single-unit operators shutting down or selling to larger operators because of pressure from companies that have the economies of scale and brand awareness. ■


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Cleaning Up

Ron Holt is living the dream

Written By
KERRY PIPES

Ron Holt is the first to admit that Two Maids & A Mop operates in an "unsexy" industry. But the founder and CEO of the Birmingham, Alabama-based residential cleaning franchise has built one of the fastest-growing home cleaning franchises in the country in less than 6 years.

Two decades, ago Holt was a 20-something bored at his job and looking to be his own boss. He had an idea, but it would require $150,000 to start and he was earning $30,000 a year and had less than $1,000 in the bank. Over the next 6½ years he raised enough money to open the first Two Maids & A Mop. Two years later he was turning a profit. He bootstrapped his company in those early years, working long, hard hours.

"It wasn't easy, but the journey forced me to make serious sacrifices that are paying big dividends today," he says. Today, Two Maids & A Mop has 78 franchises and more in the pipeline, and Holt's goal is to open 20 to 25 new locations every year.

You can't miss his passion for the business. For example, he says, Monday morning is the most exciting time of the week because, "I have an entire week to change the world." He expects that same passion from his team members and assumes that everyone who works for him is working with a similar passion and shared purpose.

Ron Holt, 45

CEO & Founder

Company: Two Maids & A Mop
Units: 78
Years in franchising: 6
Years in current position: 16

Innovation has always been a part of his strategy. From Day 1 he has striven to reshape his industry by delivering a unique customer experience. "I want to build a nationwide brand that completely disrupts the residential cleaning industry," Holt says.

One example is his unique approach to creating a successful business through an incentive-based system. He created a "Pay for Performance" compensation scale under which employees' wages are based on customer feedback, not simply on the volume of homes cleaned. He says this gets buy-in and results.

Holt remains dedicated to his original goal of building a nationwide brand that disrupts the residential cleaning industry. "My vision has always been to build the largest, fastest-growing, most innovative residential cleaning company in America." If everything goes as planned, he says, "Two Maids & A Mop will generate more than $400 million in network revenue by serving at least 400 markets across America."

LEADERSHIP

What is your role as CEO? I'm the founder of the brand, which means that I still remember cleaning nasty toilets and dirty floors. It's a different experience leading the brand today, but the roots are still firmly entrenched in my day-to-day activities. I believe my job is to lead by example and to create a shared purpose so that our home office staff members, franchisees, and local employees can deliver an unparalleled customer experience in the residential cleaning industry.

Describe your leadership style. I started this business because corporate America failed me. As a result, I've always believed that it's my job to never fail one of my own employees. My goal is to build a business that creates life-changing solutions for anyone who shares the same dream as me. So my leadership style is pretty easy to explain. Basically, dream ridiculously big and then enlist others to accomplish the dream together.

What has inspired your leadership style? My vision has always been to build the largest, fastest-growing, most innovative residential cleaning company in America. I know that my vision can't be accomplished alone and others need to be just as passionate as I am. So I lead people because I want people to follow me, which ultimately allows them to achieve their own life goals.

What is your biggest leadership challenge? I want people to be happy, and I take it personally if they aren't experiencing the same kind of happiness as I do. I want people to tap dance to work and laugh out loud inside the office. I believe it's possible for everyone to feel that way, which makes my job difficult because our 1,300-plus team members don't all love their job. But that's my goal and I'll continue to fight for it because no one should go through life without joy and purpose.

How do you transmit your culture from your office to front-line employees? I show up every single day. I don't hide from anything or anyone. People see me working, and they feel my passion. Work isn't that difficult when you love what you do. Monday mornings are the most exciting time of the week because I have an entire week to change the world. People feel my passion, and that's the best way for them to learn how to perform their own job functions.

Where is the best place to prepare for leadership: an MBA school or OTJ? The best way to prepare for anything is to feel some pain. It took me almost 7 years to raise enough capital to open my original location and 2 years to earn my first profits. I struggled, and worked crazy long hours to boot. It wasn't easy, but the journey forced me to make serious sacrifices that are paying big dividends today. I encourage others to seek out some pain today so that life can be better tomorrow.

Are tough decisions best taken by one person? How do you make tough decisions? I don't make every decision for the brand, but I do believe that all of our decisions are based on my leadership. We think franchisee-first around here, and it's easier to make decisions when your primary objective is to create a better life for the franchise owner.

Do you want to be liked or respected? I would not be having fun growing this brand if people didn't like or respect me. I'm not that guy who believes power can reside only in an ivory tower. I'm a people pleaser. I want our franchisees to consider me part of their family. I want to know their kids' names and also want to experience pain with them. Our franchisees are my business partners and I hope they all know that I care deeply about their success. So yeah, I want my business partners and family members to like and respect me.

Advice to CEO wannabes: Assume someone is watching you at all times. Treat people like you want to be treated. And most important, create a shared purpose within your organization so that everyone can fight toward the same goal.

MANAGEMENT

Describe your management style: I prefer to let people manage themselves since my assumption is that everyone who works for me is passionately working with a shared purpose. That means people sometimes make wrong decisions and some even abuse the autonomy. But no one wants to work in a factory, and I believe my way of management creates passion you won't see in many other workplaces.

What do you think makes up a good management team? You need two key people inside every organization. You need someone to deliver new ideas on a regular basis and you need someone to execute the ideas. Most organizations that experience failure have missing pieces somewhere within management. Someone has to dream and then someone has else has to do the work.

How does your management team help you lead? I get tested often, which is great. I don't want people to blindly follow. I want people to believe and have faith, but also to create objections when needed. Those objections make me a better leader because I know that my ideas and suggestions have to be strong for my management team to believe enough in them to start executing.

Favorite management gurus: Do you read management books? There's no better book to understand how to manage people than Dale Carnegie's classic *How To Win Friends and Influence People*. Read it, then read it again over and over again. It'll change your life.

What makes you say, "Yes, now that's why I do what I do!"? I get excited when visiting a successful franchisee. A $1 million franchise inside our network employs approximately 30 people. That's 30 people earning a living because of my dream from 16 years ago. A $1 million franchise also employs a couple of managers. Those managers are earning a great living and their life is better because of the growth of the franchise. And of course, a $1 million franchise also has an owner who is able to enjoy an incredible work/life balance because of the success of their business. I love what I do, but I truly do what I do because my business changes people's lives.

PERSONAL

What time do you like to be at your desk? It drives me crazy when I see other leaders brag about their early morning schedules. I don't arrive to the office until 8 a.m., mainly because I'd prefer to see the kids off to school. I also leave the office before 4 p.m. most days so that I can exercise. But I don't take lunches. I work after midnight. I read constantly. I brainstorm every day. I use my vacations to generate new ideas. In other words, I never stop working even though I may not be at my desk at 5 a.m. I have fun leading this brand, which means I never actually leave my desk.

Exercise in the morning? Wine with lunch? I don't eat lunch. Seriously, I don't eat lunch. As far as exercise, that's an afternoon thing for me because I like to experience the outside while jogging. So I skip lunch, run in the afternoon, and then head home to spend time with the family. Later in the night, I'm back working by reading a business book, talking with a franchisee, or answering emails.

Do you socialize with your team after work/outside the office? Yes, I believe it's important to talk about more things than business with my employees. We have fun with one another and it never feels forced. The day that I'm too important to mingle with my employees is the day that a private equity group needs to call me with a buyout proposal.

Last two books read: *Never Lose a Customer Again* by Joey Coleman and *Thanks for Coming in Today* by Charles Ryan Minton.

What technology do you take on the road? My laptop and some earbuds. I'm a sucker for a good business podcast.

How do you relax, balance life and work? Working inside my office feels the same as hanging with family. I love both of them and never feel the need to separate the two as a result. Of course there's a balance, but it's a pretty organic balance because I don't view either of them in a negative manner. I own my day and love every second of it, which creates a pretty good balance for me.

Favorite vacation destinations: I need heat, humidity, and palm trees on a regular basis. I'm listening to Bob Marley right now, in fact. As far as the actual destinations, the Florida Keys and Turks & Caicos Islands. I even brought back a dog from my last visit to the Turks & Caicos.

Favorite occasions to send employees notes: I stink at this, but it's mostly because I speak to my people every day. I don't need to send them a note because I get to talk with them face-to-face every single day.

BOTTOM LINE

What are your long-term goals for the company? My plan today is the same as it was 16 years ago. I want to build a nationwide brand that completely disrupts the residential cleaning industry. We have more than 300 territories available for development and operate in a space that generates $25 billion annually. If everything goes as planned, Two Maids & A Mop will generate more than $400 million in network revenue by serving at least 400 markets across the U.S.

How has the economy changed your goals for your company? I've experienced all sorts of economic changes over the past 16 years. Our economy is booming right now, with household income levels at an all-time high. So it seems logical to assume that people are going to continue hiring people like us to clean their home. But like I said, I've seen it all over the course of my entrepreneurial life and never take tomorrow for granted. We're extremely bullish on

the economy, but prepared for a slowdown if the economy were to change abruptly. Either way, we believe that our business model can survive no matter if we're in a recession or another boom.

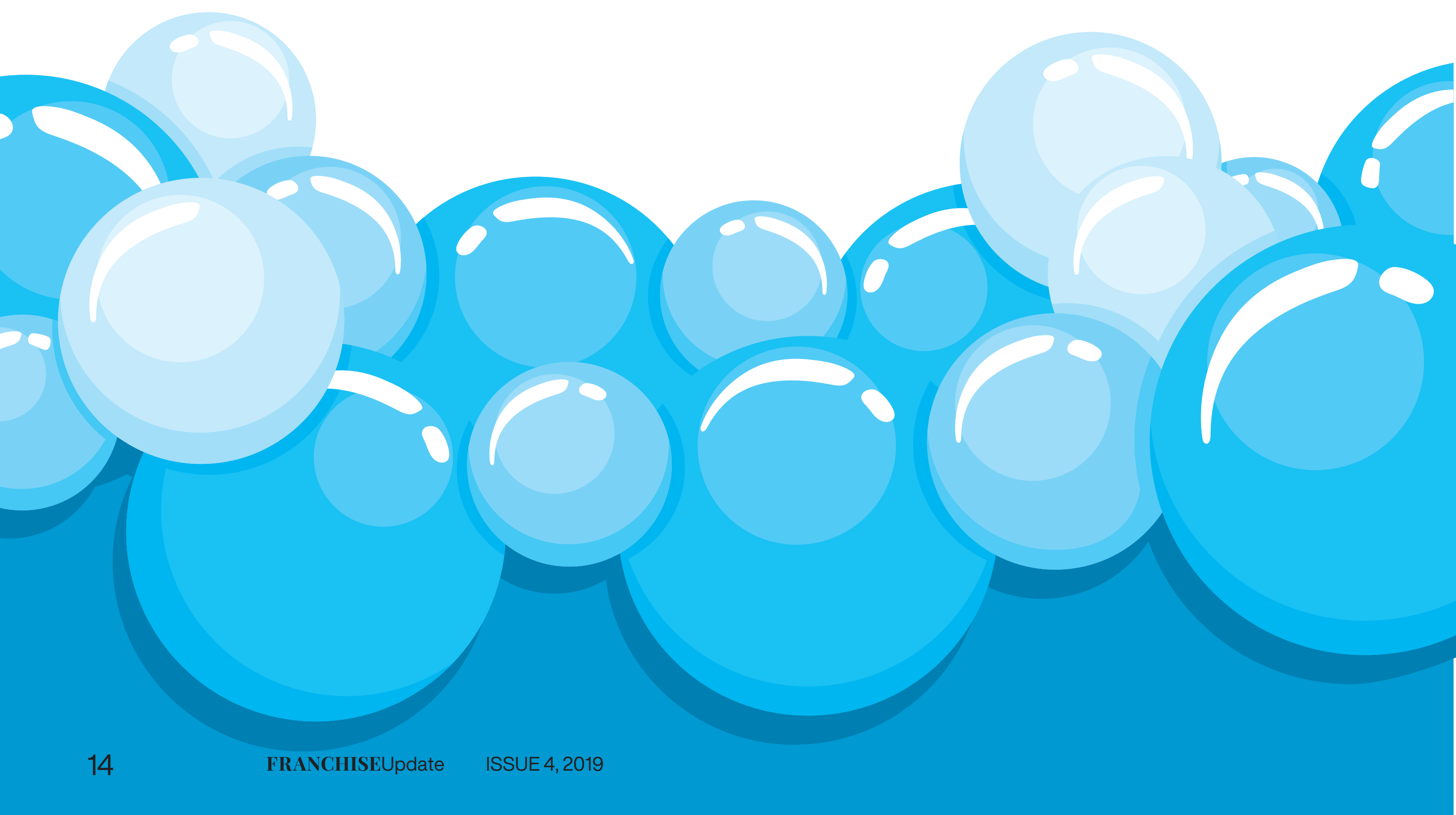
Are there any trends in your industry you foresee having an impact on your brand? A huge part of my job is ensuring that our brand stays in front of the industry. There's a reason we've always included the words "most innovative" inside our company's long-term vision. We want to be disruptive and totally reshape the industry by delivering a unique customer experience that begins with the booking process and continues beyond the house cleaning. To accomplish this, we have to build the right kind of culture that encourages outside-the-box thinking. In addition, we need to make life easier for our franchisees and local customers by automating as many tasks as possible. My goal is to change the world, and to do that means we have to lead rather than follow.

How do you measure success? Success equals happiness. Making money with a pit in your stomach is no way to live in my opinion.

What has been your greatest success? I created a business plan that required $150,000 to build the first Two Maids & A Mop. At the time, I had less than $1,000 in the bank and earned less than $30,000 per year. No banks wanted to finance my idea and my friends assumed I had gone crazy. The journey from $1,000 to $150,000 seemed way too ambitious at the time, so I broke down the journey into 52 weekly goals over a 7-year period. Basically, I had a weekly goal of saving $330 each week for 7 years. With the help of compound interest, a bunch of second jobs, and a frugal lifestyle, I was able to raise the $150,000 within 6½ years and then promptly moved down to Florida to open the original Two Maids & A Mop. It was a crazy time of my life because my entire purpose was to either make more money or save more money to slowly but surely fight my way to $150,000. I wouldn't want to do it again but I'm so glad that I experienced that period of my life.

Any regrets? I've experienced plenty of failures, but my biggest regrets are the missed opportunities. It took me 10 years to embrace the idea of franchising the brand. Where would Two Maids & A Mop be today if we had started franchising earlier? I also pinched way too many pennies early on while building out our proprietary scheduling software. Where would the product be today if I had allocated our capital better and invested more on the early development of the software? Those missed opportunities have cost me so much more time and money than any of my actual failures.

What can we expect from your company in the next 12 to 18 months? We have an internal goal to open anywhere from 20 to 25 new stores per year. Growth with new stores is important if we want to become the largest residential cleaning company in America. However, our primary and most ambitious goal is to generate significantly more revenue and profits for our current franchisees. Our business model is pretty simple. We need to generate a bunch of qualified leads, convert as many of those leads as possible, and then retain a significant percentage of the recurring clients. If we can successfully accomplish each of those three goals, we truly believe that all our franchise owners can build businesses that generate tremendous success with a very healthy bottom line. ■



7 Reasons Why You Shouldn't Hire a Franchise PR Agency.

You found out a competitor is using a franchise PR agency. Or maybe a colleague is hounding you to hire an agency they worked with in the past. Suddenly, you've got the urge to reach out and interview PR companies.

Hiring a franchise PR firm is a big decision, and not to be taken lightly. Before you start the evaluation process, make sure it's the right time to hire a PR firm. If the following reasons are on-point with your current company situation, save yourself (and the PR agency) the inevitable grief and frustration that will soon follow.

DON'T hire a franchise PR agency if:

1. It's too early.
My firm is regularly contacted by new brands with an FDD in hand, ready to dominate the world. Not only are new brands usually cash strapped, their brand story isn't fully baked yet. Without franchisees, and without a track record of success, it's hard to get your story told to the world. Plus, there are a roster of marketing materials that need to be created before launching a PR campaign.

2. You have marketing issues to address… like your FDD.
Franchise brands are eager to get visibility on a national level and in local franchisee markets. However, franchisees are unwilling to validate a brand story of success if they are struggling. And prospects fall off the sales grid when they see unfavorable sales numbers. Media coverage can provide third party validation, but it can't solve sales weaknesses.

3. You don't have the money to do it right.
When a franchise brand contacts us and expresses interest in discussing a potential relationship, it's a flashing red light when they say, "We really don't have a marketing budget, just tell me how much you would charge for a client like us." The fact is, successful brands commit to a yearly marketing budget that supports sales goals.

4. You are desperately looking for the magic bullet. And PR is your new brand savior.
Nothing seems to be working marketing wise. Franchise sales are down, and franchisees are struggling. A big PR push can save the day, right? Wrong. In my opinion, PR is one of the most cost-effective marketing strategies around, but PR is only one tool in the marketing toolbox. Find out what's making your brand sick versus expecting PR to gloss over problems.

5. You want to measure PR by how many deals you close in 6 months.
This is classic feedback from an uneducated, uber-aggressive franchise sales executive or CEO. When asked what success would look like if we work together, the answer is "the only goal is generating franchise deals." PR is very capable of driving candidates to your brand, however, its main goal is creating and shaping brand perceptions and trust.

6. Your decision maker is always the smartest one in the room.
The decision maker won't trust the PR agency from the start, refuses to set mutual measurable goals and expectations, nor provides the resources it will take to make the partnership succeed. Every agency decision will be questioned and evaluated based on changing expectations. If the decision maker isn't willing to let the experts do what they do best, don't waste your money.

7. You are too busy / distracted to make the relationship work.
I get it. You have a small staff and big goals to meet. However, like any relationship, successful PR programs take time and commitment by both the agency and the client. If you don't have an internal point of contact to lead the charge and get the right decision makers to weigh in and support the program, you're not ready to hire a PR firm.

So, there you have it. 7 reasons why you're not ready to hire a franchise PR agency. When you are ready, I know a pretty good firm I can refer you to.

David Chapman is the CEO of 919 Marketing Company, a national franchise marketing agency located in Raleigh, North Carolina. Check out "The 7 things other PR firms don't want you to know" on our blog at 919marketing.com. David can be reached at dchapman@919marketing.com or 919-459-8156.

Bruster's Turns 30

And remains "a scoop above the rest"

Written By
JIM SAHENE

On July 13, 1989, Bruster's Real Ice Cream founder Bruce Reed opened the doors of his first ice cream shop in Bridgewater, Pennsylvania, just outside of Pittsburgh. Born into the restaurant business, he followed in his family's footsteps, creating a community-centric hub where neighbors, friends, and loved ones could go to try his rich, creamy homemade ice cream. And since that day nearly 30 years ago, the company's commitment to freshness hasn't changed one bit.

OVERCOMING ADVERSITY WHILE MAINTAINING A SUPERIOR PRODUCT

When the 2008 recession hit Bruster's, we'd been in business nearly 20 years. We had hundreds of stores across the country, secured dozens of new franchise contracts, and our eye was on the target: continued growth and market penetration. But, much like other companies at that time, we felt the effects. Through it all, we doubled down on our business model. And then something amazing happened: we emerged and turned a corner. We successfully transformed Bruster's from a regional ice cream chain to an international franchise company by opening locations in Guyana and South Korea; increased average unit volume of franchise stores by 44 percent since 2012; and have led the company to six consecutive years of same store sales growth beginning in 2012. Our trials became our triumphs.

FOCUSING ON OPENING ONE GREAT STORE AT A TIME

In 2018 we opened 10 stores. The year before we opened 12. But we're not focused on the number of new stores or franchise contracts. It's about opening one great store at a time. Focusing on the customer experience. Consistently creating a superior product. Building the average store volumes of existing locations. Taking what we learn each day and applying that to our business model to continuously innovate and improve. Focusing on opening and developing successful stores because, ultimately, people want to be part of a winning brand.

This approach has served us well. Our six consecutive years of positive same store sales have been achieved in a relatively flat category. We have the highest average unit volumes in our company's history. We're onboarding more franchisees and opening more stores than ever before. And we've expanded across the country, including westward into California, Arizona, Utah, and Nevada.

As part of our commitment to opening and running great stores, we've also focused on creating new products and limited time offers. Each year we introduce several new products made from our proprietary home-style mix, delivered fresh from our privately owned dairy in Titusville, Pennsylvania. This year, as part of our 30th anniversary celebration, we're taking our efforts up a notch. Throughout the year we'll introduce new specialties, flavors, and unique monthly offerings of our ice cream, frozen yogurt, Italian ice, sherbet, and sorbet.

Rather than mass producing the same set of flavors all year long, we've made a conscious commitment to creating superior new products that are made fresh daily and never deep frozen. On any given day, your local Bruster's shop will have at least 24 premium flavors, all of which are ready to be enjoyed in crunchy, handmade waffle cones, premium sundaes, candy-filled blasts, milkshakes, or customized cakes and pies. And now we'll offer even more choices at all our nearly 200 locations nationwide.

CONTINUING THE CELEBRATION

Throughout our nearly three decades of business, we've earned the trust of our franchisees, the respect of our colleagues, and the loyalty of our customers. This ideal combination has enabled Bruster's to remain a scoop above the rest. Whether that's through our partnership with Atlanta United; creating Sweet Rewards, the company's first digital loyalty program, which now has more than 300,000 registered users; developing a world-class leadership team; reinventing our franchise business model; supporting youth through "Mentoring Tomorrow's Leaders Today"; or successfully navigating a highly competitive industry landscape, Bruster's has remained focused on the attributes that make this company great.

The company's values—respect, accountability, involvement, heart, and fun—permeate everything we do. And while our first 30 years have been marked with milestones, memories, and celebrations, we're just getting started. We know the key to our success isn't just great locations, healthy stores, or a superior product. It's about the people. Our customers. Our employees. Our franchisees. Our partners. They're all part of the Bruster's family.

All of us are excited to be part of an award-winning, 30-year-old brand that has remained one of the last independently owned ice cream franchises in the country. We look forward to what the next 30 years will bring! ■

Jim Sahene is CEO of Bruster's Real Ice Cream.

SPONSORED

APPLEPIE CAPITAL

The Right Choice to Meet Your Multi-Unit Growth Goals

WRITTEN BY
Helen Bond

When it comes to multi-unit expansion, access to the right capital, at the right time, with the right financial partner can be a game-changer in ensuring success. With a fresh approach to franchise financing—and the only lender dedicated to the industry—ApplePie Capital knows franchising and understands the unique needs of franchisees at every stage of growth.

"When someone comes to us, the first thing we want to know is what their plans are for growth, and for succession or exit," says Ron Feldman, ApplePie's Chief Development Officer. "Your exit plan—how long you want to run these units—can affect what kind of loan you get."

ApplePie's teams are brand specialists. Armed with well-defined goals and a snapshot of your financial picture and operations, ApplePie takes a consultative approach to create and execute a custom multi-unit financing strategy that ensures development stays on track.

The key to smart multi-unit expansion is to match growth plans with the right capital solutions. Generally, Feldman says, the rule of thumb is to preserve as much cash as possible to maintain a rainy day fund and the resources to open or acquire new units when opportunities arise versus "a one unit at a time" mentality.

"The biggest problem we see with franchisees in the early stages is not using the proper balance of equity and debt to efficiently meet their capital and operational abilities," notes Feldman. "Often, a franchisee will use too much cash or too little cash to fund expansion. They borrow too much or they don't borrow enough."

ApplePie offers a dedicated, captive lending product, as well as a full host of SBA, conventional, and equipment loan options from its diverse lender network. Their simplified, fully online application process enables borrowers to access multiple loan options and fast and efficient funding with just a single application —whether you're a first-time franchisee, growing multi-unit operator, or farming your franchise wealth.

The path to finance multi-unit development typically varies based on the size of a portfolio. SBA loans are the most common way to fund initial growth, while conventional lending opportunities generally become more readily available for franchisees with five or more units. ApplePie's signature loan product, ApplePie Core, is designed specifically to accelerate

multi-unit franchise growth at earlier stages than traditional franchise lenders will allow.

No matter your strategy, Feldman urges franchisees to avoid getting hung up on interest rates. The interest rate you pay is a lot less important than your monthly payment and the term of the loan.

"The cheapest capital is generally not always the best capital," emphasizes Feldman. "You want the most flexible capital while you are growing; once you've grown then you look at the cheapest capital options."

What should a capital markets partner do for you? Similar to a CPA or attorney, a capital markets partner should be a trusted advisor that:

- Knows your brand and specializes in the industry.
- Provides customized financing options that meet our specific needs.
- Focuses on your long-term goals and ensures you have the capital available when you need it most.

"We want to take you from the first unit to your end place – whether that is 10, 20 or 50 units," says Feldman. "Whatever that number is, we will hold your hand along the way to make sure you are optimizing the capital to meet your personal objectives. It goes back to being a trusted advisor. We know the ropes and will help you focus on the long-term, to get capital when you need it most." ■

Submit your inquiry online today at **applepiecapital.com/grow** or contact us at **1 (844) 734-GROW** to schedule a free consultation to discuss your franchise growth plans. Together, we'll plant the seeds for your success. Easy as ApplePie.

ApplePie CAPITAL **applepiecapital.com/grow | (844)-734-GROW | grow@applepiecapital.com**

Ops, Meet Marketing

Learning to play well together

Written By
SUE MORGAN

An experience that has stayed with me throughout my career occurred very early in my initial marketing position in the restaurant industry. And I'm fortunate that it did. I was on a market visit with an operations colleague in one of our fast-food restaurants. Lunch business was brisk when a new sandwich was ordered. Immediately, the smile faded from the supervisor when taking the order. It seems that the procedures for assembling that sandwich required additional steps and time for which the crew was unaccustomed. They clearly would have preferred not to have to make and sell that sandwich. It occurred to me then that unless there is multi-functional input in a product or process that must be executed across the brand, its success may well be in jeopardy.

From that point on, I had a renewed respect for the talent required in every department, and the value at appropriate stages that each has the capacity to add.

With some companies in many industries, there exists a schism between marketing and operations. My query was not only "Why?" but "Must this persist?" There indeed may be some reasons for this conflict. But more important, there are strategies to bring these teams closer together without sacrificing valid, and perhaps opposing, points of view.

WHY?

Perhaps differing talents and skill sets play a role. Differing points of view are the very reasons individuals tend to migrate to one functional area versus another. But when embraced, the very essence of these differences in talents and skill sets can contribute to an incredible outcome.

Let's face it. The smallest to the most ambitious marketing strategies and programs must be operationally executable—and not merely executed, but executed with confidence and knowledge on the part of all involved. Understanding how best to accomplish this is critical in optimizing the process all along the way, along with optimizing the end-user's experience, whether it is the person making a sandwich or buying one.

Whether in the restaurant industry, retail environment, or any service or manufacturing company, these conflicts may exist. Yet there are strategies to bridge the differences, harness the talent in multiple disciplines, and achieve success in reaching your company's goals.

1. Engage in small, collaborative groups

- Fosters relationship and team-building and can lead to meaningful one-on-one discussion beyond the organized meetings.
- Taps into the solutions that operations and other departments may provide to a marketing strategy. Many people who choose to work in operations are problem-solvers, so let them do just that!
- Raises issues early among peers so the group may overcome the challenges.
- If the task requires, make it multi-functional. This allows other departments to engage as needed and participate in either problem-solving or in avoiding unintended consequences resulting from a "not fully informed" decision.

2. Assign accountability

- Allow each person involved to be accountable for their area of expertise, avoiding decision by committee.
- If rapport is established and building toward long-term trust in the small, collaborative groups, they will work with each other on issues that may arise and together find solutions.
- Accountability provides a sense of accomplishment and contributes to each person's professional development.

3. Measure results

- Debriefings enhance a learning environment and can provide development opportunities for each participant.

WRAPPING UP

Collaborate in small groups to build relationships. Provide accountability to further the development for participants and brand performance. And measure results with the objectives laddering to an aspect of the brand plan.

When departments align, the team accomplishment can be amazing. This may sound simple, but simple can be hard, requiring commitment, discipline, and process.

One final point: Celebrate any and all successes as a team and with the individual contributors! ■

Sue Morgan is the founder of Sue Morgan & Associates, a brand consultancy with a focus on restaurants and hotels and franchised businesses. Her previous experience includes executive positions at Popeyes Louisiana Kitchen, InterContinental Hotels Group, and Don Pablo's Mexican Restaurants. Contact her at 770-883-8677 or slmorgan5@comcast.net.

HOW DO YOU MEASURE UP?

First-ever Annual Franchise Marketing Report can show you how

Written By
EDDY GOLDBERG

This year marked the debut of the Annual Franchise Marketing Report (AFMR). This new annual report provides franchise consumer marketers with invaluable data and analysis they can use to benchmark their performance against other brands, within franchising and in their industry sector—a resource they can use to improve the effectiveness of their marketing efforts.

Franchising's increasingly competitive landscape has strengthened the need for marketers to better understand how their brand measures up against the competition and is performing in the wider marketplace. The AFMR is intended to assist franchise consumer marketers in understanding how their team compares with their peers and, more importantly, help them allocate their limited resources to the most effective channels for achieving their system-wide goals.

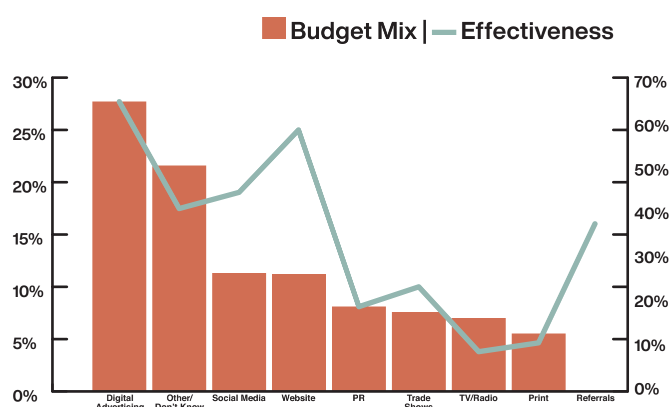
Brands participating in the first AFMR represented more than 13,000 locations, $8.3 billion in annual revenue, and $131 million in annual marketing budgets. Diane Phibbs, executive vice president and chief content officer at Franchise Update Media, presented highlights from the report this past June at the 2019 Franchise Marketing Leadership Conference.

Participants consisted of franchise marketing leaders who completed an in-depth questionnaire online. Responses were aggregated and analyzed to produce a detailed look into the marketing practices, budgets, and strategies of a wide cross-section of franchise brands and sectors. The data and accompanying commentary and analysis provide the basis of the 2019 AFMR. Below are selected highlights from the new report.

LEADS/TRAFFIC COUNT

In terms of leads and traffic counts, seven in 10 (71 percent) respondents reported that leads or traffic counts were up (56%) or the same (15%) in 2019, while only 22% responded that they were down. Despite today's economy and tight employment picture, this indicated positive business conditions for the majority of respondents at the local level.

MARKETING BUDGET: SPEND & EFFECTIVENESS

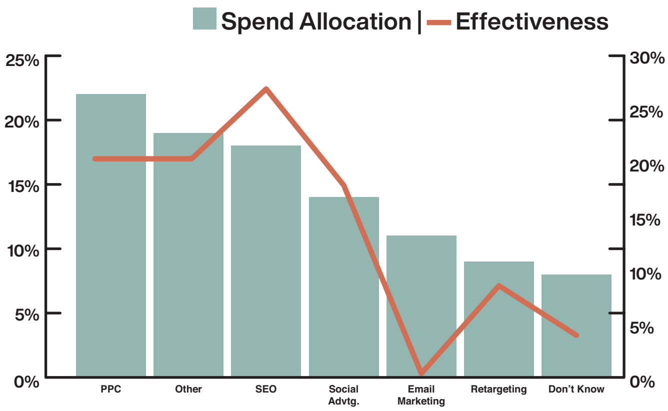


To engage their customers, marketers have implemented an integrated, omnichannel marketing strategy. Respondents reported a somewhat balanced spend—with the exception of digital advertising, which played the largest role in their overall budget mix. Social media and websites were the next two leading categories. The "Other/Don't Know" category consisted of respondents who completed the survey but may not have had the marketing mix or access to results.

"While digital advertising is balanced in the amount of spend versus effectiveness, social media and websites are very effective versus the amount of budget allocated to each," said Phibbs. She says there are two schools of thought on this: 1) Would the results increase if more dollars were allocated to social media or websites?; and 2) Are the websites and social programs being maintained properly?

"With so much of the buyer's research being done online before the purchase, it's important to have the customer-interfacing tools working at their optimum to achieve the purchase," she advises.

DIGITAL MARKETING: SPEND & EFFECTIVENESS



Digging deeper into the digital category, we asked participants how they spend their digital dollars and what's performing for them. While PPC accounted for the highest spending percentage, SEO performed best in terms of how respondents ranked the effectiveness of their digital marketing spend, outpacing all other digital categories. The "Other" category represents digital marketing efforts that were not specified in this slide, such as other business websites.

"There are many studies, including our own data, that show email marketing success," said Phibbs. "Perhaps marketers could evaluate their email marketing strategy to determine improvements for engagement and click-throughs. Subject lines, headlines, and types of content all make a difference in engaging with the customer."

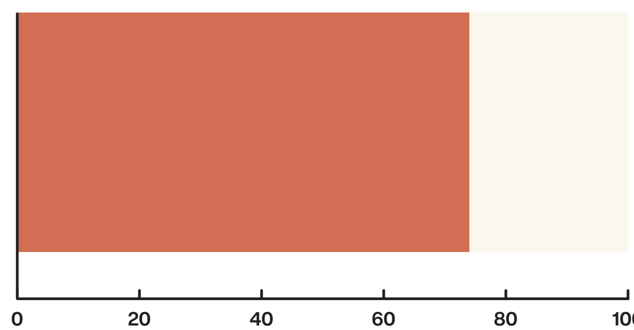
WHERE DO YOU ADVERTISE ON SOCIAL?

59% Instagram	**29%** Twitter	**39%** LinkedIn
86% Facebook	**29%** Youtube	**11%** Blog

Social media has become known as a cost-efficient way to engage customers in conversations with your brand. It's no surprise respondents named Facebook as their primary platform for marketing spend (86%) and for driving revenue (83%). One surprising statistic was the use of Instagram for advertising (59%), yet only 13% said it was driving revenue for them. This is something we'll track in the coming years as social media marketing choices by franchisors continue to evolve in response to changing consumer preferences. Phibbs emphasized the importance of ensuring that your social media vehicle of choice is a match with your target audience.

RECOMMEND/REQUIRE LOCAL SPEND

74% Require/Recommend Local Spend



How do you monitor local spend?

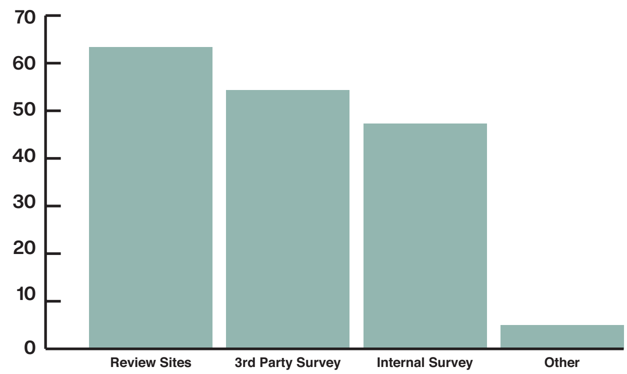
57% Honor System	**39%** Franchisee Submits to Franchisor	**4%** Franchisee Submits to Third Party

Responses to this question provided a picture of how franchisors address and monitor local marketing spend. Three of four respondents require or recommend spending on local marketing. What was surprising is that 57% of the brands responding did *not* have systems to ensure that each location was spending at the local level. And only 39% had franchisees submit local marketing spend reports and/or receipts to corporate, while 4% had a third-party reporting program.

"I was surprised to see these results," says Phibbs. "Local store marketing is critical to growing unit revenues, and it's critical to building brand awareness to sustain sales until there are additional locations developed in the market. From that point, each location must continue to market within the community to further build the advertising dollars that will help them grow into additional forms of media (TV, radio, and print).

MEASURING CUSTOMER EXPERIENCE

How do you measure customer experience?



47% No Process or Model	**35%** Operations Manages
15% Marketing Manages	**45%** Multiple Depts Manage

Customer perception of brands is no longer simply transactional. Today's consumers want to have an experience with your brand, to feel they are part of something special. Accordingly, customer experience has become a huge focus for brands looking to identify the processes, metrics, and responsibility for the guest experience. While nearly half (45%) reported that multiple departments manage this, slightly more (47%) said they had no process or model for this. About a third (35%) said operations had sole responsibility for the customer experience, but only 15% said marketing was responsible.

ORDERING INFORMATION
For more information and to order the 2019 AFMR, visit afmr.franchiseupdate.com. The price is $175 until December 31, 2019 and $299 after that. ■

The comprehensive benchmarking guide for marketing programs in franchising

The 2019 Annual Franchise Marketing Report (AFMR) – the first and only report dedicated to B2B and B2C franchise marketing leaders!

This report delivers data collected from 75 franchisors representing 14,826 units with responses organized by industry, marketing budget, system-wide sales and more.

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PURPOSE-DRIVEN

Marketing Newk's into a future of growth

Written By
KERRY PIPES

Michelle Spohnholz, vice president of marketing at Newk's Eatery, prides herself on being a purpose-driven marketer who produces results. That's what she's done throughout her career, whether at an ad agency or in the consumer product goods, food, beverage, or hospitality sectors.

Before coming to Newk's, she was head of marketing at Brioche Dorée North America, where she led the expansion of the French bakery cafe into the U.S. Before that, she spent a year as interim vice president of marketing for Tropical Smoothie Cafe, where she launched their online ordering and loyalty app, developed their innovation process and testing calendar, and crafted their next-generation menu. Other stops along the way included vice president of global marketing services for CSM Bakery Solutions, one of the world's largest bakery providers, and time with PepsiCo as vice president of marketing for national restaurant accounts, including Arby's.

"People are how business gets done, and your ability to influence and galvanize people for change has a tremendous impact on your ability to move the needle," she says. And everywhere she's been, Spohnholz has made it a policy to listen and learn before making decisions, with both franchisees and customers playing an important role in the process.

Since joining Newk's in 2018, Spohnholz has been focused on brand identity and finding the unique opportunity the brand offers. "Whether it's placing an order online, using our app, picking up a quick meal solution from our grab-and-go case, or enjoying a meal in our dining room, we are focused on being a convenient part of our guests' lifestyle," she says.

Describe your role as CMO. I illuminate strategy, brands, purpose, and people.

What's the most challenging part of being a CMO today? There is a tremendous amount of market fragmentation between consumers and their unique needs. It's a very competitive landscape in foodservice—as well with convenience stores, movie theaters, grocery stores, and restaurants all competing for share of wallet. Developing an authentic relationship with consumers as a brand in this environment can be a huge challenge, and motivating our hourly partners to deliver a best-in-class experience is also an important endeavor. Navigating to simple, clear strategies that work amidst all this is no easy task!

What are the 3 most important keys to being an effective CMO leader today? Champion the voice of your guest or consumer, as they will teach you how to improve your value proposition and your business model. Create structured processes for execution and communication that can both drive accountability and allow learning to be incorporated in real time. Prioritize collaboration and alignment with cross-functional leaders and stakeholders. People are how business gets done, and your ability to influence and galvanize people for change has a tremendous impact on your ability to move the needle.

How do you prepare a marketing plan and execute strategies? I first listen and learn, taking input from others who have learned based on their unique experiences. Franchise partners have tremendous insight into their local communities, and they have been in the business trying different strategies before I came on board. I then set a vision, gather a guiding coalition of leaders, and try to bring them into the planning. I believe in collaboratively creating ideas in a way that allows for input from lots of places first. Good ideas can come from anywhere! Once we have alignment on a direction, I work to quickly create action plans, then coach and support the team to deliver the initiatives and measure results.

How do you measure marketing results and effectiveness? At the end of the day, we are looking for profitable, sales-driving initiatives that motivate our guests to visit us more frequently. We have to measure guest traffic as the be-all and end-all measuring stick. As we test initiatives, our best practice is to hold a control market and measure the net results on the pre-period and post-period and net out the control market results. We hope these tests get us to initiatives we can scale to the system.

Discuss your core consumer marketing strategies and objectives. A big piece of what I have been working on is the brand identity to find the unique benefit we serve to our guests. From a functional perspective, they told us that we create meals that are the right balance of healthy and satisfying. And our open kitchen is a proof point that we prepare meals to order and use only the freshest ingredients. We are working hard to communicate in a bigger way that Newk's offers the right balance of healthy and satisfying in everything we make, and that the work we put into creating our food makes it the freshest and tastiest you can find. We are also trying to meet our guests where they are and provide more convenient offerings. Whether it's placing an order online, using our app, picking up a quick meal solution from our grab-and-go case, or enjoying a meal in our dining room, we are focused on being a convenient part of our guests' lifestyle. We are testing a new technology that will allow us to bring a to-go order out to their car so they don't even have to park! Additionally, we are building a loyalty program to engage our guests in a more meaningful way. We want to reward their loyalty and also intrigue them with offers and benefits relevant to them. If we can get our loyal customers to identify themselves when they place an order, we would like to give them a better experience in our restaurants because we value their business and the relationship we have with them.

How do you go about creating a customer-centric marketing and brand philosophy? In my first months at Newk's, we did a lot of listening through focus groups, guest intercepts, and online surveys. We have conducted online research on several topics and continue to get guest input from our Round Table Club on new product and offer ideas. As we lead cross-functional teams, we continue to reinforce what our guests think to help guide our activities. People in our organization have been surprised at some of the feedback we have gotten, but it makes them stop and think a bit.

Describe your marketing team and the role each plays. Our Calendar Marketing Team leverages consumer insights and sales data to build initiatives, and organizes cross-functional teams to implement them. Our Brand Communications Team has been building a new identity and is now infusing that in all our brand touchpoints: POP, website, social media, and email marketing. Our Field Marketing Team works with our franchisees and operating partners to develop local store marketing tools and localized advertising plans.

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? It's a great opportunity to tell the story of what our guests love about the brand and answer their questions. If the prospects become franchisees, then we have a head start on the relationship!

How does this help your franchise sales and development effort? I hope it provides a peek into the value proposition of the business and the culture of the company we strive to create. We want to gain new partners who believe in our shared vision for the brand and can champion it in their own communities.

What ways/tools do you rely on to do this? I meet quarterly with our franchise advisory council to consult on our mutual priorities. I also call or meet with franchisees in-market every week to get a broad sense of what they are seeing and what their unique market dynamics can teach me about the relevance of the overall strategy.

How do you manage costs and budgets for the marketing department? We create an annual budget and get alignment from leadership and our franchise advisory council. We track expenses diligently and update the budget quarterly.

Do you see vendors as business partners? Why/why not? Finding a vendor who can be a true business partner is a rare gem. We have several of them. They proactively look for opportunities to help; they bring ideas; they ask for feedback. They invest in the partnership and believe in the promise of a long, mutually beneficial relationship.

How is your marketing/branding strategy developed, and how does it flow through the system? We start with the guest and the competitive environment and collaboratively develop plans with our leadership team. We run these plans by our franchise advisory council, which meets quarterly. To implement them, we host an annual owners meeting or convention, and we host quarterly webinars about our marketing initiatives. We also send out quarterly merchandising kits to our franchise restaurants with implementation guides to update our seasonal offerings and in-restaurant merchandising messages. Additionally, we provide an online toolkit for our franchisees to support local market activities.

Describe the evolving role of social media in your brand's marketing efforts. We are trying to engage our consumers more to engage in dialogue with our brand and share their own content. In our next promotion, we invite them to post how they customize their favorite Newk's meal. Many guests don't realize the degree to which we can do that as we prepare each meal from scratch. We want to let our consumers educate each other and share their "Newk's" with their own social networks. We are also trying to provide a more seamless connection in our digital landscape by enhancing the tools our franchise partners can use to create localized content to develop their own store pages. Within our brand framework, we encourage them to keep their local pages up to date with relevant local news and conversations as well.

What advice would you offer to aspiring CMO executives? Focus on developing leadership qualities that help you influence people and effect change. Your marketing acumen and work experience is very valuable. But perhaps most of all, it's your ability to take feedback, collaborate, work with a leadership team to set a joint direction, and leverage culture to drive organizational success. ■

Q How has your brand successfully engaged social media influencers?

ASHLEY SCHUETZ

Vice President of Marketing
Massage Heights

It's no secret that social media is a prominent resource in today's age, and influencers on these platforms have become an essential component in modern-day digital marketing strategies. Used strategically, a well-thought-out campaign using social media influencers can have a major positive impact on your brand's visibility, while also helping to differentiate your company from others.

Selecting the right approach is key to having a successful social media influencer campaign. One of the biggest differentiators in a successful digital marketing campaign versus an ineffective one is looking at the impact the influencer makes—authentically. Do their followers participate and engage in what the influencer is posting? Are they posting content that aligns with your brand? Is it something their followers will care about? Is what you provided authentic to the influencer's platform? Campaigns that use strategy around answering these types of questions are usually the ones that result in the most success.

In anticipation for "Everyone Deserves a Massage Week" (July 14–20), Massage Heights wanted to bring visibility to the brand and our services by executing something that would resonate with our target audience. The team identified three influencers who would align with the brand and the purpose of the campaign, all of whom fit into the wellness and lifestyle niche. Using "Everyone Deserves a Massage Week" as a timely tie-in, we sent the three influencers DIY spa kits exclusive to the brand, along with tips on how anyone can recreate their own spa oasis at home.

Although the thought of making your own spa oasis at home doesn't directly convey instant gratification to the company's sales, it did do something that made it an extremely successful campaign. Why? Because it drove buzz and established Massage Heights as an industry expert in the eyes of our target demographic, which had an audience reach of more than 800,000 on a variety of different social platforms, including Instagram, Pinterest, Twitter, Facebook, and a blog.

To go full circle, because this campaign was able to authentically showcase our brand and tremendously increase the awareness and visibility of Massage Heights to almost 1 million targeted viewers, it fundamentally helped the brand step forward as an industry trailblazer and be top of mind to consumers who follow these go-to influencers. ■

KRISTIE LEADER

Vice President of Marketing
Prose

Prose was founded on the noble purpose that everyone should be able to have healthy and beautiful hands and feet. We know that creating a deep connection with our customer starts with understanding their needs and educating them about how the Prose experience is different from what you'll find in other nail salons. Driven by sophisticated marketing tactics to attract first-time guests, we rely on personal touchpoints throughout the in-boutique journey to engage and educate guests on the healthy benefits we have to offer, including our membership model.

With more than 70 percent of consumers consulting social media before making buying decisions, having a strong brand presence on these channels is more important than ever. Particularly with a new brand like ours, we believe and have invested in the idea that influencers are an important piece of the puzzle to drive awareness, establish brand credibility, educate consumers, build emotion around the customer experience, and create a "stickiness" to the brand with repeat visits and purchases presented to consumers.

As the brand continues to grow and open new boutiques across the country, tapping into local influencers has proven an effective marketing tactic, particularly for grand opening events. Through market-specific influencer research, we've been able to engage with a variety of influencers with an array of interests. Because our brand focuses equally on health and beauty, its broad appeal allows us to attract not only beauty bloggers. We've also had success in health and fitness, mommy bloggers, foodies, and many other popular categories. Who doesn't want a great pedicure in a clean, innovative boutique design with more than 200 healthy and beautiful polish colors in a calming, aesthetically pleasing setting?

As the sales cycles move past the grand openings, we often see the boutiques continue to grow their relationships with the most engaging influencers. Our goal moving forward is to position the influencer more as a driver of the customer experience and sales conversion, as opposed to just building brand awareness. We have found that this is where the influencers start truly connecting with our potential customers in telling the full Prose story of health, beauty, and membership. To date, we have built and maintained relationships with more than 50 influencers nationwide who continue to drive engagement online and drive traffic to our boutiques. ■

FRANFUND

CASE STUDY

Martinizing Makes Candidates Comfortable with Franchise Purchase by Partnering with **FranFund**

Problem

During the process of buying a franchise, prospects often became uneasy about the size of the financial investment and ultimately decided not to move forward.

Solution

Martinizing began connecting candidates with a trusted partner, FranFund, earlier in their sales process. FranFund's comprehensive approach to franchise funding educates, guides, and provides personalized solutions that help candidates access the funding they need while simultaneously building their confidence level.

Results

Martinizing has reduced the number of prospects that fall out of their pipeline due to financial anxieties or lack of confidence in the purchase. The company is also able to spend more time focusing on initiatives to grow the brand rather than working through funding challenges with their candidates.

Client Profile

Martinizing has more than 60 years of innovation and leadership experience within the dry cleaning industry.

Currently, Martinizing franchisees operate more than 400 stores in the United States and other countries around the world.

Martinizing continues to innovate and grow. Since 2003, Martinizing has become the "Greener Cleaner," utilizing the most environmentally safe methods and friendly solvents available.

It has also revolutionized the dry cleaning industry with convenient services like lockers and on-demand pickup and delivery.

"It makes our job in franchise development a lot easier when a prospect gets reassurance and encouragement from a trusted third-party company like FranFund. They are knowledgeable, professional, and they make prospects feel at ease about investing in a franchise. I don't know why a franchisor wouldn't work with FranFund." - Josh Titler, Martinizing Director of Franchise Development

FranFund
505 Main Street, Suite 200
Fort Worth, TX 76102

Tim Seiber
taseiber@franfund.com
www.franfund.com

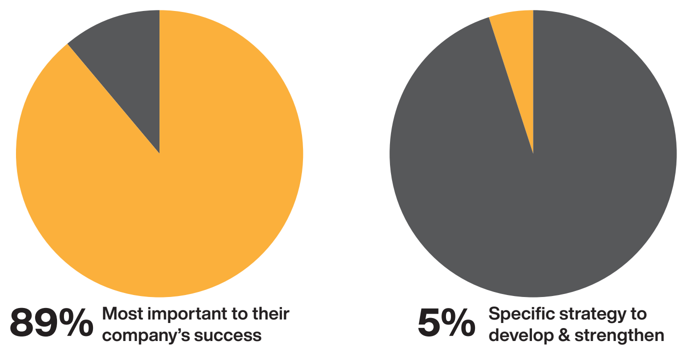
Contact
Main: 817-730-4500
Direct: 817-730-4464

Building Strong Relationships

The 5 characteristics of success

Written By
JOHN DIJULIUS

What CEOs say about relationships



"Make no mistake about it. The lack of social skills our society has is the problem of businesses leaders to solve."

Technological advancements are critical to every business staying relevant. However, technology by itself is not a differentiator. The more you place technology between the company and the customer, the more you remove the human experience.

A study by the Relational Capital Group revealed that 89 percent of senior leaders believe that relationships are the most important factor in their success year over year. However, the study also revealed that only 24 percent of these leaders actually do anything intentionally to promote building those relationships. Further, the study indicated that fewer than 5 percent of organizations actually have any specific strategies for helping their professionals develop and strengthen the relationships required to achieve their goals.

No one is born with a rapport-building gene. And not everyone is inclined to be outgoing or to strike up a conversation with people they don't know. The environment you grow up in plays a big part in how you act. If you had extremely outgoing parents, chances are you will grow up to behave similarly. However, even if you were not exposed to an outgoing environment in your early years, this skill set can certainly be developed and mastered. To master relationship building, there are certain sets of characteristics you need to work on. To develop strong relationships you *must:* 1) be authentic, 2) be obsessively curious, 3) be a great listener, 4) must have incredible empathy, and 5) love people.

Must be authentic. People have great BS detectors. Your interest in others and your desire to make a connection must be authentic. If you are asking questions merely for appearances, just to make a sale, or to turn the conversation back to yourself, people will see through you. Not being authentic will earn you a poor reputation. You are much better served simply coming out and asking for what you want; people will respect you more. Instead of trying to manipulate people into buying products or services, you must show them you care. You need to demonstrate that you are genuinely interested in others and that you realize they are human beings with a life and not just customers you are trying to sell to.

Must be obsessively curious. Those who are the strongest at relationship building are extremely curious. They are dying to learn about others and their experiences. They are curious not only about subjects that interest them, but also about unfamiliar subjects. They become investigative reporters, wanting to learn as much as possible about other people's lives and passions. They truly enjoy learning. They explore what makes human beings tick.

Must be a great listener. There is a lot more to being a good listener than just letting the other person talk. You need to be attentive, patient, make good eye contact, not interrupt, ask probing questions, and, finally, pause to process what you heard before responding.

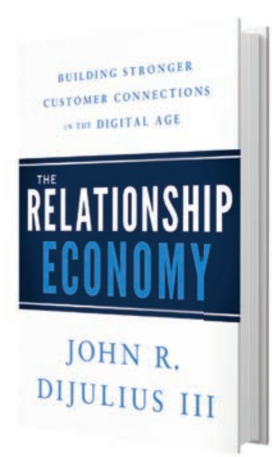
Must have incredible empathy. One of our strongest human talents is the ability to empathize with another person's situation. Seeing and understanding someone's experience from their perspective, walking in their shoes, is key.

Must love people. No two people are alike. No one is perfect. Everyone is flawed. Yet everyone has unlimited potential. Human beings are incredible. Everyone has a story about their life journey—what they have overcome, their accomplishments, their incredible talents, fears, regrets, and dreams. Each human being has a story inside. The fun is discovering those incredible stories. When you truly serve people, your goal is not to make money or to get them to do what you want, but to take care of their needs and desires.

CONCLUSION

In a Relationship Economy, the primary currency is made up of the connections and trust among customers, employees, and vendors who create significantly more value in what we sell. These relationships and connections help make price irrelevant.

This is taken from my newest book *The Relationship Economy: Building Stronger Customer Connections in the Digital Age*, published in October. ■



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

Case Study:
Synuma Partners with Captain D's

SYNUMA™

Challenge:

Captain D's is the nation's leading QSR seafood restaurant with more than 530 restaurants located throughout the U.S. As they embarked on an effort to take the brand to the next level of growth, they found a need for a more robust project management system. Historically, their team had been using Excel spreadsheets, which are difficult to maintain when you have hundreds of locations and want to fill a pipeline and open your next 100 sites.

Captain D's needed:

- A way to properly manage their growth, from the day a prospective candidate becomes a franchisee to the opening of the restaurant.
- To collect data in one place and allow cross-departmental access.
- A system that enabled the brand to meet critical milestones and timelines.
- Software that makes automatic adjustments and sends alerts as projects shift.
- A flexible system that didn't force them to adapt their processes to the demands of a software platform.

Synuma Profile

Synuma is the leading provider of advanced project management software solutions for multi-unit development. Created by a leadership team experienced in business development, Synuma's proprietary technology effectively synchronizes and manages the entire development process.

Synuma offers a single project management tool that allows franchisors and corporations to seamlessly track their business process from initial sales through the real estate and construction stages to ongoing operations for multiple locations. Synuma's cloud-based software provides clear communication, automated notifications and adaptive reporting for all disciplines within one project management tool that has the flexibility to evolve as a company grows and changes.

Solution:

Synuma delivered a project management solution to Captain D's that allows them to onboard franchisees and open their units faster while staying on budget and precisely managing projects and territories. With software that allows comprehensive data collection, reporting and tracking and forecasting capabilities, all departments know the status of a restaurant and can plan accordingly.

"They want to make the software work for our brand. They didn't say, 'Here's a system, you've got to use it this way.' They tailored it to meet our unique needs. With their background in franchising, they understand and speak the language. If I need them, I can pick up the phone and reach them. It's a great partnership, quite honestly, for our brand."

--Phil Russo, Vice President of Real Estate, Captain D's

"The reason I like Synuma is because everything's right there together. You know what it is; you can click on a button. You don't have to go in and create formulas, because they've already done that for you. I can go on 50 site visits and create a seed for each one, upload the information and photos for the site and keep track of what I've seen that day."

--Jeff White, Director of Real Estate, Captain D's

For more information, contact Paul Giggi at (404) 422-6699 or pgiggi@synuma.com
www.synuma.com

Meet Gen X

65 million consumers can't be ignored

Written By
ANDREA BRANDON

They've been called the Forgotten Generation. Born roughly between 1965 and 1980, Generation X falls between Baby Boomers and Millennials. The latchkey kids who grew up on music videos, grunge, and John Hughes movies are now putting kids through college and trying to pay down mortgages. They're generally at the peak of their careers and income levels, yet don't get the attention of the generations on each side of them. If, like so many, you've been underestimating what Gen X can do for your franchise's bottom line, take a look closer look.

DON'T OVERLOOK THEM

If your brand has been caught up targeting to older and younger generations, consider broadening your strategy to include Gen X. At 65 million, they may be slightly fewer than Millennials or Boomers, but they're worth your time, especially because they'll soon overtake Boomers, whose numbers are dwindling.

Why? They're big spenders. The kids who once scraped up cash to buy Run-DMC cassettes on the heels of the 1980s recession now earn and spend more than other generations. On their own, Gen X–led households have $25,000 more annual income than the average U.S. household, and they're predicted to make up 35 percent of consumer spending by next year. They're purchasing for themselves and their Gen Z kids, while influencing buying decisions for their aging parents. Don't underestimate their spending power. Even if they're not your primary audience, their influence and overlap make them valuable.

COMMUNICATE VALUE AND LOWER COST

While they're spending, they're not necessarily doing so frivolously. At a time in their lives when they're paying for everything from multiple car loans to appliances, they want to see their dollars stretch. Communicate the value they'll get with your products and services. Promote lower prices and discounts. Consider discount codes and coupons to this group, who are heavy users of both. Promote your loyalty programs to them as well. If they don't see a good deal, they'll likely move to your competition.

Why? They're bargain shoppers. Xers have lived through more than one recession, and they have the diminished 401(k)s and debt to prove it. They're mostly paying on mortgages (49 percent), previous credit debt (48 percent), and car loans (43 percent), and don't have much extra cash lying around. This makes them discerning shoppers looking for the best deal wherever they can find it.

BALANCE ONLINE AND OFFLINE

Gaining exposure to Gen X throughout their buying journey requires balance in where you market. Organic social media posts, email marketing, TV, and radio are all highly popular with Gen X. They're in-store shoppers—or browsers—so don't leave out point-of-purchase and out-of-home media.

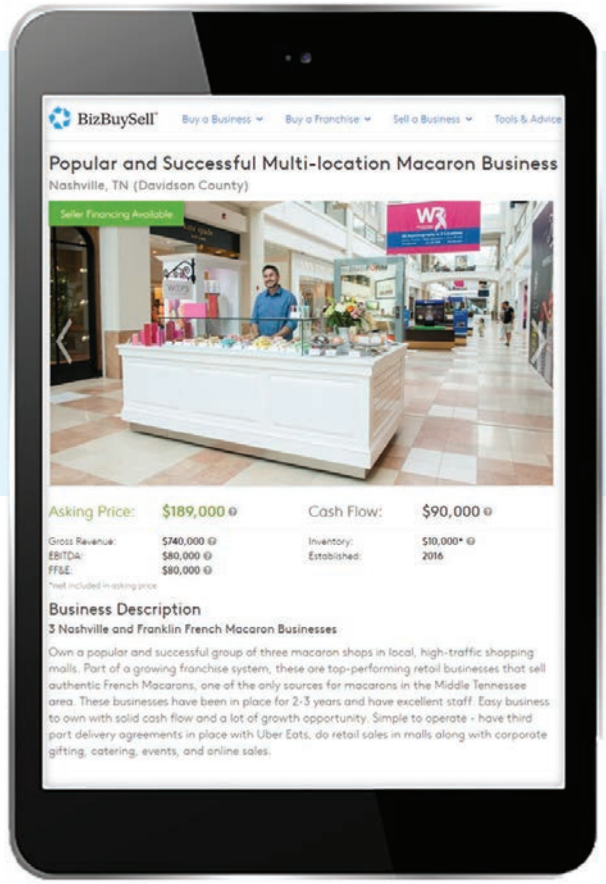
Why? They're comfortable in both worlds. Yesterday's mall rats and "Miami Vice" fans were born into traditional media. And while they easily take to digital, they often keep a foot in both worlds. At an average of three-and-a-half hours of television daily, they're seeing a lot of ads. As for social media, you'll find them predominantly on Facebook (nearly 89 percent are active users) and, to a much lesser extent, on Instagram (46 percent). Across all generations, they are the biggest users of Facebook, which accounts for 54 minutes of their day. Here's the thing with social, though, for Xers: they don't like paid social ads and say there are too many. This makes your organic social strategy that much more important. While online privacy is a concern to this group, once labeled as cynics, they're not quite as reluctant as Boomers about sharing personal information online if they believe they will get something of value in return.

Gen Xers are at the pinnacle of their careers, with the most income and propensity to spend on themselves and other generations. Marketers: It's time to remember the Forgotten Generation. ■

Andrea Brandon is vice president of marketing and creative services at Mindstream Media. She works across the organization and its client base to build awareness and generate leads for both the agency and its franchise brands.

Case Study: Brand Journalists

The Great Nashville Expansion: From Macarons to Gourmet Coffee



When it comes to franchise resales, franchisors and lead generation companies use BizBuySell.

Thomas Scott of Brand Journalists took it a step further and sold his personal franchises ***within 24 hours***.

As CEO of Brand Journalists, Thomas Scott specializes in lead generation services for major franchise brands, as well as transitioning franchisees, both in exits and new ownership. In addition, Thomas owns and operates several multi-unit franchise locations. (Talk about taking your work home with you!)

Challenge

In November 2018, Thomas decided to expand his Just Love Coffee locations in the Nashville area, which is also where he owned three Woops! Macaron franchises. He then decided to sell his three Nashville Woops! Macaron franchises. At this point, the business for sale market was experiencing record-breaking activity.

Research and Insights

According to BizBuySell's Q4 2018 Insight Report on business for sale transactions, for the third year in a row, a record number of businesses changed hands - the most since BizBuySell started collecting data in 2007. Since then, the market has indeed tightened, but we are still seeing over 10,000 businesses close in the last year.

Solution

Thomas works with BizBuySell often and recommends it for resale advertising to his clients, so it made sense that he would follow his own advice when it came to his personal business. He crafted an ad for his Whoops! Macaron franchise units, including many details, good photos and a strong call to action.

Results

Within 24 hours, he had two qualified buyers. One ended up purchasing all three locations, with an attractive price, as well as owner financing. Because they didn't have to use a broker, both parties saved money on commissions, making this one of the easiest resale transactions Thomas had ever seen.

"I wouldn't hesitate to use [BizBuySell] again and we encourage our franchisor clients to invest in [BizBuySell] ads for their own resale programs. We have helped many of our clients like Gigi's Cupcakes, Merle Norman, Fantastic Sams, Lenny's Subs, Aamco and a wide range of others help transitioning franchisees exit and gain a new owner at the same time. It is an essential part of any franchise system's resale program." -Thomas Scott

2020 AFDR

How do you measure up?

Written By
EDDY GOLDBERG

Results from the 2020 Annual Franchise Development Report (AFDR) were unveiled in late October at the 21st annual Franchise Leadership & Development Conference (FLDC) in Atlanta. The 2020 AFDR is based on responses from 122 franchisors representing 30,119 units.

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 2020 AFDR.

Highlights from the report were presented in a general session at the conference by Franchise Update Media's CEO Therese Thilgen and Executive Vice President and Chief Content Officer Diane Phibbs. Below are additional highlights from the 2020 AFDR. Ordering information can be found on page 34. (Conference attendees received a complimentary copy.)

THE VIEW FROM 30,000 FEET

It's all about the candidate experience....

- Your website
- Your social content AND engagement
- Your screener/qualifier/scheduler
- Sales person performance

It's not JUST about the money

- The emotional connection
- Purpose alignment
- Research before...the reputation, satisfaction, reviews, etc.

Franchise development is a TEAM Sport!

- Franchisees – validation!
- CFO – numbers and finance programs
- Marketing – SEO and PR

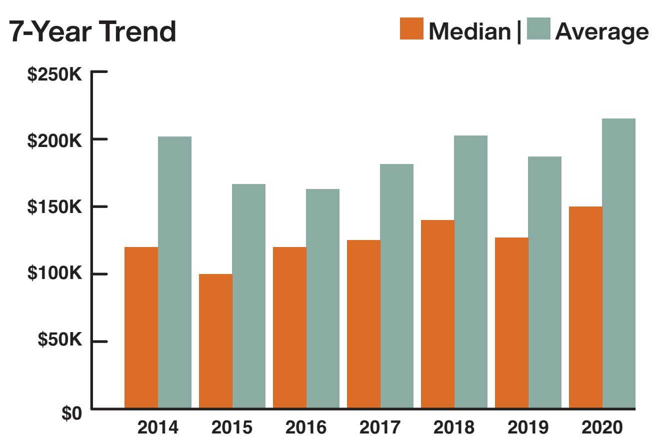
The way franchise prospects research franchise opportunities is changing. With so much information about a brand available online today, prospects conduct most of their due diligence long before they pick up the phone and engage with a brand, notes Phibbs. And, she says, that initial research is not only about the brand itself.

"When prospects look at a franchise opportunity, they also look at how a brand engages with its customers. They look at marketing programs, social media, PR, and visit or shop your brand themselves," she says. And they often talk with franchisees before they talk to you.

Key factors revealed in the AFDR and mystery shopping this year include the following, says Phibbs:

1. With so much initial research taking place on the Internet, it's critical to position your franchise opportunity in the best possible light online. This matters more than ever. Your website must engage prospects and provide important details to invite them to take the next step.
2. Franchise development is a team sport. How each department interacts with franchisees and end customers is huge. It's franchise development's responsibility to get the executive team and their peers educated and invested in development.
3. Business conditions at the unit level are critical to franchise development. If your units/locations aren't doing well, your ability to grow will be affected. There aren't enough leads in the world to overcome unhappy franchisees and negative sales and profits.

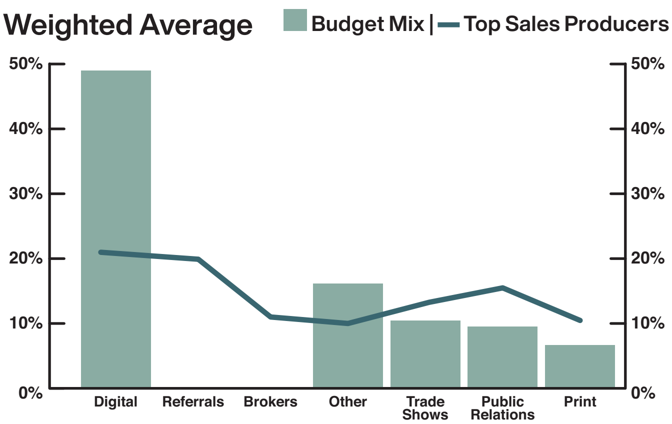
RECRUITMENT BUDGETS



After remaining relatively level from 2014 through 2019, average and median budget plans for 2020 franchise sales and recruitment budgets (advertising and media expenses not including brokers and employee compensation) are both increasing. From 2014 through 2019, average recruitment budgets ranged between a low of $162,821 (2016) and a high of $204,262 (2018); while median recruitment budgets ranged from a low of $100,000 (2015) to a high of $140,000 (2018). For 2020 both the average and median budget plans among the respondents are higher: $215,173 and $150,000, respectively.

"We've heard that franchise sales have been slow for some brands this year," says Phibbs. "The change in budgets could be an indication of slowing sales. The economy can play a part in this too. If the economy is good and jobs plentiful, people aren't looking for their next opportunity as much as they are in a weak economy."

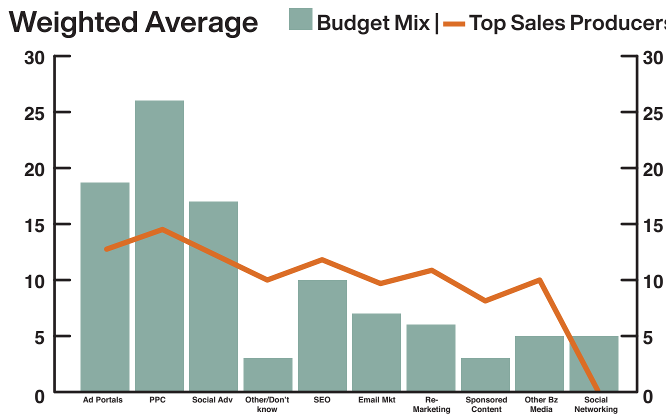
2019 SPEND: BUDGET VS. EFFECTIVENESS



In a departure from previous years, where the AFDR measured "where the money goes" by category (digital, print, etc.), this year we've calculated the *effectiveness* of that spending by category. This graph, showing the weighted average of budget versus effectiveness, provides a good picture of what's working. Phibbs had several observations based on this new data set:

1. Lead attribution is really important. To make better, more informed decisions on how to spend their franchisee recruitment dollars, brands should know how each prospect first learned about them. While prospects may not be 100 percent certain themselves (radio?, billboard?, a friend?), it's important to ask them, both during the initial call with qualifiers and on subsequent calls with sales executives. Take print, for example, which is showing itself as effective as other media, but is difficult to track without those conversations.
2. Digital isn't as effective as it seems, but it's easy to track. Although many franchisors reported that a lead came from its franchise opportunity website, that can't be the source. A prospect must have learned about the brand and then visited the website.
3. Brokers remain an effective, but costly lead source, according to respondents. "In previous years, the AFDR didn't track brokers in the budget breakdown," says Phibbs. "It was our understanding that the franchisee recruitment and management fees were paid out of the portion of the franchise fee brokers take and were not a recruitment budget line item. We're learning that this either has changed or hasn't been the case. Many franchisors now include brokers as a line item in their recruitment budget. We'll be updating the AFDR survey to include this in the future."
4. Referrals, at 36 percent, are the second-highest sales producer. Many franchisors have instituted a formal referral program for franchisees, offering cash rewards, discounts, or other incentives. Do you have a program for internal franchisee expansion and referrals? What about with your vendors and other stakeholders or partners?
5. Most important, are your franchisees happy and successful? No one sells better than a happy franchisee!

DIGITAL SPEND: BUDGET VS. EFFECTIVENESS



Again, rather than simply report on "where the digital money goes," this year's AFDR examined the *effectiveness* of that spend. This graph shows there are effective digital tools outside of digital ads and portals. A deep dive into digital results is needed if a brand is putting a lot of spend into these areas. In the 2020 results, Phibbs notes, ad portals were the most effective spend for the money. "I wonder if PPC effectiveness is not as strong because of today's expanding digital advertising options," she says. "Social advertising has grown as a significant spend, but doesn't seem to be as optimized in effectiveness for the money brands are spending on it."

MEASURING COSTS

- 79% track cost per lead (vs. 65% in 2019)
- $213 average/$91 median cost per lead ($126 average in 2019)
- 65% track cost per sale (vs. 53% in 2019)
- $10,500 average/$8,000 median cost per sale (vs. $8,984 average in 2019)

Cost per lead and cost per sale are arguably the two most important metrics in franchise recruitment. Both increased this year. As we've noted before, why 100 percent of franchisors don't track these critical numbers remains a mystery—and probably a major reason many development departments continue to miss their annual sales goals.

In this year's AFDR, 8 in 10 (79 percent) respondents tracked cost per lead; this compares with 65 percent last year. The good news is that more brands *are* tracking cost per lead; the bad news, of course, is that 2 in 10 still don't. Average cost per lead (among the two-thirds that tracked it) was $213; that compares with $126 last year, marking a much greater increase than in previous years. Median cost per lead this year was $91.

Looking at cost per sale, which many view as *the* most important recruitment metric, only 65 percent of brands in the survey tracked this figure. While this shows strong improvement from 53 percent last year, it still means that more than 1 in 3 (35 percent) brands still do *not* track this most valuable metric. The nearly two-thirds that tracked cost per sale reported an average of $10,500, up significantly from previous years. Median cost per sale this year was $8,000.

"Based on the budget vs. effectiveness charts, this calls for a full evaluation of your program to determine whether your spend is being placed where it's most effective," says Phibbs. "Get the most bang for your buck."

(As a technical note, Phibbs says the costs shown here include both new and existing franchisee deals and were counted by unit/location sold vs. the entire deal (5 units counted vs. 1 deal).

Big picture-wise, the good news is that more franchisor executives are tracking cost per lead and cost per sale than ever before.

SALES CLOSING RATIOS

- **Leads to Sales: 2.9%**
  - Increase over 3-year trend of .9%
- **Qualified Leads to Sales: 15%**
  - 1% increase vs. 14% in 2018
- **Applications to Sales: 27.7%**
  - Increasing over prior 3-year average of 23%
- **Discovery Days to Sales: 76.7%**
  - Increase over prior 3-year average of 69%

Another crucial set of 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. "The ratios have all improved over the past year, which is good news," says Phibbs. "The question is: Are lead conversions going up because there's a smaller, but more qualified set of leads?" An additional factor for today's higher lead-to-close ratios is the copious research conducted by prospects before they ever contact a brand, in essence, self-qualifying based on what they've learned online and by speaking with franchisees.

Since more brands are employing lead qualifiers, last year's AFDR added a new category for qualified leads. The difference is clearly illustrated in the data: qualified leads to sales were 15 percent, five times better than the 2.9 percent for all leads to sales. This significantly higher closing ratio speaks to the importance of having a pre-qualifier at the front end of your sales process. Weeding out the more questionable leads on the front end saves the sales team a lot of wasted time and effort during the ensuing stages of the sales process.

The application-to-sales ratio, at 27.7 percent, improved from 23 percent last year and was generally within the range of preceding years. The ratio for discovery days to sales, at 76.7 percent, was up from 71 percent and 72 percent in the preceding 2 years.

In addition to the increased use of pre-qualifiers, Phibbs notes that ongoing tweaks and improvements to the sales process affect conversions as well. Still, she says, "The mystery shopping results show there remains a lot of room for improvement." ■

DEVELOPING A CULTURE OF GROWTH

2019 FLDC draws nearly 500 to Atlanta

Written By
KERRY PIPES & EDDY GOLDBERG

Culture and growth ruled at this year's annual Franchise Leadership & Development Conference (FLDC), held in Atlanta this past October 15–17. The theme—Developing a Culture of Growth—said it all, highlighting the value of a strong, growth-oriented culture and the importance of buy-in from top to bottom throughout the organization.

Twenty-one years since it first began hosting the sales- and development-centered event, the Franchise Update Media team and Conference Advisory Board once again raised the bar, bringing in another group of top-notch speakers, knowledgeable and experienced panelists, and some of the industry's most sought-after suppliers for three days of learning, networking, and fun.

This year's conference, held at the InterContinental Buckhead Atlanta, drew 492 total attendees, including 301 franchise professionals representing 183 brands in the food, retail, and service sectors.

Opening keynote speaker Merril Hoge (pronounced Hodge) shared his inspirational life story of determination on the field as an NFL running back and later as a cancer survivor. Closing keynoter John Isbell, former vice president for operations and training for the Improv Comedy Clubs, brought a sense of humor to the serious subjects of teambuilding, training, and operations. Ed Rensi, retired president and CEO of McDonald's USA and chairman of the board of FAT Brands, was a special guest speaker at this year's CEO Summit.

The sold-out Sponsor Networking Gallery provided plenty of opportunities for attendees to socialize and share the highs and lows of life in the franchise development lane with their peers, as exhibitors and suppliers lined up to help them explore and shop for business solutions, strategies, products, and services to help them grow.

In all, 69 sponsors supported the conference this year. Platinum sponsors were Silvercrest and Transitiv. Gold sponsors were 919 Marketing, Hot Dish Advertising, Consumer Fusion, Drive Social Media, PwC FranSuite, and Synuma. ApplePie Capital once again sponsored the annual STAR Awards dinner.

DAY 1: PRE-CONFERENCE WORKSHOPS

The event kicked off with full day of pre-conference workshops, including the annual CEO Summit for franchise CEOs, presidents, and founders; IFA Fran-Guard (the IFA's sales management and compliance program); and in-depth workshops on sales and development.

Rensi, who left McDonald's about 20 years ago, regaled present-day franchise executives with tales of headier times in franchising, enlivened by his freewheeling, irreverent style as he delivered tale after tale, each rich with lessons and homespun wisdom. After his 2-hour morning presentation at the CEO Summit, he stayed for the entire day, making himself available to anyone who came his way, offering them advice, counseling, and a generally good time.

Meanwhile next door, sales and development professionals had their own special opportunity to participate in all-day pre-conference sessions divided into two tracks: Maximize Sales Performance and Maximize System Growth. These intensive sessions dug into the many ways franchisors can do a better job with their sales process, help franchisees to succeed and grow, and build the system overall.

Jeff Sturgis, a consultant with Fish Consulting (and former chief development officer at Fazoli's and McAlister's Deli), moderated the Position Franchisees for Success session in the System Growth track, alongside panelists Catia Morgan, vice president of operations at The Camp Transformation Center; Amy Somerville, senior vice president of professional development and engagement at RE/MAX; and David McDougall, chief operating officer at Your Pie Franchising. In this operations-heavy session, panelists stressed the many ways brands can help franchisees succeed, such as having the right infrastructure in place, relying on a solid vetting process, setting expectations and guidelines for franchisees to follow, and budgeting for a dedicated field support team. "You've got to look at your franchisees as partners," advised Sturgis.

Next door, in the Sales Performance track, Van Ingram, vice president of franchise development at Golden Corral, moderated and led the panelists through a look into the necessary elements and steps of the sales process. Panelists were Josh Barker, director of operations and franchise development at Christian Brothers Automotive; Keith Dziki, executive director of development at Wireless Zone; Todd Leonard, vice president of operations and franchise development at Executive Home Care; and Stephen Schiller, vice president of franchise development at Neighborly. Each generously shared lessons from their experience, and why every step along the way—from the initial call through discovery day—makes a critical difference in closing the deal with the right candidates for your brand.

The afternoon featured a second set of 3-hour sessions. The Sales Performance Track offered a session called Grow Your Team and Yourself. Matthew Stanton, chief development officer at WellBiz Brands, facilitated a panel consisting of Michael Arrowsmith, chief development officer at Pinch a Penny; Josh Wall, chief franchise officer at Urban Air Adventure Parks; and Brad Fink, vice president of leadership and franchise development at Christian Brothers Automotive. The high-powered panel explored how to hire, nurture, and lead a sales team of high performers who deliver quality deals.

The afternoon session of the System Growth track, Innovative Ideas To Accelerate the New Location Opening Process, was moderated by Shawn Caric, director of development Midwest at Dunkin' Brands. Panelists were Heather Briggs, senior director of marketing planning at Great Clips; John Dawson, senior director of construction for The Krystal Company; Jennifer Ramey, senior director of training and strategic initiatives at Jamba; and Greg Vojnovich, president of Vickery Creek. This session focused on each phase of opening new locations, from financing and real estate to permitting and training. Participants immersed themselves in table exercises throughout the workshop, where they developed solutions to the challenges presented.

As the afternoon's sessions wound down, attendees, panelists, and CEOs headed to the Sponsor Networking Galley for the conference's Welcome Reception. As ever, food and drink were plentiful, and the conversations with exhibitors, suppliers, and fellow franchisors brought the day to a buzz-filled close.

DAY 2: KEYNOTES AND SESSIONS

A continental breakfast awaited attendees early on Day 2 before Franchise Update Media Chair Gary Gardner welcomed attendees to the conference at the first general session and introduced the day's keynote speaker, Merril Hoge.

Hoge is a former NFL star running back, cancer survivor, author, and former ESPN analyst who shared his own, very personal story of strength and perseverance in the face of adversity. His talk from the heart inspired attendees to overcome any and all obstacles throughout their lives.

Author of the book *Find A Way: Three Words That Changed My Life,* Hoge talked about his own cancer battle in vivid detail and encouraged attendees to "find a way" in their own lives. "Each of you has goals, challenges, things you want to change, and you have dreams," he said. "You have the two greatest tools known to mankind at your disposal, your mind and your spirit. That combination is powerful." Hoge finished his presentation to a standing ovation.

Therese Thilgen, CEO of Franchise Update Media, then introduced the 2019 conference chair, Jennifer Durham, chief development officer at Cooper's Hawk Winery & Restaurants. Her upbeat, positive energy was contagious as she encouraged attendees to capitalize on being at the conference. "Leave here with three new friends and three things you learned," she urged.

FRANdata CEO Darrell Johnson took the stage next to deliver his ever-witty, informative take on the state of the economy and its likely effects on franchising in the coming years. "This is a period of significant change," he began, "and we need to be prepared for it."

He presented his assessment in three parts: World View, U.S. Growth, and Implications. Globally, he said, growth continues to slow. "Uncertainty is rising, permeating business worldwide." In addition, the IMF lowered its economic growth estimate for 2019 to 3 percent, the lowest economic expansion level since 2009.

Combined, the U.S. and China account for 35 to 40 percent of global GDP, putting additional pressure—and attention—on the on-again, off-again trade talks between the two countries. While Johnson sees the U.S. economy continuing to trend downward, one ray of light is that there are no bubbles indicating a recession on the horizon—nor a dramatic lift either.

He then listed several "econ-tradictions" in the U.S., such as strong consumer sentiment vs. weak business investment; weak manufacturing vs. flat services; tax cuts vs. a slowing economy; fiscal policy vs. monetary policy; and low unemployment vs. high labor unrest. The 2017 Republican tax cuts, he noted, did not drive the promised investment.

The implications for franchising included a warning to franchisors that strong headwinds will slow growth for franchisees. For example,

Innovative PR Firm helps Chicken Salad Chick become leading franchise brand.

fish

challenge

Chicken Salad Chick enlisted Fish's support to increase national visibility and boost lead generation for the brand's franchising opportunity. Fish was challenged to generate qualified leads among targeted single- and multi-unit franchisee prospects to build awareness of Chicken Salad Chick as an attractive franchise to own.

solution

Fish developed a robust franchise development PR strategy designed to reinforce Chicken Salad Chick's position as one of the most viable franchise opportunities in the fast casual segment. To maximize visibility, Fish leveraged Chicken Salad Chick's comp sales, annual growth, franchisee success stories, as well as the inspirational story of Founder Stacy Brown's journey from her kitchen to running a widely successful franchise.

By showcasing these unique storylines, Fish was able to reach qualified prospects in key growth markets while strategically positioning Chicken Salad Chick as a competitive investment opportunity. Additionally, Fish educated the multi-unit and greater franchise community about Chicken Salad Chick through executive speaking opportunities at key industry trade shows.

results

Fish's approach to franchisee recruitment has helped Chicken Salad Chick triple in size over the past three years, with a **238 percent increase in units open and operating and AUV growth of more than 30 percent. In the first two quarters of 2019, Fish generated nearly 1 billion media impressions across leading national business and trade publications** such as *Forbes, Entrepreneur, USA Today, QSR Magazine, Multi-Unit Franchisee Magazine, Franchise Times, Restaurant Business*, and *Fast Casual*, as well as in leading local publications including *Tampa Bay Times, Houston Chronicle, Birmingham Business Journal, Dayton Daily News, and Business Alabama Magazine*, among others. **Fish also secured multiple broadcast segments promoting Chicken Salad Chick's growth in target markets across the U.S., including St. Louis, Tampa, Augusta and College Station.**

In addition, **Fish secured panel participation and speaking opportunities for CEO Scott Deviney and other company executives at key industry conferences**, including *Franchise Times Finance & Growth, Fast Casual Executive Summit*, and *Franchise Leadership & Development*. **Fish also submitted Chicken Salad Chick for 10 industry awards and rankings.**

Chicken Salad Chick was founded in Auburn, AL, in 2008 and serves full-flavored, Southern-style chicken salad made from scratch and served from the heart. Today, Chicken Salad Chick offers more than a dozen original chicken salad flavors, as well as fresh side salads, gourmet soups, signature sandwiches and desserts. The brand has more than 125 locations in 15 states and has used a thoughtful franchise development PR strategy to help build its success.

CHICKEN SALAD CHICK

USA TODAY | HOUSTON CHRONICLE | Fast Casual.com | Tampa Bay Times | Franchise Times | QSR | Forbes | Multi-Unit Franchisee | Entrepreneur

LORNE FISHER | LFISHER@FISH-CONSULTING.COM | 954.893.9150

unit openings declined by 7 percent from 2016 to 2018, while the figures for signed-but-not-open units increased 3 percent in that same period. For franchisors looking to do deals with multi-unit operators, he suggested a greater emphasis on transparency, noting that 47 percent of franchisees consider FPRs most valuable in understanding the opportunity, while 35 percent said FPRs helped with due diligence when evaluating a brand.

Summing it all up, he said the U.S. economy is getting closer to a turning point where more uncertainties and normal economic cycles suggest the next downturn is coming, though no one can reliably say when.

So what should franchisees and franchisors do next? Three things, Johnson said: 1) Understand how fast is too fast, (see his column on this topic, page 61); 2) Evaluate the implications of more underperforming units by examining your operational support, public perception, system culture, and capital providers; and 3) Build more flexibility into your plans and consider how possible long-term trends will affect your brand, since economic change can come unexpectedly, whether from shifts in consumer sentiment in the U.S. or geopolitical events across the world.

AFDR & MYSTERY SHOPPING

Therese Thilgen, along with Diane Phibbs, Franchise Update's executive vice president and chief content officer, took the stage to deliver an overview of the 2019 Annual Franchise Development Report (AFDR) and Mystery Shopping survey. (For full coverage, see pages 32 and 42.)

The final morning event was a lively general session called Develop a Culture of Growth. A group of veteran CEOs and development officers, paired by brand, discussed how the right culture can help accelerate growth within a franchise system. Moderated by 2019 FLDC Chair Jennifer Durham, the brands on the big stage included Wild Birds Unlimited founder and CEO Jim Carpenter and Chief Development Officer Paul Pickett; PuroClean CEO and President Steve White and Vice President of Franchise Development Tim Courtney; and Tropical Smoothie Cafe CEO Charles Watson and Senior Vice President of Franchise Development Cheryl Fletcher.

Durham asked the panel about how to manage a culture of growth across the system, the importance of driving franchisee profitability, viewing franchising as a team sport, and demonstrating to franchisees that you, the franchisor, authentically and genuinely care.

The Sponsor Networking Gallery reopened for lunch and fresh opportunities to meet, greet, and do some business. Then it was time for the afternoon's first of four concurrent breakout sessions: Mastering Lead Qualification; Engaging with Next-Gen Prospects; New Franchisee Onboarding Is Critical to Long-Term Growth; and Best Practices for Item 19 & How to Use an Earnings Claim in Lead Generation.

Other afternoon sessions included Components of a Discovery Day; Understand Your Target Audience; Develop Financing Programs To Accelerate Growth; Convert Inquiries Into Active Candidates; Non-Ad Digital Strategies for Growth; and How To Handle Encroachment.

The day closed out with the final keynote speaker, John Isbell, who led a lively challenge session called Nurture Leads To Close the Deal—Be an Influencer with Your Prospects and Team.

Isbell helped to recover and reinvent the Improv Comedy Club culture, and also has helped other iconic brands, like IHOP, grow to new heights in culture, leadership development, and brand awareness. Part speaker, part stand-up comic, he led tables through a number of exercises centered around leadership, culture, learning, and team-building.

That evening, attendees crossed the street to attend the annual STAR Awards dinner and ceremony at Maggiano's Little Italy. This year's winners and their thoughts on why they were recognized begin on page 48.

DAY 3: WINDING DOWN

The final morning of the conference wrapped up with a session designed to help participants turn the previous two days of information and perspective into an actionable take-home plan they could use when they returned to the office.

Art Coley, CEO of CGI Franchise, led the session, Build Your 2020 Action Plan for Success. Coley was joined by Michael Arrowsmith, chief development officer at Pinch a Penny, Steve Bailey, senior director of franchise sales at Fazoli's, and Christina Chambers, executive vice president for franchise development at InXpress Americas.

The objectives of the session 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.

Participants sorted themselves into smaller 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.

THE REVIEWS ARE IN!

"I always enjoying being a part of FLDC and I appreciated the invitation to contribute to the best practices conversation," said Josh Wall, chief franchise officer of Urban Air Adventure Parks.

"I thought the turnout and engagement for our session was good. You guys did a fantastic job on this year's conference and I was honored to be a participant," said Pete Baldine, president at Moran Family of Brands. "The content was excellent and so was the organization. This continues to be my favorite conference of the year. The CEO Summit was very valuable and I thought the former IHOP presenter, Tom Baber, did an excellent job with his exercises."

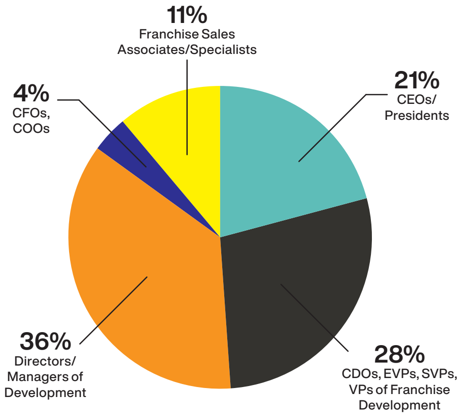
Plans are already under way for the 2020 Franchise Leadership & Development Conference, October 14–16, 2020 at the same venue. To learn more about this year's FLDC and register for 2020, visit www.franchisedevelopmentconference.com. ■

2019 CONFERENCE NUMBERS

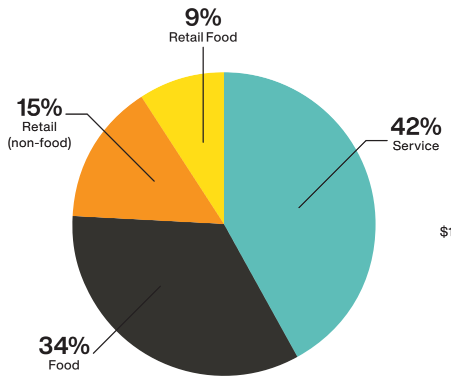
TOTAL ATTENDEES	FRANCHISOR ATTENDEES	FRANCHISOR BRANDS	SPONSORING COMPANIES
492	301	183	69

FRANCHISOR PROFILES

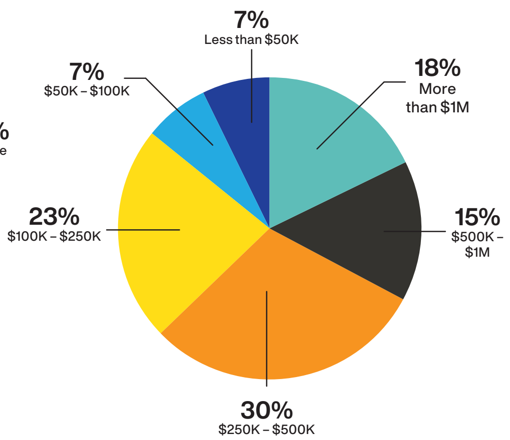
By Title



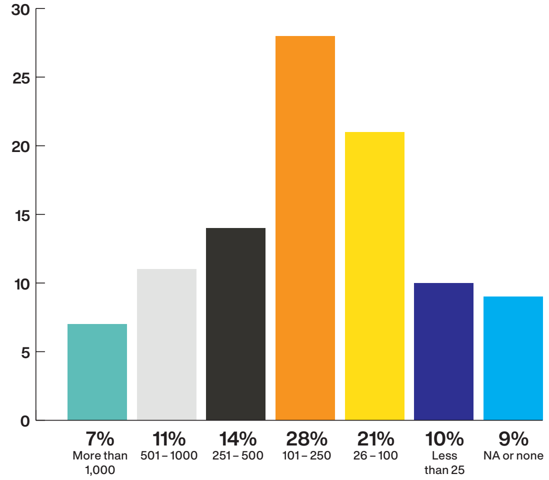
By Category



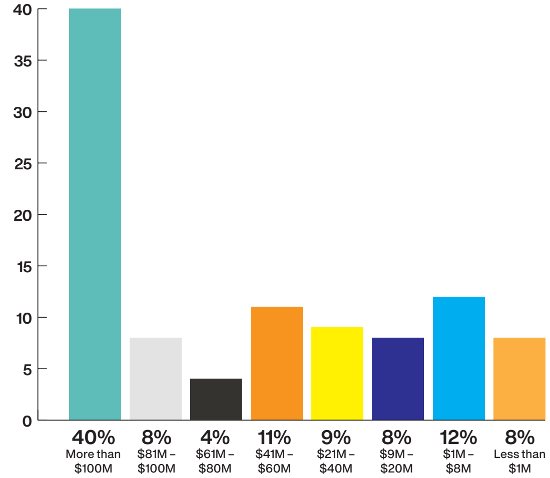
By Investment Level



By Number of Units



By System-Wide Gross Sales



SHOPPED FOR SUCCESS

Annual mystery shop of recruitment practices reveals development teams' strengths and weaknesses

Written By
KERRY PIPES & HELEN BOND

A solid franchise development program starts with doing the little things right—all the time, every day, with every prospect. Those "little" things are more important than ever because, by the time you hear from them, today's prospects are more educated about your brand than ever before.

This year's annual Mystery Shopping Survey found that while franchisors have more opportunities than ever to connect with qualified prospects, their challenge is making those connections count. To do so, successful franchisors must have systems in place to keep pace in a 24/7 digital world where prospects form opinions about brands *long* before they make contact.

"The way prospects research brands has evolved. The ability to conduct most of their due diligence online gives them plenty of information to vet brands," says Therese Thilgen, co-founder and CEO of Franchise Update Media, which mystery shops conference attendees each year. "An opportunity exists to engage with prospects before the first phone call takes place."

In the 2019 annual review of franchise recruitment best practices, researchers evaluated brands by directly calling them from information provided on their development websites; submitting online forms from those websites and grading the subsequent phone call response; thoroughly reviewing each brand's development website elements; grading each brand's social media activity and effectiveness; and measuring franchisee satisfaction.

This year's mystery shoppers were Michael Alston at Landmark Interactive (mobile); Art Coley at CGI Franchise (telephone); Rick Batchelor at Qiigo (social media); Don Rush and Ben Foley at Franchise Update (websites); Jayson Pearl at ServiceScore (website response); and Michelle Rowan and Eric Stites at Franchise Business Review (franchisee satisfaction). Culled from their extensive research and analysis, the following is a look at the good, the bad, and the ugly of franchise recruitment today.

MOBILE: LANDMARK INTERACTIVE

Smartphones continue to surge as the most popular way for franchise prospects to begin their research. Among Landmark's findings for 2019:

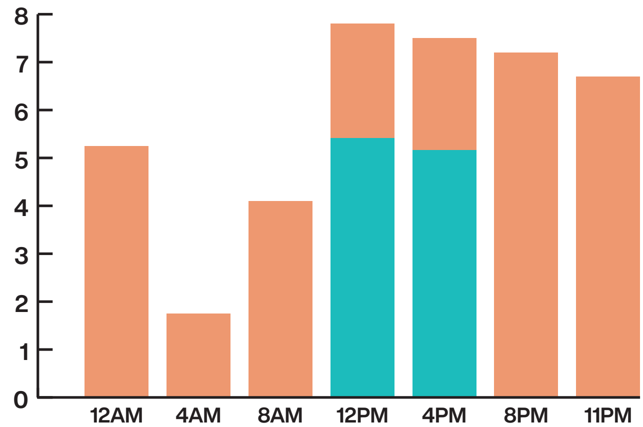
- 73% of potential investors use a smartphone to connect with brands online, up 12% from a year ago, and nearly double the share of 5 years ago;
- The use of desktop and laptop computers by potential franchisees continues to shrink, down to 23% from a 98% share in 2010; and
- Prospects turned to their tablets only 4% of the time in 2019.

"To connect with consumers on the ever-changing world of small mobile screens, we have needed to rethink how our websites and mobile apps are designed," says Michael Alston, president of Landmark Interactive. "That quick and reliable connection translates into high-quality prospects who are ready to learn more about exciting franchise concepts."

Landmark's mobile findings also reinforce the need for development teams to have robust systems in place to respond to inquiries *whenever* they're received. Landmark's study of daypart data suggests that more than two-thirds of prospects are in shopping mode outside of regular business hours. Overall, 67% of new investment prospects researched franchises and initiated contact during nights and weekends. This means that for every 10 daily leads, the odds are that only three are generated during the 9-to-5 workday.

67% of Inquiries occur OUTSIDE Business Hours

West Coast Even Higher for Nights & Weekends
Overall trend same as last year



Window	Eastern	Pacific
9–5 / Mon–Fri	34%	29%
Nights & Weekends	66%	71%

Source: Franchise.com, FranchiseGator.com, FranchiseOpportunities.com, FranchiseForSale.com, FranchiseSolutions.com | 2019 data analysis

"Knowing that part of the problem is a round-the-clock scheduling challenge, sales teams can adjust their process to better address the daypart differences," Alston advises.

Given the time zone differences in the U.S., the task is even tougher for brands that centralize franchise recruitment. For East Coast prospects, 66% initiated contact on nights and weekends; on the West Coast it was 71%.

"We don't advise texting or calling anyone back at 2 a.m., of course," says Alston. "But knowing when a lead was generated can help sales teams prioritize appropriately so that no one falls through the cracks."

TELEPHONE: CGI FRANCHISE

Recruitment teams continue to struggle with picking up the phone and calling prospects back, according to this year's results gathered by CGI Franchise. "We do the phone mystery shop to analyze the responsiveness of recruitment teams to an actual live person raising their hand and saying 'I want to learn more' about a specific brand," says Art Coley, CEO of CGI.

"Brands have become, more than ever, spoiled and complacent. It takes a lot for someone to pick up the phone and say they want to learn more. Why are we not answering the phone and responding back to them in a timely manner?" he asks.

Overall, CGI's evaluation uncovered lower performance scores for brands responding to telephone inquiries from potential prospects and found less of a personal touch than in previous years. "The big brand websites look like they are too big to care, with no way to reach them," he says. "They shouldn't become too big to grow."

This year the CGI team called 125 franchise brands, each caller posing as a qualified lead seeking information about franchising with the brand. The mystery shoppers measured how brands did with their initial response (receptionist/qualifier/appointment setter/director); information obtained (timing, location, financial, personal, etc.); emails and text communication; and overall responsiveness.

Four Primary Groups

		2019	2018
A	Phone number only	5	33
B	Online form only	24	26
C*	Phone & Online form	87	73
D	No Phone or Online form	9	5

*Online forms were completed immedately prior to dials being made – ZERO brands acknowledged or mentioned content being pre-filled out during calls

Brands were called three times at all hours at different times of day. Instead of seeing calls returned within the first 24 hours, Coley found an increased use of automated response and texting tools. In some cases during business hours, he says, it appeared that brands intentionally did not answer the call and instead called back within minutes.

In their research, the mystery shoppers at CGI were looking for the following:

- Responsiveness within a 24-hour period
- Who answered the phone, a live person or auto attendant, and how
- How the sales person interacted with the prospect
- Did they ask for all contact information, explain next steps, control the conversation, ask financials, location, time frame, experience, enthusiasm?
- Did they call back within 24 hours?
- Did they send an email and/or a text?

Additional findings from the CGI team included the following:

- Brands have become more automated/text-based in the first 24 hours (versus calling back).
- Brands are removing a designated phone number from their websites and requiring the prospect to complete a form before providing a phone number.
- Online forms were completed immediately before calls were made—and *zero* brands acknowledged or mentioned content being pre-filled during those calls.
- While texting may not be completely mainstream, CGI found that when brands sent a text or email (rather than calling back) the response was more polite, offering the opportunity to schedule a time at the candidate's convenience. Several brands used calendar appointment apps.

Coley offered four recommendations to improve performance in this critical aspect of franchisee recruitment:

1. Get crystal clear on gaps in your process.

2. Solve gaps with process and systems (versus personality).
3. Make sure you have a phone number and form on your website, along with texting and chat features.
4. Train, coach, and manage your recruitment team.

SOCIAL MEDIA: QIIGO

The business world is experiencing a massive shift in consumer buying behavior, and franchising is no exception. That's why online brand perception is critical, says Rick Batchelor, CEO of the franchise marketing firm Qiigo.

Batchelor and his team shopped 145 franchise brands and evaluated 2,600 Facebook posts, measuring fan counts, engagements, and posts as they applied to franchise development.

"For example," he says, "we looked at things like fan count—the count of the number of fans a Facebook page has. Then, for comparison, we calculated the national average for all the metrics among the brands."

The general idea, says Batchelor, was to determine how a brand engaged with its consumers, looking at the following factors:

- Did they participate in the conversation?
- Did consumers engage in the conversation?
- Were the conversations positive or negative?
- Did their consumers "love" them, or simply "know" them?
- What did their posts contain—links, photos, videos, statuses?
- Were their posts engaging or "sales-y"? Fun? Serious? Other?
- Was the brand sincere in its responses?

Unquestionably, social media continues to change how business is conducted, and franchise recruitment is not immune. Local social media marketing, online reviews, and other consumer opinions affect franchise development efforts. Brands that engage their consumers benefit from more cost-effective franchise development leads.

Recommendations resulting from his research, says Batchelor, include the following:

1. Monitor your social media; engage in the conversation.
2. Monitor reviews at the local level; respond to all reviews.
3. Respond appropriately (to show you care).
4. Leverage customer insights throughout your organization.

"Franchise prospects are much more sophisticated today," says Batchelor. "Consumers research your brand long before they decide to reach out to you."

WEBSITES: FRANCHISE UPDATE MEDIA

A new pair of mystery shoppers took on the task of measuring franchise recruitment websites this year. Franchise Update's Director of Technology Ben Foley and Web Developer Don Rush expanded how websites were evaluated this year, adding new categories and more granularity to previous years' categories.

By the time today's franchise prospects arrive at a brand's website they already have a lot of information. That's why it's critical for franchise opportunity sites to be performing at optimal levels and providing as much relevant information as possible to potential franchisees.

In addition to researching a brand's franchise opportunity pages, potential prospects also are researching how brands are interacting with their customers. Thus, prospects should be able to move easily between a brand's franchise opportunity site and its consumer site. Amazingly, 100% of brands surveyed had hard-to-find links from the consumer site to the franchise opportunity site.

"Key Content" measurements remained the same this year (including a dedicated About page, an investment chart, benefits of the franchise, earnings claims, FAQs, etc.).

The "SEO Readiness" metric—which includes items such as title tags, meta description, Open Graph tags, and social image—was expanded to include more points of assessment. Likewise for "Website Usability," which included factors such as franchise content accessibility from the home page, process of learning, security and privacy, effective use of technology (video, online chat, responsive website, invasive popups, etc.), and overall site presence.

"We expanded on those last two sections with data that is important in today's web development world," says Foley. "GDPR, privacy, and security concerns are at an all-time high with web users. Mobile is now the dominant player and social media marketing is the latest frontier for generating traffic. And having your site sharable is critical to your digital marketing success."

Website Results: Rich & Engaging Content

71%	Provided video (67% last year)
66%	Provided testimonials with photos and videos throughout the site
43%	Had video testimonials
54%	List their team
50%	Provided detailed FAQs

The researchers found near uniformity among brands in three distinct areas. 1) Nearly all websites were responsive (mobile-friendly); only two were not. 2) Nearly all sites were fully secured (https); however, a few had https but also had other unsecured elements that resulted in a non-fully secure site. 3) A majority of the franchisors used a unique website for franchisee recruitment.

Other observations by the website shoppers were that very few brands used a full application form. Instead, most relied on a short form with basic contact information; a few used a short form with a financial qualifier, time frame, or lead source. Nearly all websites were functional and easy to use, but did not have a cookie policy in place. Nearly all websites included links to their social media.

The following is a list of the items that should be included on a brand's website for prospects, and how well the brands shopped by our researchers did this year (by percentage of those who included the items and/or did it well):

CASE STUDY

vya | Simplified Marketing Systems

vyasystems.com

Kona Ice & Marketing at Scale

Supporting the localized marketing needs of a rapidly growing, mobile franchise organization with marketing resource management and print production services.

Kona Ice serves up shaved ice nationwide in hundreds of flavor combos from its iconic trucks, featuring the soothing sights and sounds of the tropics.

INDUSTRY
Mobile Foodservice Franchise
www.Kona-Ice.com

BUSINESS RESULTS
- Increased marketing efficiency
- Decreased number of custom marketing requests
- Improved corporate brand consistency nationwide
- Successfully managing growth with existing marketing team

> **"I'm excited to say that we are still growing at an amazing pace and, thanks to Vya, our marketing team is able to manage the additional workload, the Kona brand is consistent across the country, and our franchisees are as happy as ever."**
>
> Jessica Ross
> Head of Branding & Digital Marketing
> Kona Ice

Kona Ice has cultivated a unique brand that has helped propel it from a startup with one truck to a national franchise organization with more than 1,200 trucks on the road today. How has Kona Ice been able to successfully scale its marketing operation to serve its growing franchisee community?

THE CHALLENGE

As the Kona franchise organization continued to grow, and its localized marketing needs multiplied, the company understood that it needed to find ways to give franchisees more local marketing control while maintaining brand fidelity and consistency. That's when Kona discovered Vya, and the vision of scaling its marketing operation came into focus.

THE SOLUTION

Kona tapped Vya to bring its marketing resource management (MRM) system and print production services to Kona franchisees. The system, a marketing portal, gives franchisees the ability to customize, print, fulfill and track their local marketing materials, making it easier for them to execute marketing campaigns at the local level while ensuring corporate brand consistency. This has freed the graphic design team from many of the custom requests it had been fielding, allowing them to work on more strategic initiatives.

HOW IT WORKS

With Vya's MRM system, franchisees have access to templated and customizable marketing materials. When a custom request is necessary, it is initiated using an in-system form which provides the Kona designers the detailed information they need to fulfill the request, eliminating the inefficient back and forth of emails. The design process is managed and tracked within the Vya system, providing transparency and a referenceable history of requests as well as the ability to identify trends based on request activity.

Kona's Head of Branding and Digital Marketing explains, "Now all of our custom requests are managed within the Vya system. This has significantly streamlined our process and reduced the administrative workload for our designers."

THE IMPACT

Vya's impact can be measured by how Kona, with its small and nimble marketing team, has been able to efficiently support its growing number of franchisees, without losing a beat – or its cool.

Request a demo of the Vya solution at **vyasystems.com/frandemo**.

• Process for learning	78%	• Investment chart	38%
• Video	71%	• Requirements	54%
• Video testimonials	43%	• Build cost/fees/royalty	04%
• Visible phone number	70%	• FAQ	50%
• Dedicated About page	62%	• Earnings claims	28%
• Team listed	45%	• Detailed area map	39%
• Benefits of brand opportunity	87%		

In the end, the overall scoring breakdown is as follows, with 89 as the top possible score. Only two brands—Sport Clips and Tropical Smoothie Cafe—scored above 80; and 17 either had no website or were not a franchise.

SCORE	# OF BRANDS	SCORE	# OF BRANDS
80+	2	40 – 49	21
60 – 79	63	39 or less	37
50 – 59	35	0	17

The good news is that the brands that scored the highest used proper basic search engine optimization and employed good use of technology on their sites, such as video testimonials. Their websites were easy to navigate and content was well laid out.

The commonality among franchises with lower scores was a lack of information provided, such as benefits of their brand, requirements, investment information, franchisee testimonials, and frequently asked questions.

"These are the areas that could use improvement," says Foley.

WEBSITE RESPONSE: SERVICESCORE

ServiceScore focused on evaluating the website responsiveness of 133 brands or multi-brand franchisor parent companies. Researchers submitted a lead form to each, positioning themselves as a qualified lead. This year a new item was added to get a sense of how frequently brand qualifiers are mentioning at least *one* differentiator about their brand.

"In other words, giving at least one reason for the prospect to take the next step versus the competition," says Jayson Pearl, president of ServiceScore. "This was based on the observation from years past that often screeners aren't taking advantage of actually having a candidate on the phone to engage with them and share something special about their franchise offering. They're just asking a few screening questions, or worse, just calling a candidate to tell them that an email is coming and ask if they have any questions."

Here are some of the key metrics from ServiceScore's mystery shopping:

- 46% (61) called back
- 29% (38) called back within 24 hours
- 17% (23) called back in more than 24 hours
- 20% (27) shared a brand differentiator
- 14% (18) shared a differentiator & called back within 24 hours

"We know that candidates today have researched a brand before they 'raise their hand' to ask it to tell them more through an online form submission or a call to a franchise development line," says Pearl." There's a great opportunity for brands to take advantage of this to find out what sparked the prospect's interest and share and reinforce those attributes that are special and unique."

Additional findings ServiceScore unearthed included the following:

1. More brands are turning to schedulers or qualifiers for the initial outreach, but they are asking only one or two qualifying questions; or, in some instances, just call to say they are sending an email. Sometimes these qualifiers would ask to schedule a call with a franchise recruiter, but frequently just asked if the prospect (shopper) had any questions. While this seems like an efficient way to qualify prospects out of the development process, it may miss an opportunity to make a real connection. Creating a trusting expert connection is essential for the brand, even if the caller doesn't ultimately proceed through the process.
2. There is a wide variance of what happens on franchise websites after a prospect submits a contact form. On many sites, after submitting their contact information a candidate viewed a thank-you screen or the opportunity to download information.

"A best practice we're seeing—and a growing trend over last year—is from brands re-directing the site to engaging information that allows the viewer to spend more time on the site learning about the brand," says Pearl.

FRANCHISEE SATISFACTION: FRANCHISE BUSINESS REVIEW

Franchise Business Review (FBR) researched 71 brands representing 25,799 business outlets. A total of 7,894 franchisees completed an independent survey consisting of more than 50 questions related to their business performance, satisfaction with their brand, and general business demographics. Results were compared with benchmark data from about 25,000 franchisees representing more than 330 leading franchise brands 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 Franchise Satisfaction Index score of the Franchise Update group (69.4) was very close to the FBR Franchise Sector benchmark (71.7), which represents data from those 330-plus franchise brands in the benchmark group.

Nearly 8 in 10 (78.2%) of franchisees in the Franchise Update test group would recommend their brand to others. Brands earned high marks for franchisee enjoyment, general satisfaction, community engagement, and the belief in the honesty and integrity of their franchisor. The group scored lower when it came to the financial opportunity their franchise provides, training and support, innovation and creativity, and how well senior management involves franchisees in important decisions.

Of the three major industry sectors researched (food, retail, and services), FBR found that food franchise brands ran 5% to 10 % lower in franchisee satisfaction overall. ■

People, Products, and Process... the perfect blend.

At Clayton Kendall, we're not just about selling products with your logo on them.

Our customized online stores have helped franchise communities nationwide scale rapidly, save money and efficiently manage their promotional items, signage, apparel and marketing collateral. You can streamline operations, maintain brand compliance and shop conveniently online.

Contact CEO Dan Broudy
dan@claytonkendall.com
www.claytonkendall.com

CLAYTON KENDALL
360° BRANDED MERCHANDISE

SHINING BRIGHT

2019 STAR Awards honor the best in recruiting

Written By
SARA WYKES

Financial institutions dread the stress tests they must endure. Although only simulations, the tests apply economic circumstances designed to be tough enough to reveal vulnerabilities. Passing the tests validates investment strategies and operational practices. The annual STAR Awards represent another version of a stress test. Each year, more brands compete. Each year, the mystery shoppers and analytic metrics are more sophisticated. Just as the financial stress tests are valuable, so are the tactics shared by the first-place winners of the 2019 STAR Awards.

BEST OVERALL PERFORMANCE BEST FRANCHISEE SATISFACTION

Wild Birds Unlimited is no stranger to the top spot in this annual competition—and there are good reasons for that. "Every single year we look at where we can celebrate and where we can get better. We set aggressive goals and put together a written plan," says Paul Pickett, the brand's chief development officer.

Pickett, who has been a part of Wild Birds Unlimited for more than 25 years, has a long view of what's been done and what always needs attention. Improving communication, he says, will always be on the list. "As time goes on, it gets even more challenging because there are so many different ways to communicate. You have to meet people where they are. People say, 'How do you do it?'" The answer is simple, he says: "We ask."

Wild Birds Unlimited also makes sure that communication continues as a priority as candidates move through the development process. "What we've learned is that just when you think you've over-communicated something, you may only be reaching 50 percent," says Pickett.

Like many other brands, Wild Birds Unlimited has revised its website. Keeping the website current and improving its functions is a constant process, says Pickett. Today, for example, it offers prospects a better search mechanism than previously, and allows them to create their own nests of information as they gather it from a new section of relevant materials.

Winning the overall performance award is a huge honor, Pickett says. Wild Birds Unlimited is committed to exemplary service and support to its franchisees and its customers. That philosophy began with its founder, he says, who believes that it doesn't matter if a customer spends $5 on a tiny bag of seed or they pull up in an expensive car and load up on $500 worth of product. That approach paid off this year as the brand also took home the award for Best Franchisee Satisfaction.

"We're committed. It's all about doing the right thing, attending to the customers as quickly as possible, reaching out and making yourself available," he says. "If you don't think it's an honor to have someone be interested in you, you're wrong."

While Wild Birds Unlimited may seem "niche-y," Pickett says, "People are becoming more aware of the long-term effects of what's happening in the world and are wanting to participate. We try to look at where we can make a change, to be active and smart and make a difference."

BEST TELEPHONE PROSPECT FOLLOW-UP

Earlier this year ShelfGenie designated someone on the franchise development team to be lead qualifier, says Wes Barefoot, director of franchise development (and franchise partner for ShelfGenie of Coastal Carolinas). That person has two primary roles. One, he says, is to be as responsive as possible to leads as they come in. "The quicker we respond, the higher the likelihood we have to engage with a lead, determine their interest level, and whether or not they are qualified to move to the next step in our discovery process."

Second, the lead qualifier determines where prospects are located, why they're interested in opening a business, whether they have the means to invest, how they heard about the brand, and if they are earnest about learning more. "If they are in an area where we have territory available, meet the financial qualifications we look for, and are serious about scheduling a longer call with one of our developers, then they get moved on to the next step in the process," Barefoot says. "If they are not, then they are eliminated from our pipeline."

As other savvy franchisors have found, knowing *how* to communicate is key. "We understand that not every prospect prefers to communicate the same way. Some prospects prefer a phone call, while others prefer to communicate by text message or email," says Barefoot. "Our lead qualifier reaches out to leads with a strategic combination of phone calls and text messages, while our CRM system delivers drip email campaigns for a period of time after leads come in. This combined approach results in us connecting with more leads in a shorter time."

Again, speed of communication has become a higher priority. "The sooner we can make contact with a prospect, the sooner we can determine if they are qualified or not," Barefoot says. "This is critical to good prospecting and follow-up. The longer we go without making contact with a prospect, the less likely we will be able to engage with them. The sooner we can connect, the sooner we can determine if they're qualified or not. If they are qualified, we get them working with a developer and moving through the discovery process. If they aren't, we can eliminate them, so the lead qualifier can focus their attention elsewhere."

ShelfGenie is also aggressive about testing its process to continually improve it. "We test the process on ourselves," Barefoot says. "We will enter test leads to see how quickly we are receiving phone calls/text messages. We test the drip campaigns. We also do some A/B testing where we try different text/content to see if one version gets better responses than the others. We are always testing and trying new things to see what works better. We try to think like a prospect does, and then adjust our process to be easy for them. People are very used to convenience these days. If they have to work too hard to get in touch with us, they are likely to give up. We want to make it easy for prospects to connect with us and learn more."

WEBSITE BEST PRACTICES

Two franchises shared this award this year: Sport Clips and Tropical Smoothie Cafe. Two years ago, Sport Clips made major revisions to its website and attributes improved results to those changes—specifically adding more transparency around the numbers that show prospective franchisees what resources they'll need to qualify.

"We wanted to make sure people could self-screen," says Jim Atkinson, the brand's vice president of franchise development.

As the franchise has grown, it has chosen quality over quantity of candidates and that new transparency has produced candidates with substantially higher net worth. Those better-qualified franchisees have, in turn, been producing better grand openings, Atkinson says. Whether there's a direct link between one and the other he wouldn't say, but there's another change in the website he suspects might be an influence, too. "We have a lot more video," he says. "We've shifted from telling prospects a little bit to telling them much more."

Tropical Smoothie has 800 locations in 44 states, 400 in the pipeline, and is on target to open 130 this year. Being in rapid growth mode means making ongoing updates to its recruitment website, says Cheryl Fletcher, senior vice president of franchise development. Recently the brand has worked on showcasing its franchisees to a greater degree. Having them on camera sharing their experiences is an effective means of explaining what the brand stands for, she says.

Easy site navigation is also a priority. So is displaying as much information about the brand as possible. "We've made sure that people can see what they're investing in," says Fletcher.

BEST ONLINE SALES FOLLOW-UP

BrightStar Care redesigned its website a couple of years ago to improve navigation. Its most recent addition has been auto-texted responses to prospect inquiries that allow people to make appointments 24/7, says Pete First, BrightStar's vice president of development. "It cuts down on the chasing. It's been a real positive," he says.

BrightStar also has committed to favoring quality over quantity of prospects. One aspect of that was finding out what communication method candidates preferred. It was texting.

"That's what our candidates are used to," says Best. "They work in a digital world. And they often thank us for the quick response."

Franchise Development Manager Ruth Chavez has been on the front line of that effort, he says. BrightStar's focus on improving its digital recruiting presence also includes integration of all digital materials encompassing remarketing, retargeting, and email campaigns.

BEST SOCIAL MEDIA

KFC, the winner in this category, was unavailable for comment by press time. Instead, we asked Rick Batchelor, CEO of Qiigo, which evaluated brand performance in this category for his thoughts. (For more on his methodology, see page 44.)

Batchelor says social media expertise will only become more essential for franchise recruitment with today's prospects, who not only check out brands online, but also consumer feedback on social sites.

To use social media successfully today, he says, franchisors must ask themselves certain questions: How are its consumers participating in social media? Are the conversations positive or negative? What does the social media content include? Are the brand's posts engaging or too sales-y, serious or fun? Is the brand sincere in its social media responses?

"Brand perception online is critical," Batchelor says. "The days of a salesperson, a phone, and a website are gone. Franchise prospects are much more sophisticated. They will research a brand long before they reach out—and social media, online reviews and other consumer opinions do affect franchise development efforts."

To succeed with their social media marketing strategy, brands must monitor social media, engage, and respond in ways that show they care, Batchelor says. "Leverage the insights you gain throughout your organization—and have separate franchise development accounts for your social media formats." ■

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WINNERS

	1st Place	2nd Place
Best Overall Performance	Wild Birds Unlimited	—
Best Telephone Prospect Follow-Up	ShelfGenie	Launch Trampoline Park
Best Online Sales Follow-Up	BrightStar Care	Wild Birds Unlimited
Website Best Practices	Sport Clips, Tropical Smoothie Cafe (tie)	College Hunks Hauling Junk & Moving
Best Social Media	KFC	Dunkin'
Best Franchisee Satisfaction	Wild Birds Unlimited	Pinch A Penny

TOP 20 WINNERS & RUNNERS-UP

Best Telephone Prospect Follow-Up	Best Online Sales Follow-Up	Website Best Practices	Best Social Media	Best Franchisee Satisfaction
Shelf Genie	BrightStar Care	Sport Clips (tie)	KFC	Wild Birds Unlimited
Launch Trampoline Park	Wild Birds Unlimited	Tropical Smoothie Cafe (tie)	Dunkin'	Pinch a Penny
Acasa Senior Care	FirstLight Home Care	College Hunks Hauling Junk & Moving	Wendy's	Dream Vacations
BrightStar Care	TeamLogic IT	Handyman Connection	Little Caesars	Fastsigns
Scenthound	Denny's	Executive Home Care	Denny's	Christian Brothers Automotive
Philly Pretzel Factory	Dream Maker Bath & Kitchen	Mighty Auto Parts	Wingstop	Two Men and a Truck
Wild Birds Unlimited	Home Helpers	A&W Restaurants	Ruby Tuesday	Chicken Salad Chick
Concrete Craft	A&W Restaurants	PJ's Coffee of New Orleans	Rita's Italian Ice & Frozen Custard	TeamLogic IT
Lennys Grill & Subs	Tropical Smoothie Cafe	Christian Brothers Automotive	Save A Lot	Dream Maker Bath & Kitchen
The Grounds Guys	Comforcare	milliCare	Checkers and Rally's	Office Pride
Wingzone	Philly Pretzel Factory	Wild Birds Unlimited	Qdoba	Pizza Factory
Tin Drum Asian Kitchen	Fyzical	Chicken Salad Chick	Tropical Smoothie Cafe	FirstLight Home Care
Office Pride	Zoup!	Money Mailer	School of Rock	Pizza Ranch
Wireless Zone	Fazoli's	Huddle House	Red Wing Shoes	Right at Home
Uni K Wax	Lennys Grill & Subs	PostNet	Krystal	Fibrenew
A&W Restaurants	Pinch A Penny	TeamLogic IT	Philly Pretzel Factory	Burn Boot Camp
Puroclean	PostNet	The Camp Transformation Center	Marco's Pizza	College Hunks Hauling Junk & Moving
Just Between Friends	Sport Clips	FirstLight Home Care	Massage Envy	Tropical Smoothie Cafe
dermani Medspa	Mighty Auto Parts	Sonic	Tempur-Pedic	Wendy's
J.D. Byrider	Rascal House	Lennys Grill & Subs	Taco John	Lennys Grill & Subs

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Q What are you doing to improve the speed and effectiveness of your responses to prospects evaluating your system?

JOHN WUYCHECK

Senior Vice President of Development

Kahala

The first piece of advice I have is to work hard to create a robust, well-thought-out website that is informative, educational, and tells the story and history of the brand. This helps to ensure there's no wait time when a prospect is looking to gain information on the franchise and its potential. Additionally, your website's contact page must be easy to find and offer more than a simple form for the prospect to fill out, though it should have that too. Have the phone numbers of the sales office, or even of a specific franchise development manager available so prospects can get an immediate response.

For the prospects who go the route of filling out an online contact form, employ lead qualifiers to respond in real time through calls and texts. These rapid response employees should be trained to schedule appointments with development managers who will then further educate a prospect on the franchise system. These appointments should be scheduled at the earliest convenience of the prospect, ideally even that same day. Also, ensure the development team has a tool belt of resources at their fingertips (financing, real estate, etc.), so they can readily point the prospects to educational sources.

Having a great website is just the first building block in improving the speed of responses to candidates. Once you have your site built, your team needs to produce and share new content regularly so information is up to speed and relevant. The website must consistently be updated with news articles about the franchise, when and where a franchise agreement has been signed, if you have an opening in a new market, and other value-added information on the concept.

When the site and staff are built, franchisors should also use email drip campaigns. This will help to fill the gaps between the calls and texts from the development managers, while also serving as an effective educational tool. Through drip campaigns, you can stay top of mind for prospects and share franchise system growth and impressive developments at the corporate office.

Last, something cost-free that a development team can incorporate immediately is to never end a phone call with a prospect without scheduling the next one. The prospect needs to know when their next touch point is and what will be expected in that call.

Ultimately, the easier you make the communication process for the prospective franchisee, the more effective and quicker it will be. ■

ERIC KESHIN

President, CMO

Great Harvest Bread Co.

For all leads, we receive automatic alerts and respond within a 24-hour window. While we embrace all forms of communication, our number-one form of contact is the auto-generated text, which offers immediate connection and a personal touch. It is astonishing how many times one will try to reach out to a candidate by phone, only to leave a voicemail. Yet, when you text them they respond immediately. Texting also provides a greater opportunity to schedule that phone call at a convenient time when both candidate and franchisor are free from distractions. Candidates are appreciative and deliver a positive response to the offer of scheduling a phone call around their schedule.

Once contact has been made we make sure to listen carefully to the prospect to determine the best way to proceed. For instance, we have found that an email response offers more in-depth information, including details about the brand, the franchise opportunity, and the application process. We're also able to educate the candidate on the different franchise model options available, including transfer stores, which often sell quicker. No matter the form of communication, we offer honest and transparent (as possible) answers to build trust and rapport.

Second, the franchise sales team needs to be available as it's not a typical 9-to-5, Monday-to-Friday job. It requires working outside the bounds of what some would consider normal work hours to accommodate both existing franchisees and franchise candidates. To accommodate different time zones, our franchise sales team is flexible with regard to evening and weekend hours.

We have a defined process in place from initial contact to when we complete our two-step pre-approval process. Step one is clarification on where the candidate is looking to open and if they are financially qualified. Step two is a more comprehensive sit-down to dig into the financial aspects, including providing them the FDD.

One way we improve effectiveness is to ensure that we're being transparent about who we are, the brand's identity, and making sure the candidates get to experience our culture for themselves. To understand the mission statement and make sure it's a mutual fit, we want them to attend one of our monthly Experience Great Harvest Days in Dillon, Montana. We never steer candidates away from doing their due diligence because it's crucial they get to "touch and feel" what the Great Harvest investment is about. We want to make sure candidates are visiting stores and speaking with existing franchisees. If one of our 200 locations is not close to them, then we schedule the onsite store visits. ■

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"Ingagement" is the key to franchise sales

Written By
EVAN HACKEL

All of us in franchising know that the key to selling franchises is to build good relationships with prospective buyers. That's another way of saying "People like to buy from people they like."

This is a fundamental concept to keep in mind. But to sell more effectively and more often, consider the fact that people will not buy your franchise simply because they like you. They will buy because *they feel comfortable and convinced that buying your franchise is the absolute best decision they can make.* And they will feel that way when you demonstrate some very specific realities to them, such as:

"I will have the ability to control my own hours."

"I will earn more than I am currently earning."

"I will have the opportunity to build an asset that will increase in value, one that I can sell someday if I decide to."

"I will no longer work for other people, I will be working for myself."

HOW TO COMMUNICATE THIS?

I recommend using an approach to leadership I call "Ingagement." I spell that word with an "I" because "Ingaged" leadership enables people to see a personal and exciting "I" role for themselves in what you are talking about.

The most effective way to get prospective owners Ingaged about owning a franchise is not to *tell* them about the benefits. The best way is to let them discover those benefits for themselves. There is a big difference between being told and discovering on your own. People who discover the benefits of owning one of your franchises don't need to be pressured to buy. They become believers because they have gone through a personal process of decision-making and are committed to coming on board.

But how do you lead people to come to that realization themselves? The answer is simply Ingagement. You want to Ingage them in a series of high-quality questions focused on them, not on what you want them to do. What questions are best?

Start with, "Why are we talking?" In answering, your prospect will discover and talk about personal and professional issues that should be part of their decision-making process. Listen carefully to their answers. They might want to build a good economic future for their family, or say that their mother once owned a business and now they are looking for an opportunity to do so. You will discover the underlying motivations they are weighing—and, more important, they will discover them too.

A good next question is, "How do you think this franchise opportunity could help you reach those goals?" Don't jump in to provide the answers... and don't just talk, talk, and talk. Instead, allow your prospects to pursue and amplify their thinking and discover how your franchise will help them reach their important goals.

Follow up with, "Why is this opportunity interesting to you?" This question seems simple, but it encourages your prospect to discover ways your opportunity can mesh with their personal aspirations. If your prospect discovers that owning your franchise will help everyone in their family learn important life and business skills and attain financial security, that is powerful.

Continue the conversation with questions like, "Can you tell me more?" and, "Why do you think that?" These questions deepen your prospect's decision-making process, make it more personal, and can establish the foundation of their decision to join your organization. Follow up further with confirming statements like, "I want to make sure I understand and am on board with what you said."

THE BIGGER PICTURE

You want the person not to feel "talked at," but "listened to." And that can happen only when you spend enough time up front to understand them. I'm not talking about adding a question or two to your selling process. I'm talking about *tripling* the amount of time you spend asking questions up front and striving to understand how important the decision-making process is to your prospect.

The time you invest is incredibly valuable and offers an immense payback. It will establish a bond with your prospect that will have inestimable value after the sale is made.

So have an Ingage-ing conversation with your prospect. You will spend more time up front, but a lot less time later. Your entire franchise will become more successful, and you will close more sales. ■

Evan Hackel is a 35-year franchising veteran as both a franchisor and franchisee. He is CEO of Tortal Training, a leading training development company, and principal of Ingage Consulting. He is a speaker, the author of *Ingaging Leadership,* and hosts "Training Unleashed," a podcast covering training for business. Contact him at evanspeaksfranchising.com, follow him at @ehackel, or call 781-820-7609.

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Sales Advice for New Franchisors

Balancing the risks and opportunity

Written By
KAY AINSLEY

When word got out that Sweat440, the membership-driven fitness concept headquartered in Miami Beach, was developing a franchise program, friends, family, clients, and business associates all raised their hands to express interest in the franchise opportunity. In fact, the first Sweat440 franchisee is a relative of one of the principals. "I love the concept. Sweat440 offers clients many advantages, such as being able to combine working out in a small group with convenient, flexible timing. I've witnessed the success of the studio in Miami and I know the management team. They are all very smart, hardworking, high-energy people," said Brittney Fremeth, who jumped at the chance to become a franchisee and will open her studio in Montreal in late 2019.

Youth Enrichment League (also known as YEL!), an after-school children's enrichment program that just launched their franchise program, has also found tremendous interest from those close to home. Founder and President Chet Gunhus says, "We've had several employees ask about a franchise. We're pleased to be able to offer them this opportunity to own their own business." One of those employees, Kamau Wilkins, a YEL! employee for 7 years, said, "Working for YEL! is pretty close to being my dream job. I love working with young people, and being able to work from home gives me great flexibility and more time to spend with my family. I am excited to explore owning my own franchise."

Kim Collier, director of franchise development for Ducklings Early Learning Center, an early education program for children aged six weeks to six years, has had a similar experience. "We've been operating Ducklings in Southeastern Pennsylvania since 1994 and are well-known in the communities we serve. We've had a tremendous response to our franchise program from the parents of students and former students. Our first operating franchisee is Deb Bellino, who had been a Ducklings employee for 20 years. She purchased an existing school as a turnkey franchise." Says Bellino, "I know being an owner will be different than being an employee, but I'm confident Jody, Kim, and the Ducklings team will give me the support I need to be successful."

New franchisors are missing a good bet if they don't get the word out that they are franchising to their own customers, employees, suppliers, friends, and family. Using grassroots lead generation—such as talking with or sending a letter to customers and suppliers, a kickoff meeting with employees, franchise information on your website, or postings on social media—is not only cost-efficient, but (as noted above) these tactics can be highly effective. Even if the recipient is not interested or qualified they may know the perfect candidate. Another way to get the word out is simply to put "Franchises Available" on everything from point-of-purchase signage and packaging to napkins, invoices, and receipts.

CHOOSE WISELY

Of course, not everyone who knows you and loves your business enough to ask about becoming a franchisee will end up taking the plunge and investing in your franchise. It is still a bigger risk to be first than some people are willing or able to take. And not everyone who knows you and loves your business is someone you will want to have as a franchisee for the next 10, 15, or 20 years.

Franchising is governed by a contract, but successful franchisors manage their franchise network by building strong relationships with their franchisees. "Whether we're talking to someone we know or someone we've never met, we put everyone through the same sales and approval process to ensure that we are all on the same page and that we have set the proper expectations," says Warren Fremeth, vice president of franchise development for Sweat440. "We are also careful to strictly follow the FTC and state regulations regarding offering and selling franchises. We do not want any surprises down the road."

HIGHLIGHT THE BENEFITS

In talking with prospects on the fence about being first, new franchisors can highlight the benefits of going with a new franchise system.

1. **State-of-the-art franchise program.** New franchisors have the advantage of including in their franchise program the most modern and state-of-the-art franchise practices. For example, technology continues to play a greater role in the way businesses are managed and how they communicate with their customers. Keeping up with the latest technology can be costly, but slipping behind can take away from the business and the ability to attract and keep customers. Newer franchisors often include a technology fund or fee to enable them to maintain their competitive edge as technology changes.
2. **Ability to select their territory or location.** New franchisors have plenty of open territory, and the first franchisees have first pick of prime locations.
3. **Full attention of the franchisor.** First franchisees become either a franchisor's best salespeople or their worst nightmare. Because future franchisees are able to validate the performance of the business and the franchisor with current franchisees it is critical that first franchisees be given the support they need to be successful.
4. **First mover advantage.** In addition, as the brand grows, so does the value of the business. Those who take the risk of being first can reap the rewards as the system grows. ■

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

2020 Real Estate Trends

Malls, e-tailing, and "hipsturbia"

Written By
TIM LINDERMAN

While I remain extremely optimistic about the U.S. economy's sustained growth, let's not think we're sailing into a rebirth of the Roaring '20s. Nonetheless, the economy is certainly strong and expected to remain relatively robust into 2020, making it a fantastic time to be leading franchise growth.

Even if a slowdown sneaks its way into the economic landscape, there is far too much muscle behind today's bull market for a slowdown to have a significant impact in the near term. As Andrew Warren, director of real estate research for PwC, stated in this fall's Urban Land Institute's *Emerging Trends in Real Estate 2020* report: "Long-term economic growth is probably going to be slower—sustainable, but slower. We look at the potential of 2 percent growth over the foreseeable future—5 to 10 years."

As we head into 2020 it is critical we're tuned into what is trending to make the most of any opportunities.

RETHINKING MALLS

With the markets rising and falling amid trade wars and other political pressures, real estate continues to be the darling of investors. No other investment is providing the type of yield real estate continues to offer.

This means real estate prices will remain challenging in 2020. So stay creative with where you see your concept fitting in. Where can you find the most value? Along those lines, it's time to rethink your stance on malls, because in 2020 they may well be a venue where foot traffic returns. Malls are working hard to revitalize, repackaging what they can provide to retailers and restaurants—and, more important, to consumers.

What I am seeing are experiential concepts maximizing mall spaces. Dynamic draws such as IMAX, Dave & Buster's, Topgolf, and Lucky Strike are redefining entertainment in mall-type environments.

In addition, the evolution of malls in 2020 will more distinctly include the emergence of a new mall ecosystem. By this, I mean malls are introducing more than just new entertainment destinations, renovating and adding on residential and professional office areas. For example, the plans that emerged for the Westfield Montgomery Mall in Bethesda included a project that could add hundreds of new apartment units to the aging property.

The bottom line is that mall owners are rising to the occasion, presenting smart responses to changing consumer preferences that encourage consumers to stay more engaged in malls through innovative uses of their spaces, which could be beneficial for all tenants.

E-TAILING WILL NOT REPLACE RETAILING

I'm like many of you... Amazon is at my house several times a week. And I can DoorDash with the best. But let's not be fooled into believing that brick-and-mortar retailers and restaurants are on death's doorstep.

If you're paying close attention to real estate trends, you'll notice that online retailers continue to pop up in malls, shopping centers, and lifestyle centers. E-tailers are recognizing that foot traffic often outweighs online traffic: it provides consumers the ability to use all of their senses in the purchasing process, offers e-tailers new revenue streams, and the upselling process is enhanced dramatically in a retail space.

I share this with you as many of us in franchising face increased competition for real estate. Whether in trendy mixed-use developments such as power centers, neighborhood hubs, or lifestyle centers, online retailers are here to stay. Their proliferation in retail spaces will accelerate in 2020 more than ever, popping up in brick-and-mortar locations and becoming a new competitor in many cases.

HIPSTURBIA IS REAL

Walkability and unique entertainment and dining experiences in suburban markets will be highly sought after in 2020. The hipster nation has made its intentions known, and real estate investors are responding. In the year ahead, we will see more live/work/play environments in suburban areas. While Brooklyn set the tone, you'll start to see it more regularly in America's hottest markets, where off-mall lease opportunities offer more affordable rent.

Where exactly should we expect that to be? From what I'm observing, the Southern U.S. will be where affordable retail and restaurant real estate meets housing demand accompanied by practical pricing. We should even expect to see restaurant and retail shop owners making land purchases in the more traditionally business-friendly markets of the South and Southeast. I also anticipate secondary markets such as Austin and Jacksonville will continue to gain in popularity. These are markets where a younger workforce, often with budding families, is calling home.

And don't forget tertiary and smaller markets where there are captive communities, meaning less competition for consumers and real estate, and offering retailers and restaurant owners the opportunity to become a big fish in a little pond. Franchise brands face weaker competition in these markets in terms of quality brands. The year ahead will see tertiary cities blossom more profoundly with hipster preferences prevailing.

CONCLUSION

All in all, I am excited about what lies ahead. It will bring us a fresh set of opportunities. And while franchise developers should be prepared for increased development costs, this just means we need to be more attuned to the coming trends and options. Maybe our focus will turn to converting existing spaces and/or considering smaller footprints—and to new revenue streams, including higher-performing delivery and pick-up options.

The trends noted here—rethinking malls, the convergence of e-tailing with retailing, and hipsturbia booming in hot markets—are three of the most notable for the year ahead. Your ability to navigate them will determine your success in 2020. ■

Tim Linderman is chief development officer for Huddle House. He began in franchise development more than 15 years ago and has played an integral role in growing national brands including Arby's, Great American Cookies, Marble Slab Creamery, and Pretzelmaker. For more information visit huddlehousefranchising.com or call 800-640-7125.

How Fast Is Too Fast?

Sustainable growth is the goal

Written By
DARRELL JOHNSON & LUIS DESPRADEL

Let's start with dispelling two common beliefs in franchising. The first is that a franchisor must get to 100 franchise units to be successful. This is simply not true. A franchisor needs a certain amount of operating income to more than cover the range of support services needed for a successful franchise system. A simple unit total does not account for differences in investment and unit revenue levels (and associated royalty income), the degree to which franchisees operate multiple units and have different needs with different resource implications, etc.

To address a sustainable system size for a franchisor, we use multiple measures that account for these differences, such as recurring revenue self-sufficiency (RRSS) and historical unit success rate (HUSR).

This leads us to the second common belief: the faster a franchisor gets there the better. The purpose of this article is to see what the data tells us about that. Are brands that have expansion rates beyond some "normal" pace in their early days more prone to experience failed units than those that grow more methodically? (A related topic, especially for our PE friends, is when faster growth starts to generate disproportionately lower performance outcomes, and how that correlates with franchisor financial results. We'll address that in a later article.)

To address whether faster is better, we selected a sample of 28 brands new to franchising. Each began franchising in 2011, and each increased the number of units they opened every year.

We then examined the number of units they opened in their first 7 years, looking to see whether different expansion patterns in their initial years of franchising correlated with different closure rates in subsequent years. To test this, we compared the growth rate that the brands had in their first 4 years with the number of closures they had in their fifth, sixth, and seventh years.

Our decades of experience with the lending community has consistently shown us that the most vulnerable period for long-term success of new franchised units across most industries is from about 2½ to 4 years of operation.

We looked at the year-to-year differences in units opened in the first 4 years and ran a regression analysis to see if this difference affected the change in HUSR in subsequent years. Since our goal was to understand when growth starts to show disproportionate closures, we focused on the year-to-year differences in the number of new units added to a system.

We found statistically significant evidence that a high rate of change in units opened disproportionately increases the number of closures in the years to come. In other words, the faster a new brand grows, the more likely it is for a greater number of units to close.

IMPLICATIONS AND ADVICE

When we looked further into the operations of these brands, we found some underlying themes. Brands that had higher signed agreement rates tended to have lower prospect requirements. Further, RRSS rates and the relationship between operating expenses and unit counts tended to lag further for franchisors with faster growth.

The implication, though not examined in detail, is that franchisors with faster growth are not prepared or are not moving as quickly as they should to support an increasing number of units.

Perhaps the key message from this analysis is franchisors with more aggressive growth goals must do a better job of planning for that growth. As noted, we will look further into that in a subsequent article.

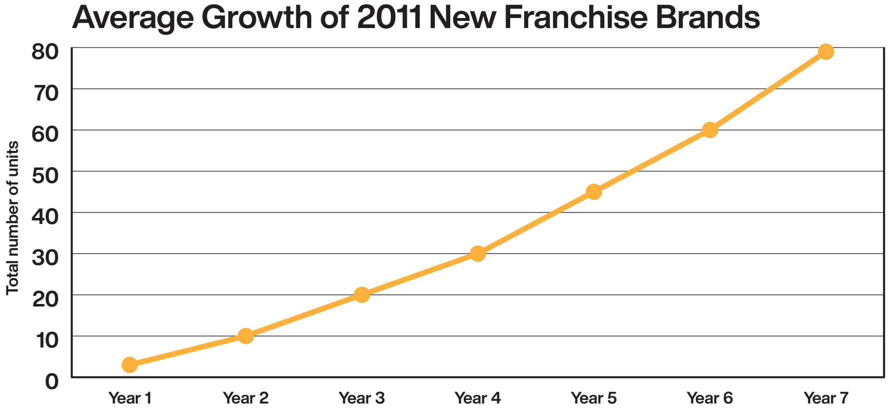
These quantitative results support what many of us intuitively know. Expand too rapidly and suffer the negative consequences of closed units. These include a negative impact on public perception and franchisee culture, significant franchisor management distraction, and lower financial results.

We've proven there is a clear correlation between more aggressive growth and accelerating adverse consequences. The question is, How fast is too fast? That's a harder question to answer because it introduces more variables, such as differences in how franchisors support systems. We will look at more time period sequences to tease out a more definitive answer. For now, we would suggest the following:

If your plan is to grow significantly faster than others in about the same stage of life cycle and system size (typically not your direct competitors), do a thorough job of planning for that growth. Understand the relationship between a franchisor's human and financial resources and new unit expansion during the time it takes for new units to achieve breakeven and stable financial returns. Many of you are: we are getting more requests from emerging and growth cycle franchisors to help them plan—in advance—for sustainable growth.

Instead of asking how fast you can get to 100 units, perhaps the better question is, How can you build a sustainable system as you grow beyond 100 units? ■

Average Growth of 2011 New Franchise Brands



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. **Luis Despradel** is a junior research analyst at FRANdata.

2020 GLOBAL TRENDS

What's ahead in international franchise development

Written By
WILLIAM EDWARDS

Despite the political, economic, and trade "festivities" going on around the world today, there are increasing opportunities for new franchise global development in 2020 and beyond. I asked international franchise specialists in my network who reside and work in various regions of the world for their advice for 2020.

ROSEMARIE HARTNETT, PRESIDENT, ABRAKADOODLE (US)

As franchising continues to mature in countries around the world, international franchise brands face greater requirements for adherence to franchise regulation overseas. While this can raise the responsibilities and expense of taking your brand international, this maturity also drives growing opportunities in these international markets. The interest in franchising is also evident in the growing number of countries seeking educational courses and mentorship from the U.S. through programs offered by the IFA and the ICFE program. While food concepts continue to be among top brand expansions overseas, children's educational concepts born in the U.S. also continue to reflect positive growth among investors looking to build quality educational programs for children through U.S. franchise brands. American franchisors across all industries can expect better-educated international franchise candidates with high expectations for initial and ongoing support and training. And that's a good thing!

MARC MUSKIN, VP INTERNATIONAL SALES & DEVELOPMENT, CKE RESTAURANTS (US)

For U.S.-based franchisors, the coming year carries irony in its very name: we use the term "20/20" to describe perfect vision, but nothing could be further from the truth about the outlook for next year. What to expect in the next year is unclear and uncertain. From major political elections to trade relations, currency rates to interest rates, nobody can predict where things will be by the end of 2020. And in high-investment international franchising that's disruptive, to say the least. From Turkey to Brazil, Canada to the Philippines, the United Kingdom to Australia and the Middle East, we are seeing business conditions change, positively and negatively. Either way, investors are generally taking a wait-and-see approach to new ventures. Smart, well-established franchisors can get through 2020 as long as they keep a steady hand on the fundamentals: open and transparent relations with franchisees; consistent, positive brand management; and sticking to the fundamentals of healthy franchising including rigorous selection criteria for new franchisees and prudent deal points reflecting these uncertain times. (CKE operates in more than 30 countries.)

NED LEVITT, PARTNER, DICKINSON WRIGHT, TORONTO (CANADA)

Looking into my crystal ball for 2020, the influence and impact of franchising in Canada will continue to increase. We will see more foreign franchise brands moving into Canada, which will present increasing opportunities for Canadians to become master and multi-unit franchisees. Currently, the greatest activity is in the business sectors offering services and products for seniors and, at the opposite end of the life cycle, for children. The marketing of franchise opportunities is changing rapidly in Canada, as it is around the globe. In 2020 we will see less and less franchise marketing activity in print and at trade shows and more activity online. Finally, Canadian franchisors have discovered that there is a world outside of Canada. More Canadian franchisors will attempt international expansion in 2020 than has ever been done before.

JOSE ENRIQUE TELLEZ, RETIRED US COMMERCIAL SERVICE FRANCHISE SPECIALIST (PANAMA CITY)

Central America is highly receptive to U.S. franchises. Panama, Guatemala, and Costa Rica have the strongest economies in Central America and therefore are the most promising markets. The development of a strong middle class in Central America as well as the construction of modern shopping malls favors the establishment and expansion of franchises in major cities. There are approximately 300 franchise concepts in Central America. More than 90 percent of the total number of franchises in the country are from foreign countries. The U.S. is the market leader with a participation above 60 percent of foreign franchises. Food franchises represent about 70 percent of the franchises in Central America. But the market is opening for other concepts such as retailing, health care, gyms, education, hotels, entertainment, real estate, etc. Main factors determining successful market penetration are brand name recognition, competitive prices, good support, product quality, and strong promotion. There are no special laws regulating the franchising sector.

IAIN MARTIN, INTERNATIONAL FRANCHISING CONSULTANT, THE FRANCHISING CENTRE (UK)

As of this writing, the political shenanigans continue in the U.K., which means that we still have no clarity about if and when we will leave the European Union. This creates uncertainty in the investment marketplace, and my experience is that decisions are being deferred until we have a stable landscape within which to operate (either in or out!). This tends to affect higher-value businesses, especially where long-term commitments are required, or the supply chain includes imported goods. In addition, the changing face of retail (e-commerce rather than bricks and mortar) means that property costs can seem disproportionately high. Landlords are being slow to recognize the changing reality and will need to drive traffic to their malls, etc. to justify the rents charged. However, there are opportunities for retail concepts where customers must be present (e.g., certain types of entertainment, food, and some health and beauty concepts). The changing demographics of the U.K. mean that personal services such as home care are in demand. A slowing housing market, the result of less frequent house moves, means that home services (renovation, remodeling, etc.) are in demand. Some food and beverage concepts continue to thrive. Coffee brands are in high demand, although customers are looking for points of differentiation. Good quality coffee is a given—it's the other elements of the customer experience that make certain brands attractive. The days of the "Starbucks lookalike" are drawing to an end!

DANIEL SZOLLOSI-NAGY, YOUR CONCIERGE CONSULTING (HUNGARY)

The Czech Republic, Hungary, Poland, and Slovakia have similar levels of economic development and can be treated as one for the purpose of franchise development. Having emerged from a Communist market structure 30 years ago, and having joined the European Union 15 years ago, these countries have a combined population of nearly 65 million, around 12 percent of the total EU population. Compared with the U.S. and EU average, these countries are underserved by franchises as a proportion of the retail sector. With these countries increasing their GDP at a faster rate than the rest of the EU countries, there are significant growth opportunities for U.S. franchisors. The key to a successful market entry in this region is the ability to adapt franchise concepts and terms, advertising, and capital requirements to each market. Brands without a global brand awareness must be prepared to commit sufficient resources.

SANJAY DUGGAL, VICE PRESIDENT OF BUSINESS DEVELOPMENT, MIDDLE EAST AND NORTH AFRICA FRANCHISE ASSOCIATION (DUBAI)

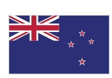
Because of saturation in the retail and F&B space (which is also challenged by online selling), new sectors of franchising are being explored more actively. The UAE has witnessed its own significant growth in franchising over the past two decades, most of which has come from corporate investments. But franchising isn't meant to be just a corporate domain, nor is it meant to be monopolized by a few sectors. With the culture of entrepreneurship getting stronger by the day, there are countless individuals from various backgrounds desiring to carve out their own niche in the business universe. Whereas the recent migration of unconventional franchises from the fringes to center stage might be partly due to the Millennial mindset, it is also the result of circumstance, with some sectors saturated while others are grossly underserved.

ALBERT KONG, SENIOR PMC, CHAIRMAN/ CEO, ASIAWIDE FRANCHISE CONSULTANTS (SINGAPORE)

Asia, being quite very diverse, ranges from nations like China (Greater China includes Hong Kong, Macao, and Taiwan), India, Japan, and Korea, to Southeast Asia and its 10 different nations (see below). With differences in race, language, culture, and religion, different countries would commonsensically have different wants (for example, halal versus non-halal foods; services catering to the elderly in an aging society versus a younger one, etc.). However, there are certain common trends taking place in many parts of Asia. The trend of "premier" or more "Instagrammable" fast foods coming to Asia will continue, as will STEM-type enrichment franchises where children learn coding and robotics. Asian parents are known to be more anxious than others about their children's future, so any help to give their children a leg up in the future will have a market, especially if it is high-tech and futuristic.

SEAN NGO, CEO/CO-FOUNDER, VF FRANCHISE CONSULTING, HO CHI MINH CITY (VIETNAM)

Some clear franchising trends are apparent across Asia. These trends in many ways reflect the young, though fast maturing, population focused on healthier and more sustainable living, driven by higher disposable incomes and living standards. Nowhere is it more noticeable than in the F&B, lifestyle, and education industries. Food establishments that focus on healthier, higher-quality, and fresh food have seen a meteoric rise throughout Asia. An estimated 25,000 fitness clubs exist across 14 regional markets in Asia, and the annual spend is US$16.8 billion. A swelling middle class and rising household incomes are also driving significant growth in private education spending. Asia/Pacific's private education market is estimated to be worth a staggering US$370 billion, with childhood education leading the growth of this category.



STEWART GERMANN, STEWART GERMANN LAW OFFICE, AUCKLAND (NEW ZEALAND)

Trends in franchising in both New Zealand and Australia suggest more multi-unit ownership by franchisees. In New Zealand, with no franchise-specific legislation, it is very easy for new brands to enter and be adopted, unlike in Australia with its franchise legislation. I see fitness centers continuing to expand, especially in New Zealand. Many people strive to be fit and have a daily routine in a suitable gym, which often is open 24/7. With e-bikes and electric scooters becoming prevalent, this trend will continue well into 2020 and beyond. With 630 brands in New Zealand, there is certain to be further expansion with professional and dedicated franchisors striving to do better in the interest of making franchisees more profitable. ■

William Edwards is the CEO of Edwards Global Services (EGS). From initial global market research and country prioritization to developing new international markets and providing operational support around the world, EGS offers a complete international operations and development solution for franchisors based on experience, knowledge, a team on the ground in more than 40 countries, and trademarked processes based on decades of problem-solving. Contact him at bedwards@edwardsglobal.com or +1-949-224-3896.

The Missing Training Mystery

How well are you training your recruitment team?

Written By
ART COLEY

The buzz is flying about the results from the 2019 Annual Franchise Development Report and Mystery Shopping survey. As we find every year, there always are some bright spots, along with findings that point to serious gaps and challenges with franchise development and recruitment across the country. And, of course, everyone wants answers and solutions to solve problems, close gaps, and bridge the canyon between where they are today and the results they are seeking.

Each year we discuss lead generation, websites, qualifying, appointment setting, details of recruitment, FDDs, franchise brokers, process, and the other important topics. But there is a critical piece that too often is left out of the discussion: training, coaching, and skill development for the recruitment team.

When I ask what's happening with training for recruitment team members, I typically hear a reference to the IFA annual convention, the Franchise Leadership & Development Conference in Atlanta, or one of the other annual gatherings. Those events are great and add massive amounts of value in building a winning recruitment program. Getting together with peers for roundtables, panel discussions, and more is priceless.

However, they are not designed for the detailed training and coaching required to develop team members into peak performers. Imagine trying to make the case that LeBron James, Tom Brady, Serena Williams, or any other great athlete achieved their level of performance by just attending annual conferences.

We know it took countless hours, days, weeks, months, and years to develop and grow to reach that level of performance. It required precise individual training and coaching on a consistent basis. It required someone helping them evaluate and analyze current and historical data, metrics, and ratios of results to help identify what is preventing a breakthrough to the next level.

If you look at the top sales organizations from the Fortune 1000 list of U.S. companies, you'll find that sales team members, including sales managers, salespeople, coordinators, and other roles have meaningful dollars committed to training. In my role at CGI, I see budgets and financials from a lot of franchise companies, and the one thing I can almost always expect to find is zero dollars for training. Yes, I'll see dollars for attending a conference and again, that's a good thing. But nothing will be there for training and one-to-one skill development.

With all the money, time, and energy put into franchising, why wouldn't dollars be invested in training for the recruitment team? Most often the answers I hear are, *"I've never really thought about it like that."* or *"We would invest the dollars but aren't sure who to turn to, where to start, or what we should train on first."*

3 AREAS TO TRAIN

If this hits home and you want to get your recruitment team some help, here are three areas to consider:

1. For team member(s) who focus on reaching out and making the first touch or contact with an inquiry: Converting an inquiry or lead into a candidate.
2. For your recruiter(s): Skill development to get more candidates to move to a completed application.
3. For your recruitment team leader or manager: Properly diagnosing with metrics and ratios to get past symptoms and reach root causes before jumping into a solution.

Properly invested training and skill development dollars will be some of the best ROI for your team and your company. Take the time today and explore adding sales team training to your budget.

Let's go to work! ■

Art Coley leads CGI Franchise. CGIF has been helping franchise companies implement and execute repeatable and sustainable recruitment systems for more than two decades through the Recruitment Operating System. Based in Temple, Texas, he works with brands worldwide. Contact him at 281-658-9409 or acoley@cgifranchise.com.

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