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# **Social Media and Innovation**

Written by KERRY PIPES

Synonymous with success in franchising, social media and innovation involve everything from consumer marketing to lead generation and recruiting new franchisees.

Successful franchise brands understand the importance of integrating social media tools and strategies into their playbook, as well as the need to innovate and adapt to ongoing changes in the marketplace—especially since March 2020.

This issue is packed with insights into how brands are reaching prospects and consumers through social media, as well as the innovative strategies helping to give some brands an edge in 2021.

These stats from Helen Bond's feature story on how people are using social media jumped out at me:

- At last count, there were 4.2 billion active social media users worldwide, up 13% from early 2020.
- The average time spent on social media per day is 145 minutes, nearly 2½ hours.
- In the U.S., 72% of the public looks to social media to connect, engage, share information, and entertain, according to estimates from the Pew Research Center.
- A recent Harris Poll found that 80% of customers expect companies to interact with them on social media.

When is the last time you and your team gave pause to consider just how important social media is as a tool in brand marketing and franchise development? Perhaps more important, are you keeping up with the continual changes in social media? Helen's feature describes what five brands have been doing to successfully implement and adapt social media into both their consumer marketing and franchise recruitment campaigns. This is also an exciting issue for us here at Franchise Update Media, as we are privileged to highlight the winners of our 3rd Annual Franchise Innovation Awards competition. And once again, the entries were impressive. With more than 100 entries submitted, the judges had their hands full deciding who was best in each category. (I know, I was one of them!) Our coverage in this issue includes a list of all of the winners and runners-up, along with a detailed description of the winning entries.

I want to draw special attention to this year's overall winner in the marketing category, Planet Fitness, winner of the Franchise Marketing Leadership Award. This award recognizes the single brand the judges collectively agreed launched the most innovative and successful marketing campaign. Planet Fitness Senior Vice President of Communications McCall Gosselin discusses the campaign, its impact, and the results.

We're also excited to reveal highlights from our Annual Franchise Marketing Report, which provides franchise consumer marketers with invaluable data and analysis they can use to benchmark their performance against other brands within franchising and those in their industry sector.

If you are looking for fresh ways to implement social media into your brand messaging (and who isn't?), you're sure to find something new and useful in this issue. And if you're also looking for ideas to spur innovation in your brand, you've come to the right place. Just turn the pages...

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### 3<sup>rd</sup> Annual **FRANCHISE STRANCHISE STRAN**

Written by KERRY PIPES & EDDY GOLDBERG

reaction of the third consecutive year, Franchise Update Media held a competition to recognize the top innovators in franchising. Judges meticulously reviewed more than 100 entries describing innovative ideas, strategies, and tactics, and their results. A select group of companies rose to the top to earn coveted awards in each category, along with runners-up.

The annual Franchise Innovation Awards have become a premier industry event, with this year's entries impressive once again. Covid changed how business was conducted in 2020, with savvy franchises at the front of the pack unveiling new ways of doing things that provided resources and revenue for operators and safe delivery of products and services for customers.

Winners were selected by a panel of seven judges who evaluated the objectives and results of more than 100 entrants. Franchise innovators, game-changers, and disruptors competed in four categories: Marketing & Branding, Products & Services, Operations, and Human Resources.

- Marketing & Branding: This category asked brands what innovative solutions they employed to grow consumer awareness, engagement, and loyalty—everything from traditional advertising and PR campaigns to social media, rewards programs, new product launches, and local store marketing campaigns.
- **Products & Services:** To meet the changed needs of today's consumers, franchise systems must evolve along with them—not only in what customers want in products and services, but also in how they want them delivered. For many entrants, technology played a huge role in adapting to how customers ordered, paid for, and received a brand's products or services in 2020.
- **Operations:** Systems and processes, along with replicability and scalability, are essential for franchising success. Judges reviewed

the most forward-thinking operations teams and how they improved and streamlined their brands' processes and practices through innovation in the face of the pandemic.

• Human Resources: Growing a great brand requires the best people at every level. This category examined how brands employed unique, innovative strategies and tactics to attract, hire, train, and retain the employees who best suited their vision and culture.

In addition to category winners, the annual awards also recognized an overall winner for marketing innovation with the Franchise Marketing Leadership Award, given to the brand that entered with the most innovative—and successful—marketing campaign. This year's winner, Planet Fitness, created an innovative and timely program (United We Move), which rose to the top of the many excellent marketing submissions.

The seven judges evaluated each entry based on its objective, the problem it sought to solve, and improvements it hoped to achieve through innovation—and the results. The winners are profiled in the following pages in each of the four main categories and 22 subcategories that produced winning entries.

The judges for the 3rd annual awards were Michelle Rowan, President and COO, Franchise Business Review; Theresa Huszka, Senior Consultant, MSA Worldwide; Scott Lehr, Managing Partner and CEO, GT&S Franchise Executive Search; Jayson Pearl, President, ServiceScore; and from Franchise Update Media, EVP and Chief Content Officer Diane Phibbs, Executive Editor Kerry Pipes, and Managing Editor Eddy Goldberg.

More details about the competition are available at franchising. com, where you also can find how to start preparing for next year's competition.

# 2021 CATEGORY MARKETING & BRANDING

# **BEST DIGITAL CAMPAIGN**

Winner: Sola Salon Studios

Runner-Up: Wing it On!

# OBJECTIVE

Sola Salon Studios created its #SolaStrong campaign to support its entire community during mandated Covid-19 closures and ongoing pandemic-related challenges. The objective was to provide resources, tools, support, and guidance to help everyone navigate the uncertainty and give them a sense of community and support while having to be apart.

# OVERVIEW

The closures of Sola's 500+ locations forced more than 16,000 independent beauty professionals out of their place of work. Franchisees chose to stop collecting rent from the professionals renting out salon space in their locations. Sola and its franchisees were excluded from the PPP by the SBA and were ineligible for initial rounds of EIDL as the pandemic created a zero-revenue event for the system. #SolaStrong deployed a variety of tactics to ensure that what they were producing would be a source of comfort and inspiration, while also providing actionable solutions around hot-button topics.

# RESULTS

At the close of 2020, Sola reported a 15% YOY increase in new professional inquiries and a 53% YOY increase in net Sola professionals. In all, 7,041 new beauty professionals joined Sola in 2020. Despite the 2-month-long closure of many of its locations (and up to 10 months in California), Sola saw no permanent closures because of Covid and signed 43 franchise agreements in 2020 to develop 113 new salons in North America. Since the launch of its free Covid-19 Resource Center, Sola has seen 76,570 visitors, and its national newsletter distribution list for potential beauty professionals and industry media increased 53%. #SolaStrong's education initiatives hosted 12 Facebook Live events with brand partners and 20 virtual webinars and panel discussions, generating 11,803 total registrations (6,452 were Sola professionals). The brand also launched its Sola Stories podcast to share inspirational stories among the beauty professional community, and 41 episodes were published in 2020 with 18,857 total downloads. #SolaStrong also was successful in catching the media's attention throughout 2020, with 132 stories in business, consumer, and trade publications, equating to almost 450 million impressions.

# **BEST PR CAMPAIGN**

Winner: Planet Fitness

Runner-Up: British Swim School

# OBJECTIVE

When Covid-19 hit in March 2020, Planet Fitness was forced to close all of its 2,000+ locations, affecting millions of members. The brand decided to meet consumers where they were and inspire them to keep moving with news of free home workouts to keep them healthy. The objective was to get as many people as possible moving by promoting physical activity.

# OVERVIEW

Within 48 hours of clubs temporarily closing, Planet Fitness began offering digital workouts as part of its "United We Move" campaign, launching daily "Home Work-Ins," a series of free fitness classes streamed live on the company's Facebook page daily at 7 p.m. ET. Classes were led by Planet Fitness trainers and special guests. The virtual classes were 20 minutes long and did not require any equipment. For anyone who could not participate live, the workouts were available on Facebook and YouTube after the live event.

# RESULTS

The campaign generated record-breaking results. By becoming a digital fitness content provider overnight, Planet Fitness reached more than 28 million people within the first few weeks of launch, an average of 1.5 million people daily. The Home Work-Ins also saw engagement from all 50 states and 39 different countries. By the end of April 2021, PR efforts totaled more than 5.6 billion total earned media impressions and more than 5,000 earned feature placements in top-tier outlets: *People, PopSugar, Men's Health, USA Today, Insider, Fox News, Martha Stewart Living, Real Simple, Shape*. In all, United We Move Home Work-Ins racked up more than 109 million views across online platforms and earned an estimated \$10.9 million in advertising equivalency in media placements. The average engagement rate for each workout was 17.5%, 57% higher than the brand's average engagement rate of 7.43%. Planet Fitness attracted nearly 416,600 new followers across its social media platforms.

# **BEST SOCIAL MEDIA CAMPAIGN**

Winner: Camp Bow Wow Runner-Up: Mor

Runner-Up: Moran Family of Brands

# OBJECTIVE

In March 2020 when sports had to be paused because of Covid, people stuck indoors looked for an outlet for their competitive spirit. Camp Bow Wow's marketing team saw a unique opportunity to bring back competition, provide a needed distraction from doomscrolling, and have some fun while staying safe. This opportunity not only engaged our social media followers, it brought engagement and camaraderie to our corporate team, which was working from home.

# OVERVIEW

We came up with the idea to host a Mutt Madness tournament, pitting our office dogs against one other with photos in our corporate Instagram Stories, and using the Poll sticker to get our Instagram community in on the action. We had 64 dogs enter and go headto-head in a bracket-style tournament that lasted six rounds and crowned one pup as the winner. Before the competition kicked off, we had another idea to engage our corporate team further: an internal bracket where team members bet on who would win and advance in each round. With NCAA basketball canceled, people were missing the in-office March Madness competition, and 16 team members submitted Mutt Madness brackets with their picks.

# **BEST SOCIAL MEDIA CAMPAIGN**

# RESULTS

The most notable business result was that our profile visits on Instagram increased 590%. Instead of our typical 18.25 profile visits per post, our Mutt Madness posts had 125 visits, meaning more people visited our website, learned about our services, and found a Camp Bow Wow location. Instagram engagement during Mutt Madness was 5x higher than the rest of the year, and during the contest we saw a 150% increase in impressions, a 140% increase in profile visits, a 111% increase in website taps, a 92% increase in content interactions, a 70% increase in post interactions, and a 49% increase in accounts reached (and 1000% cuteness from the 64 contestants!).

# **CAUSE MARKETING CHAMPION**

Winner: Miracle-Ear

Runner Up: Penn Station East Coast Subs

# OBJECTIVE

The Miracle-Ear Foundation was established in 1990 to offer the Gift of Sound to individuals and families in need, regardless of their ability to pay. The goal of the company's Alabama Miracle Mission was to identify a community with limited access to hearing health care and deliver the Gift of Sound directly to them. Selma and Tuskegee fit that model with their high rates of poverty and no immediate access to hearing care.

# OVERVIEW

The foundation completed its first Miracle Mission this past November. In partnership with the Brown Chapel AME Church, volunteers spent 2 weeks on the ground, completing more than 60 hearing exams and delivering just under 100 hearing aids to residents in need. In addition, the foundation set up an ongoing bimonthly service site in Selma to care for local residents.

# RESULTS

Highlights include more than 60 hearing exams completed in 2 weeks; multiple medical referrals for hearing conditions needing treatment outside the scope of hearing aids; hearing aids delivered to almost 40 individuals, and a total of just under 100 hearing aids gifted to residents; an ongoing, bimonthly service site in Selma to care for individuals over the long term; cash donations to the church that helped to support its ongoing community-based outreach efforts. Overall last year, Miracle-Ear delivered nearly 4,000 hearing aids; donated more than 10,000 hours of hearing health care, courtesy of more than 700 hearing care professionals; Since the program's inception in 1990, the company has gifted more than 30,000 hearing aids to more than 16,000 individuals, and approximately 5% of all Miracle-Ear customers received the Gift of Sound through the foundation.

# LOCAL MARKETING LEADERSHIP

Winner: Coldwell Banker

Runner-Up: Dream Vacations

# OBJECTIVE

Coldwell Banker wanted a social advertising-focused rebrand rollout that empowered its agents and drove community connection, all while adhering to and promoting the new brand strategy.

# LOCAL MARKETING LEADERSHIP

# OVERVIEW

Agent branding campaigns were designed to allow agents and brokerages to build local brand awareness and share a voice for themselves and their brokerage. A social ad engine was purpose-built by Tiger Pistol for real estate agents to save time with smart automation and generate real business results with high-performing Facebook and Instagram campaigns. Coldwell provided its rebrand assets so Tiger Pistol could build agent branding campaign templates that allowed agents to customize, edit copy where permitted, select images or video assets from the library provided, and define their targeting. Agents could then access their social ad engine account to browse, select, customize, and publish their desired template.

# RESULTS

The ad engine's collaborative social advertising approach increased brand awareness, agent awareness, agent website traffic, and lead generation, while significantly decreasing the cost of advertising and maintaining the integrity of the rebrand. The platform solves the agent recruitment and retention problem by offering easy-touse technology with support services. Benefits include extending Coldwell's brand reach into local communities; executing an onbrand, holistic, collaborative social advertising strategy that finds and engages home buyers at the optimal time and place; offering agents the flexibility of publishing listings or agent branding campaigns with an easy-to-use platform that takes less than 3 minutes to create and launch an ad; and allowing agents access to recognizable brand creative while contributing messaging referencing local dialect, events, and points of interest. Performance metrics included 9,500+ campaigns published; 129+ million impressions; 2.8+ million clicks; 230,000+ leads; 65% more cost-effective traffic campaigns and 40% more cost-effective lead campaigns than the industry benchmark: retention of franchises at the corporate level and within franchises; and enabling agents to track ad performance through to the home sale.

# 2021 CATEGORY PRODUCTS & SERVICES

# MOST INNOVATIVE PRODUCT INTRODUCTION

Winner: Blaze Pizza

Runner-Up: School of Rock

### OBJECTIVE

Despite Covid-19's effects on the restaurant industry in 2020, Blaze Pizza was determined to offer consumers an unparalleled level of quality by continuing to invest in product innovation and rolling out new offerings that allowed guests to enjoy the Blaze Pizza experience from home.



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# MOST INNOVATIVE PRODUCT INTRODUCTION

# OVERVIEW

Head Chef Brad Kent created the Blaze White Claw Pizza, a oneof-a-kind recipe offered at 20 locations for only one day. The recipe replaced 100% of the water in the dough with mango-flavored White Claw hard seltzer, giving the pizza a crispy texture with a sweet underlying flavor. The brand's introduction of the Blazin' Hot Chicken Pizza featured spicy chicken meatballs infused with ghost pepper extract, while a handcrafted slaw topping played on the senses with an unexpected spicy flavor hotter than the ghost pepper chicken meatball. The brand also created a DIY pizza-making kit as a fun and interactive way to make dinner. The DIY kits were marketed across all social platforms, and Chef Kent performed live cooking demonstrations on Instagram and established partnerships with influencers to further promote the kits. Blaze also donated thousands of pizza-making kits to underserved schools and families across the U.S.

### RESULTS

The introduction of the DIY pizza-making kit, the Blaze White Claw Pizza, and the Blazin' Hot Chicken Pizza generated huge success across the company. The DIY kit led to a substantial increase in social media engagement, and the brand leveraged its social platforms to drive awareness and sales, and showcased a variety of social media efforts such as Instagram Live pizza creation videos and partnerships with highly recognized influencers. The creative culinary design of the one-day White Claw Pizza made headlines and garnered 600 million media impressions across the 20 locations where it was offered. The Blazin' Hot Chicken Pizza instantly become one of the brand's top-selling pizzas.

# MOST INNOVATIVE SERVICE INTRODUCTION

Winner: Chicken Salad Chick

Runner-Up: Anago Cleaning Systems

# OBJECTIVE

When the pandemic forced restaurant companies to innovate quickly, Chicken Salad Chick (CSC) and its franchisees saw an opportunity to engage with guests in ways that kept everyone safe, while continuing to serve local communities and generating supplemental revenue to help make up revenue lost because of dining room closures.

### OVERVIEW

At the pandemic's onset, CSC quickly pivoted to an entirely off-premise dining model that included takeout, drive-thru, curbside pickup, and third-party delivery at select locations. Restaurants without drive-thrus developed a pop-up drive-thru with a tent and iPad in their parking lots. A few franchisees took the model a step further with a grassroots program that eventually became a systemwide initiative: "Quick Chick Drop-Offs." They began by announcing on their local Facebook pages that they would be doing drop-offs at a convenient local meeting site. Stores collected preorders and guests convened at the site, where team members delivered the orders directly to their vehicles. Corporate took the idea and scaled it across the system.

# MOST INNOVATIVE SERVICE INTRODUCTION

# RESULTS

Since implementing the program systemwide, CSC has delivered thousands of orders of chicken salad across the locations that opted in. At its height, CSC and its franchisees were delivering bulk orders an average of 5x/week, averaging 100 orders per delivery. The program helped boost the company's social engagement and local community marketing. Pre-pandemic, CSC had more than 500,000 members in its Craving Credits mobile loyalty app; over the past year, more than 770,000 members generated more than \$20 million in system sales through the app. CSC and its guests donated more than 20,000 meals to more than 160 local communities through its new Donate a Meal program. These initiatives allowed the brand to see a quicker rebound compared with its industry counterparts. In July 2020, sales were down about 14% compared with the QSR industry average of -41% at the time. Systemwide sales were up 17.1% YOY, and the brand opened 37 new restaurants in 2020, a 22% YOY increase in unit count.

# MOST INNOVATIVE USE OF CUSTOMER-FACING DIGITAL TOOLS

Winner: School of Rock

Runner-Up: McAlister's Deli

### OBJECTIVE

During the pandemic, students could not play music together in groups. While we were able to pivot to online lessons, we needed an innovative solution to enable students to collaborate virtually on songs. This proved especially challenging given that videoconferencing solutions such as Zoom, Skype, etc., have too much latency to allow for synchronous playing together online.

### OVERVIEW

Thanks to School of Rock and its proprietary Method App, students can now record themselves playing and instructors can then compile the audio and video recordings to be pulled together into a full-band recording. This innovation allowed students to continue to keep playing with one another, and to promote full-band recordings to be played back on livestreams to family and friends.

### RESULTS

School of Rock schools completed thousands of audio and video recording projects, sharing them in a copyright-compliant way on social media, through livestreams or digital downloads. As a result, School of Rock was able to retain the majority of it students through the pandemic, and has even grown its school count.



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Vinny Provenzano, Vice President of Franchising at Express Employment Professionals



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# **MOST INNOVATIVE USE OF DATA**

### Winner: RE/MAX

### OBJECTIVE

RE/MAX had two main objectives: 1) To leverage data to identify which contacts were most likely to sell so agents could proactively reach out and win their business when the time came for a real estate transaction; and 2) find a way to give agents an edge in identifying new business opportunities.

### OVERVIEW

On average, agents miss 70% of deals within their existing network. RE/MAX wanted to close that gap and give agents a competitive advantage. In February 2020, the company made the "First" app available to U.S. agents and brokers. Within minutes of setting up the app, First analyzes an agent's contact list, examining more than 700 data points to provide a prediction on how likely a contact is to list their home within the next 6 to 12 months. The app helps agents grow their business in three key ways by: 1) building a better database; 2) using AI to predict likely sellers; and 3) helping agents master follow-up through several business coaching features.

### RESULTS

First predicted more than 33,000 listings from agents' contacts in 2020. Recent analysis shows that agents who use First are 50% more productive on average than those who don't. Agents who used First in 2020 averaged 8 listings in their first 3 months of using the app and increased their productivity by an average 9%.

# MOST INNOVATIVE USE OF TECHNOLOGY: SERVICES

Winner: Lift Brands (Snap Fitness) Runner-Up: Spherion Staffing

### OBJECTIVE

Many fitness brands did what they could to offer services to their members while everyone was home during Covid in 2020. Snap Fitness went one step further and offered a 28-day challenge in the spring to not only incentivize their members, but to also bring services to people without a gym family. The "Move with Snap Fitness at Home" Challenge was born as a way to bring a bit of normalcy to an unpredictable world, break up the WFH rut, and help people keep up with their physical fitness goals.

### OVERVIEW

The idea came from across the world. Clubs in New Zealand used an app to engage their members when clubs were closed, and the U.S. and Canada team realized it could use the same technology for its members. In the U.S. and Canada, both members and non-members could use the app free for 28 days or pay \$1/day to access additional features. Members would choose their interests, mark their goals, and the app would deliver customized workouts and exercises every day. The app also offered personalized nutrition education and daily meal planning, highly convenient during the days of online grocery shopping. Users also received daily mindfulness reminders. The app also featured community for the choir of the 28-day challenge, users were encouraged to share their success stories for a chance to win \$5,000.

# MOST INNOVATIVE USE OF TECHNOLOGY: SERVICES

# RESULTS

Nearly 2,500 people downloaded the app and participated in the challenge, and 70% paid \$1/day for all app features. At the end of the challenge, all the money raised (nearly \$47,000) went to clubs around the U.S. and Canada to help ease the burden of mandated closures. The winner, Tom from Fallston, Md., shed almost 30 pounds in 28 days and achieved a weight he hadn't hit in a decade. He used his entire prize money to pay the rent for several businesses in his area hit hard by Covid.

# **OPERATIONS**

# MOST INNOVATIVE BUILDING DESIGN, REMODEL, OR PROTOTYPE

Winner: The UPS Store

Runner-Up: Wetzel's Pretzels

# OBJECTIVE

The UPS Store set out to elevate its retail experience for small-business owners and customers to help drive growth and profitability for its franchise system during the pandemic. The solution was a transformative reimagining of what The UPS Store could look like and how it could adapt to evolving needs.

# OVERVIEW

The company embarked on a comprehensive process to create a new store design with input from multiple stakeholder groups that included franchisees, small-business owners, consumers, and retail industry experts. In-person interviews, online polling, and audits of existing locations revealed insights and opportunities that drove design strategy. The key insight was the need to be transparent with the in-store experience. The new open floor plan organizes the store into three main zones for optimal foot traffic flow and space utilization. The first zone, at the entrance, is accessible 24/7 and includes mailboxes, smart lockers for online shopping and package pickup, and self-service printers; a gate keeps the other zones secure after business hours. The second zone is the service counter area, where customers work with associates during business hours on core services such as packing, shipping, and printing. The last zone, at the back of the store, is a visible workspace where customers can see the work that goes into the packing and shipping process.

# MOST INNOVATIVE BUILDING DESIGN, REMODEL, OR PROTOTYPE

# RESULTS

The new store design helped push The UPS Store to one of its highest rankings ever (#3) on *Entrepreneur's* 2021 Franchise 500 list, and the brand held the #1 spot in the Postal & Business Centers category for the 31st consecutive year. A survey in April 2021 showed that 94% of customers who entered a newly designed center said they were likely to visit it in the future; 84% said they liked the new store design; 80% deemed it better than other stores with similar services; 46% saw themselves using more services at the redesigned stores; and 35% said they would be willing to travel farther to visit the new store.

# MOST INNOVATIVE CONSUMER SELF-SERVICE TOOLS

Winner: Junk King

Runner-Up: Kiddie Academy

# OBJECTIVE

To provide customers with fast and simple junk removal pricing estimates in real time with an easy-to-use tool.

### OVERVIEW

Junk King has always believed in fair and transparent pricing. To continue living up to that philosophy, the brand built an online pricing estimator tool for customers and potential customers. The tool allows them to enter their ZIP Code on the platform and immediately receive an estimated price based on their geographic location and the number of items (e.g., chairs, couches, desks, computers, refrigerators, mattresses, hot tubs, etc.) or by pickup truck loads. The implementation of this tool benefits both the customer and the franchisees by improving the user experience and increasing online conversions. It also limits the need for calls to the call center after a customer makes an appointment online. Other benefits include gaining more pricing accuracy from market to market, as well as giving franchisees full pricing control. This same technology provides the call center with access to accurate pricing from market to market for anyone who calls or texts to book a junk removal.

# RESULTS

Since the launch of the pricing estimator, Junk King has seen a 22% YOY increase in online conversions. Visits to the pricing estimator on the website are also up 91%.

# **MOST INNOVATIVE OPERATIONS TEAM**

Winner: Capriotti's Sandwich Shop

Runner-Up: Premium Service Brands

# OBJECTIVE

To continue to drive sales and add franchise partners.

### OVERVIEW

Capriotti's optimized our operational integrations with third-party delivery platforms, which set the brand up for success at the beginning of the pandemic. We then rapidly expanded into ghost kitchens and launched multiple virtual brands across the system using Otter as an order management system. By simultaneously accelerating our retail and ghost kitchen location growth and doubling down on our marketing initiatives, we achieved record sales and record growth, placing our performance among the top 1% of brands nationwide.

# **MOST INNOVATIVE OPERATIONS TEAM**

### RESULTS

Double-digit same store sales growth; record franchise partner growth with 24 area development agreements added in 2020 for a total of 98 new locations; 5 ghost kitchens opened with 4 additional markets slated to open in the first half of 2021; and 5 Reef Kitchen locations currently operating with an additional 25 slated for a 2021 opening.

# MOST INNOVATIVE SUPPLY CHAIN IMPROVEMENTS

Winner: Wild Birds Unlimited

### OBJECTIVE

When the pandemic hit and the shutdowns began, several WBU stores were completely closed and owners could not access their stores to fulfill online orders. Our objective was to support our franchisees and enable them to continue providing product to their retail customers.

# **OVERVIEW**

In addition to brick-and-mortar retailing, our stores also sell to customers online, fulfilling orders directly from their inventory. We had to create a program to facilitate and fulfill online orders for the shuttered stores. We began immediately pursuing a plan to enable them to continue doing that, even though their stores were closed. The product team partnered with one of our key trusted vendors (Lizzie Mae's Bird Seed) to handle all aspects of online sales fulfillment and customer service, establishing pricing that worked for everyone involved. The team then reached out to other key manufacturers of WBU brand products to facilitate Lizzie Mae's bringing in the right amount of additional best-selling items at the right price so the stores could have a more complete offering online. Our IT team worked quickly to set up Lizzie Mae's with the necessary technology and made changes to the MyWBU Store platform to allow for third-party fulfillment. Our marketing team developed branding for the MyWBU site and provided Lizzie Mae's with custom marketing materials and WBU packaging to ensure consistent high-guality WBU brand customer experiences. Our communications and training team helped provide timely updates to store owners, and our coaching team helped identify additional stores well-matched for the program.

# RESULTS

Within 2 weeks, Lizzie Mae's was up and running, filling hundreds (eventually thousands) of orders for WBU stores. Without this program, these stores would have had no sales for many weeks, or even months.

# **MOST INNOVATIVE USE OF DATA**

Winner: Checkers & Rally's

Runner-Up: Miracle-Ear

# OBJECTIVE

In 2020, the Checkers & Rally's operations team used data-driven insights to innovate around the brand's double drive-thru lanes. The objective was to improve overall guest satisfaction, reduce labor costs, and drive same store sales increases.

# OVERVIEW

The passenger-side lane has always been an important part of the brand's identity. However, that lane has tended to get lower traffic volumes than the driver-side lane as single drivers must reach across the passenger seat for their orders. Two lanes also create higher labor costs (two cashiers and additional team members available at all times to properly serve guests on each side), whether customers are using both lanes or not. The pandemic created a surge in delivery and order-ahead business, but busy drive-thru lanes made delivery driver wait times a challenge. The operations team dove into the data to determine a better approach and found that traditional use of the double drive-thru lanes was negatively affecting overall guest satisfaction. The team decided to convert the passenger-side lane to a dedicated e-commerce lane for use only by delivery drivers and guests who ordered ahead and prepaid online.

# RESULTS

Today, nearly all company-owned double drive-thru locations have been converted to e-commerce-only lanes, with the rollout to franchised locations under way. From April through December 2020, restaurants with e-commerce-only lanes achieved overall guest satisfaction 7.2% higher than before; taste of food improved 6.2%; speed of receiving order increased 6.4%; order accuracy rose 5.8%; and cashier friendliness improved 6.8%. Delivery sales in 2020 grew more than 200% from 2019, and delivery as a percentage of total sales grew to more than 16%. In 2020, systemwide same store sales rose 7.8% YOY, the brand reached more than \$1 million in systemwide AUV, and more than 40 new franchisees joined the system. The brand outperformed its QSR competitors by 600 basis points in 2020 and continues to see record sales growth in 2021.

# MOST INNOVATIVE USE OF TECHNOLOGY

Winner: Floor Coverings International Runner-Up: Dream Vacations

# OBJECTIVE

Floor Coverings International's (FCI) website was attracting a lot of traffic, but the buyer conversion rate remained low, even though website leads were often better quality than leads purchased through aggregators. FCI also wanted to improve communication between the home office and franchisees and reduce human error when updating scheduling, territory assignments, and marketing data across multiple platforms.

# OVERVIEW

FCI built a multi-site platform and software solution that incorporated the main national site and all franchisee websites. This helped the home office site build brand awareness nationally and presented the entire network as industry experts. When a user gets close to making a buying decision, the national website can take their information and schedule an in-home appointment with a local office without leaving the site, which allows proper lead source tracking, distribution, and increased conversion. The website offers consistency and uniformity and allows FCI to more effectively compete with large players in the industry. It also allows franchisees to control their digital marketing with approved partners and to schedule at a local level.

# RESULTS

FCI is now able to drive a better understanding of its brand story, improve brand awareness with an upgraded and clear platform, monitor its reputation online, optimize the site for local organic lead flow anywhere in the U.S. or Canada, and reduce the need for third-party referrals. The platform connects the network of franchise websites to the national website and to tools used to control scheduling availability and serviceable territory. As franchise territories and schedules for appointments are updated, those updates are reflected across the network of franchisee websites. This allows the home office team to update serviceable cities for scheduling inhome appointments within each franchisee website by updating just one system on their end. The territories and systems are automatically updated daily, eliminating human error. Since the completion of the website, organic search is up from 5% last year to more than 48% this year. *FranStats wrote the book on non-biased analytics reporting. After 7 years, we're turning the page , writing a new chapter, and merging <u>FranStats, SMBStats, VeteranStats, and EcommerceStats</u> into a single Platform...* 

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# 2021 CATEGORY HUMAN RESOURCES

# **MOST INNOVATIVE EMPLOYEE HIRING**

Winner: Express Employment Professionals

### OBJECTIVE

When Covid-19 shut down the U.S. economy, our objective was to help alleviate some of the uncertainty by assisting Americans and companies to find and fill positions.

### OVERVIEW

With the pandemic making in-person events obsolete, we had to find creative ways to keep client companies and job seekers engaged. Drive-Thru Job Fairs quickly became a systemwide initiative. Our office in Biloxi-Gulfport, Mississippi, hosted the first fair in April 2020 and received a tremendous response, with hundreds of local job seekers applying for work during the event. With this initial success as a benchmark, we highlighted this success through CEO Bill Stoller's weekly livestream to inspire both the Express family and franchisees to host similar events in their markets. Owners and staff at each franchise brainstormed ways to capitalize on the event, including identifying the best location for a successful turnout, placing advertisements with local media, and assigning shifts to provide the most seamless experience. Express staff captured job seekers' information, collected their resumes, analyzed them, and instructed job seekers to complete an application (either online or in person at a later date), and/or scheduled interviews during the event. As an incentive for job seekers to attend, some offices hosted raffles at their fairs, and each job seeker was given a "goodie bag" containing branded treats and coupons from local restaurants.

# RESULTS

Drive-Thru Job Fairs were significant in maintaining the brand's continued growth and success in 2020. Express only saw a slight dip in YOY revenue because of its early innovations and the integral role its franchised offices played in hundreds of communities nationwide. In 2020, systemwide sales topped out at \$3.23 billion and the brand placed 526,000 employees at client companies, with the Drive-Thru Job Fairs a supporting factor. The first fair in Biloxi-Gulfport had an amazing turnout, with 342 people attending and applying for work. As additional fairs took place over 2020, Express was able to finish the year on a high note with sales up 10% in Q4 and 61 franchise agreements signed, many with existing owners.

# MOST INNOVATIVE EMPLOYEE RECRUITING

Winner: Meritage Hospitality Group Runner-Up: Self Esteem Brands

# OBJECTIVE

Meritage Hospitality Group, owner of more than 300 Wendy's franchises and several casual dining restaurants, looked to transform its recruiting processes to improve speed to hire, get ahead of staffing restaurant expansions, and help alleviate the administrative work consuming their managers' already packed day.

# OVERVIEW

Meritage needed an innovative partner that would care for its candidates, ensure a steady pipeline of talent, streamline work for GMs, replicate across its multiple businesses, and integrate with existing technologies. The company found Paradox's conversational Al assistant Olivia, which helps automate tasks such as applicant screening and interview scheduling, and provides 24/7 mobile-first candidate communications to improve the experience and reduce time to hire. Additionally, this would open new avenues for innovation, including a tool to automatically route qualified candidates into the assessment process. Speed and efficiency are critical for high-volume hiring, especially in the restaurant industry where franchise managers wear multiple hats, which often take priority over hiring. Add in an ongoing pandemic, a competitive labor market, changing staffing needs, gearing up to serve breakfast, and plans to add 30 new restaurants, and to say that GMs were concerned about understaffing would be an understatement.

### RESULTS

Meritage saw a significant improvement in its restaurants' ability to stay staffed. Shortly after implementing Olivia, franchisees went from 90% to 99% staffed. These experiences led to faster hiring times, happier candidates, and more time for managers to spend on higher-value recruiting and day-to-day tasks. Results included reducing the time from application to hire and saving GMs 2+ hours of administrative time per week. Nine out of 10 (91.4%) candidates completed the application with Olivia and finished in an average of 4 minutes and 21 seconds. Candidates accepted an interview within an average of 2 days from their first conversation with Olivia, and in Q4 2020, 999 new team members were hired within an average of 3.82 days from application to offer accepted.

# MOST INNOVATIVE EMPLOYEE RETENTION

Winner: Penn Station East Coast Subs

### Runner Up: Squeeze

# OBJECTIVE

Penn Station sought to help franchisees hire, train, and retain top employees in a highly competitive field when many hourly employees were starting at \$2 to \$4 over minimum wage.

### OVERVIEW

To complement its training resources and help franchisees to identify talent at the hourly level and retain top employees, the brand created My Penn Path. At orientation, employees are presented with My Penn Path so they can see their potential career path-from entry-level crew member to crew leader, assistant manager, and even GM-rather than just accepting an hourly position with no room or opportunity for advancement, and shows employees exactly which skills they must master to be promoted. Because the program lives on the POS system, employees can complete the relevant training modules in the same place at their own pace. Each level builds on the one before and becomes a little more detailed as employees move up the ranks. This allows employees to complete all the training and modules necessary to be promoted and can be customized based on where the employee needs to improve. My Penn Path puts the responsibility for development on the individual instead of on the manager.

### RESULTS

The restaurants that exceeded company-wide profitability and sales goals last year had a 20% increase in the "sufficiency of management" and "properly training employees" sections of their year-end performance evaluation in 2020. Overall, the top-performing restaurants had 16% higher scores in sufficiency of management and 15% higher scores in properly training employees. The restaurants with the highest scores in sufficiency of management and employees properly trained had 7% lower labor costs in 2020, at least partially owing to a more efficient and better trained staff because of My Penn Path.

# MOST INNOVATIVE EMPLOYEE TRAINING

Winner: Authority Brands

Runner-Up: Self Esteem Brands

### OBJECTIVE

When we say "training" in the franchise business, we often think of recorded webinars or sitting through days of long onboarding training. We wanted to change this mindset and the ways we offer training.

# OVERVIEW

Our Success Academy provides a single source for our family of brands for training and development. We started 2020 by completely restructuring what we offer our team members: technicians, call takers, dispatchers, managers, install crews, and more. We recognized that we all learn differently, and created a six-tiered approach: 1) self-paced online learning offering more than 150 courses through our LMS; 2) webinars that use breakout rooms to create engaging replacements for live, in-person training; 3) instructor-led classroom training across the U.S.; 4) workshops of 1 to 3 days with the best speakers in our trades to help grow a franchisee's bottom line; 5) Success Academy Plus, offering consultation to address specific areas that need specialized and customized training; and 6) partnering with other entities to bring our team members technical training programs.

### RESULTS

In the first tier, Success Academy hit some astronomical marks, particularly in call taking and dispatching: our call taking program yielded a 157% increase in registrations and completions, while the dispatching program yielded a 44% increase in registrations and completions. The second tier hosted 21 webinars, more than 3x the number from the previous year, with a 349% increase in participation from the previous year (337 for 2020, up from 75). The third tier offers classroom training across the U.S. where franchisee locations can participate, interact, team-build, and grow. In the fourth tier (workshops), a Weldon Long workshop broke our record number of attendees with more than 100 technicians participating. The fifth tier (consultative) offers consultation to address specific areas of business that need specialized and customized training. In the sixth tier, since partnering with Interplay in March, 15% of the brands' franchise locations have adopted the VR training, and the program had almost 1,350 completions by 192 users within 9 months.





# **QUICK-CHANGE ARTIST** Planet Fitness nabs overall Innovation Award for marketing leadership

Written by KERRY PIPES

ranchise Update Media recently wrapped up its 3rd Annual Franchise Innovation Awards. One of the highest honors each year is the Franchise Marketing Leadership Award. This year's winner is Planet Fitness for its "United We Move" campaign, launched after Covid forced more than 2,000 Planet Fitness locations to close in 2020 and cut off millions of members from their regular workout routines. Within 48 hours of the mandated closings, the franchisor began offering digital workouts as part of "United We Move," a multi-layered marketing and PR campaign offering daily "Home Work-Ins," a series of free fitness classes streamed live on the brand's Facebook page. The strategy was to meet consumers where they were and inspire them to keep moving, promoting physical activity and making easy access a priority.

The campaign's results were universally successful. The Home Work-Ins took place in 50 states and 39 different countries and reached more than 28 million people within the first few weeks of launch. The campaign racked up more than 100 million views online and attracted nearly half a million new followers on social media. We asked Planet Fitness' Senior Vice President of Communications McCall Gosselin about the PR campaign, its impact, and the results.

Why did Planet Fitness decide to turn to a marketing and PR campaign, and what was the goal? Our mission has always been to make fitness accessible to everyone and judgment-free, so when our clubs closed because of Covid-19, we worked to quickly create an at-home program that would help keep everyone healthy and moving during a time everything was at a standstill. By adjusting our marketing strategy, we were able to meet consumers where they were and inspire them to keep moving with free online workouts in an effort to keep them healthy at home. Our goal with the "United We Move" campaign was simple: to keep our members—as well as non-members—active and engaged with our brand while they were stuck at home during the pandemic. We felt the most effective way to do this was through a multi-layered marketing and PR campaign.

What was unique about the campaign? "United We Move" was unlike anything else being offered in the industry at the time. Planet Fitness got people up and moving by turning the platform into a live personal trainer that helped millions of people stay healthy and active, instead of sitting and scrolling. By becoming a digital fitness content provider overnight, the campaign generated record-breaking results for the brand.

How long did it take to put together and when did it roll out? In March 2020, when Covid-19 hit the country and stay-at-home orders were implemented, we were able to launch the campaign within 48 hours of our clubs closing.

What were the results, impacts, and main successes of the campaign? Planet Fitness saw great success following the launch of the campaign, reaching more than 28 million people within the first few weeks of launch, an average of 1.5 million people daily. The Home Work-Ins also saw engagement from all 50 states and 39 different countries. By the end of April 2021, PR efforts garnered more than 5.6 billion total earned media impressions and nearly 5,146 earned feature placements in top-tier outlets such as *Today*, People, PopSugar, Men's Health, USA Today, Insider, Fox News, Martha Stewart Living, Real Simple, and Shape. In all, the Home Work-Ins racked up more than 109 million views across online platforms and earned an estimated \$10.9 million in advertising equivalency in media placements. Additionally, the average engagement rate for each workout was 17.5%, which is 57% higher than our average engagement rate of 7.43%. And we attracted nearly 416,600 new followers across social media platforms.

**How did franchisees react?** Very positively. The campaign continued the brand's mission to keep our members moving and provided a way to remain engaged with both our current members and with potential new members while the clubs were closed.

**How did customers react?** Extremely positively. Consumers also positively responded to our overall messaging reinforcing that fitness is essential and encouraging everyone to keep moving.

What's next? We are focused on making affordable fitness accessible to everyone. Our mission remains centered around getting as many people moving as possible to improve their overall health and well-being. As a result, we are continuing to push the value of our entire membership with our in-club experience, but also provide value outside the four walls through our digital offerings on the Planet Fitness app. ■



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**VP of Franchise** 

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# Turn Up the Heat!

El Pollo Loco accelerates its transformation

# Written By BRIAN CARMICHALL

Three years ago, El Pollo Loco began a multi-pronged Transformation Agenda that included several pillars: investing in a people-first culture, differentiating the brand, reinforcing bonds with the communities we serve, and simplifying operations to make it easier to be an employee and a franchisee.

Now, the deliverables in our transformation have been fulfilled and we're ushering in a new era of growth. That's why we've initiated our Acceleration Agenda with a focus on successfully scaling the brand and setting ourselves up for geographical expansion in the years ahead in markets where we don't currently have a presence. This is the catalyst to eventually get the brand back to 5% annual new unit growth across the U.S. by 2023.

# Digital growth

Inherent in that Transformation Agenda also was a real commitment to digitize our business and create a seamless experience for our customers, whether shopping with us in our physical restaurants or ordering and accessing us digitally. We launched our redesigned Loco Rewards program last year and our customers noticed. The new and improved version debuted an enhanced, personalized mobile app experience that made it easier than ever for loyal customers to earn and collect benefits. In 2020 alone, we tripled the growth of our e-commerce business, which no doubt reflects our commitment to meet our customers where they are, no matter how they choose to interact with us. This year, our Loco Rewards program earned a top 10 spot in *Newsweek's* 2021 ranking of America's Best Loyalty Programs.

# New designs to fuel expansion

Our planned growth will come mostly through franchising. Initial expansion efforts will focus on penetrating DMAs in the West and Southwest. Starting in 2024, we will move to the Midwest before continuing our way eastward.

We began recruiting new franchisees in January, just a month after unveiling our new "restaurant of the future," designed to enhance off-premise convenience.

These reimagined restaurants are inspired by the changing habits of consumers to enjoy a more digital-forward and contactless experience, a move accelerated by the Covid-19 pandemic. The new L.A. Mex design, as it's called, also features a modern interpretation of our brand's heritage and strengths, including distinct iconography harkening back to the indelible influence Los Angeles has had on our menu and style. The new restaurants come to life with a unique design and innovative features for the most seamless customer experience possible.

All-new exterior branding. The new image features a complete redesign of the building exterior, featuring the "Fire Tower" that evokes the feel of the flames that create the brand's famous fire-grilled chicken. More comfortable and branded patios give our customers the opportunity to dine outside in the fresh air. Brighter colors, enhanced lighting, and a softer treatment to the logo round out the exterior package.



**Embracing off-premise dining.** Along with our traditional drive-thru, the new design supports many modes of off-premise dining. We have added GPS-enabled curbside pickup and have amplified delivery and in-restaurant order pickup with a new dedicated Pollo To Go digital order pickup fixture. All off-premise dining modes are driven through a connection with the El Pollo Loco app.

**Comfortable and branded interior.** When customers walk inside the remodeled restaurant, they'll experience an open and comfortable interior design rooted in the history of the brand, yet embracing a modern look and feel. New features, like full digital menu boards and grab-and-go drinks add to a more upscale customer experience.

**Fun touches.** The design also contains unique and fun touches based on the brand's long history and positioning serving fresh L.A. Mex cuisine. Pendant lights in the dining room are made from the forks the EPL Grill Masters use to cook the chicken over open fire. Entry door handles are shaped to resemble the cleaver that cuts the freshly cooked chicken. Logo art features inlaid murals, and the wallpaper shows maps of Los Angeles.

# New look, same fire-grilled menu

While our look may be different, our differentiated menu will remain the same. At El Pollo Loco, the chicken is always fresh, never frozen, marinated in a proprietary recipe of citrus, garlic and spice, fire-grilled over an open flame, and hand-cut to order. The freshly grilled chicken serves as the base for a selection of dishes, including family chicken meals, tacos, burritos, quesadillas, bowls, and salads. The Pollo Fit section of the menu also offers low-calorie, vegan, and even keto-certified options.

# The future

We have already remodeled our first four restaurants (three in Los Angeles and one in Las Vegas) and plan to complete 55 remodels in 2021. Our longer-term goal is to finish more than 300 remodels in the next 4 to 5 years. In addition, we expect to build 6 new stores with the L.A. Mex design this year and open as many as 140 new locations over the next 5 years.

**Brian Carmichall** is chief development officer at El Pollo Loco, which has more than 480 restaurants in Arizona, California, Nevada, Texas, Utah, and Louisiana.

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# A BRUSH STROKE OF GENIUS

# Fresh Coat's Tara Riley is a one-of-a-kind leader

Written by KERRY PIPES

ara Riley has served as president of Fresh Coat Painters since December 2014. Before that, she held executive-level leadership positions with several franchise brands. Her introduction to franchising came as a field service manager for McDonald's after graduating from Texas A&M University with a degree in management. She later earned her MBA from Kennesaw State University. When she isn't busy leading her team or supporting franchisees, she spends her time playing guitar, riding her motorcycle, and creating delicious meals on her grill.

With home upgrades on the rise, Riley led the company to one of its best years ever. Fresh Coat added 36 locations in 2020 and ended the year with 4 straight months of record-breaking revenue. And, as a way to further expand its customer base, the brand added disinfecting services and began focusing on commercial painting.

Times were changing during the pandemic, and, like many franchisors, Fresh Coat adapted. "We had to rely more than ever on virtual tools to support our franchise owners, and we also had to encourage them to do the same as they continued to interact with their customers," says Riley.

With more than 30 years of executive management and operations experience with brands that also included Sport Clips, she is leveraging her expertise to drive a surge of growth. She says Fresh Coat is planning to more than triple the size of its business in the next 5 years, capitalizing on the momentum gathered during the pandemic.

"We have a defined strategy to accomplish this goal through profitable growth and scaling our existing businesses, onboarding excellence, and brand expansion through franchise recruiting," she says.

# LEADERSHIP

What is your role as president? I am thrilled to have been at the helm of Fresh Coat since 2014. I have assembled an amazing and capable team of people who work with me to support our franchise owners as we all strive to meet and even exceed our franchise performance goals in all areas from franchise development, operations, and network sales to the overall strategic vision for the brand.

How has Covid-19 affected the way you have led your brand? While the pandemic certainly had a significant impact on businesses everywhere, it did not substantially change the way in which I typically lead. My leadership style is well-suited for the uncertainty we experienced during the pandemic, along with the need to react quickly and decisively to successfully navigate all the new information and changes that were coming at us daily.

When I stepped into this role, I committed to providing prescriptive assistance to the franchise owners. This is exactly the path I continued during the Covid-19 crisis. We addressed the concerns of our franchise owners on a case-by-case basis. Our business coaches continued to be available to help them navigate the "new normal" brought on by Covid-19 safety precautions.



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TARA RILEY, 54

President

Company: Fresh Coat Painters Units: 173 Years in franchising: 37 Years in current position: 6.5

Since Fresh Coat was deemed an essential business, any disruption we experienced was short-lived. Despite the pandemic, we added 36 locations in 2020 and ended the year with 4 straight months of record-breaking revenue-a trend that has continued in 2021. In addition to record sales, the pandemic has made us nimbler and more savvy in the digital space. We had to rely more than ever on the use of virtual tools to support our franchise owners, and we had to encourage them to do the same as they continued to interact with their customers. Learning how to provide the same level of support and customer service through online interactions was a challenge we all overcame successfully, and it has made us a stronger team and brand.

**Describe your leadership style.** My leadership style centers around creating a shared vision for the brand and empowering my team to make that vision a reality. Key to this is finding the right people for the right positions, setting clear expectations, and then trusting them to execute their roles accordingly. I seek input from my team regarding the goals we set and plans of action to achieve them, and I strive to support their goals for personal development as well.

What has inspired your leadership style? I have been fortunate to have had many great mentors over the years who have inspired me to be the kind of leader who engages her team by involving them in the decision-making process. In this way I create teams that are more engaged and invested

in reaching our goals because they have a feeling of equity in the outcomes.

As president, how do you help your vice president of marketing develop and grow? It is important to understand the strengths of the leaders on our teams and not only leverage them, but also encourage them to build on them. One way to do this is to invest in their development by giving them the time and opportunity to participate in continued education through conferences, classes, etc. It is incredibly important to stay informed about changes and developments in the business world, especially in the field of marketing. Fresh Coat is part of the Strategic Franchising family of brands, which are all housed in the same building. There is ample opportunity to collaborate with the marketing teams from the four other brands. We share best practices and resources regularly, which allows everyone to improve their skills and add to their knowledge.

Where is the best place to prepare for leadership, an MBA school or OTJ? While I do have an MBA, I am a strong supporter of on-the-job training. The MBA gave me a broader understanding of the many aspects of leading a business and the tools needed to perform at a high level. However, I believe my leadership skills have been acquired over time through each role I've held thanks to the mentors I have had. I think both forms of education have their place, but for me on-the-job training and mentoring had the most impact.

Are tough decisions best taken by one person? How do you make tough decisions? When I am faced with the need to make tough decisions, I do not make them unilaterally. I seek out perspectives from the leaders on my team so I can evaluate the situation from several viewpoints and address potential outcomes I would not have anticipated on my own. While this can seem like it would be time-consuming, it really does not take very long, and it is a vitally important step. Ultimately, I must make the final decision and take responsibility for it, but I wholeheartedly appreciate my team's perspective and assistance in helping me arrive at the answer.

Do you want to be liked or respected? Being respected and liked are both important to me. However, it is more important to be respected than it is to be liked. I understand that it is impossible to make everyone happy all the time, and if you are trying to do that you likely are not making very good decisions for the business. I seek to be respected for my vision for the brand and the actions I take to achieve that vision.

Advice to people who aspire to lead a company? Leading a company well requires you to understand all the disciplines in the business world from operations, marketing, and sales to financial management. You must know how all the different parts come together to create a successful business. Even though you have experts on your team, such as a CFO, it is important to understand these functions so that you can use the insights from your experts to ultimately make the best strategic decisions. While my background was primarily in operations, I took the time to learn about the other business functions, which has proven to be very valuable knowledge. My suggestion to anyone aspiring to lead a company is to spend time with the leaders across the different functions to gain an understanding of their everyday workload and the challenges they face. In this way you can lead from a place of understanding, allowing you to take that information into account when making decisions and creating new strategies.

# MANAGEMENT

**Describe your management style.** Better business decisions are a combination of following your instincts and then considering the data. Data-driven decisions lead to continuous enhancements and improvements in systems and processes. This approach can also be linked to a rise in better accountability and transparency among team members because it takes away much of the guesswork from decision-making. Ultimately, a data-driven management style can improve morale, leading to a more positive, more productive workplace.

What does your management team look like? I have a strong team by my side. It includes a vice president of marketing responsible for brand awareness and lead generation; a vice president of franchise operations in charge of all things directional to the franchisees; a vice president of sales focused on bringing new franchise owners into the system; and a vice president of commercial and national accounts whose duty it is to acquire relationships to drive business to the franchise owners. We meet regularly to discuss all areas of the business so there is strategic alignment across all the functions.

How does your management team help you lead? My team allows me to lead more effectively by taking care of their disciplines so I do not have to handle the day-to-day decision-making and tasks associated with their roles. I added two management positions at the beginning of the year, and it was a breath of fresh air. Before that, I was directly managing those departments. Now I can oversee the big picture. Instead of working in the business, I am able to work on the business. This is exactly what we encourage our franchise owners to do as well.

Favorite management gurus: Do you read management books? Most recently I read *Traction: Get a Grip on Your Business* by Gino Wickman. Another book, *Profit First for Contractors* by Shawn Van Dyke, happens to be on my desk right now. I am a big fan of Peter Drucker, who many, including myself, consider to be the father of modern management. I have read quite a few of his books over the years. Like my approach to leadership, I take insights from a variety of authors to influence my leadership style and drive my decisions.

What makes you say, "Yes, now that's why I do what I do!"? I am reminded of this every time I see franchise owners hit milestones they never thought possible. A great example of this is the story of a franchise owner who, shortly after signing his franchise agreement, encountered the feelings of uncertainty that many new business owners face. Through customized one-onone business coaching and the strength of our business model, he was able to grow his business and was named Franchisee of the Year 4 years later. Since then, he has further expanded his territory and increased revenue and profitability. It is always a feeling of great achievement when we can inspire franchise owners to follow our proven systems, grow their businesses, and create a legacy for their families. This is why I love franchising. We have the opportunity to change people's lives.

# **OPERATIONS**

What trends are you seeing with consumer spending habits in your industry? The home improvement industry saw a significant increase in demand following the overwhelming impact of the pandemic. The stimulus created higher discretionary spending combined with unprecedented savings because people were not spending their money on travel and entertainment. Instead, they poured that extra money into their homes, which they were forced to spend more time in. If they had to be home, they wanted to enjoy their surroundings, and that has been driving the home improvement boom. The increased demand for residential and commercial services has allowed many of our franchise owners to grow and scale their businesses. We expanded our commercial division during the pandemic, further cementing Fresh Coat's position and reputation as a recession-resistant business opportunity.

# PERSONAL

What time do you like to be at your desk? My days start around 6 a.m. when I begin checking emails and anything urgent from my home office. The morning hours are my time to reflect and work on things with no distractions before heading into our corporate headquarters at 9 a.m.

What technology do you take on the road? I usually carry my laptop, but with the power of today's smartphones, I find I rely on it less and less. When flying, I find noise-canceling headphones to be a huge benefit.

How do you relax/balance life and work? Work/life balance is something I have only recently mastered. I have finally learned to take one or two days off per week without worrying about work. It has only been in the last couple of years that I have been able to do that successfully. I have always been active, playing golf, softball, going to music jams, riding my motorcycle. These are all ways I separate from the stress of my business responsibilities.

**Favorite vacation destinations:** I have several favorite vacation destinations. Sanibel Island in the winter, Minnesota

lake country in the summer. I also love Mackinac Island, Michigan, and the Great Smoky Mountains National Park area around Gatlinburg. One of my pastimes is riding motorcycles, and there is some great riding in that area.

# **BOTTOM LINE**

What are your long-term goals for the company? Our objective is to more than triple the size of the business in the next 5 years. Our momentum has been fueled by achieving great success and growth despite a pandemic. We have outlined a plan to accomplish this goal through three pillars: 1) profitable growth and scaling of our existing businesses, 2) onboarding excellence, and 3) brand expansion through franchise recruiting. Ultimately, we want Fresh Coat to become an iconic brand and a household name in even more markets across the U.S.

How has the economy changed your goals for your company? The economy has not negatively affected our goals. If anything, our targets and expectations are accelerated based on the tremendous amount of expansion and growth in the home services industry. The pandemic shifted our focus in some areas though, resulting in more efficient systems, increased focus on additional lines of business, and increased profitability at the franchisee level.

How do you measure success? One measure of success is making note of the sheer number of people who Fresh Coat has turned into business owners and seeing how that has changed their entire family's lives for the better. Success is also measured by the growth of our franchise owners and how well we help them achieve and even exceed their business goals.

Any regrets? Over the course of my career, I have certainly made decisions that did not turn out the way I wanted them to. However, instead of just regretting the mistake, I adjusted and moved on. I like to think of mistakes as an opportunity to learn and do better and not think of them as just failures.

What can we expect from your company in the next 12 to 18 months? Explosive growth in the number of franchise locations across the country. We are poised to expand our footprint very rapidly, and we have built the foundation for that to happen strategically and profitably. ■



PIZZA PIONEER

# Steve Jackson has been a part of Hungry Howie's since 1973

Written by KERRY PIPES

S teve Jackson is the personification of loyalty. He was there when Hungry Howie's Pizza was launched in 1973 when he worked as a delivery boy for the company's founder, Jim Hearn. He went on to open the company's second location. Today, nearly 50 years later, the 66-yearold is president and CEO of the pizza brand, which has 550 locations in 21 states and consistently ranks in the top 10 of the nation's largest pizza franchises.

Covid-19 brought Hungry Howie's and other pizza brands a mixed bag of good and bad news over the past 18 months. Fortunately, the model was set up for success during the pandemic because the brand had offered delivery and pickup orders for years. However, the shortage of employees has caused headaches and continues to be an ongoing issue. "There's an industry-wide labor shortage of food service workers," says Jackson. "We've simplified our menu to keep labor low and minimize waste."

Still, the pizza business is resilient and has survived and even prospered during the pandemic, just as it's done during other crises. In fact, Hungry Howie's has picked up the pace since the pandemic. "Customers have been spending more and have increased the average ticket close to 20%," says Jackson.

The brand's recession-resistant business model gives Jackson a good feeling about Hungry Howie's future. "The pizza business is the shining star of the restaurant category," he says. "Now is a great opportunity to grow our business at a faster pace than we have in a very long time." The brand has invested heavily in technology, he says, which provides real-time information and the ability to make quicker, better business decisions.

Working together with his leadership team and dedicated franchisees, Jackson sees blue skies ahead for Hungry Howie's.

# LEADERSHIP

What is your role as CEO? My responsibilities include communicating and directing my leadership team while managing the overall operations and resources of the company. I also lead the Franchise Marketing Advisory Council, which directs the marketing of the brand. Through our public relations firm, I communicate with all media as the voice of the brand.

How has Covid-19 affected the way you have led your brand? We were very blessed to have our business be considered essential during the Covid-19 pandemic. Sadly, tens

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# **STEVE JACKSON, 66** President/CEO

Company: Hungry Howie's Pizza Units: 550 Years in franchising: 44+ Years in current position: 40+

of thousands of restaurants were forced to close. The last 18 months have been the most challenging time for our brand since we started in 1973. We were forced to restructure our business model to be able to serve our customers, along with instituting initiatives to protect the safety of both our employees and customers.

When the shelter-in-place orders went into effect in March 2020, our leadership team met every morning on Microsoft Teams to review operational changes that would be needed to operate. We were forced to modify our business model by offering contactless delivery, increasing sanitation procedures in stores, installing counter shields, securing masks and gloves, offering curbside delivery, and adding social distancing floor stickers in store lobbies to comply with the new regulations. Additionally, we developed a Covid-19 manual that offered direction to our franchisees on how to deal with all of the challenges to operate during these challenging times.

The biggest challenge the hospitality industry was faced with—and is still faced with today—is the lack of available staffing. The majority of our store's team members are 16 to 24 years old. At the beginning of the pandemic, parents quickly made the decision that they didn't want their children working and being exposed to possible infection, which forced an immediate reduction in staff for all our locations.

I am very proud to say that our franchisees realized the need to support their community hospitals and first responders and donated thousands of pizzas to feed them as they worked countless hours supporting those in need.

**Describe your leadership style.** I would say it's working with my leadership team in a collaborative effort. I have always believed that being a good listener is an important quality of a good leader. Active listening is often an overlooked leadership quality. I feel it is important to get the necessary information by identifying issues, discussing them, and then developing a solution that allows me to make better decisions.

What has inspired your leadership style? I have always looked up to the top leaders of all successful businesses to help foster and mentor the leadership qualities. I have become a better leader by surrounding myself with good people.

What is your biggest leadership challenge? That I am loyal to a fault. There have been times I should have made staff changes over the years, and because of my loyalty I have hesitated to do so. Working with family members can also offer its challenges.

How do you transmit your culture from your office to front-line employees? Back several years ago, we hired a leadership team coach who asked us to define the company's core values that made our brand successful. After weeks of reviewing what we believed made Hungry Howie's what it is today, we defined these core values. 1) Treat everyone like family. 2) Have integrity. 3) Do what you say. 4) Be hungry for growth. 5) Have positive energy. We have made every effort to instill these core values throughout our company, starting with the corporate office team, and then to the franchisees and into their locations and team members on the front lines. We integrate them into the company's daily operations by reinforcing these values in all communication and messaging.

How can a CEO help their CMO develop and grow? The CEO must have a close working relationship with the CMO to be fully aligned and communicate a clear marketing message on behalf of the company. I have been very fortunate to work with Rob Elliott for more than 10 years, where his direction has molded our brand from a regional to a national brand. Rob brought the necessary experience to us from working with multiple large brands for decades. The CEO and CMO must foster a collaborative relationship to maintain a shared vision of the company's purpose, strategic planning, and resources required to build the brand.

Where is the best place to prepare for leadership, an MBA school or OTJ? I ended up in the pizza business by default. My goal was to be in education, but because of the lack of teaching jobs available I found myself looking for other opportunities. I had delivered pizzas in high school for Jim Hearn, who opened the first Hungry Howie's in 1973. While attending college I stayed in contact with Jim because he was a friend and I admired his business success. Jim offered me the opportunity to open the second location in 1976, so I made the difficult decision to quit college and quit a job at Ford Motor Company. That said, my leadership has been developed by on-the-job training, which I believe worked for me. Having an MBA would be a benefit, but everyone still needs on-the-job training to build any business.

Are tough decisions best taken by one person? How do you make tough decisions? When I must make big decisions, I consult with my leadership team or the necessary resources to weigh my options. I look for their knowledge, expertise, and perspective to help me make the best decisions.

**Do you want to be liked or respected?** I believe it is important for a CEO to want to be both respected and liked, but I feel it is more important to be respected as a leader. Respect is earned, and it is equally important for a CEO to show respect by setting an example of showing mutual respect in the workplace.



What makes you say, "Yes, now that's why I do what I do!"? If you look back at the first core value of our company, it is "Treat everyone like family." We have operated our business like a family for more than 48 years. We have built lifelong friendships with our franchisees, and I feel personally responsible for doing everything we can to continue their business success. I enjoy working with the corporate team, franchisees, vendors, and suppliers. It is important for me to build this brand to help foster success for everyone.

CEO Profile – Steve Jackson

# **OPERATIONS**

What trends are you seeing with consumer spending habits in your stores? Pizza was an easy decision for customers during the pandemic as it is affordable and extremely convenient. Before the pandemic, we already offered home delivery, carryout, and online ordering, so our business model fit the needs of the pandemic. Customers have been spending more and have increased the average ticket close to 20%. The stimulus money people continue to receive gives them spending money they didn't have before the pandemic. As those funds are eliminated, we are waiting to see what impact that will have on customer spending and available people looking for work. It is hard to predict what will happen as these changes take place.

How is the economy driving consumer behavior in your system? The pizza category has been in price wars for decades based on value and discounts. During the pandemic, most chains held back on the major discounting because of staffing issues. As a result, our average ticket has increased significantly during Covid. However, we are struggling to find the labor to be able to meet these demands at our locations. Some locations have been forced to reduce hours of operation because of the lack of available staffing. Additionally, as restaurants reopen, it is undetermined what effect that may have on the pizza industry. As we get back to some level of normalcy, customers will have many food options.

What are you expecting from your market in the next 12 months? With the current state of the economy, it is very hard to predict the future. Decisions that local, state, and federal governments are making can change the future of business drastically. At the same time, with the closing of nearly 100,000 restaurants across the country, there may be interesting real estate available for companies in a position to expand.

Advice to CEO wannabes: To attain the title of CEO, individuals must develop the necessary skills to understand and lead a business in operations, marketing, and accounting. Without a clear understanding of those departments, it would be challenging to make any business successful. People are a business's most important asset, so hire strong leaders in all departments and let them do their job. Listen and respect what they have to say because they have the knowledge to help take the company to the next level. Strong leaders will constantly challenge the status quo, which will help make relevant changes to build the brand.

# MANAGEMENT

Describe your management style: I would say my management style is a balance between being supportive and defining accountability. Our leadership team uses a platform that sets company and department quarterly goals. We meet weekly to determine if they are on track and discuss any issues that have occurred and must be addressed. In turn, I do my best to support each department, providing the resources and assets they need to succeed and achieve their goals.

What does your management team look like? Our leadership team is made up of the

department VPs of marketing, operations, technology, finance, legal, and development and meets every Tuesday morning. The individuals on the leadership team have more than 250 years of combined experience in the restaurant category.

How does your management team help you lead? The leadership team are my eyes and ears! I can only be in one place at a time, so I am grateful to have a group that not only provides me with insight, but also helps me to make the best decisions for the company. I surround myself with team members who can lend their strengths and expertise in all areas of the company.

Favorite management gurus: Do you read management books? I don't often take the time to read management books, but two that come to mind are *Traction* by Gino Wickman and *Good to Great* by Jim Collins. I am a newspaper, Internet, and magazine reader and look at multiple publications daily and subscribe to industry-related sites. I read all IFA publications, *Nation's Restaurant News*, and the *Wall Street Journal*. I also keep an eye on global and state news looking at the political landscape and government regulations as those decisions affect all small businesses. Are your franchisees bullish or bearish about growth and adding units? In the last 18 months, there has been a lot of fear and anxiety in all business sectors. Based on the fact that the pizza business was the shining star of the restaurant business, we feel Hungry Howie's is in a perfect position to grow the brand. We feel this has opened the eyes of both our franchisees and of prospective franchisees who are seriously considering franchising. The pizza business could be attractive to multi-unit franchisees who operated brands that did not do well this past year and could potentially be open to developing with our brand. Hungry Howie's is attractive because we have more than 500 locations, yet still have many prime territories open for development.

Are commodity/supplies costs any cause for concern in your system? There has been a significant fluctuation in protein costs and availability during the past year. The corrugated market, which we depend on for our pizza boxes, has had price increases because of the demand for packaging for companies like Amazon. The shortage of labor has a direct impact on commodity costs as well because manufacturers are unable to staff their facilities. Every industry is challenged with labor costs that have a direct impact on commodity/supplies costs.

How are political/global issues affecting the market and your brand? The decisions made by local, state, and federal governments have a significant impact on all businesses. Before 2016, many government regulations were instituted that had a negative effect on small businesses. From 2016 to 2020 we saw relief of government regulations from the administration in Washington. The most recent administration is moving back to adding regulations that make it difficult for small-business owners. And since our franchise locations are owned by individual business owners, the government changes affect each owner directly. All franchisees must comply with the local, state, or federal regulations on licenses, business taxes, sales taxes, wage laws, labor laws, environmental regulations, insurance, and advertising. My advice to our franchise base is to control what you have the ability to control.

# PERSONAL

What time do you like to be at your desk? Our team is still working remotely, so I am typically at my desk around 6:30 to 7:00 a.m. When I'm commuting to the office, I'm usually in by 8 a.m. Exercise in the morning? Wine with lunch? Neither. I enjoy golfing and walking the courses in the afternoon and I never drink wine at lunch. I do enjoy drinking good wine at dinner.

Do you socialize with your team after work/outside the office? I rarely socialize with my team outside of the office. Golf has been synonymous with business networking for a long time, and I try to play as often as possible. I also make an effort to talk with each team member regularly to discuss business and personal life.

Last two books read: *Traction* by Gino Wickman and *Good to Great* by Jim Collins. The book I'm currently reading is *The Match: The Day the Game of Golf Changed Forever* by Mark Frost.

What technology do you take on the road? I usually take my laptop to catch up on work when I travel, but lately I'm managing with my smartphone and iPad.

How do you relax/balance life and work? After my workday, I like to enjoy golf, socialize, and dine with friends.

**Favorite vacation destination:** Italy is my favorite country with so many places to explore including Rome, Venice, Florence, Sicily, and the Amalfi Coast, to name a few. They have an amazing culture with incredible food and wine.

Favorite occasions to send employees notes: I make every effort to acknowledge people's birthdays. I also like to celebrate the major holidays with my team and highlight their achievements and accomplishments throughout the company.

**Favorite company product/service:** My favorite product at Hungry Howie's is our pizza. I'd recommended the Stuffed Crust Large Cheese & Pepperoni Pizza with Butter Parmesan Crust.

# **BOTTOM LINE**

What are your long-term goals for the company? We feel that 2021 is a great opportunity to grow and that Hungry Howie's offers a great opportunity. We provide the time-tested opportunity of education, resources, and tools needed to succeed in the pizza business with more than 48 years of experience. The company is well-positioned to pick the right franchisees to expand our footprint across the country.

How has the economy changed your goals for your company? The Covid-19 pandemic triggered the deepest economic recession in nearly a century, changing our goals. With business sales up, our goal of opening more stores has improved. The pizza industry has been booming and we've become much more attractive with our business model. But there's still an unpredictability on the decisions local, state, and federal governments will be making that will determine the future success of our goals. As I've said, there's an industry-wide labor shortage of food service workers. The status of the people receiving extended unemployment insurance challenges the availability of workers. Once these government regulations and unemployment insurance decisions are executed, we'll respond accordingly.

Where can capital be found these days? Most of our franchisees use the SBA. We also send candidates to companies like Directed Equity and Benetrends, which work with them to determine the best financing options.

How do you measure success? Throughout my life, I've set short-term goals that are realistic and attainable. Once I've accomplished the goal, I immediately set a new one. Fortunately, I have not disappointed myself often because it is important to set realistic goals. Success is not a destination. Success is continuing to evolve and celebrating the small wins when you accomplish each goal.

What has been your greatest success? Success is measured far beyond revenue. We have so many pillars in our life including family, career, business relationships, personal friendships, and our faith. There are great moments and achievements in my life that make it difficult to determine and define my one greatest success.

Any regrets? Everyone looks back and sees opportunities in the past, thinking about what they could have done differently. I think about past regrets at times, but I never focus on these moments because they are the past. We learn from our mistakes and move forward. Those moments influence future choices and help shape the person I am today.

What can we expect from your company in the next 12 to 18 months? We have opened multiple stores in multiple states this year and are excited to continue our franchise growth. Because of our unique positioning in the pizza category, Hungry Howie's is poised to take advantage of higher-level growth—as long as we aren't faced with any setbacks. As the global economy recovers, we are watching closely to determine how to set our future planning. ■

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# Employee Engagement

# How Engaged Are Your Employees?

Highlights from FBR's annual Franchising@WORK study

### Written By ERIC STITES

A s the U.S. labor market continues its upheaval this summer, new employee data from Franchise Business Review suggests bright spots for some franchise sectors and brands. We recently completed the annual Franchising@WORK employee engagement study, collecting feedback from more than 4,000 employees.

The full report will not be released until later summer. However, initial findings revealed that employee engagement and satisfaction remain very high across corporate franchise roles, as well as for many front-line staff. Here are some of the study's key findings.

- Overall, the 2021 study's Employee Engagement Index score of 79 was down just 1% from pre-pandemic levels (compared with the 2019 benchmark of 80).
- 81% of employees said their job is rewarding and satisfying, and 79% would recommend their company to a friend.
- Compensation remains strong with 60% of respondents reporting they received a raise this past year, while just 12% reported that their pay had declined.
- Highest employee engagement rates by industry vs. benchmark: Cleaning & Maintenance (+6%); Business Services (+5%); Fitness (+5%).
- Lowest employee engagement rates by industry vs. benchmark: Hotels & Lodging (-18%); Personal Services (haircare/massage/etc., -15%).
- · Covid-related impacts on corporate

employees: 1) 82% of employees reported staying "well connected" with their manager while working remotely; 2) 57% of employees said they were more productive while working remotely, 30% said they had no change in productivity, and only 13% felt they were less productive while working remotely; 3) 49% of managers said their direct reports were more productive while working remotely, 35% said there was no change in productivity, and only 16% noticed a drop in productivity from their teams; and 4) two of three employees (67%) said they would prefer to stay working fully remotely post-pandemic.

# Winning the talent race

Recruiting and retaining employees was challenging pre-pandemic. Now, it's nearly impossible for some organizations, as work/ life balance, job flexibility (i.e., remote work), and higher wages have become top priorities. Nowhere is this more evident than in the hospitality industry. Restaurant and hotel workers led the way in spring resignations. For April alone, the U.S. Department of Labor reported that millions of people quit their jobs, with more than 740,000 of those jobs in the hospitality and leisure industries.

People in lower-paying jobs are leaving for better pay. Work/life balance played a role, as did other factors including safety, stressful working conditions, long hours, long commutes, and lack of childcare.

The pandemic has given everyone especially those fed up with unfulfilling jobs—time to reflect on their careers, and people are flocking to new jobs they are more passionate about. Take Wild Birds Unlimited (WBU). One silver lining of the past year-and-a-half is that people have rediscovered the outdoors. As a result, the nature retailer, whose mission is "to spread joy," has experienced solid growth across its network of more than 350 franchise locations. To support this growth, WBU has been recruiting and hiring new staff with a strong focus on culture.

"We hired 12 new corporate staff members over the past 16 months to keep pace with the growth of our system," says EVP and COO Pat Perkinson. "Fortunately, we have not struggled to find great people, but we have had to focus with intensity on the onboarding process, making the culture come alive for them and making them feel part of the team." When asked if wage increases have been part of the recruitment process for retail store staff, Christa Anderson, WBU's director of coaching support, said, "Absolutely, to be competitive and to retain existing talent, but it's only part of the package. Small businesses cannot compete with larger company wage offerings alone. We encourage franchise owners to promote the intangible benefits such as the work environment, the opportunity to bring joy to customers, and their direct contributions to the betterment of nature."

# The struggle to find talent

The national labor shortage has touched every company at some level. That said, brands that focused on building a strong culture before the pandemic have fared far better over the past year than those that haven't.

"Jason's Deli has been in business since 1976. Our founder, Joe Tortorice, was always such a positive example for us, which set the tone for our strong culture," says Michele Kemplay, director of human resources for the brand. "He believed in a set of core values and taught us the concept of servant leadership. We believe if we serve others and help people get what they want they will thrive and, in turn, the company will thrive. We set that tone on the company level, and then it's up to each managing partner to set that tone in their deli."

While Jason's and WBU have had their share of staffing challenges, the companies have maintained extremely high levels of employee engagement right through the pandemic. In fact, both were named a 2021 Franchising@WORK award finalist for the second year in a row for their outstanding employee engagement.

The battle over top talent will continue for the foreseeable future, but many franchise companies are well positioned to win. To learn more about the 2021 Franchising@ WORK project and benchmark your company's employee engagement system-wide, visit our website. ■

**Eric Stites** is the CEO and Managing Director of Franchise Business Review, a market research firm founded in 2005 that specializes in franchisee satisfaction and performance.

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Invaluable data and analysis for marketing teams

Written by EDDY GOLDBERG



**20021** marked the release of the third Annual Franchise Marketing Report (AFMR). This report provides franchise consumer marketers with invaluable data and analysis they can use to benchmark their performance against other franchise brands and within their industry sector. In short, the AFMR is a unique resource franchise marketers can use to improve the effectiveness of their marketing efforts and spend.

The ongoing pandemic, on top of franchising's already competitive and frothy landscape, has strengthened the necessity for marketers to better understand how their brand measures up against the competition, as well as how it is performing in the wider marketplace. The AFMR can help franchise consumer marketers understand how their team compares with their peers and, more importantly, help them direct their limited resources into the most effective channels for achieving their system-wide goals during these uncertain times.

"This annual report was created at the request of our Franchise Marketing Leadership Conference Advisory Board to develop relevant content for CMOs, and to learn more about their needs and challenges," said Diane Phibbs, executive vice president and chief content officer at Franchise Update Media.

Participants in the AFMR consisted of franchise marketing leaders who completed an in-depth questionnaire. 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 2021 AFMR. Below are selected highlights from the new report.

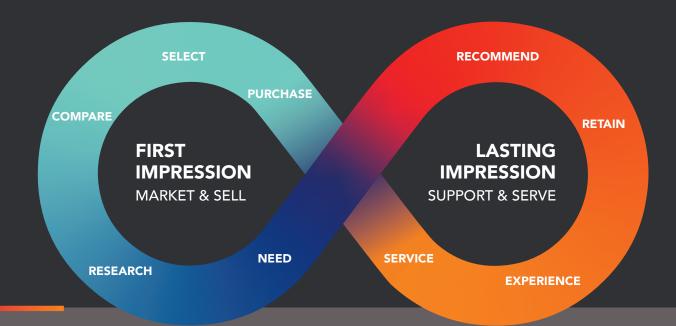
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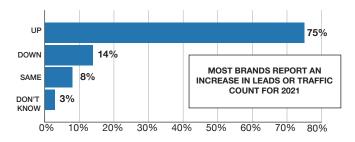
#### **Participating Brands**

Franchise marketing teams are responsible for marketing to both consumer and business customers. More than half (54%) reported that they market to both B2C and B2B, while 33% market to consumers, and the remaining 13% to B2B customers.

Service brands accounted for 6 in 10 (61%) of all respondents, split evenly between brick-and-mortar (31%) and non-brick-and-mortar (30%). Twenty-two percent of respondents worked at food brands (13% retail food, 9% food), with the remaining 17% in non-food retail.

Unsurprisingly, as Covid cases eased earlier this year, 100% of respondents said the outlook for 2021 is better than it was for last year.

#### Leads and Traffic Count



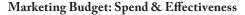
Since March 2020 when Covid-19 made its initial public appearance in the U.S., changes in consumer behavior have significantly altered leads and traffic count and changed how marketers communicate with their customers.

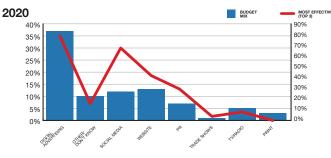
The good news this year is that 75% of respondents said lead and traffic count were up. Again, not surprising as both businesses and consumers adjusted to the pandemic after the early shock and uncertainty—and was to be expected given that so many businesses were closed or limited in capacity, hours, or lack of staff by Covid in 2020.

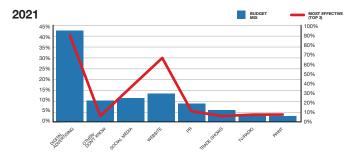
That 75% figure contrasts powerfully with last year's AFMR, when more than half (55%) reported that leads and traffic were down slightly or significantly during the pandemic. This year only 1 in 7 (14%) said leads and traffic count were down.

Many home service brands enjoyed growing revenues during the pandemic as people made improvements as they spent more time in their homes. And, as has become so apparent, food brands with drive-thrus also did well.

What Phibbs noted last year still holds true today: "Consumer patterns of everyday life changed, so brands had to change too, and take a look at their marketing spend and messaging. The consumers dictated it."







Those new consumer behaviors resulting from the pandemic meant that media options that had worked in the past were no longer as effective as in previous years. So where to spend? With so many people working from home, laid off, or receiving extended unemployment benefits, out-of-home advertising such as billboards and radio ads dropped toward the bottom of marketers' toolboxes.

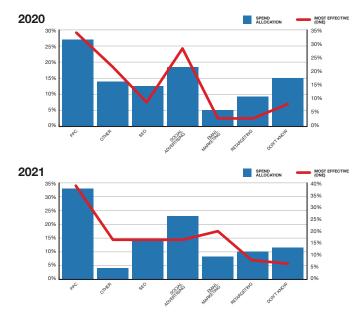
Overall, two-thirds of respondents (67%) said budgets are higher this year than last, although budget allocations remained similar to those of 2020, with a couple of exceptions.

Spending on digital marketing increased, again not surprising as consumers spent more time online and were able to view digital marketing efforts more easily. Consequently, online marketing methods such as digital advertising, websites, and social media all performed well over the past year. Digital effectiveness showed a significant jump over last year, as seen in the two graphics.

And before the recent spread of the Delta variant, marketers had begun increasing their spending again for in-person trade shows. With business people yearning for a return to face-to-face (or at least elbow-to-elbow) reunions, it's no surprise to see that effectiveness in this area increased too.

Spending on TV and radio dropped a couple of percentage points in the past year. Much of this drop was likely in radio as marketers pulled their dollars when commuters were asked to stay home. "What's interesting here is that while spending in this category decreased, its *effectiveness* increased to almost double from 2020," said Phibbs.

#### Digital Marketing: Spend & Effectiveness

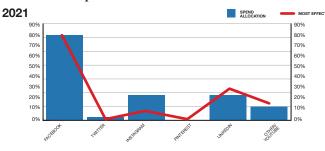


With people forced or choosing to stay home, spending on digital marketing rose. Out-of-home advertising, from in-store campaigns to billboards, fell in tandem with commuting, spurring a shift to digital campaigns to reach people where they were: at home on their computers, tablets, and phones.

- Pay per click and social media saw an increase in spend this year.
- All digital marketing efforts saw an increase in effectiveness, with the exception of social media.
- PPC saw a solid increase, as did SEO, which jumped about 7 percentage points over last year.
- Email marketing may be the biggest surprise of all. After a low score in 2020, email's effectiveness increased by almost 15 percentage points this year. With so many virtually trapped at home, marketers appeared to show renewed attention to email.

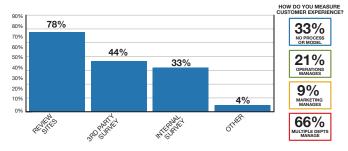
It's interesting to note that social media's effectiveness dropped almost 10 percentage points this year, Phibbs said. This contrasts with her observation last October that "social media has become very effective at a higher rate than spend."

#### Social Media: Spend & Effectiveness



Determining where to spend your marketing budget means keeping a sharp eye on the effectiveness of each channel you've chosen. For this year's respondents, the overwhelming choice was Facebook, with both spend and effectiveness at 83%. Instagram and LinkedIn both clocked in at 19% for spend, but differed largely in effectiveness with Instagram at 7% and LinkedIn at 22%. Twitter, at 2%, barely ranked this year, and Pinterest seems to have fallen out of favor with franchise marketers, with no spend or performance reported in this year's survey.

#### Measuring Customer Experience

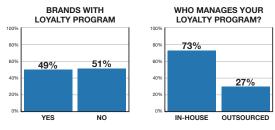


Customer experience, a key to brand success pre-Covid, took on greater importance—and urgency—as the pandemic persisted. Thus, finding ways to measure that experience and adjust and adapt to the new consumer behaviors also took on greater urgency.

This year, 67% of respondents said they have a customer experience program. This is up from the 2020 AFMR, where 55% said they had *no* formal customer process or program for their brands. When asked who manages their customer experience program, 66% said multiple departments are responsible.

Measuring your brand's customer experience is more important today than it ever has been. Everyday life has changed and perception of your brand is evolving. Brands that don't have a customer experience program would be advised to look at adding one as the economy recovers.

#### Loyalty Program



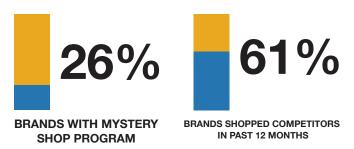
FOR THOSE WITH LOYALTY PROGRAMS, 50% OFFERED A DISCOUNT AS A REWARD, WITH FREE PRODUCT/SERVICE OR OTHER REWARD AS ALTERNATIVE OPTIONS.

Loyalty programs are proven to drive traffic and revenue and to add value for both the customer and the brand—yet only 49% of respondents reported that they have a loyalty program. Loyalty programs are a great way to gather customer data, and offering incentives is effective in encouraging consumers to sign up.

Brands seem to be getting the message. Just this past June, Popeyes launched its first loyalty program, as did McDonald's. And in July, Papa John's loyalty program reached 20 million members.

When it came to managing their loyalty programs, respondents showed about a 3-to-1 preference for doing it in-house, versus outsourcing it.

#### Mystery Shopping



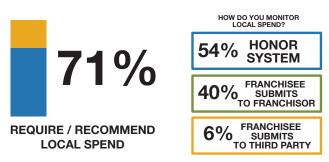
Strike the iron while it's hot, they say. But what if the iron (the customer) isn't even there? With people isolated for much of the past year that's essentially what happened to mystery shopping during Covid.

Only 26% of brands reported having a formal mystery shopping program this year, down from last year's 32%. As Phibbs noted last October, "If your locations are closed or you can't get to your consumers to deliver a service, then you don't really need a mystery shopping program because there's no one to shop."

Yet a mystery shopping program is an important tool for understanding how both franchised and company locations are performing. However, it has proven difficult to execute a mystery shopping program during the pandemic.

As the economy inches its way back toward pre-Covid levels, brands may want to consider adding mystery shopping and loyalty programs to ensure they are providing the best customer service possible. Understanding what consumers are looking for—and where they are looking for it—will be more critical than ever as the economy recovers.

#### Local Spend

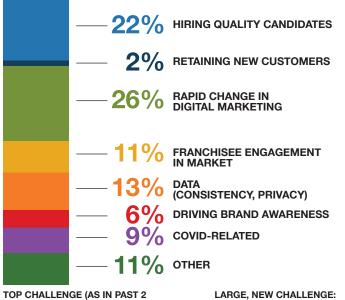


"All business is local," as the saying goes, and engaging with customers through local marketing programs is more important than ever.

While nearly 3 of 4 respondents said they "require/recommend" local market spending by franchisees, a perennial problem for franchisors hinges on "recommend." Local store marketing (LSM) is not always top-of-mind for busy franchisees. Nor is enforcing that local spend on the franchisor side. Educating franchisees on the value (ROI) of following through on this (as well as pointing out that they're contributing to the ad fund) is helpful. But it takes time and continual follow-up. Adding Covid-related complications such as finding enough staff and keeping both them and customers safe only exacerbates the situation.

Internally, brands will benefit from reevaluating their local marketing programs and spend to ensure they're providing optimal support to their franchisees.

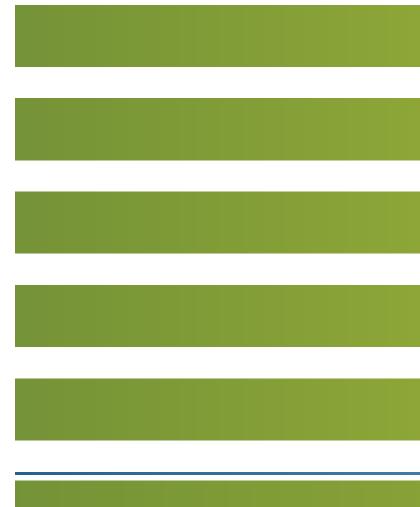
#### **Top Challenges**



TOP CHALLENGE (AS IN PAST 2 YEARS) IS KEEPING UP WITH RAPID CHANGE IN DIGITAL MARKETING (26%) LARGE, NEW CHALLENGE: FINDING ENOUGH QUALITY EMPLOYEES TO HANDLE LEADS GENERATED (22%) The onset of Covid in March 2020 presented massive and unforeseen challenges for marketers that persist today in Q3 2021. Challenges resulting from the pandemic affected the entire business landscape in the form of temporary and permanent location closures, budget reductions, and furloughs of corporate staff and employees at franchisees' locations and corporate stores.

For franchise marketers, this has meant a fundamental reevaluation of everything they do as they search not only for new ways to reach consumers, but also for new ways to serve them. The usual and complex challenges they faced in the years and months leading up to the pandemic were magnified, even as new ones appeared.

For the third consecutive year, and cited by 1 in 4 (26%), the largest challenge continues to be keeping up with the rapid changes in digital marketing. In addition, a large—and serious—challenge during the pandemic is finding employees, paying them enough to return to the workplace, and assuring them you're doing all you can to keep them safe. Hiring enough qualified employees to handle leads generated was cited by 22% of respondents. Data privacy also was a concern this year, with about 1 in 8 (13%) reporting it was a top challenge for them going forward. ■



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# CATALYST For Change

### AAMCO CMO Amy Johnson drives innovation to success

Written by KERRY PIPES



s CMO for AAMCO Transmissions and Total Car Care, Amy Johnson sees her role as being a catalyst for change. "Understanding consumer and market behavior is critical," she says. "That is often where the need for innovation is exposed, and I am able to bring subject matter experts together to plan and execute that innovation." That's something she does by working side by side with her marketing team and other leaders who are receptive to change and to using consumer data to plan the best user experience.

Johnson joined American Driveline Systems, AAMCO's parent company, in 2019. Previously, she worked for the world's largest cybersecurity integrator, in finance for a \$750 billion global bank, and spent time in the healthcare and higher education fields. No matter where her career has taken her, she has always viewed what she does as a journey of connecting people and products in creative ways.

Success as a CMO, she says, is dependent on three key factors. First, she says, "Spend time understanding the priorities of peers and pursue solutions as a team." Next, lead with the needs of the customer. "I firmly believe that successful CMOs are obsessed with who their customers are and what they need." Third, she says, have long-term goals in place with "strategies to attain those goals, and near-term activities that have clear strategic alignment."

In the end, she says, the voice of the consumer must drive every other function of a marketing leader.

**Describe your role as CMO.** I often describe my role as CMO using Deloitte's research on "The 5 Roles of the CMO" model: Customer Champion, Growth Driver, Capacity Builder, Change Catalyst, and Brand Storyteller. I weave these key roles into my philosophy of shaping the future direction of both the marketing team and AAMCO.

As a Customer Champion, my team is responsible for gathering customer insights through analytics and qualitative feedback to deliver an improved customer experience. By aligning the entire organization around the customer, we ensure that every business unit has a clear understanding of our customers, their needs, and the way they prefer to engage our services. That means our franchisees, as well.

As CMO, I am responsible for driving critical components of our brand's growth activities and revenue generation. Working closely with our strategic business units, my team develops and executes strategies to deliver growth in consumer demand and demand for our franchise model. It is essential to drive sustainable growth through understanding our customers, their motivations, and their needs.

Scaling marketing activities through robust systems and processes designed for a forward-thinking franchise organization is a key aspect in my role as Capacity Builder. Identifying, testing, and deploying necessary technology and the internal processes to answer consumer needs quickly and successfully are a critical part of my team's responsibilities. Consumer trends sometimes shift quickly, and it is our responsibility to be ready to capture key insights from the shift and pivot to meet the needs of tomorrow.

One of the most exciting aspects of my role as CMO is being a catalyst for change. Being able to study and understand consumer and market behavior is critical. That is often where the need for innovation is exposed, and as CMO I am able to bring subject

matter experts together to plan and execute that innovation. I'm fortunate to work with leaders within AAMCO who are receptive to such change and excited to use our consumer discovery data to plan the best user experience in the automotive aftermarket.

The voice of the consumer must drive every other function of a marketing leader. The AAMCO brand has a longstanding association with the American public. It is my role to continue to tell the compelling story of one of the most iconic brands in the automotive aftermarket—a story that not only pays tribute to our past but positions us for the future.

What's the most challenging part of being a CMO today? The biggest consumer behavior shifts affecting the role of the CMO today relate to the ways consumers research and buy products. Consumers have an ever-growing reliance on user-generated content (UGC) for their research of brands and products, and this often occurs before a consumer ever contacts a brand directly. Since UGC isn't contained within the brand's digital ecosystem, brands like ours have a heavy lift in monitoring, responding to, and even soliciting things like ratings and reviews to be as present as possible in the consumer journey. This trend shows no signs of slowing and presents one of our largest opportunities to equip consumers by ramping up our educational content and leveraging consumer stories to continuously learn and improve our processes.

How has Covid-19 affected the way you have led your brand's marketing efforts? Covid's impact on our marketing processes is undeniable. We were just beginning to mature our marketing processes to be proactive and programmatic. When Covid hit, our efforts were accelerated dramatically. We realigned our communications strategy to rely less on field contact and more on consistent real-time digital multi-channel communications. In addition, we adapted our agency communications to ensure we are driving consistent change for all franchisees. We updated our processes to boost the number of touchpoints with each franchisee, offer them more self-serve and full-service options, and make our responses to requests faster than ever.

What are the 3 most important keys to being an effective CMO leader today? 1) Cross-team collaboration. Successful marketers spend time understanding the priorities of their peers, finding opportunities for alignment, and pursuing solutions as a team. 2) Championing the needs of the customer. Most organizations have slogans encouraging employees to lead with the needs of the customer, but few departments are run with those mantras as their source of truth. I firmly believe that successful CMOs are obsessed with who



their customers are and what they need. That simple "How can I solve your problem and make your life better?" attitude is essential for success as a CMO. *3) Leading with a long-term mindset.* The temptation to focus heavily on current campaigns and immediate results is very real. However, effective CMOs lead with longer-term goals in place, strategies to attain those goals, and near-term activities that have clear strategic alignment.

How do you prepare a marketing plan and execute the strategies? Marketing strategy starts with the goals of the business set with stakeholders from across the organization. From there we lean on data, do everything possible to gain a deeper understanding of our customers, and focus on a cohesive multi-channel approach. Having this blueprint allows both the team and the organization to turn the strategy into real-life projects that have a direct impact on the bottom line.

How do you measure marketing results and effectiveness? This depends on the goal, but we focus primarily on metrics that show us how well we are creating awareness, capturing attention, and converting leads into cars in the bay. For this, we track everything from impressions to clicks to call volume, content, and duration. Last, we measure how satisfied our customers are, our most important measure of how we are fulfilling our brand promise. Satisfaction is measured by ratings, reviews, and surveys.

**Discuss your core consumer marketing strategies and objectives.** Automotive repair is a very local shopping experience for most consumers. If you need your car repaired, you're looking for expertise, price, and convenience. Because AAMCO focuses in on the most complex auto repairs and diagnostics, our consumer marketing strategies start with education: how we help consumers understand what's going on under the hood and how to stay safe on the road. Next, we want to be present and local to them, so we focus attention on appearing in local search and having our great customer base leave us honest ratings and reviews so new customers in the community know what to expect and who to trust. Automotive repair is a high-trust business. You really want to know that you have the best of the best fixing the car you rely on every day.

How do you go about creating a customer-centric marketing and brand philosophy? We start by considering each step across the customer journey. Few people plan to have transmission or engine work performed. It's usually a surprise! When we are surprised with a need for a major repair, the rest of life doesn't stop. Parents still need to get their children to school. We all still need to get to work. The activities our customers perform to keep our communities moving are important, necessary, and some essential in times of crisis. Our focus is getting our customers back on the road. That's why automotive care is so important and why it's considered an essential business—without transportation, everything stops. Creating a marketing philosophy around our customers is simple: we know how important you are to the community and we are committed to keeping you on the road so you don't have to slow down for repairs...to keeping you moving at the speed of life.

**Describe your marketing team and the role each plays.** Our team is made up of marketers who perform vendor and campaign management for all our franchisees and corporate locations, and others who design, manage internal communications, social media, and more.

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? Owning a franchise is a very personal decision. We have a strong motivation to make sure the relationship is positive both for the franchisee and for the chain as a whole.

We invest significant one-on-one time with each candidate to ensure they know who we are, why the brand has been successful for so many decades, and what it takes to be successful as an AAMCO dealer.

How does this help your franchise sales and development effort? We always want every potential owner to be completely confident they know what their day-to-day life will be as a member of the AAMCO family. Our high-touch, individualized approach gives us an opportunity to share our experience, learn about the candidate and what they bring to the table, and ensure that we have answered every question thoroughly. We want to have the most transparent franchise-buying experience in the industry.

What tools do you rely on to do this? Like most franchisors, we rely on a CRM, customized content including white papers, videos, infographics, website experiences, webinars, and good old-fashioned face-to-face meetings (whether in person or through virtual video meetings). We have also added more on-demand content recently, based in part on feedback from our newest franchisees.

Do today's prospects expect more from the franchise marketing department? What, and how do you provide it? Today, individuals want to be led through the buying process. This ranges from detailed financials, extensive help with real estate and startup processes, recruiting, training, and even trial experiences with our current franchisees. They even look to us to help guide them through their fears as this is a life-changing decision. Fortunately, AAMCO has a dedicated team to guide them through the process of ownership, a robust onboarding process, and continued education and training. AAMCO University is an established resource for new franchisees to ensure they are fully equipped on Day 1. Much of what we share with potential franchisees is simply what to expect from our training, development, and operations support once they open their center.

How is today's consumer and marketing data helping you finetune your marketing initiatives? We operate in a test-and-learn marketing environment. We continually test and make improvements and changes based on the data and insights we gather along the customer journey. We begin with consumer behavior data and use that to build hypotheses on consumer preferences and their motivation to act on them. Then, we test to see what works in the real world to fine-tune initiatives. It is a living, breathing continuum.

**Describe the evolving role of social media in your brand's marketing efforts.** User-generated content is incredibly important in both franchising and the automotive aftermarket. People go online for social proof of their profession/investment choices and their car repair needs. Most consumers investigate brands extensively before engaging, so it's more important than ever that we are on the platforms they use—both to answer their questions and to build trust.

How do you work with other internal departments and does technology help? Our technology team is a critical partner. We have regular meetings to map our customer journey improvements, discuss data security and privacy, and find new ways to leverage technology.

**Do you see vendors as business partners? Why/why not?** Our vendors are absolutely our business partners. Many of our long-term agencies have been integral in the development of marketing strategies and processes over time.

How have marketing strategies/tools changed over the past decade? How have you adapted? In the short time I've been at AAMCO, we have grown our digital footprint and matured our online presence significantly. The way search engines and consumers view local marketing has been the greatest single driver of our digital maturity. The ways we work locally with our franchisee markets have also changed over time and continues to shift as the need for scalable solutions in this complex environment puts pressure on everyone.

What advice would you offer to aspiring CMO executives? My advice is to foster strong relationships with your peers. Your ability to succeed as a CMO is tied strongly to your relationships with your CEO, CIO, CTO, COO, CFO, etc. Marketing as a discipline is interdependent on all other business units. No marketing program can succeed in a silo. CMOs who are obsessed with the customer have an opportunity and a responsibility to bring that perspective to each meeting on business growth, technology, finance, operations, etc. ■



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# After adapting your social media to Covid, what changes are you considering as restrictions lift?



GSR Brands is the franchisor of two brands: Gold Star Chili and Tom & Chee.

he short answer? We're not changing anything about how we operate. Let me explain.

Social media at its core is *not* media. It is also *not* digital. It is *not* tech. Sure, it lives in the digital sphere, it's supported by tech, and you can certainly leverage it as a paid media channel. But at its core, social media is not any of those things.

Social media—at its very core—is people. People connecting, sharing, reacting, and engaging. To effectively market within social media, your mindset must be people first and channel/tech/digital second.

Because our mindset is people first, our priority is on understanding the people we intend to communicate and engage with. So we create a social experience and content that intersects with who they are and what they need (versus interrupts). Our priority is experience and content that invites engagement, as opposed to simply advertising it.

Because knowing our audience and what they need, want, and desire is central to our social media marketing strategy, we change nothing as Covid restrictions lift. Before and during Covid this is how we approached social media.

We will continue to pay attention to our consumer's needs and engage accordingly. We will continue to listen, learn, and adapt. We will continue to meet our consumers where they are, and respond to their needs with the same compassion and hospitality we're known and loved for. ■

#### JESSICA GEORGE

Vice President of Marketing GSR Brands

### Long part of our marketing toolkit, social media took on even greater significance during 2020.



#### MERIBETH GUNN

Vice President of Marketing Home Franchise Concepts Home Franchise Concepts (HFC) is the franchisor of 6 brands: AdvantaClean, Bath Tune-Up, Budget Blinds, Concrete Craft, Kitchen Tune-Up, and Tailored Living.

2020 was a roller-coaster ride for everyone. Initially, there was a lot of uncertainty surrounding all our brands and franchisees when Covid-19 hit. What would the restrictions be? How long would it last? How would we navigate our business through the crisis? It was a scary time for us all. Every industry was hit differently, but we looked to how we could guide and help our franchisees through this time.

One tactic that has proven key to our continued success during the pandemic is social media. Long part of our marketing toolkit, social media took on even greater significance during 2020 and helped us to grow our potential client base and stay engaged with existing customers.

With almost everyone sheltering in place, staring at the same old walls and windows, homeowners decided it was the perfect time to make needed updates. All those upgrades no one ever seemed to have time for were suddenly the main focus in the home. What better time to make changes to their biggest investment and make their homes more comfortable?

Budget Blinds is the largest window covering franchise in North America. The brand, which provides custom window coverings for residential and commercial consumers, was doing so through in-home and in-office consultations that allowed franchise owners to serve customers while adhering to social distancing and other virus-prevention practices.

Franchisees recognized the increased opportunity to serve their customers as this new wave of consumer demand came out of the pandemic. The brand implemented a new virtual consultation service for customers to work with their local franchisee to design their window coverings 100% online. The service allowed homeowners to show their homes and windows to their local Budget Blinds designers virtually, making it an easy process for everyone. So, we took to social media to adapt our strategy to bring inspiration to our audiences.

Previously, Tailored Living, our whole home organization company, also was focused on local, in-home consultations. And again, some franchisees took on virtual consultations. At the franchisor level, we continued to leverage our social media platforms to provide motivation and creativity. We maintained a consistent voice with our national social media and grew our audience dramatically throughout the past year. As a result of that success, many owners will continue to offer virtual consultations as a convenient option to consumers.

So even though our social media strategy shifted, one incredible thing that became apparent over the year was the resiliency of our franchise owners and their ability to innovate and stay positive during a crisis. When a brand and its franchisees show that kind of perseverance during a crisis, the possibilities are almost limitless for even better performance moving forward. ■

### SOCIAL STUDIES STUDIES How 5 brands are using social media in 2021

Written by Helen Bond



f 2020 accelerated social media prominence as the place for brands to stay connected with consumers, the future is about capitalizing on its power with a digital-first mindset. Consider these numbers:

- At last count, there were 4.2 billion active social media users worldwide, up 13% from early 2020 (Statista).
- In the U.S., more than 7 out of 10 people (72%) look to social media to connect, engage, share information, and entertain, according to estimates from the Pew Research Center.
- The average time per day spent on social media is 145 minutes, or nearly 2½ hours (Statista).
- A recent Harris Poll found that 80% of customers expect companies to interact with them on social. The survey, conducted on behalf of Sprout Social, also found that after a positive experience with a brand on social media, 78% of consumers are more willing to buy from that brand, and 77% will choose it over a competitor's.

No matter how you slice it, social media's infiltration into daily living, alongside the migration to mobile and the continuing rise of e-commerce, has changed the way franchise brands interact with customers and prospective franchisees.

The good news: Innovative storytelling and stellar customer service offer brands an array of digital opportunities to maximize brand engagement, while technology adoption and accessible tools save time, create buzz, personalize and localize campaigns, and help manage and optimize social media efforts at scale.

We asked five industry pros about the state of today's social media landscape, smart tools and strategies being used in franchising, and the value of a well-defined brand promise.

#### Camp Bow Wow

"There's a ton of opportunity for brands to get in front of new and existing customers—and a lot of noise and competition for eyeballs on social media, meaning brands need to stand out with engaging and authentic content," says Christy Barnes, vice president of marketing at Camp Bow Wow.

Social media is an incredible way to build awareness, drive customer acquisition, and foster fierce brand advocates, says Barnes. Understanding your target customers and knowing where they are active on social media is the first step to achieving those goals.

"We've done a lot of customer research over the years to understand the demographics and lifestyle attributes of our customers and what social media networks they use regularly so we can better focus our efforts," she says. "It's more successful to do fewer channels really well than to spread yourself too thin trying to have a presence on every new network that comes onto the scene."

With more than 185 pet care locations nationwide, Camp Bow Wow looks to drive leads, engagement, and brand awareness as a trust-based business. The brand has a vibrant corporate presence on all major social networks, while franchisees at each location actively manage their own local "Camp" page on Facebook and other sites, such as Instagram. And the franchisor offers plenty of support with a social media and review platform featuring a library of previously created on-brand and (hopefully) engaging social media posts, images, videos, and curated monthly campaigns owners can use to supplement their local posts.

"They can also use the platform to easily view and respond to comments, messages, and reviews from a singular place to maintain a two-way conversation," says Barnes. Camp Bow Wow also has an

### Businesses are taking necessary steps to adapt to the challenges faced in this current environment.

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online design tool franchisees can use to create their own branded social media content at any time.

Creative content varies, catered to the audience and purpose of each channel. Cute dog videos and funny memes, for instance, are shared for entertainment on Facebook and Instagram. LinkedIn serves up the brand's latest business news aimed at potential business-minded prospects interested in owning a franchise.

"Being able to effectively communicate your brand's values helps people connect the dots between your product or service and your mission," says Barnes. "We exist to make dogs happy, which is a really fun story to tell on social media."

And it shows. Camp Bow Wow's recent March Madnessinspired "Mutt Madness" social media tournament bracket continues to hit the right notes with followers. In its second year, the Instagram Stories campaign used the Poll sticker to crown one winning pup among 64 dogs in a tail-to-nose tournament.

In 2020, the brand saw a whopping 590% increase in profile visits on Instagram, opening the door for visitors to head to the brand's website, learn about its services, and find a local camp. The 2021 campaign resulted in a 150% increase in impressions, a 111% increase in website clicks, and a 49% increase in accounts reached. The Mutt Madness campaign also earned a recent nod as the Best Social Media Campaign in Franchise Update Media's 2021 Franchise Innovation Awards.

#### **Celebree School**

For Celebree School founder and CEO Richie Huffman, social media success is not about the platforms or tools. It's about the message.

"We grow people big and small—that is our brand promise," says Huffman, who also serves as president of the Maryland-based daycare franchise. "When you understand your brand promise, you can promote the brand promise and live on that brand promise. And then you can look for opportunities to drive this promise throughout the entire organization."

That distinction is at the heart of its fine-tuned social media philosophy, which emphasizes the importance of developing children and their families in their care, along with teachers, staff, and franchisees. Huffman not only founded and continues to lead Celebree, he also is the face of the early childhood education brand. Founded in 1994 and franchising since 2019, Celbree has 28 schools in 9 states and is on pace to surpass its goal of 100 schools by 2025.

"Even before the pandemic, we were using social media, and continue to use social media, as part of our strategy, especially around the ROH brand, which is me," says Huffman. (ROH = Richard Olen Huffman.) "Getting me out in front of the brand was one of our original strategies, so people weren't just looking at the industry or the franchise. They were really getting to know the CEO who was leading this company and what he stood for."

Backed by its 27 years of childcare experience, the brand uses custom videos and landing pages on its franchising site to inspire and drive traffic to Instagram, LinkedIn, and Facebook, all cohesively linked and used for various remarketing campaigns. Real-time photos, ads, graphics, and content created by an in-house graphic designer and a videographer/photographer provide a consistent presence across every social media channel.

"Using custom videos and landing pages for state-specific leads is what we are doing with Google Ads, and it's awesome," says Ali Kraus, manager of franchise development marketing. "We are targeting seven states. Each landing page addresses the industry demand in the state and includes a video of Richie saying that we are bringing the Celebree opportunity to those areas."

Huffman is serious about staying true to his word, recently creating a corporate committee charged with ensuring that Celebree maintains its brand promise as it grows.

And while there are many high-tech tools to measure social media's reach, sometimes it's the little things that resonate the most. Take Huffman's recent discovery at a "Meet the Team Day" exchange with a prospective franchisee.

"He said, 'You know, I feel like I already know you because I see so much of your stuff on social media," recalls Huffman, still wowed by this interaction. "When you're creating it, you don't realize the impact that you're having or the people who are getting to know you. But that's the point—people have to know you."

#### **Tropical Smoothie Cafe**

Social media is no longer defined by a few networks or a single strategy. Facebook, followed by YouTube, may still reign in popularity, but apps for chat, messaging, photo and video sharing, and forums based on user interests are redefining social media.

No social media app is making a bigger splash right now than TikTok, the first non-Facebook app to hit 3 billion downloads worldwide across iOS and Android, according to Sensor Tower. Bolstered by a lockdown that found users stuck at home and looking to their phones to entertain themselves, users downloaded the short-form video sharing app a staggering 850 million times last year alone.

Early adopters like Tropical Smoothie Cafe (TSC) are finding TikTok a perfect fit to engage in a fun, casual, and organic way with those coveted Gen Z and Millennial sets. The fast-casual franchise launched on TikTok in 2020 after social listening efforts revealed fans were already actively creating content around the Atlantabased brand known for its smoothies and food with a tropical twist.

"We also saw this as an opportunity to own a new platform that other brands weren't pursuing," says Jenifer Perrett, TSC's vice president of integrated marketing. "We created a challenge-focused campaign to garner awareness, then began tapping into TikTok trends, consistently posting, and engaging with our community.

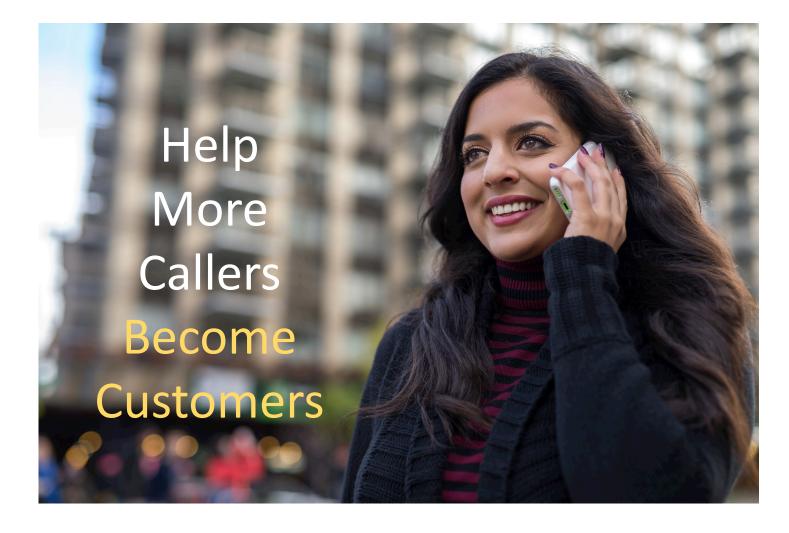
The move is paying off. TSC has experienced a significant increase in followers and higher engagement than its competitors since going "all-in" on the channel. Currently, there are more than 51 million views of TSC hashtags on TikTok, says Perrett.

TSC uses paid and organic social media to drive business goals for its 975 cafes in 44 states. Paid strategies on Facebook and Instagram focus on building awareness, increasing online orders, and on crew member recruitment.

In addition to TikTok, organic social efforts on Facebook, Instagram, and Twitter aim to deepen the brand love, engage with fans, and stay culturally relevant, Perrett says. TSC also uses Facebook and LinkedIn for prospecting and remarketing purposes. With LinkedIn, for instance, posts can include fresh blog and media content, videos, grand opening announcements, awards, and quarterly success results.

Perrett sees the future of social media trending in two ways: video on platforms such as Instagram Reels, TikTok, and Triller, and audio-focused content with the rise of Twitter Spaces and Clubhouse.

"We've seen success in the short-form video space and are currently exploring how the concept of a bite-sized getaway can



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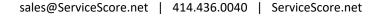


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translate to an audio format," she says. "We continue to keep our eye on Twitter Spaces and Clubhouse, but we currently don't see the value in our brand joining those platforms."

#### **Mosquito Authority**

Mosquito Authority carefully crafts its social presence to educate, inform, and authentically share the brand story as the industry authority in pest control and "the place you want to be" in franchising, says Chris Buitron, Mosquito Authority's president and CEO. He says most of the brand's new franchise owners have come from social media advertising.

With 500 territories across the U.S. and Canada, Mosquito Authority has opted for a hybrid approach to social media with its franchisees. The franchisor provides software that allows franchisees to create their own posts through an approval process that provides local flexibility, yet ensures that all posts are on-brand. The corporate team handles national brand content.

"We want to control brand messaging as much as possible, but we understand the importance of having our franchisees engage with customers in real time," says Buitron. "It truly is a balancing game to protect the brand and encourage social engagement by our franchisees."

Tech-fueled software tools to monitor the brand's online reputation and manage all its social media interactions and profiles for engagement also are used to ensure that its digital efforts meet the mark. An outside company responds to all Google reviews for U.S. locations, while comments and reviews on Facebook are addressed internally within 48 hours.

"We create reports and use KPIs to track everything," says Buitron. "This gives us an objective view of what is working and what isn't, so we are not wasting manpower or money. We typically know within a few days if a campaign is working or not. You can't be afraid to make changes quickly to maximize your return on marketing. The key is always to be trying new creative and A/B testing to ensure you are moving forward."

Facebook lead generation became one of the top ways Mosquito Authority acquired new customers in 2020. "The power of Facebook advertising is unmatched, and you can test out many different messages for a moderate advertising budget," says Buitron. "Facebook advertising focused on aggressive promotion versus brand awareness. For our new franchisees, this has been the best way to get them up and running."

No matter the network, social strategies are aligned with services and seasonal demand based on the time of year and region. "From a corporate level, that keeps us ahead of the game by always knowing what is coming next," says Buitron. "It is important to have the year outlined to ensure nothing is missed. Partnered with our social media guidelines, this ensures we have a solid social media strategy."

Looking ahead, Buitron aims to build on his brand's social media momentum with more video content to show the brand's "personality" in ways not seen using traditional social posts.

#### World Gym International

Just a couple of weeks after Justin Mills signed on as digital marketing director of World Gym International, the brand was forced into emergency mode because of pandemic-related lockdowns.

The first order of business for the Southern California-based franchise and its more than 200 locations in 22 countries and territories was to evaluate the idea of an on-demand digital fitness platform for gym-goers that would keep its franchisees going during the pandemic.

"I knew this was the direction the world was going, and if fitness is going to keep up, you have to provide an online/offline experience that helps people manage their health at all times, versus just when people come into the gym," says Mills, who brought a background in digital acquisition and franchise marketing to the position.

In December 2020, the brand launched World Gym Anywhere, an on-demand training platform featuring an ever-expanding collection of exclusive workouts from top World Gym coaches, trainers, and instructors around the globe. And the recently introduced All-New World Gym Athletics program provides members with a complete virtual health and training solution built for the everyday athlete.

"Starting an on-demand channel is like building your own social network," says Mills. "If I can pull people from Facebook and put them onto my on-demand channel and they're using it and having conversations there, that's where we win. And if we can collect emails and data on our audience instead of giving it to Google and Facebook, I think that's where you really win the game. Then we don't have to rely on other people to communicate with our fans."

The World Gym brand, founded in 1976, continues to evolve its social media presence in the rapidly changing fitness industry. Mills is also evaluating the use of social media management software for franchisees to monitor their local profiles and listings and deliver deep social media listening and analytics on the corporate level.

"Any social listening device you can use to pull in comments across the Internet is super helpful," says Mills. "From a corporate standpoint, we can look at all the comments that are coming in across every profile, which gives us a good sense of what's going on in our social channels from a macro level."

#### IN THIS ARTICLE







Christy Chris Buitron Barnes

Richie . Huffman

Justin Mills Jenifer Perrett





\* The Franchise News Podcast

\* Social Geek Radio interviews

\* The Facebook Franchise Podcast with Mike McDowell

\* Her Success: The IFA Women's Franchise Podcast

> \* The MasterMind Minutes Podcast with Gary Occhiogrosso

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### Develop Your Employees' Empathy

How to make a "Day in the Life of a Customer" video

Written By JOHN DIJULIUS

E xcellent customer service companies train two distinct customer service skills better than everyone else: 1) they dictate what service aptitude must be; and 2) they make sure every employee walks in the shoes of their customers. This creates a "culture of empathy." Customer empathy is an understanding of a customer's circumstances and finding a way to improve their current state.

One of the first places we start with our consulting clients is by helping them create a short Day in the Life of a Customer video. When organizations teach their employees to view things from the customer's perspective, this dramatically raises their level of service and increases customer satisfaction. Remember, many employees have never been their own customer, have never needed the services and products their company provides, and cannot comprehend what the customer's mindset is. Therefore, they do not relate well and find it difficult to empathize, be compassionate, and anticipate customer needs. See our own 2<sup>1</sup>/<sub>2</sub>-minute video of a day in the life of a John Robert's Spa guest on YouTube (search "JR Day in the life of a guest").

The objective of a Day in the Life video is for every employee to understand the critical part that both they and your business play in the daily lives of your customers. More importantly, it's about how they should handle each customer interaction. Every person in the organization, from top to bottom, must understand that it is not merely about a transaction, order accuracy, your expertise, or "next." Rather, it is about being present with every customer and truly understanding the impact they



can have on each customer's day, personally and professionally.

#### How to make your own

Creating a Day in the Life script will be one of the best exercises your company can do to change the mindset and service aptitude of your entire organization for the better. Ask your managers and employees to help you create different scenarios of situations in your customers' lives, both personally and professionally, both positive and negative. I guarantee it will be a huge revelation on the importance of every customer interaction they have.

As a result, your employees will gain an abundance of compassion and empathy for every customer they interact with. This can have a significant impact on customer retention. The video should not be about any customer contact your business or your employees have, but rather should be focused on two things:

- 1. What is happening in each customer's life before they encounter your business: both their personal life (stresses, kids, spouse, traffic) and their professional life of dealing with work demands, their own customers, bosses, and other business demands.
- 2. How that relates to why and how they need your company's services and products, and how what your company provides solves their problems or makes their day easier, better, or even helps make their dreams come true.

#### Who really is your customer?

Improving your team's empathy does not stop with your customer service team.

Your company culture is determined by how everyone is treated, internally and externally. Ask your employees in every department to define their customer and you will get varying answers.

The truth is your primary customer is the person you communicate with directly on a day-to-day basis and who is most affected by the work you do.

In the B2B world, manufacturing, and corporate office settings, the customer is mostly internal people who work at the same organization. These are positions such as management, administration, IT, HR, marketing, regional sales managers, warehouse, branch managers, legal, and regional directors. Every single company I have ever worked with suffers from people in these positions truly not understanding who their customers are, i.e., the person or group that is most dependent on their efforts.

Most businesses' customer-facing employees have never been their customer, don't know what it is like to be in their shoes, and have little empathy and compassion for how what they do affects their customer. As a result, today many of our consulting clients not only make a Day in the Life video for their external customers, they also make one for their internal customer to drive home this exact point. This dramatically increases employee engagement. This builds a culture of empathy.

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, Chickfil-A, Ritz-Carlton, Nestle, PwC, Lexus, and many more. Contact him at 216-839-1430 or info@thedijuliusgroup.com.



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Written By ROCHELLE SPANDORF

Part 1 of this special legal series (Reading the FDD: The Argument Against Simplification) appeared in the previous issue.

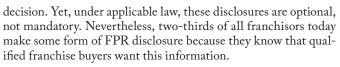
offer the following 10 tips for reviewing an FDD—*not* as a do-it-yourself guide for franchise buyers, but to demystify the FDD. My top 10 list (not ranked by relative importance) offers guidance on how to make sense of a handful of specific FDD disclosure items that should help a franchise buyer figure out if pursuing a particular franchise opportunity is worth their time and money to move on to one of the final steps in the due diligence process: hiring franchise legal counsel.

#### 1) Item 19 — Financial Performance Representation (FPR)

A franchisor that wishes to share any type of historical or forecasted financial results for its chain must do so in FDD Item 19. Otherwise, a franchisor must say in Item 19 that it does not make an FPR, which the law broadly defines as "any oral, written, or visual representation, to a prospective franchisee, including a representation in the general media, that states, expressly or by implication, a specific level or range of actual or potential sales, income, gross profits, or net profits."

A franchisor violates the law by providing FPR data outside of the FDD—even if the data is truthful. A prospective franchisee who receives FPR data outside of the FDD should understand that this is not a sneak peek special advantage; it is a violation of the law and a warning sign that the franchisor may not value conventional standards of fair play in other areas of its business dealings. A franchise buyer should not rely on any statements by a representative of the franchisor about actual or projected sales, income, or profits made outside of the FDD.

FPR disclosures are the most important piece of information for a prospective franchisee to consider in making an investment



There are many valid reasons why a particular franchisor might decline to make an FPR disclosure. It would be hasty to assume that a franchisor that declines to make an FPR disclosure is covering up a failing franchise network. Nevertheless, a recent study confirms that brands that make an FPR disclosure and are transparent about their system's financial performance are overall better-performing systems and sell more franchises than those that decline to make one. Franchisors know, or should know, that their choice not to make an FPR disclosure places them at a competitive disadvantage in vying for qualified franchisee candidates.

The law requires a franchisor that makes an FPR disclosure to include this disclaimer without variation: *"There is no assurance that you'll [sell] [earn] as much."* The plain meaning of this government-mandated statement is not that the franchisee may not rely on the FPR disclosure in Item 19, but that the franchisor may not be held legally responsible if the franchisee's actual results are not as good as those lawfully disclosed.

The law is very open-ended about what level of financial data a franchisor may share about its franchise network if it wishes to make an FPR disclosure, i.e., whether to confine published data to top-line sales or revenue or offer more elaborate information about profitability. The law only requires that a franchisor have a *reasonable basis* for the data that it does share; a legal standard that is not defined, but is understood to mean that the financial data disclosed must be truthful and based on operating conditions comparable to those that a prospective franchisee can reasonably expect to encounter.

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A properly prepared FPR must explain the defining characteristics of the outlets that the FPR profiles so that a franchise buyer may determine what adjustments, if any, they should make in extrapolating the data for the geographic market in which they are considering operating a franchise. Whatever FPR data is disclosed should be regarded by a franchise buyer as a starting point for their own number-crunching. A candidate who is unsure if they can competently decipher the FPR data and prepare their own budget, breakeven, and cash flow analyses should engage a professional accountant for help.

A franchisor without an FPR may disclose the actual operating results of a specific "company-owned" outlet that it is offering for sale, but only to potential purchasers of that particular outlet. Active and former franchisees may also share their own financial results with candidates without implicating the franchisor in making an FPR, and the FDD includes their contact information. (See Tip 4, below).

In my experience, most current and former franchisees consider their financial results to be too competitively sensitive to share with strangers. They may offer franchisee buyers some insight into expense data by explaining expenses as a percentage of their topline revenue, but existing franchisees are not likely to reveal data points expressed in dollars.

Franchisors may not direct prospects to their top performers and away from poor performers or malcontents. A prospective franchisee should not consider it a favor if a member of the franchisor's management or business broker tells them which franchisees to speak with for FPR answers, claiming to be saving them from having to cull through long franchisee rosters on their own.

#### 2) Item 20 — Franchise Network Statistics

Item 20 has five tables that track the growth of the franchise network over the franchisor's last three fiscal years (or shorter time in business) and reveal if franchisees who sign a franchise agreement actually open and stay in business. Most of the information is self-explanatory with respect to growth trends. Table 3 discloses franchisee turnover rates, which may be a sign of a troubled franchise system. Table 5 discloses the number of franchise agreements signed for outlets not yet opened as of the FDD's disclosure date; a large number may denote a franchisor content with signing new franchise agreements and taking initial fees without helping franchisees actually open for business.

The Item 20 tables will not disclose the number of multi-outlet or area development agreements signed by franchisees, nor the number of outlets that franchisees who sign these contracts pledge to open by specific deadlines. Nevertheless, media sources, franchisors, and business brokers often tout these statistics as evidence of a growing franchise network. It is unlawful for a franchisor to include pledged outlets in any Item 20 table unless the franchisee has signed a specific franchise agreement for the unit. A franchise buyer should judge a system's success not by the number of pledged outlets but by the percentage of pledged outlets that actually opened for business within the time that Item 11 discloses it should take a franchisee to open. A franchise buyer should ask the franchisor about the history and timeline for pledged-to-opened outlets in investigating the franchise opportunity.

Finally, Item 20 discloses contact information about any trademark-specific and independent franchisee association that asks to be identified in the FDD, typically excellent sources of candid feedback about the franchise network.

#### 3) Item 7 — Estimated Startup Costs

Item 7 lays out a low/high estimate for the various components of a franchisee's startup costs to open and operate a franchise outlet from the date the franchisee signs the franchise agreement through the end of the outlet's third month in business. A franchise buyer should plan to spend the high estimate. When it comes to interpreting the "Additional Funds" category, buyers must make sure they understand the franchisor's assumptions for the most expensive cost categories like real estate, labor, and cost of goods sold. A properly written Item 7 should be annotated with footnotes that explain the variables influencing expenses such as market and venue characteristics, the typical square footage of a retail location, and staff size. Franchisors are not required to disclose real estate costs if they cannot realistically estimate them, but then Item 7 must affirmatively state that estimated real estate costs are excluded from Item 7, in which case a franchise buyer must plug in their own numbers to create a proper budget.

A franchise buyer should interview the franchisor about the Item 7 assumptions, especially if Item 7 lacks robust footnotes, as well as factor in other cost categories besides rent that a franchisor may exclude from Item 7 such as continuing fees (disclosed in Item 6), loan costs, vehicle costs to support franchise operations (often overlooked), local wage rates, and money a franchisee needs to live on during the startup period. Validating Item 7 estimates against the actual experience of existing and ex-franchisees is essential. (See Tip 4).

#### 4) FDD Exhibits with Franchisee Contact Information

Franchise disclosure rules require franchisors to include an FDD exhibit with contact information for every active franchisee and ex-franchisee who left the franchise system during the past year. This disclosure offers no benefit to a franchisor's earliest adopters who buy a franchise before any franchised outlets have a few months of operating experience under their belt, but for every other franchise buyer, these rosters facilitate due diligence outside of the FDD and the validation of FDD disclosures.

A franchise buyer should contact a diverse cross-section of active and former franchisees (e.g., single-unit franchisees, multi-unit franchisees, conversion franchisees, franchisees that just recently opened for business, veteran franchisees in business for a while, franchisees in the same state or market as the franchise buyer, franchisees in distant geographies in the U.S., and franchise owners who operate other franchise concepts) to explore if they have common things to say about their experience with the franchisor and brand.

Among the many subjects worthy of discussion, a franchise buyer should ask franchisees about: 1) both the quality of the support they received in getting their outlet opened, and the relevance and quality of initial and ongoing marketing and training—and whether these services match what FDD Item 11 says the franchisor will deliver; 2) the franchisor's commitment to competitive innovation and how the franchisor tests program changes or seeks franchisee feedback before rolling them out; 3) the frequency and quality of the franchisor's engagement with the franchisee community, and if franchisee input is welcomed; 4) validation of Item 7 initial investment estimates; 5) validation of any Item 19 disclosure; and 6) the general temperature of franchise relationships. Interviewing ex-franchisees is important, but a franchise buyer should expect some may have a personal axe to grind. What is important is if there is a pattern of complaint.



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#### 5) Item 12 — Territory

Item 12 discloses if the franchisor assigns a franchisee a territory within which it agrees not to assign a second franchisee. Some franchise programs are site-specific, meaning the franchisor may cluster franchises as close to one another as it wants regardless of whether they cannibalize each other's sales.

If a franchisor awards a territory, the franchisor must disclose if it may: 1) change territorial boundaries unilaterally with or without cause; 2) sell authorized goods and services at certain types of venues in the franchisee's territory (e.g., shopping malls, stadiums, schools, airports, entertainment centers); or 3) sell authorized goods and services through alternative distribution channels that may compete with the franchisee for business (e.g., grocery stores, online) and, if so, whether it will share revenue from these activities with the local franchisee.

Territorial rights are often misunderstood. If they are granted, they typically pertain to the density of branded outlets or franchisee services providers measured by distance or population size. They do not purport to give a franchisee exclusive access to customers within a particular geography nor are they necessarily drawn to approximate a franchised business's market within which it will draw its customers.

Territorial rights typically are punctured by the franchisor's reserved right to operate in nontraditional venues and distribution channels that require centralized management, something that unrelated franchise owners cannot match. A franchise buyer should appreciate that having the franchise brand represented in nontraditional and captive venues such as an airport, stadium, and even a mall, can inure to their benefit by functioning as a billboard for the brand. The franchisee's retail location typically does not compete for the same customers who frequent alternative venues and buy from alternative channels that the franchisor reserves for itself. However, by conducting pre-sale interviews with existing franchisees (Tip 4), a franchise buyer should be able to discern if a franchisor is engaged in opportunistic encroachment practices.

#### 6) Items 5 (Initial Fees) and 6 (Ongoing Fees)

Items 5 and 6 list initial and ongoing fees in a format that facilitates a franchise buyer's comparison shopping among several franchise brands. Even if franchise buyers are not actively considering joining any other franchise system, they still should engage in benchmarking. Since most franchisors do not publish their FDD on their website, one way to benchmark is to check the public databases for FDDs filed by competitors or leading franchisors maintained by a few of the states that regulate franchise sales, specifically California, Minnesota, Washington, and Wisconsin. If a franchisor offers franchises in any of these states, it must register its FDD with the state's franchise agency. (California exempts large franchisors from having to lodge their FDD; the other states offer no comparable exemption.)

#### 7) Item 17 (Term, Termination, Transfer, Competition, Dispute Resolution)

Item 17 summarizes key contract provisions that underscore the temporal rights awarded by a franchise, which are akin to leasing a business for a finite period, not forever. At some point, the franchise contract's term will expire. No law mandates a minimum duration, renewal rights, or conditions that a franchisor must attach to a franchisee's exercise of a renewal option if one is granted. Some franchisors may award a relatively short term (e.g., 5 years) with multiple, successive renewal options, while others may award a very

long term (e.g., 20 years) with no renewal option, but the right to apply for a new franchise if the franchisor is still in the business of franchising.

For as long as a franchisor offers to sell franchises, they must disclose in FDD Item 20 if franchisees given a renewal option have opted not to exercise their renewal option, sometimes a sign of unhappy franchisees. A franchise buyer should interview current and former franchisees about the franchisor's practices vis-à-vis franchisee resales.

Item 17 will disclose transfer conditions, which always give a franchisor the right to approve a proposed buyer, and nearly always give a franchisor a right of first refusal. Likewise, Item 17 will disclose other standard franchise agreement provisions: 1) restrictions against owning a competing business during the franchise term and for some period afterward to give a successor franchisee some runway to assume brand operations without competition from a former franchisee, and to prevent a former franchisee from exploiting the franchisor's trade secrets for their own gain; 2) grounds for termination, some of which may not be curable; and 3) how and where contract disputes must be decided.

Some states have "relationship laws" that override conflicting contract provisions, though most states impose no limit on a franchisor's right to terminate a franchise agreement, even without cause, or to reject proposed franchise buyers outright.

What keeps franchisors from engaging in opportunistic practices are two primary forces: *market regulation* (reputation collateral and competition among franchise firms for the best candidates); and the ability of franchisees to use social media and other outlets effectively to influence public opinion by exposing unfair practices by franchisors.

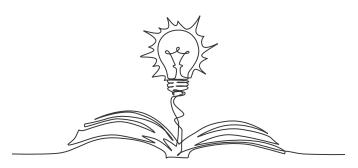
#### 8) Item 8 (Sourcing Restrictions)

Item 8 discloses sourcing restrictions: goods or services that franchisees must buy from designated or approved suppliers, and any revenue paid to the franchisor or its affiliates on account of their or a third-party supplier's transactions with franchisees. Sourcing restrictions are a perfectly legitimate way to ensure uniformity in the operating standards that the public associates with the brand, even though they can also be a revenue well for franchisors.

For franchisees, a significant benefit of joining a franchise network is gaining the benefits of purchasing power through scale. This is achievable only if all system members must buy authorized goods and services from designated suppliers that offer volume discounts to brand members, even if these suppliers pay the franchisor or its affiliate revenue (or, if the franchisor or an affiliate is the supplier, they recoup a margin over their own cost of goods). Sourcing restrictions are really suspect only when franchisors use their contract power to compel franchisees to buy goods or services they do not need, or to buy from suppliers (including the franchisor or its affiliate) at higher prices than the same or equivalent goods or services can readily be bought from other available sources.

#### 9) Hire a franchise attorney

Franchise law is an area of legal specialization. A prospective franchisee's attorney who wrote their will or handled their divorce—the common services for which the general public hires attorneys—may be excellent in their field, but also should be the first to say they lack the right experience to digest an FDD. Membership in the American Bar Association's Forum on Franchising (the leading professional organization of attorneys practicing franchise law in the U.S.) is a good starting place for identifying franchise attorneys with



the right expertise. If a franchisee cannot afford legal representation to evaluate the FDD before they cough up a hefty non-refundable franchise fee, they are not ready for business ownership.

#### 10) Spotting other red flags

Since I have limited myself to 10 tips, I consolidate a few other strategies for critically reading the FDD.

Item 2 (Business Experience) requires a franchisor to disclose at least a 5-year work history for all officers, directors, and other members of its franchise management team who lack a director or officer title. Too often, brand owners leap into franchising without appreciating that being a franchisor is a completely different business than successfully operating a branded outlet. A successful franchisor needs different skills to: 1) identify and recruit motivated business owners; 2) champion the brand for the benefit of all licensees; 3) teach others how to replicate a business model; 4) leverage the network's scale to deliver benefits to franchisees that keep franchise owners loyal to the brand; 5) execute an effective support structure to supervise franchisee operations; 6) protect system standards against rogue operators who could damage the brand's reputation for everyone; and 7) sustain all of this for as long as any franchisee has time left on their franchise agreement.

A franchisor's FDD must include the franchisor's audited financial statements for its last 3 years (or shorter time in business). In addition to what these statements reveal about the franchisor's financial health, audits that disclose dwindling royalty income or dwindling revenue from mandatory product sales—despite no significant decline in the franchisee head count—signal that franchisees are making less money.

Item 3 (Litigation) requires disclosure of certain types of litigation filed against the franchisor or members of its management, including claims alleging violation of securities, franchise, or antitrust laws, and fraud. Disclosure of a significant number of lawsuits with similar allegations or a franchisee class action are signs of a troubled franchise network.

A franchise buyer planning to open a branded outlet in a distant market far from the one where the brand enjoys consumer recognition faces extra business risks by being a brand pioneer. While a distant market may offer upside potential, there is no guaranty that a franchisor will sell another franchise in that market or use marketing fund dollars there to promote the brand. A pioneer may end up being a lone ranger, having to invest far more in local marketing than franchisees clustered together, who can spend less to create local consumer brand awareness by pooling their local marketing dollars.

A business broker who sings the virtues of a particular franchise program may have a very different financial incentive in seeing the buyer sign on the dotted line. Brokers are typically compensated by making introductions or franchise sales and are not necessarily invested in a franchise buyer's long-term well-being. Brokers also tend to move through different franchise brands without special allegiance as new franchises launch each year claiming to be the new darling of consumers.

FDDs offer a snapshot of the franchisor and franchise system only as of a specific date. While franchisors must keep their FDD up to date for as long as they offer new franchises, to reflect material changes in mandatory disclosures, they have no legal duty to deliver the updated FDD to existing franchisees once they sign on the dotted line.

On the other hand, franchisors typically reserve discretion in the franchise contract to modify the franchise program as long as the changes do not alter the parties' fundamental bargain. In signing on, an existing franchisee agrees to adopt all future program changes at their own cost despite the fact that the FDD cannot describe future changes or costs with any precision, beyond saying that changes may happen. This is the pitfall of signing an *incomplete contract*.

Finally, franchise ownership does not prevent business failure. Contrary to what is published on the Internet, it has never been proven that owning a franchise is less risky than owning an independent business.

#### Conclusions

Franchisors and business brokers often promote owning a franchise by likening a franchise to a marriage. True, a franchise, like a marriage, is a consensual, private long-term commitment by previously unrelated parties. But no one these days gets married blindfolded, having never spent time getting to know their future life partner. Furthermore, unlike spouses, franchise parties are not partners in any legal or figurative sense. A franchise is a contract. For franchise buyers, it is very much *caveat emptor*. Franchisors never guaranty their franchisees' success, nor a minimum return on their investment.

Franchising can be a better than breakeven, and even a highly lucrative investment for franchisees and an equally successful growth model for brand owners. But it is not for everyone. Franchisors should enlist only those franchisees willing to do their homework beforehand, who appreciate the risks inherent in business ownership; and franchise buyers should consider joining only franchise systems that insist that buyers understand the deal they are signing.

Parsing the FDD to assess the soundness of a franchise opportunity need not be intimidating. But if a franchise buyer is overwhelmed by the FDD, there are many qualified franchise attorneys who can help them understand the fine print. Franchisees are not ready for franchise ownership if they buy a franchise blindfolded, without reading the franchise agreement, or having a knowledgeable franchise attorney read it for them. ■

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What changes are you planning to your social media as consumers begin shopping in person again post-Covid?



#### KRISTEN PECHACEK

Chief Growth Officer MassageLuXe

s a society, we have never been more concerned with our health and wellness, both physically and mentally. With more than 40 million Americans suffering from anxiety disorders and 50 million Americans experiencing chronic pain, consumers must be reminded that there is help available. MassageLuXe is using social media to help coach consumers on their health and wellness journey. Whether they are seeking relief in one of our nationwide spas, or making changes in their daily lives, the brand wants to be seen as a source of health and wellness advice. To help achieve this objective, MassageLuXe has four key content pillars.

- **Care:** The primary pillar is "Care." This pillar provides health and wellness advice centered around skin care, nutrition, stretching, water intake, sleep, and empowerment.
- **Contrast:** This pillar focuses on the benefits of the services the brand provides and illustrates its differentiators.
- **Community:** As a franchise, it is crucial for us to participate in community happenings. This pillar celebrates the community and the customers who support our spas and contains customer stories, reviews, and community happenings.
- **Culture:** This pillar contains staff spotlights, spa events, and ownership and serves as an insider's look into MassageLuXe.

These four content pillars are used for tracking to ensure that the bulk of our social content is focused on health and wellness advice with complementary content specific to our business.

In addition to a revamp of the content strategy, we are prioritizing local content from franchisees. Many studies have found that local content outperforms corporate-published content by up to 3x. The brand strikes a balance between corporate-generated content and content provided by franchisees by publishing a monthly local activation calendar franchise owners can delegate to their staff for implementation. The franchisor provides 50% of the graphics and content along with this calendar, which consists of daily suggestions for content. For example, "Take a 30-second video of an esthetician giving their go-to skin care tip."

This hybrid approach to social publishing is positioned to encourage local audience connection and relatable content production on the social accounts, while publishing content consistent with brand thought leadership. With each piece of content, the head office poses the question, "If we create this for the franchisees, will it compromise the local feel of the business?" If the answer is no, it will be created and delivered for the franchisees. This ensures that franchisees are spending their time on content that cannot be created by the franchisor. ■

### What worked before to attract new guests may not work now, at least not at scale.



#### MACAYLA PORTER

Associate Director of Digital Marketing Tide Cleaners e are so ready to welcome back our guests to Tide Cleaners, but will it be that easy? Do we expect them to simply return to their pre-Covid routine of dry cleaning and laundry services? No way.

Sure, we see people embracing old freedoms and getting back out in the world, but we know the past year-and-a-half has changed all of us. While the overall benefits of getting your clothes cleaned remain pretty much the same, the reasons for signing up are likely broader. Maybe even deeper. What worked before to attract new guests may not work now, at least not at scale.

So how does this change our approach in social media marketing? Well, we're investing in social platforms to win back old guests and generate new leads, but we're doing it humbly. It's about re-learning *why* our prospective guests would choose to get their clothes cleaned. This method takes people—awesome people with a desire to learn. It takes a focus on creative and a strategy that sets us up for testing and actionable results. Here are our four major social media focus areas as consumers emerge from their homes.

1. **True team collaboration.** We have amazing people to drive our efforts who not only have the skills, but also the passion and desire to collaborate. In a learning environment, speed is really important, and we believe collaboration in particular is the fuel.

- 2. Intense focus on creative. Ensuring that our social media creative format is optimized for the campaign objective isn't enough. We're deeply focused on the creative concepts and ideas themselves, ensuring we're bringing to life various existing insights and tensions in the industry since Covid.
- 3. **Continual A/B testing.** In a learning environment, being relentless with A/B testing is key. We don't want to invest heavily in an unproven idea or concept on social media when these platforms make it *so* easy to test for lift. We may also identify some additional segments of people we weren't talking to before.
- 4. Accountable to results. Learning is just learning until you apply it. Our team has adopted a continual monthly process where we capture a social campaign's objective, strategy, optimizations, results, and action steps so we can apply what we learn for greater business impact. Everyone in the organization, whether they're in finance, R&D, or marketing learns at the same time. ■

### Building a Personal Brand

Brands don't sell franchises, people do!

Written By LIANE CARUSO

In franchising, we're all in the business of building brands. We want our franchise system to grow, and to that end the company itself must have solid and consistent branding to support local and national growth. The other side of the coin is attracting qualified prospects to buy into your brand. Your branding strategy must be consistent with your sales efforts and is often also applied in franchise development.

#### Brands don't sell brands, people do.

While this article aims to speak to the C-suite and those on the front line of interacting with candidates, the steps can apply to any person looking to build a personal brand on social media.

#### What is a personal brand?

According to Investopedia, a brand is an intangible marketing or business concept that helps people identify a company, product, or individual. It is not to be confused with a logo or slogan. And brands aren't just for companies anymore. People are creating personas to build authenticity, trust, and to create and nurture relationships.

#### Why build one?

In the franchise development process, candidates are doing their research long before they ever pick up the phone or fill out a form online. They want to know that the company they are considering "marrying" for the next 10 years is a company that aligns with their values, cares about their success, and has an active presence on various digital platforms. Why? It shows relevance, forward thinking, and transparency.

CEOs, CDOs, CMOs, VPs of development and marketing, sales teams, and anyone who interacts with prospective candidates should establish a strong social media presence. And whoever is the face of your brand should consider developing a personal brand.

#### 6 tips to build a personal brand

Building a personal brand requires time, a plan, and the willingness to be a bit vulnerable. These are just a few steps to get you started, but it's up to you to stay relevant, engaging, and consistent. (No pressure!)

- 1. Do some soul searching and figure out who you want to be online. How do you want people to perceive you, and what do they need or want from you? Your personal brand must be a reflection of both yourself and the brand you're building.
- 2. Identify which platforms you want to focus on and make sure they're up to date and accurate. Make sure all of your social media handles are consistent with each other so you're easy to find and follow. Be everywhere you can be. Your social channels should ultimately drive traffic back to your website and/or blog, and not everyone you're trying to reach is on every channel. For franchise development, at a minimum, you should be on LinkedIn and Facebook. Some CEOs have their own Facebook page that they use in support of the brand's Facebook page.

- 3. Work with a designer to build your brand assets. Make sure your cover photos are well-designed and consistent on all platforms and that your profile photo is professional, up to date, and consistent across all platforms.
- 4. Develop a content calendar and be consistent. As C-suite professionals, executives, and managers you're busy, and social media will often get put on the back burner. But if you create a calendar and identify what you want to share, it will be a lot easier to tackle. At a minimum, post 3 to 5 times a week. Align your posts with your corporate and/or sales marketing strategy and events.
- 5. Your content should be informative, personable, and human. Share company successes and highlights, news stories, and behind-the-scenes activity. Video is a great way to show who you are—and it doesn't always have to be professionally produced. Authenticity is key.
- 6. Be engaging! Comment on other people's posts, and reply to comments and messages on yours. You have the opportunity to connect with others and build trust through social conversation—and it's free (except, of course, for the time)!

Building a personal brand on social media does take time, but you will find it helps establish credibility, thought leadership, and trust for candidates, partnerships, and employees. Make it a priority and part of your company's marketing strategy.

Liane Caruso is a franchise marketing professional specializing in digital marketing, social media, sales and marketing alignment, and strategy. She launched helloCMO, a franchise marketing consultancy dedicated to fractional CMO or outsourced CMO engagements for franchise brands and suppliers. Find her on LinkedIn or contact her at 312-526-3996 or liane@lianecaruso.com.



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### Entrepreneur

### Sexual Harassment Training

Attract more prospects and protect your system

Written By EVAN HACKEL

ou might be thinking, "Really? How in the world can sexual harassment training sell franchises?"

Before I answer that, let's get some perspective on sexual harassment training. The reality is that every business in this country must provide it to their employees. Yet most companies don't. The same can be said of franchisors, which should be providing sexual harassment training to their franchisees. When they don't, they take huge risks as they will be in violation of government regulations. And if harassment occurs, they will suffer from a huge public uproar, negative publicity, and can be forced to pay punitive damages that can be very substantial.

#### Yet most businesses ignore these risks.

Requiring that your franchisees provide excellent sexual harassment training is imperative for doing—and staying in business today. As a franchisor, make it crystal clear to your franchisees that this is part of effectively and properly running their business.

Requiring sexual harassment training for franchisees, managers, and employees assures that everyone in your franchise system, from top to bottom, is acting as a good brand steward (in addition to protecting your franchise from legal peril).

So how can sexual harassment training help you sell more franchises? Because when a potential franchisee knows that you're taking it seriously, they're going to be much more interested in buying your franchise. Knowing that you offer this training assures them that you are taking effective steps to protect your franchise—and the locations they are looking to own.

#### Protect your business

We all know (or should!) that the law requires you to require employees to take sexual harassment training. We also know that doing so will protect your company from lawsuits. A growing number of smart company leaders realize that sexual harassment training delivers additional benefits that include higher levels of employee satisfaction, better retention, and the ability to attract better job applicants and franchisees.

Yet, most companies neglect these realities and offer sexual harassment training only begrudgingly, or not at all. These companies are taking an immense legal risk, fostering a hostile environment, and are probably losing good employees in the bargain. If a current or former employee brings charges against you and there is a lawsuit, you will be at risk for massive punitive damages if you have not properly provided and documented training.



It's nice to think this could never happen in *your* company. Yet it happens all the time in more companies than you expect, and it is naive to believe your company is immune.

As noted, federal and state regulations require you to provide sexual harassment training to all your employees. Some states have specific laws that require it be done in a certain way. If someone brings legal action against your organization, you will be in a stronger position to defend your company if you have required all supervisors and other employees to complete sexual harassment training. This alone should convince you to invest in it.

#### More than just legal protection

There are many more reasons that requiring all your employees to take sexual harassment training pays you back:

• You demonstrate to your employees that you care about their well-being and security. You are doing more than just saying that you care about them, you are putting your good intentions into action by investing in a healthier and happier workplace.

- You enhance your ability to recruit new employees because you become known as a more enlightened and modern place to work. When you explain to potential new employees that you have no tolerance for harassing or abusive behaviors, you become an employer of choice, an enterprise where people want to work.
- You discourage potential harassers and take a proactive step toward building a happier and more secure workplace because your training will alert them to specific behaviors, words, and attitudes they should avoid. Be aware that not all sexual harassers set out to harass or threaten others. Some are simply unaware of certain attitudes, words, and behaviors that create an environment that is threatening or offensive to others. Your training can raise their awareness about what they should—and should not—do.

#### What should be included?

Quality sexual harassment training should be engaging, interactive, and scenario-based. It's also important to provide the proper context in a way that is effective for adult learning, as well as to understand what words and behaviors are acceptable and unacceptable.

Given that the time requirements are generally one hour for an employee and two hours for a manager a year, boring training is ineffective. E-learning for sexual harassment training, if done well, is an effective way to train your entire staff; and as you hire new people you can train them one at a time.

In this way you will not only be training everyone, you will also be documenting that this training has taken place.

#### Are you ready?

Make it your highest priority to begin providing sexual harassment training in your franchise. Once you do, you will soon discover that doing so was one of the smartest steps you have ever taken on behalf of your franchise.

**Evan Hackel**, a 35-year franchising veteran, is CEO of Tortal Training, a leading training development company, and principal and founder of Ingage Consulting. He is a speaker, author of Ingaging Leadership, and host of "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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### Predicting Loan Success

Correlating FUND Scores with franchise loan performance

#### Written By DARRELL JOHNSON, CHEN WANG, DAVID SWIFT

he pandemic didn't affect only small businesses; it roiled the small-business credit markets. It came on so fast and hit so hard that the government stepped in with federally guaranteed PPP funding, altering the normal credit cycle and making it harder to predict what lenders were likely to do in the early stages of the recovery.

The biggest challenge for any lender is uncertainty, and the pandemic created a strong dose of that. Among the questions they confronted were how a particular franchise system they were lending to was affected and how fast it would recover. Lending is about making bets over the next 5 to 10 years of a loan's life, so it's really about picking the winners and avoiding the losers after an economic shock. Recognizing that the story has yet to fully play out, let's see what updated FUND Scores are telling us about what may lie ahead.

The FUND Score has become the lending industry standard for forecasting franchise system credit. The model analyzes historical factors influencing the ability of franchisees in a system to meet their credit obligations. To ensure that FUND Scores continue forecasting accurately, FRANdata has continued to test and review the FUND model. Despite the challenges of 2020, the FUND Score continued to be highly correlated with loan success (>.6), reinforcing the predictive power of the FUND model.

Franchise loan performance is influenced by the interplay of customer preferences, borrower management ability, and franchisor/franchisee system performance. Lenders are proficient at assessing the risk implications of customer trends and borrower management. With the FUND Score, lenders can differentiate loan performance expectations based on the comparative credit risk of the other franchise systems. FUND categories and FUND Scores show the credit risk position of each franchise system relative to all other franchise systems, and help inform a lender's loan performance expectations. FRANdata has continued to back-test the scoring model with brand-level unit and loan performance, which remain strongly correlated to loan performance.

To understand that predictability, we compared year-by-year brand-level performance through Q4 of FY2020 of seasoned SBA loans (loans originated in fiscal years 2011 through 2017) to the predicted loan success rate by current brand FUND scores. This provided a franchise vs. non-franchise foundation, recognizing that all SBAguaranteed lending is, by definition, a population of higher-risk business borrowers.

During the examined period including all of 2020, the SBA loan failure rate for franchise loans disbursed in fiscal years 2011, 2012, and 2013 track with SBA's non-franchise loan portfolio. SBA-backed franchise loans originated between fiscal years 2014 and 2017 in aggregate have slightly underperformed the non-franchise portfolio (though not at statistically significant levels).

As of the end of Q4 FY2020, the failure rates of the SBA loans disbursed to franchises between fiscal years 2014 and 2017 are slightly higher than those of the non-franchise SBA loans during the same period, by 13 to 70 basis points. Both franchised and non-franchised yearly SBA-backed loan books are experiencing a slightly higher percentage of loan failures than the 2011 to 2013 books at the same maturity year, no doubt reflecting the less established position that newer businesses were in as the pandemic hit.

SBA LOAN FAILURE RATES	BY THE END	OF Q4 FY2020

Loan Disbursal Year	Franchise	Non- Franchise	Basis Points
2011	6.07%	6.04%	3
2012	4.35%	5.19%	-84
2013	4.33%	4.56%	-23
2014	4.71%	4.58%	13
2015	4.91%	4.21%	70
2016	3.94%	3.51%	43
2017	2.94%	2.37%	57

This information gave FRANdata a comparative basis to recalibrate loan performance expectations for lenders based on updated data as the impact of the pandemic begins to unfold.

FUND Score	Updated Expected Loan Performance	Prior Expected Loan Performace
>800	>93.5%	>96.8%
700-800	90.1%-93.5%	95%-96.8%
600-700	89.5%-90.1%	93.1%-95%
500-600	87.6%-89.5%	91.3%-93.1%
<500	87.6%	<91.3%

Before Covid, a FUND Score above 800 had a success rate above 95%; however, this success rate slipped below 95% during the pandemic. In a similar way, all FUND bands were adjusted downward based on the comparative analysis. As the positive impact of the PPP program becomes less consequential over time, we expect the higher ends of the bands to tighten again, while the lower FUND scores may continue to slide, reflecting the difficulties brands that entered the downturn in weaker positions will have managing greater relative numbers of underperforming units.

#### What does all this mean?

First, it means that at this stage of economic recovery, franchised and non-franchised loans have performed about the same way (and were equally influenced by PPP funding). Although, based on past economic cycles, we do believe performance will eventually show the franchise business model performing better. However, it also means that lender perceptions will be that management teams of franchised brands with higher FUND Scores were able to adapt more quickly and will be able to concentrate more on the future, while management teams of brands with lower FUND Scores likely will be challenged for some time to come with internal issues. Differentiated performance will drive lender interest.

**Chen Wang** is a senior market research analyst and **David Swift** is vice president of data analytics and research development at FRANdata. **Darrell Johnson** is CEO of FRANdata, an independent research company supplying information and analysis for the franchising sector since 1989. He can be reached at 703-740-4700 or djohnson@frandata.com.

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### Supply Chain Blues

Covid takes a toll on global distribution

Written By
WILLIAM EDWARDS

The Lexico Oxford Dictionary defines supply chain as "the sequence of processes involved in the production and distribution of a commodity."

Effective and efficient global supply chain development and management is critical to a franchisor's success and to maximizing unit royalties around the world.

As consumers, our usual supply chain concern is whether or not our favorite clothing store has our size in stock in a store or online. For franchisors who do business outside their home country, supply chain development and management are major ongoing challenges. In the best of times, franchisors in the food and beverage and retail sectors devote considerable time and money to ensure their products reach their international licensees in a timely and financially efficient manner.

Then, in the early months of 2020, Covid-19 happened. Stores and restaurants shut down worldwide. Orders for new products stopped. Shipping schedules went haywire and containers were left at ports where they were not needed. Air cargo shipments dramatically increased, along with the price of shipping. Local suppliers of food products shut down their production facilities. Consumers shopped online worldwide more than ever before.

In late 2020, when businesses began to start up again, stores and restaurants had to restock. Consumers started spending again at restaurants, creating high demand for food and associated products. But factories and food production facilities had to ramp back up. Shipping had to totally restart. What did this mean for franchisors and international franchisees? I asked leading franchise sector supply chain experts for their experience and suggestions going forward. Michele Rushing, Vice President of International Supply Chain Management at CKE Restaurants (Carl's Jr., Hardee's). CKE recently opened its 1,000th international restaurant.

Our experience over the past year with global supply chain and Covid is that initially, with restaurants closed or sales restricted, the supply was in good shape. As we started coming out of Covid lockdowns, things began to change within the U.S. for export. Tight availability of containers, pallet cost skyrocketing, inventory of packaging items, and poultry in particular began to tighten, which required identification of alternate sources. Domestic supply to restaurants was prioritized, and exports took the biggest hit. As of today, this is still the situation, with little notice as to what quantities would be delivered to the exporter with confirmed purchase orders.

Supply chains form a critical component of local and global commerce. Many businesses cannot survive without a constant and reliable flow of goods. Even short delays in product delivery can cripple a company and cause disruptions throughout multiple areas of society. As global commerce continues to expand, supply chains have become more complex. The world's dependence on viable supply chains was starkly demonstrated by the issues arising from the Covid-19 pandemic.

Joyce Mazero, Chair of the Global Franchise & Supply Network Practice at Polsinelli, is the go-to supply chain expert for many franchisors. She takes a bit different approach to supply chains. Here are some trends and watchouts she sees for supply chain leaders in 2021.

Weather events and the pandemic have presented overwhelming worldwide challenges for manufacturers, shippers, carriers, and customers. The 2020 hurricane season was a major event, and predictions for 2021 are that it will be another above-normal season.

Visibility continues to be the number-one focus point for supply chains, particularly in the transportation area, which is increasing in demand in North America, Europe, and Asia/Pacific. Partnerships among companies featuring solutions for the visibility problem are in demand, but it is a struggle given the lack of maturity in these services.

Delivery times are getting faster. Stores are becoming fulfillment centers, including handling last-mile delivery and using non-traditional spaces for warehouses and shipping direct to their consumers. As more companies turn to omnichannel, "meet the customer everywhere" strategies layer more stress on supply chains. Pickup at stores based on online orders has increased significantly, and customers are flocking to curbside and fulfillment options to avoid going directly into stores. These occurrences shift the cost of labor to the retailer, increasing costs and affecting already stressed margins.

Going omnichannel, however, requires up-front technological investments to become more efficient. The product can be sold across many channels, but solid order and inventory management are essential. Retailers have implemented multi-basket picking and robotics to address the costs. Covid has also driven retailers to create on-demand warehousing on a temporary basis to backstop traditional third-party logistics (3PL) relationships.

Tom Healey, Vice President of International Supply Chain and Product Development at Dairy Queen, which has nearly 7,000 stores in almost 30 countries.

At no time in recent history have supply chains in all sectors been this challenged across the globe as they face unprecedented circumstances having to manage multiple "everyday" supply chain needs all at once: labor, inflation, logistics, ongoing pandemic surges, economies closing and reopening, currency valuation and fluctuations, and global supply availability.

Production facilities around the globe are challenged not only with Covid-19 breakouts, but also by labor issues and/or government-funded unemployment benefits negatively affecting factory workforce availability and causing unforeseen inventory shortages. This has caused standard lead times to double or triple for normal planning practices. Ground, sea, and air freight pricing has increased more than 100%. Coupled with limited availability of transport vehicles, this has further exacerbated supply chain shortages.

To help mitigate the ongoing supply chain challenges a company should consider employing the following business practices.

• Have effective business continuity plans that identify critical business processes and the necessary recovery steps to limit financial or operational impact, while



improving organizational resilience during and after an event.

- Diversifying your sourcing can have real financial impact on a company. The best prices are usually dependent on volume purchasing, so diluting your sourcing to several suppliers can increase your costs. Multiple suppliers may still be vulnerable if they are all in the same country or region. Each of your suppliers has traditional supply chains of their own.
- Since much of the extended supply chain is outside of your direct control, you must expand your sphere of influence in other ways. Make sure that you understand your suppliers' security practices, quality controls, business maturity, and the overall value of working with a reliable partner versus focusing on lowest cost.
- A global supply chain is entirely dependent on transportation networks, so it may seem there is little a company can do to manage this risk. The global supply chain increases risk because of: 1) longer lead times to move raw materials and products; 2) political, economic, or regulatory disruption or instability affecting international sources; 3) port congestion or delays because of foreign regulations and customs problems; and 4) the impact of unforeseen tariffs or other roadblocks.

• Work with your partners to evaluate and mitigate risks to the supply chain. This includes suppliers, transportation providers, and customers to make sure that disruptions to the extended supply chain are part of their business continuity plan.

Janet Deverso, Operations Manager for TradeTrans, a global supply chain management company that oversees the purchasing and U.S. export distribution for thousands of QSR franchise units around the globe.

Accelerating change, fierce competition, and arduous export regulations have taken a serious toll on the international supply chain in general. The biggest of these challenges include longer lead times, shortage of raw materials, limited vessel space, and trucker shortage. Despite technology advancements and massive sophisticated 3PL facilities, the secret sauce to global supply chain growth and efficiency is dedicated and trusted relationships.

With post-pandemic catch-up in full swing, both within franchising and the world as a whole, we're seeing an increase not only in ordering, but also in the export requirements. From bilingual labeling criteria to lab testing to compliance certifications, there are seismic shifts in what we need to accomplish to get goods to our franchise customers. This is particularly evident in the Middle East, United Kingdom, and new market expansion in North Africa and throughout Europe.

Going beyond the transactions and building a dependable and scalable supply chain strategy with our franchise partners ensures the success of our planning, purchasing, logistics, international shipping—and ultimately, the bottom line.

#### Conclusion

Effective and efficient global supply chain development and management are critical to a franchisor's success and to maximizing unit royalties around the world.

William Edwards is CEO of Edwards Global Services (EGS) and a global advisor to CEOs. 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. Read his latest biweekly global business newsletter at www.geowizard.biz.

### Two Myths Killing Franchise Recruitment

Don't buy into the money and timing excuses

#### Written By ART COLEY & EDDY GOLDBERG

here are two myths in franchise recruiting that need to be discredited.

Myth #1: "None of these leads has money! They're not financially qualified."

Myth #2: "It's not the right time to open a business."

As a franchise executive or recruitment leader, if you are hearing versions of these myths from your recruitment team, you have a problem.

#### Myth #1: "No one has any money"

The Federal Reserve released data showing that \$13.53 trillion of wealth was gained in 2020 in the U.S., a record year for adding wealth. For comparison, we've listed the previous 5 years of annual wealth gain in the country, based on Federal Reserve data published in the *Wall Street Journal* on June 27. The article noted this was the "biggest increase in records going back three decades."

Year	Annual Wealth Gain
2020	\$13.53 trillion
2019	\$11.89 trillion
2018	\$0.62 trillion
2017	\$8.23 trillion
2016	\$4.77 trillion

For perspective, the average annual wealth gain in the U.S. over the past decade was \$6.12 trillion. And in 2008, in the depths of the Great Recession, \$8.07 trillion in wealth was *lost*, with lower-than-average gains of \$1.66 trillion in 2007 and \$1.36 trillion in 2009. More evidence? The S&P 500 return for the 12 months after Covid arrived was 29%, and median sale prices of existing homes were up almost 25% over the previous year.

Americans' overall wealth is at an all-time high. Whether you are talking home values, stocks, savings, etc., personal balance sheets are strong. If you hear the reason for poor recruitment is that people with money cannot be found, do not accept it.

As the article noted, "The coronavirus pandemic plunged Americans into recession. Instead of emerging poorer, many came out ahead."

Myth #2: "It's just a bad time to start a business" Another WSJ article, this one from July 11, published data on new business applications from July 2004 through May 2021. The numbers are based on IRS data compiled by John Haltiwanger, an economics professor at the University of Maryland. The article pointed out that he'd identified a trend that began in May 2020 and has continued into 2021: a huge spike in new business applications.

"It is off the charts," said Haltiwanger in the article. "I think there is going to be a surge of dynamism. The question is will it be transitory, or true innovation?

Year	New Business Applications		
	January	June	
2015	257,618	233,807	
2016	261,914	216,278	
2017	265,289	267,100	
2018	298,447	294,371	
2019	278,477	287,334	
2020	282,488	371,812	
2021	489,487	500,219 (May)	
Peak	July 2020	551,657	

From 2015 through mid-2020, new business applications remained fairly steady in the 200,000 to 300,000 range. Then the number of new business applications began to spike, topping 300,000 for the first time in December 2019. Since June 2020 that figure has remained well above 300,000.

#### The time is now!

Now more than ever, we have more people with quality balance sheets looking to start a business. In 30 years of franchising, these are the best market conditions for franchise recruitment that I have seen.



Yes, franchise recruitment is hard. Even in the best of times success requires worldclass work on a daily and weekly basis. Your recruitment results, if not at record levels, should at least be producing solid, consistent results.

If your results are not meeting your targets, at least you now know two myths to watch for and quickly debunk. Get on track today and start enjoying this incredible landscape of opportunity for franchise recruitment.

Let's go to work!

Art Coley leads CGI Franchise. Founded in 2015, 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, CGIF works with brands worldwide. Contact him at 281-658-9409 or acoley@cgifranchise.com.

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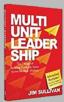


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