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Franchise Update Magazine is published four times annually
Annual Subscription rate is $39.95 (U.S.)

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EDITOR'S NOTE

Back and Better Than Ever!

Written By **KERRY PIPES & EDDY GOLDBERG**

For the first time since October 2019 the Franchise Leadership & Development Conference was held *live and in person* and was one of the most energy-filled events we've seen in long time—as it was for so many of the attendees. You could feel it: there was a palpable buzz in the air. And you could see it in the spontaneous hugs, elbow bumps, and excitement at seeing one another again after so long. If there were a theme song for this year's FLDC, it might be "Reunited."

Pandemic or no pandemic, it's always great to attend the conference and see franchise leaders interact and share their development challenges and insights into how to maximize (or at least improve) their development skills, practices, and processes. Still, after being cooped up for so long, networking and personal connections were more important than ever. Read all about it in this issue.

In tandem with the FLDC, we close out every year by devoting our Q4 issue to the theme of franchise development. That's a big topic any time of year. It's also when we publish highlights from the Annual Franchise Development Report (AFDR); the results of our annual Mystery Shopping exercise; and profile the winners of our annual STAR Awards, which recognize outstanding performance by franchise development teams.

The AFDR is a treasure trove of data and analysis on topics ranging from recruitment budgets to where where brands are spending their marketing funds to cost per lead, cost per sale, the role of brokers, and more. This year's results, filtered through the lens of the pandemic, were more eagerly awaited than ever. For franchise development teams planning their strategies and tactics for the coming year, the benchmarking data in the AFDR is golden, perhaps shining more brightly this year as they scramble to find their footing in today's uncertain environment. Participants who filled out the in-depth online survey receive a free copy. See more about the results in the following pages.

Our annual Mystery Shopping exercise also drew serious interest from the attendees whose brands were shopped by experts posing as qualified prospects. You could hear groans and laughter at the general session as the pseudonyms of the mystery shoppers were announced. Again, see more about the results and analysis in this issue.

Then there are the annual STAR Awards, always a cause for a spirited, sometimes raucous, celebration at Maggiano's Little Italy, a short walk from Atlanta's InterContinental Buckhead. The STAR (Speaking To And Responding) Awards evaluate the performance of frandev teams with winners selected in several categories. This year saw some new faces take the stage to receive their awards, as well as some perennial winners.

Like The Dude in "The Big Lebowski," the franchise business model abides. But beyond that, franchising persists, innovates, and continues to grow and change in the face of (yes, we'll say it) Unprecedented Challenges, many of which are likely to continue. Since March 2020, franchise executives and development teams have worked harder than ever to recruit new franchisees and keep their doors open and their systems solvent. We are a resourceful group that once again has demonstrated it can thrive under thrive under pressure. So thanks to all involved, franchising endures. To cite another old song, "Keep Yourself Alive."

Revitalizing a Brand

What Wing Zone's revamp means for its future

Written By
DAVID BLOOM

Wing Zone is getting a new look. Eight months after the QSR brand was acquired by Capriotti's Sandwich Shop, Wing Zone is rolling out a brand refresh, complete with a full-scale technology revamp poised to solidify the brand as the fastest, most efficient technology operator in the segment. This company-wide rebrand will also include a revamped menu, an energized restaurant design and experience, a new logo, and other assets designed to further position the brand as one of the leaders in the chicken wing category.

Founded in 1993, Wing Zone has spent nearly 30 years living out our company mission of making it easy to get cooked-to-order, flavor-fused chicken wings and tenders worldwide, and customers and franchise partners alike have taken notice. This year alone, we've signed deals that will bring 38 Wing Zone locations to markets across the country, and that number is growing quickly.

While Wing Zone's popularity continues to grow, our team took the opportunity to explore the industry landscape and gather feedback from guests and franchise owners on company alterations and enhancements they'd like to see in the future. With the help of consulting firm Livit, we emerged with a renewed focus on optimizing the brand to distinguish it in the industry and to optimize operational efficiency.

When all was said and done, that allowed us to reflect and evaluate what has made the brand one of the most popular wing concepts over the past three decades, and it's evident by our nationwide expansion and growing customer base that we offer tremendous value from a business and customer perspective. We owe this rebrand to our fan base of customers, franchisees, and budding investors.

From a streamlined menu that puts the focus on the brand's best-selling wings and tenders to in-shop curated music and an innovative scent strategy, Wing Zone has transformed the way customers experience and interact with the brand. With a more vibrant color scheme and trimmed-down cook time, to cubbies designed for quick grab-and-go pickup and delivery options, our fast-casual concept offers an efficient, modern take on chicken wing consumption.

To prepare for an effective system-wide rollout, we will introduce the revamped brand at five corporate locations in Las Vegas before beginning to implement it at other locations across the country.

After an immense amount of research into understanding exactly what our customers want, we are thrilled to launch the new Wing Zone concept that will meet those expectations head-on. Traditionally, much of the wing category has been about the sports fan. We believe it is so much more than that and are confident our new look and feel will speak to a broader audience.

A large portion of this broader audience will come from a demographic who go largely unnoticed: people popularly referred to as "Perennials." This term does not distinguish a generational age group, but rather a set of people as young as 20 and as old as 75 who, beyond all else, remain curious, adventurous, and enjoy savoring the vibrancy and fun-filled nature of life. It's people like that our refreshed brand will reach out and speak to the most.

This rebranding serves to further solidify the company goal to reach 250 units, each producing $1 million per year by 2025, and to establish a reputation for Wing Zone as a category leader in the franchised restaurant segment—and as the wing shop that gets people the best wings the fastest. ■

David Bloom is chief of development and operations for Wing Zone and Capriotti's Sandwich Shop.

HOT CONCEPT!

Bill Phelps is at it again with Dave's Hot Chicken

Written by **KERRY PIPES**

BILL PHELPS, 66

CEO

Company: Dave's Hot Chicken Franchise Co.

Units: 30-plus

Years in franchising: 26

Years in current position: 3

Bill Phelps is doing it again.

The 66-year-old was co-founder and CEO of Wetzel's Pretzels, where he helped grow the brand to more than 350 locations. He was also an early investor in Blaze Pizza and a key part of that brand's rapid growth. Now he's at the helm of current industry darling Dave's Hot Chicken and the brand's future is, well, on fire.

"The concept is amazing," says Phelps, who has served as CEO of the Los Angeles-based brand since 2019.

Whether he is describing the brand founders' story, its spicy products, or its savvy marketing initiatives, Phelps is a big believer in the Nashville-style hot chicken brand. He's also happy to have word-of-mouth support for the brand spreading like wildfire and investors who include rapper Drake, actor Samuel L. Jackson, and Boston Red Sox Chairman Tom Werner.

It's been a Hollywood-like story for chef Dave Kopushyan and three of his friends who began selling hot chicken in a parking lot pop-up in East Hollywood, California in May 2017. Today Dave's Hot Chicken has grown to more than 30 restaurants since beginning franchising in 2019. And when a new shop opens its doors, it's not uncommon for fans to line up for hours.

Though many of the brand's locations are in California, Phelps and his team have high hopes for growth and expansion in the coming years. In fact, the brand has already sold the rights to more than 400 franchise locations in the U.S. and Canada.

Then there's the Covid factor. "Online sales were just 9% of our sales before March 1, 2020," he says. "That grew to 63% of sales at the end of April 2021."

While Dave's Hot Chicken is known for its rabid fans, perhaps there are no bigger fans than its franchisees, says Phelps, who describes them as "bullish." How often do you hear a CEO say, "The hardest part of my job today is turning down existing franchisees who want more territory."?

LEADERSHIP

What is your role as CEO? Hiring experienced and wonderful people and giving them the freedom to do incredible work.

How has Covid-19 affected the way you have led your brand? I am stunned by the fact that our business has thrived through Covid, going from 9% of sales online before March 1, 2020 to 63% of sales at the end of April 2021.

Describe your leadership style. To have fun while letting people perform at the highest level.

What has inspired your leadership style? My dad and my father-in-law.

What is your biggest leadership challenge? Ensuring a disciplined process throughout every aspect of the business.

How do you transmit your culture from your office to front-line employees? I try to do that through operations people I hire who are very much front line–oriented. I also speak directly with all the general managers every single month.

How can a CEO help their CMO develop and grow? The CMO job is probably the hardest job in the restaurant industry because of the changing media and advances in technology. It is a collaborative process of bringing experienced marketing and advertising people to review objectives, strategies, and best practices.

Where is the best place to prepare for leadership: an MBA school or OTJ? There is no question. It is OTJ training. The most important thing young people have to learn is how to hire, train, and motivate people at work.

Are tough decisions best taken by one person? How do you make tough decisions? A collaborative approach with my leadership team, then we make the call!

Do you want to be liked or respected? I want to be respected.

Advice to CEO wannabes: Learn multiple aspects of the business in your early years and be incredibly curious about every aspect of the business.

MANAGEMENT

Describe your management style: Set clear direction and goals and let people perform to the best of their capabilities.

What does your management team look like? They look nothing like me.

How does your management team help you lead? We have an incredible collaborative process, and we push each other to make decisions based on rigorous analysis.

Favorite management gurus: Richard Branson.

What makes you say, "Yes, now that's why I do what I do!"? Seeing how productive people are when I give them a lot of leeway in their decision-making.

OPERATIONS

What trends are you seeing with consumer spending habits in your stores? Consumers have more money than ever, and people are paying for premium quality and convenience.

How is the economy driving consumer behavior in your system? Consumers have substantial disposable income today, and our business is exceeding all expectations.

What are you expecting from your market in the next 12 months? Business is growing beyond our wildest dreams. While I expect to have significant challenges, I believe that our team is incredible and will meet all those challenges.

Are your franchisees bullish or bearish about growth and adding units? Our franchisees are extremely bullish. The hardest part of my job today is turning down existing franchisees who want more territory.

Are commodity/supplies costs any cause for concern in your system? Commodities and supplies are a bigger challenge today than ever. The supply chain issues will take 6 months to a year to return to a normal level of service.

How are political/global issues affecting the market and your brand? That question is above my pay grade.

PERSONAL

What time do you like to be at your desk? 6 a.m.

Exercise in the morning? Wine with lunch? Yes and NO.

Do you socialize with your team after work or outside the office? Yes.

Last two books read: *Steve Jobs* by Walter Isaacson and *Shoe Dog* by Phil Knight.

What technology do you take on the road? iPhone and iPad.

How do you relax/balance life and work? I am a golf addict. I work hard and play harder.

Favorite vacation destination: Big Island of Hawaii.

Favorite occasions to send employees notes: I don't send notes.

Favorite company product/service: Handel's Homemade Ice Cream.

BOTTOM LINE

What are your long-term goals for the company? To create something incredible that employees, franchisees, and guests love being a part of.

How has the economy changed your goals for your company? We have significantly raised our expectations for where we can take this business.

Where can capital be found these days? Money is more available today from more sources than any time in history, whether it is from angel investors, private equity, or public markets.

How do you measure success? Look at personnel turnover in an organization. People do not leave great organizations.

What has been your greatest success? Creating Wetzel's Pretzels with Rick Wetzel.

Any regrets? No time for regrets. We move forward.

What can we expect from your company in the next 12 to 18 months? We want to create something that will blow people's minds. ■

¡MUY BUENO!

It's full speed ahead for this 5-brand Mexican food franchisor

Written by **KERRY PIPES**

PETE PASCUZZI, 68

CEO

Company: MRI Heritage Brands

Units: 40 total for Casa Olé, Monterey's Little Mexico, Überrito Fresh Mex, Tortuga Mexican Kitchen, Crazy Jose's

Years in franchising: 30

Years in current position: 2

Pete Pascuzzi has spent more than three decades in the restaurant industry, working with brands including Carl's Jr., Hardee's, Church's, Long John Silver's, and Taco Bell. He had spent 3 years as president of 300-plus–unit Falcon Holdings Management when opportunity came knocking in the spring of 2020. That's when Houston-based MRI Heritage Brands approached Pascuzzi to become CEO.

MRI (Mexican Restaurants Inc.) is a five-brand franchisor specializing in Mexican food. Its brands are Casa Olé, Monterey's Little Mexico, Überrito Fresh Mex, Tortuga Mexican Kitchen, and Crazy Jose's. The company's more than 40 locations are spread across Texas, Oklahoma, Louisiana, and Arizona.

Despite the challenges brought on by Covid-19, Pascuzzi has charged ahead with the company's growth initiatives, managing the operations and strategy of their five brands. He's drawn on his knack for transforming restaurant operations not only to increase sales and profitability, but also market share and employee retention.

"I have a number of business goals I am focused on," he says. "These include increasing market share, elevating all of our brands to a prominent position in the casual and fast-casual segments, continuing to focus on franchise expansion efforts, and ensuring we go above and beyond for our loyal customers while gaining new customers."

At 68, Pascuzzi shows no signs of slowing down, and is clearly headed in the right direction: MRI's comp sales are up more than 30% year-to-date, and he says there's even more to come next year. "We will continue to offer new menu items and limited-time offers that will bring guests back to our restaurants again and again."

LEADERSHIP

What is your role as CEO? To create the vision and road map for our restaurants operating under the MRI Heritage Brands umbrella, my responsibility is to establish and foster our culture, built on a foundation of unwavering ethics and strong values. Additionally, it's my responsibility to be a good listener. We're a growing and passionate restaurant community, and as a leader of our community I must make good choices relative to actions we take, how we act, and the timing of that action.

How has Covid-19 affected the way you have led your brand? Our perseverance over the last couple of years is a direct testament to the passion and dedication our teams exemplify each day. As I look back on Covid, I am so proud of how our franchisees and staff thrived and came together despite the incredible challenges and headwinds we faced. The innovation and resiliency we showed, while continuing to remain relevant among our guests and our communities, is exactly why we we're seeing our current success. Authentic Mexican food at an affordable price remains a feel-good and winning combination, and that is why our sales have continued to climb.

Describe your leadership style. It's an approach that champions learning while also being goal-oriented. It's about setting an example for team members and franchisees—nurturing their skills and developing new ones, while continuing to focus on long-term targets while planning out short-term steps. Rather than getting distracted by passing trends or competitor achievements, my type of leadership style concentrates on the bigger picture and helping to find ways to reach objectives.

What has inspired your leadership style? First, it was my time as a franchisee in the Dallas area with Burger King in 2004. I learned very quickly that if I didn't have happy employees, they would leave me to go somewhere else. I had to build camaraderie, culture, and an environment where my best employees would refer their friends to the company. I've also had some great mentors along the way including Aslam Khan from Falcon Holdings Management. He taught me to be a leader, a great operator, and really explained the sacrifices I would have to make.

What is your biggest leadership challenge? One of my biggest leadership challenges is maintaining an adaptable franchise model. With the onset of Covid, we realized there's opportunity in change. Customers still wanted our authentic, made-from-scratch Mexican food and were willing to adapt to get it. That's a testament to our brands, our loyal customer base, and the hard work of our entire team as we pivoted to online and mobile, allowing for quick delivery, pickup, and safe in-store ordering. Even at the height of the virus, we were still introducing new products.

How do you transmit your culture from your office to front-line employees? Front-line staff are one of the absolutely most important elements of the customer experience. To foster and grow our culture, we effectively communicate a clear vision that connects restaurant staff to the bigger picture. We also empower front-line staff to make important guest service and business decisions. Not only is this better for our guests, it also makes employees more valued and more important to overall success.

How can a CEO help their CMO develop and grow? There must be strategic alignment—not only on your organization's higher-level purpose, but on the purpose of marketing as well. Is it to build a powerful brand? Establish and develop growth engines? Own the end-to-end guest experience? Whatever it is, alignment relative to marketing's role in the organization is essential for shared success.

Where is the best place to prepare for leadership: an MBA school or OTJ? It's hard to replace on-the-job training as an element critical to future success. But education certainly is also important as the fundamentals of business are an essential part of future success. I'm not sure it's possible to select one over another.

Are tough decisions best taken by one person? How do you make tough decisions? Indecision wastes time (days, weeks, months, even years). However, making good decisions doesn't have to mean deciding slowly. Solid decision-making relies on three fundamental elements: 1) book time to think, 2) define the decision, 3) think through your options. Once you've thought it through, talked it through, and asked for perspective, it's time to make the final decision.

Do you want to be liked or respected? Being likeable doesn't necessarily mean you will be liked. Respect is an absolute necessity in business.

Advice to CEO wannabes: Surround yourself with a great team. It's impossible to do everything, so having a strong team you can rely on will allow you to make the most informed and best decisions possible.

MANAGEMENT

Describe your management style. I have more of a collaborative management style. Ultimately, the final decision lies with me, but I believe in engagement with people at all levels of the company to better understand where we are succeeding and where we have opportunities to grow.

What does your management team look like? For a management team to work well together there must be a diversity of skills and strengths that complement each other. When a team is built upon a foundation of trust, it is much easier to collaborate, disagree, resolve conflict, brainstorm, and evolve.

How does your management team help you lead? They help implement our strategic direction and keep me informed relative to initiatives and deadlines within their respective departments. They also think differently than I do, which helps me make the most informed decisions possible.

What makes you say, "Yes, now that's why I do what I do!"? Seeing how our team came together at the onset of Covid and how we were able to quickly pivot to online and delivery while still being able to communicate to our customers that we were open and how they could use us was simultaneously one of the most challenging and rewarding experiences of my franchising career.

OPERATIONS

What trends are you seeing with consumer spending habits in your stores? Understanding trends in consumer behavior before they become apparent can give a business an unprecedented advantage over its competitors. Some of the major trends we're seeing with consumer spending habits are an increased demand for transparency; accelerated online buying; a boosted need for social experiences; and an increased focus on menu authenticity.

How is the economy driving consumer behavior in your system? Consumers are still in the process of rebalancing and re-establishing new behaviors and routines, and the foodservice industry continues navigating how to respond accordingly.

What are you expecting from your market in the next 12 months? Internet usage has increasingly grown over the years, but the pandemic forced true reliance, moving nearly all daily activities online. Nineteen million Americans lack fixed access to the Internet, with one in four of them in rural areas. These people may miss out on some opportunities afforded to those with a reliable connection. Digital-only and digital-first solutions are here to stay, but don't alienate key consumer groups.

Are your franchisees bullish or bearish about growth and adding units? Most continue to be bullish about multi-unit growth as we expand into our target growth markets of Central Texas, South Carolina, Florida, and Georgia, among others.

Are commodity/supplies costs any cause for concern in your system? The underlying reasons behind the commodity price hikes are varied, but mostly stem from supply issues resulting from the pandemic.

How are political/global issues affecting the market and your brand? MRI Heritage Brands is a family. We are here to foster a supportive and inclusive community among our franchisees, staff, guests, and the people we serve. While our restaurants have grown and we have plans for additional expansion, some things have remained constant. Fresh and quality ingredients are the foundation of a great meal. This is the model for all our kitchens and the magic that happens in them.

PERSONAL

What time do you like to be at your desk? 7 a.m., so I can be in one of our restaurants for lunch.

Exercise in the morning? Sometimes.

Wine with lunch? No.

Do you socialize with your team after work or outside the office? I either see my team or talk to them almost every day, but we do try to have a lunch or dinner together every month so we can all connect as a group and share ideas.

Last two books read: *Mind Your Own Business* by Jim Sullivan, and *Setting the Table* by Danny Meyer.

What technology do you take on the road? iPhone, iPad, Bluetooth headset, portable battery pack.

How do you relax/balance life and work? I love what I do, so I view my work as an extension of my life.

Favorite vacation destination: Any Caribbean beach.

Favorite occasions to send employees notes: I prefer to pick up the phone and call them—every chance I can—for professional and personal accomplishments, or if they are dealing with a personal/family crisis.

Favorite company product/service: Überrito street tacos.

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BOTTOM LINE

What are your long-term goals for the company? We still build our businesses around old traditions, but update them to take advantage of new techniques and new technologies. The growth of our restaurant groups interprets a mash-up of styles and techniques designed to embrace the idea of variety with a passion without sacrificing authenticity. Casa Olé, Monterey's Little Mexico, Überrito Fresh Mex, Tortuga Mexican Kitchen, and Crazy Jose's are poised for growth with several new locations set to open throughout the next year across the country.

How has the economy changed your goals for your company? We want to meet our guests where they are, and right now that is through digital sales. At the onset of the pandemic, the message was, "We are open and here is how you can use us." Post-pandemic, the use of innovative technology to reach guests will be integral to our strategy. I also anticipate much more community outreach from our franchisees.

Where can capital be found these days? Fortunately, we have relationships with several third-party lenders that remain confident in our brands and our franchisees.

How do you measure success? Success is—and will always be—measured by a few key metrics, such as unit-level economics and the profitability of our franchisees, as well as guest satisfaction and brand awareness.

What has been your greatest success? Helping dozens and dozens of entrepreneurs get into business to achieve their professional and personal goals. Contributing to the American Dream of small-business ownership is one of the most rewarding things I've been able to do in my career.

Any regrets? My successes and failures have defined who I am. It's all part of the journey and I would not have changed a thing.

What can we expect from your company in the next 12 to 18 months? Old attitudes about Mexican food are fading. We will never let that desire for a certain kind of faithfulness obscure the work being done by our modern franchisees who want to honor tradition, but also run profitable businesses. Our food and our restaurants are not here to simplify a complex Mexican culinary story or fabricate a history we can't hold up. We're here to knit together a new story that depends less on old stereotypes and antiquated business models and more on a new golden era of made-from-scratch Mexican cooking that showcases restaurant profitability and efficient operations. ■

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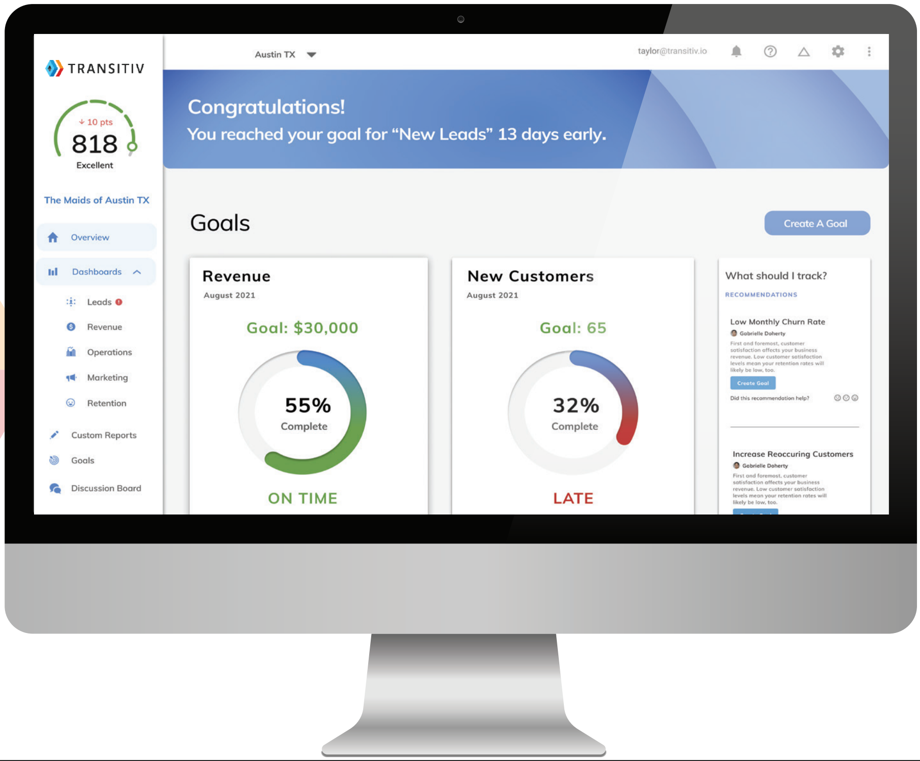

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Elevating the Franchise Model

IFA looks to transform the future of franchising

Written By
MICHAEL SEID

Franchising, without a doubt, is a successful method of expansion. It has had a positive impact on consumers, the economy, the creation of individual wealth, and diversity of ownership. It also has created a first rung on the jobs ladder, enabling individuals to enter the workforce and succeed. Still, franchising is not perfect; companies that became franchisors and individuals who became franchisees have failed.

When I entered into franchising, there were claims about the success of businesses that had franchised. One of the more egregious arose from the U.S. Department of Commerce, which claimed that franchises succeeded 95% of the time, while the comparative success rate for non-franchised businesses was only 5%. Thankfully, those statistics ended in 1987. But for decades that followed—in countless articles, speeches, and franchise recruitment materials—franchisors, franchise sales brokers, and franchise packagers continued to sell franchises and their services based on these bogus numbers.

I recall that the IFA tried to end this deceitful practice in May 2005. Matt Shay, then IFA president, stated in a letter to members:

"We strongly urge you to remove any information from your website and published materials that make such a claim. The use of such data, in the absence of current research, could mislead prospective franchisees who are attempting to conduct responsible investigations."

He repeated that request several times in the subsequent months and years and published a warning on the IFA website. Yet even today, you can still find a handful of franchisors, brokers, and franchise packagers citing the fictitious Commerce Department "study."

Given these concerns, the IFA began to look at methods it could take to elevate the performance of franchising. These included a focus on improving franchise education, introducing the CFE program, making a huge investment into research on franchising and franchise relationships, and initiating a major effort to improve the diversity of franchise ownership and management.

Recognizing that its Code of Ethics was an aspirational document, the IFA established a task force in 2013 to determine if there were a set of generally accepted franchising standards and practices it could publish. The task force, consisting of franchisors, franchisees, and suppliers, created the IFA's Statement of Guiding Principles, which the board unanimously adopted. Today, the Statement has become the generally accepted standards of practice in franchising.

The Covid factor

Covid hit every business hard in 2020 and the IFA was no exception. However, the association had established significant reserves for any potential business disruption or issue, has a standing committee that monitors its finances, and moved rapidly to make the necessary business decisions and adjustments. Despite the impact of Covid on its members and the potential for membership loss, current membership numbers and revenue are exactly where they were in 2019 before the pandemic, thanks in large part to Paul Rocchio, the IFA's vice president for development and member services.

Last year opened opportunities for all of us to look closely at our businesses and how they were managed. Because the IFA had the resources to do so, instead of hunkering down, Catherine Monson and Charlie Chase, IFA chair and vice chair, respectively, embarked on several new and important initiatives and investments to improve franchising and how to best support its members, the franchise model, and those who serve it.

One of the most important initiatives was to engage Oxford Economics to survey more than 4,000 independent franchise business owners and perform an "assessment of the value of the franchise model to workers, entrepreneurs, and local communities." The study, released in September, found some very encouraging statistics to support our experience that franchising has had a variety of positive effects, not just economically, but also socially and culturally in markets across the country. The study revealed that 26% of franchises are owned by people of color (vs. 17% of independent businesses), and that Black-owned franchises earn 2.2x more than Black-owned independent businesses on average.

Future forward!

Following the elevation of Matt Haller from SVP of government relations to president/CEO, and with the support of Suzanne Beall, vice president of government relations, public policy, and counsel to the IFA, Catherine and Charlie established a task force to study its membership standards.

The IFA Standards Task Force, which I was asked to chair, consists of franchisors, franchisees, and suppliers—as well as lawyers representing franchisors and franchisees and two members from NASAA, the states' franchise regulator organization. Its purpose is to ensure that IFA members are credible and meet the soon-to-be-finalized membership standards, and to then begin examining methods to improve the information available to prospective franchisees.

To date, the task force has held several lengthy meetings and has adopted some preliminary proposals that, when finalized, will be presented to the IFA board for adoption. And to bring a fresh voice to our discussions, we also have met with approximately 20 outside transactional lawyers and litigators for franchisors and franchisees.

In an important initiative led by Jennifer Brandeen, the IFA's chief revenue officer, the IFA also is looking to reimagine franchise education and accreditation. Her work is well under way in transforming not only the CFE program, but also the overall education offered across the IFA's multiple education channels and how the IFA will view accreditation in the future.

There is no doubt that 2020 and 2021 will be remembered by all businesses for the challenges of Covid. However, 2020 and 2021 also will be remembered as the years we learned how innovative leadership can transform any organization. ■

Michael Seid is managing director at MSA Worldwide. MSA provides strategic and tactical advisory services, primarily to franchisors, on a global basis. Call him at 860-523-4257 or email mseid@msaworldwide.com.

CASE STUDY **NUMBER OF LOCATIONS:** 1,000 *(Initiated Partnership with UMI at 110 Units)*

CUSTOM BRAND HUB PLATFORM INTEGRATION

INDUSTRY: Restaurant | **TYPE:** Fast Casual | **CORPORATE VS FRANCHISE:** Franchise

THE CHALLENGE

As the brand continued down a path of aggressive growth, a need was identified to support the demands of the franchisees in a fully integrated capacity through the utilization of a streamlined, easy to use platform.

In addition, the brand was looking to increase compliance from a creative standpoint and ensure adoption of the new platform by the franchisees.

OUR APPROACH

The overall strategy to support the client and achieve their goals was to build a custom portal while providing the brand with significant efficiencies both from a cost and an internal workload perspective. Through the 14-week development of the site and its associated content, UMI kept the following requirements top of mind.

- Provide **brand consistency** through the utilization of pre-approved creative templates featuring drag & drop image and offer banks.
- Provide access to **customizable** print on demand materials.
- Provide **inventory management** and ordering solutions.
- Provide franchisees with a process for **custom creative** needs that takes the minutia off the client's plate and integrates a paid system.
- Provide a resource for custom **local marketing** efforts.
- Provide **cost savings** on common print on demand elements.
- Incorporate a **store profiling** structure that acts as a repository for all store profile and pricing maintenance.
- Develop a **custom training** and adoption plan for launch.

THE RESULTS

- Within the first year of launching the platform, an 89% system adoption was achieved.
- 85% Adherence to the profile and pricing maintenance was achieved.
- 18% savings, on average, was achieved on common print on demand materials.
- 45% increase in LSM participation through the integration of seasonal opt-ins and availability of resources/tools for self-activation.
- Brand compliance increased from 60% to 92% systemwide.

CLIENT EXPECTATION: 75%
ACHIEVED: 89%

BELOW AVERAGE 0-59%	**AVERAGE** 60-79%	**ABOVE AVERAGE** 80-100%

FEEDBACK FROM THE FRANCHISE COMMUNITY

"I love that everything is in one place!"

"Being able to maintain my pricing and order all my menus in the same place, is extremely convenient."

"I love the access to marketing materials. It has made my outreach efforts so easy."

"The team at UMI makes everything so easy and they never say no!"

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THE GREAT COLLABORATOR

For Scooter's Coffee CMO the customer experience is personal

Written by **KERRY PIPES**

For Scooter's Coffee CMO Bill Black, it's personal.

"The personal touch is our DNA," he says of the brand's mission to create a consistently remarkable experience for customers. "We want to make that personal connection each and every time, causing the person to walk away and say, 'Wow, that was amazing!'"

Touchpoints are critical to Black. He leads the marketing department at Scooter's with the brand's promise of "Amazing People, Amazing Drinks… Amazingly Fast" always at the top of his mind. He believes that within the corporate office he must be a "collaboration agent" for coordinating marketing efforts, and is always looking for ways to tie in all other departments.

"It's important to wrangle the key people in operations, supply chain, finance, marketing, and every other department," he says. "There are so many touchpoints along the way during a marketing initiative, both internally and externally, that it's imperative we have support across the entire organization." When that happens, he says, good things follow.

Black has 35 years of marketing and advertising leadership experience. He's worked with companies such as Nutrisystem, Dunkin' Brands, Friendly's Ice Cream, and was the founder of The Marketing Coach, a marketing strategy and consulting firm. He joined Scooter's Coffee in 2018.

From the top down, Black and his team are dedicated to the brand's mission in every interaction, he says, "with the hope of changing someone's day for the better. Your coffee sets the tone for your day, so we know the importance of getting that interaction right."

Describe your role as CMO. As the chief marketing officer, I have responsibility for the strategic direction of the Scooter's Coffee brand and oversight to product marketing, customer insights, creative expression, robust digital footprint, media, communications, and local market and store-level marketing execution. All of this must be accomplished while delivering on our brand promise of "Amazing People, Amazing Drinks… Amazingly Fast," all while maintaining and never compromising our mission and core values. I frequently find that my role reflects the voice of brand stewardship and the customer among the leadership team.

We created content on how to help your neighbor, how to have a good day, how to give back, etc. We made sure at least half of our communication focused on how to make the world a better place for people and how to build that emotional connection that is key for any brand.

What's the most challenging part of being a CMO today? I'm not sure it's necessarily challenging, but definitely I've seen a shift in the CMO role to become much more of a collaboration agent within the organization. One of the most challenging aspects is to ensure all stakeholders are looped in and actively contributing to all major marketing initiatives.

How has Covid-19 affected how you have led your brand's marketing efforts? In March 2020, we were moving forward with a communication strategy that was very product-focused. When Covid hit, it didn't feel right to continue down that path. We needed to take a step back because there was something bigger at play. Our customers, staff, and communities needed hope. They needed Amazing. To try to provide some positivity amid a world of uncertainty, we gravitated toward our core values and pivoted to positive messaging creating hashtags to illustrate this with #TheWorldNeedsAmazing and #BeAmazing.

We created content on how to help your neighbor, how to have a good day, how to give back, etc. We made sure at least half of our communication focused on how to make the world a better place for people and how to build that emotional connection that is key for any brand. We eased back into a more traditional approach over the last year, but we continue to incorporate those messages because they are a part of who we are at the core. What we found were that these messages were extremely well received by our customers and the public at large.

What are the 3 most important keys to being an effective CMO leader today? You have to be a person of continuing education and learning to stay ahead of the curve with technology and consumer trends. You must be a great collaborator with peers to ensure the entire organization is sold on the strategy of the brand plan being put forward. Last, you have to be a developer of people with an eye for rock star talent.

How do you prepare a marketing plan and execute the strategies? Know your customer. Identify the segments of your customer base and learn everything you can about them. Learn about their lifestyle and what makes them tick. It's not just about how they interact with your product, it's about how your brand fits into their whole life. Being able to build on the loyalty our brand delivers means being able to establish relationships with our customers and make their day. In addition to knowing your customer, you must know the trends related to your brand. It's important to constantly be researching what is popular and what is coming down the pipeline. For us, it includes flavor trends, drink trends, and other items to refresh our menu to keep us new and innovative.

How do you measure marketing results and effectiveness? In addition to normal measures like sales, product increases, etc., we focus on brand perception and store growth. We are a very quickly growing brand at almost 400 open stores and are working toward 600 by the end of next year. To keep our growth momentum, it's important to know the perception of the brand across markets. We implement what's called an Attitude and Usage Study across core markets as well as frontier markets. We test brand awareness (aided and unaided) and see where people are hearing about us and how they feel about the brand. We are able to see these measurements increase over time along with our store growth, which is very exciting.

Discuss your core consumer marketing strategies and objectives. Without divulging sensitive and confidential information, I will say that we have four different customer segments that we target and build strategies and communication plans around to reach effectively. Each requires a different approach, and while they have many similarities, they also have vast differences. This is

a big challenge for our internal team, and we wrestle with it every day. It keeps us on our toes.

How do you go about creating a customer-centric marketing and brand philosophy? Coffee is unlike any other consumer product. It's a loyalty product. Your favorite restaurant might be the type of place you go to once a month. Or if you have a family pizza night, you might go there or order once a week. But with coffee, our core customers come to us every day. We are part of their life. Sometimes we are the first human interaction they see in the morning on their way to work, school, etc. That first morning connection is so important, and getting that connection right builds loyalty. We know that our audience is extremely loyal and we want to get to know them. We want to build that relationship and make them ambassadors of our brand.

Describe your marketing team and the role each plays. Our team can be divided into four main functional areas.

1. Product Marketing and Consumer Insights—This department is responsible for the marketing calendars and tracking trends for beverage and food. It is the first stop in the research and innovation funnel. In addition, this department handles collaboration with operations and the supply chain, e-commerce, the Attitude and Usage Study, and the pricing analysis.
2. In-house Creative Studio—This department is responsible for our brand expression including digital and print, signage, menu boards, photography, food styling, banners, yard signs, posters, etc. for all franchisees, CPG for our bagged coffees, and so much more. If it needs creative genius, this is the department in charge.
3. Digital Marketing Area—This includes our website and SEO for the consumer, the mobile app and loyalty program, email marketing, and our consumer social media.
4. Retail Store Marketing or Field Marketing—Within this group, we build out all of the store marketing plans for new stores. In addition, all franchisees are provided with two franchise portals containing a plethora of assets for them to use. This department is also responsible for the printing and production of all signage and brand communication through media, outdoor, television, digital media, outdoor billboards, PR, and more. We are excited to continue to build out this department in a more robust way in 2022!

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? The personal touch is so important because that is our DNA. Our mission is to create an amazing experience for each life we touch. It accentuates our core values, especially love. This applies to everyone who is attached to the brand, from a customer to a vendor to a prospective franchisee.

How does this help your franchise sales and development effort? When our entire mission is centered on providing an amazing experience, that becomes part of our identity. From the development side, our prospective franchisees know that we are looking for people who embrace our core values as well. Family is incredibly important to Scooter's. Our founders, Don and Linda Eckles and their family, are still very much involved in the business. That being said, there is nothing more important than the profitability of our franchisees—which starts at the top and permeates its way throughout the organization.

What ways or tools do you rely on to do this? It's all about an amazing connection turning into a relationship. It starts from the first time a person fills out a form or makes a phone call to our brand. The development team immediately starts building a relationship with prospects. Once our prospective franchisees move into the stage where they come visit headquarters, they are ushered into the Be Amazing Day experience. This allows a prospective franchisee to meet the leadership team and see where and how the magic happens. They learn about every single aspect of our business including real estate, harvest roasting, marketing, supply chain, etc. One of the most powerful parts of Be Amazing Day is the discussion about each prospect's "Why." To hear each story and dream starting to manifest itself is truly powerful for everyone involved.

Do today's prospects expect more from the franchise marketing department? What, and how do you provide it? As with every business, marketing is important, and we ensure our franchisees are set up for success. However, we really make it clear right up front that marketing is more of a "top spin" to their business. They are not going to become successful based on marketing. They are going to be successful by picking great sites, having the best trained staff, and implementing operational excellence with consistent excellence in their customer experience. Then we provide that top spin or icing on the cake. We want to ensure they know that they create their own success.

To get them started right, we provide great support through a new store opening plan. In addition, there are portals they can use to order a plethora of materials. We also work with them on digital media, direct mail campaigns, etc. If the franchisee has a specific need, we will work to provide whatever they need, always staying within our brand. We will tailor our support to the needs of a specific store and help build customized plans.

There is one thing that will never go away: the need for human connection. No matter how fancy we get with our phones and our ability to communicate, there will always be a need for human connection.

How is today's consumer and marketing data helping you fine-tune your marketing initiatives? Data is essential to knowing your customer—not just knowing who they are from a broad standpoint, but knowing them specifically and personally. You must look to see what about the data on the consumer differentiates them from other segments. For example, we have multiple segmented personas identified, and we know the sales and behavioral patterns of each. We know what they buy, how they buy it, how much they spend, how frequently they visit, etc. This is critical information in today's tech-savvy world.

Describe the evolving role of social media in your brand's marketing efforts. We focus on social media to create a conversation with our customers, rather than using it only to drive business to our stores. We want to have a conversation and build on the love of the brand our followers have. We have to make sure we are messaging in a way that creates that conversation. Going back to the transition we made during Covid, we found that the positivity messages we were putting out generated even more engagement than our typical messaging! You must know your audience and provide the opportunity to have them engage with the brand.

How do you work with other internal departments and does technology help? Collaboration is so important, no matter what level you are within the organization. Technology absolutely helps and has taken on a new role with the pandemic and the need for us all to be remote workers at some point. The pandemic created the need for us to be creative with how we work together. Zoom, Teams, etc. have become commonplace. However, while technology helps it does create some challenges with items like product tasting. This is where you have to become creative and put forth an intentional effort to create a collaborative environment. An example of this is how Scooter's pivoted to continue to be able to hold Be Amazing Days for prospective franchisees. Using technology, we were able to continue to show prospects our headquarters, have them meet the team, and more. We found that prospects who went through Be Amazing Day virtually were incredibly impressed by the way we were able to pivot and continue to provide an amazing experience.

Do you see vendors as business partners? Why/why not? We absolutely view vendors as partners and specifically look for vendors who share our core values. This goes back to the root of our mission statement to create an amazing experience for each life we touch. This applies to every single person or vendor. Whether or not they become business partners or not, we want to ensure they are walking away from the experience positively. For those vendors who do become partners, we don't look at them as "just vendors." They become part of the family. Much of our flavor trend research comes from what our vendors are putting together. We rely on them to provide business insights and trends to go along with our own research.

How have marketing strategies/tools changed over the past decade? How have you adapted? The handheld device, along with the social and digital arena, have completely transformed. Today billions of people are walking around completely absorbed by the device in their hand, spending 8 to 10 hours a day on their screens. We have to recognize that and realize that this changes how we market to individuals and consumers. That being said, there is one thing that will never go away: the need for human connection. No matter how fancy we get with our phones and our ability to communicate, there will always be a need for human connection.

What advice would you offer to aspiring CMOs? Surround yourself with people smarter than you and then get out of their way. Be a continuous student of your craft. Be a servant leader and a cheerleader for your team. Lead with humility and don't be afraid to be vulnerable. Never compromise on talent. Don't be afraid to pay a little extra for really smart people. These are the people who will help propel you forward. ■

Q How are changes in consumer behavior affecting your marketing strategies and how you communicate with customers?

RYAN OSTROM

EVP and Chief Marketing Officer
Jack in the Box

We've learned over the past couple of years that guests are in search of more convenient and easily accessible options. This has greatly affected how our team looks to communicate with guests, and we have shifted our marketing strategy to digital-first. Our approach prioritizes meeting our guests where they want to be met and customizing our digital strategy to engage with them on their terms.

To grow our digital experience effectively, we have to rely on consumer data. This allows us to make educated decisions and ensure we use new media technologies efficiently to connect with the right guests within a 3-mile radius of our stores. Using data, we've also built a digital ecosystem across the Jack in the Box network to develop a stronger and more valuable guest relationship. As we head into the final months of the calendar year, digital now encompasses 8% of our sales and has increased 135% over the past year.

One of the more important elements of our digital strategy is the enhancement of the Jack in the Box mobile app. This year alone we've made multiple improvements to make the platform easier to use, and we are continuing to optimize its structure and ordering features with the mission of incentivizing guests to use the app.

Most recently, we launched our first loyalty program exclusively on the mobile app, "The Jack Pack." Through the program, guests can earn loyalty points on in-app purchases and redeem those points for rewards on future orders. Over the last 18 months, our customer database on the app has grown more than 60%, with The Jack Pack contributing to that growth.

As a result of evolving consumer behavior, it's also critical that our team continues to seek out innovative and fun opportunities to connect with both our loyal and new guests in authentic ways. One example is integrating Jack in the Box to the sports and gaming world. It's a natural fit for our brand as we've learned that nearly a quarter of our guests prefer gaming as their entertainment choice.

Through our strategy, we are looking to make Jack in the Box more Cultural, Relevant, Authentic, Visible, Easy, and Distinctive (CRAVED) to drive brand loyalty. To accomplish this, we are constantly adjusting our marketing strategy to fit the ever-evolving needs of our guests. Advancing our digital strategy has already proven effective.

> As a result of evolving consumer behavior, it's also critical that our team continues to seek out innovative and fun opportunities to connect with both our loyal and new guests in authentic ways.

LAURA RUECKEL

Chief Marketing Officer
Freddy's Frozen Custard & Steakburgers

Consumers today are seeking flexibility in their dining preferences. We've been considering this change and shifting our marketing strategies to keep up with this demand for convenience and ease. The growing number of options and the growing value placed on the quality of life mean that consumers are seeking an authentic brand that can provide a best-in-class experience.

We are resonating with guests more strongly than ever before by holding to the "Freddy's Way" and our core pillars. Every guest can expect genuine hospitality and food cooked to order with premium ingredients served hot and fresh in a clean, family-friendly environment.

Our commitment to exceptional service begins with our menu by allowing guests to customize their orders to suit their tastes. For example, we have 32 toppings and mix-ins to customize shakes, malts, and custard treats. Building on the Freddy's guest experience, we've created an omnichannel environment that includes dine-in, drive-thru, curbside pickup, and third-party delivery options.

From a communication perspective, we are excited that these messages are resonating with consumers, and we need to remind them about the benefits of our brand on a more frequent basis. The quality of our steakburgers, creamy frozen custard, and other menu items are the core of what we do and serve each day.

Still, there are many other benefits of dining at Freddy's that speak directly to what consumers are demanding today. In communicating with our guests, we always want to prioritize their thoughts and feedback and ensure that our conversations are clear and thoughtful. Continuing to improve our data capture will allow us to understand our guests' behaviors better and result in more personalized marketing efforts.

We have big plans for digital ordering, our loyalty program, and app improvements as we seek to offer only the best technology for our guests' convenience that will simultaneously help inform us of their behaviors and preferences. As the world has become increasingly digital, so too has our marketing, and I look forward to further growth and creativity in this space.

Levels of Control

Managing your brand's social media policies

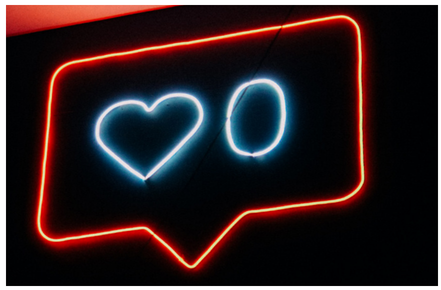
Written By
ANDREW SEID

In franchising, a variety of complications and specific issues arise around social media. Franchisors must identify the specific platforms they want to use, the limitations and best practices of how to manage each platform, and what levels of control to mandate across all participants and stakeholders. Here are a few tips we've found particularly useful for our clients.

What level of control?

This is a crucial question for all levels of a franchise system. And, as with much of franchising, it is system-specific; there is no universal right answer, even within industries or among direct competitors. Depending on any number of factors, there may be different approaches within a single franchise system, including the particular social media platform, intended audience or participant, level of sophistication or training level of the user, brand personality, and the ultimate goal of the activity. Generally we look at four broad levels of control.

1. **Previous franchisor approval.** A typical catchall provision allows the franchisor final say over social media activity. However, this can be costly, time-consuming, and hamstring some of the benefits of social media that revolve around quick, personal interactions where content relevance is short-lived.
2. **Central content library.** Franchisees can use preapproved material from a central library, which they often can personalize or localize. While this may be cheaper and less time-consuming for the franchisor, it can also strip the franchisees' social media activity of any interactive element.
3. **Complete franchisor control.** This allows the franchisor the greatest level of control, but it can be extremely costly and time-consuming and can leave a brand's social media presence bland and uncompelling.
4. **Complete franchisee control.** This provides the greatest capability for individual locations to interact and engage with a brand's customer base. However, it opens the door to an incredible level of risk for the entire brand from the actions of a single franchisee or franchisee's employee.



As usual, it depends

In reality, there is a great deal of movement between each level of control. Thinking about these levels as a spectrum has been helpful for our clients, particularly where there are competing interests.

For example, home services providers and typical "trades" concepts do not normally have frequent, consistent social media engagement with their customer base (outside of complaints and reviews). Conversely, in the boutique fitness industry, a significant draw for consumers is often the specific instructors who often become "personalities" through heavy social media engagement and interaction. A franchisor likely wants to encourage the engagement and excitement generated this way, and might allow more leeway or autonomy by the franchisee or its employees. In a situation like this, a franchisor might require additional or specific social media training, a provisional period where the franchisee or its employees are limited in their social media use, and likely will retain the ability to edit or delete any of the content of these accounts.

A franchisor may try to require that franchisees' employees use only social media accounts that are franchisor owned and controlled, and restrict the use of any marks or discussion of the franchised business on their private accounts. These types of restrictions and controls raise all sorts of potential co-employment issues and should always be discussed with legal counsel before being implemented.

What key areas to address?

Social media on a broad level can serve a variety of purposes for your brand, your individual locations, and the individuals involved at every level. We've identified three key areas to help ensure that your brand's social media presence is best serving the brand.

1. **Platform.** Which platforms do you want to allow (or require) franchisees to use, and what limitations will be placed on their use? Most franchise systems will have a presence on the more "traditional" platforms of Facebook, Twitter, and Instagram. These can serve as a fairly static presence and provide basic identifying information such as location, hours, menu items, and updated information. A franchisor also may want to engage (or have franchisees engage) with customers on a more interactive level by posting images and video content or by communicating directly with consumers through comments and posts.
2. **Content and interactivity.** The choice of platforms is directly affected by which type of content and level of interactivity your brand prioritizes. While the more "dynamic" platforms such as Snapchat, TikTok, and YouTube allow for unique styles and types of content and interactivity, the "traditional" platforms continue to adapt and add similar features. Thus, it is important to identify which specific features on each platform are available or mandatory for franchisees to use.
3. **Ownership.** Be sure to identify who owns the accounts. This goes hand in hand with the question of control. Even where a franchisor allows a franchisee or its employees to have some level of control over the social media accounts, the franchisor will almost always want to maintain ownership. This can get tricky in situations such as the fitness instructor with their own personal following. Even in that situation, the franchisor will likely want to maintain ownership and, ultimately, the ability to delete specific content or the account itself. As with any interaction between the franchisor and the franchisee's employees, consult your franchise attorneys to make sure you do not fun afoul of any co-employment issues.

Social media is an incredibly powerful tool for all businesses, and a franchise system should prioritize the creation of a thoughtful and robust social media policy to maximize the positive effects while minimizing the very real risks associated with it. ■

Andrew Seid is senior consultant at MSA Worldwide. Contact him at aseid@msaworldwide.com or 860-604-9189.

The Great Resignation

What's fueling today's labor shortage?

Written By
JOHN DIJULIUS

The statistics are alarming:

- A record-setting 10.1 million job openings in the U.S.
- 11.5 million workers quit just in Q2 of this year
- 41% of the global workforce would consider leaving their current employer within the next year
- 54% of Gen Z are considering quitting

The Great Resignation is a mass, voluntary exodus from the workforce. It is here, and it is quite real. Turnover is nothing new, and neither are corporate retention strategies. But the Great Resignation and extreme turnover happening today across so many industries are different and require a different approach. The Great Resignation caught many business leaders flat-footed.

What's fueling this?

There are numerous reasons, most originating from the pandemic that started in early 2020. According to a LinkedIn survey, 74% of respondents said the time spent at home had caused them to rethink their current work situation. More than 50% cited stress and burnout in their job as a reason for looking elsewhere. Others did not like how their employer treated them over the past 18 months, with reasons ranging from a lack of genuine concern to being forced to take concessions while senior executives didn't. The WFH dilemma opened a Pandora's box for employers and employees alike, and has become a contentious issue in many organizations. And finally, yes, the increase in unemployment benefits caused a lack of urgency for many to return to the workforce.

We saw a booming economy during the past decade, resulting in most businesses losing focus on the customer and their own employees' experience. Businesses must stop thinking Ping- Pong tables and Friday happy hours, and instead work to create a strong company culture.

A professional awakening

For many, the pandemic has been similar in its effects to people who survived a near-death experience. It has caused employees to reevaluate their professional careers—not only what they want, but also what they are no longer willing to tolerate. However, too many leaders are using the Great Resignation as a crutch. A significant percentage of people who have quit over the past 15 to 18 months say it is a result of a poor company culture, where leaders are focused solely on productivity and bottom-line profits.

I have seen firsthand that the companies with the strongest company culture—long before the pandemic—are significantly less affected by the so-called labor shortage. The organizations that churned and burned their team members, or that paid only lip service to having a great workplace culture are the ones being hit hardest by the employee turnover.

You can't hire your way out of a bad culture

Two of the biggest mistakes companies are making right now are 1) trying to solve their staff shortage by hiring people as fast as they can just to fill positions, and 2) keeping employees with bad attitudes. Both are huge mistakes. "A" players hate working with "B" and "C" players. Unengaged employees are like squatters taking up space and sucking the energy out of your organization.

The #1 priority for businesses today must be to focus on keeping their top talent by improving their internal culture. Stop trying to find great employees. Instead, focus on becoming the type of business great employees find! The businesses with the highest engaged employees enjoy:

- 81% less absenteeism
- 33% less turnover
- 10% increase in customer loyalty/engagement
- 23% more profitability

Businesses must stop treating their employees like children. Leadership must be about helping people reach their potential in performance, not managing them from breaking policy or screwing up. High performers need innovation; innovators need autonomy. Don't let one poor employee ruin your organization's freedom and flexibility. Employee freedom means they can take a lot of risks and fail. Taking risks breeds innovation. Innovation breeds success.

Days of lighting fires under people are over. Days of lighting fires inside people are here. ■

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

10 WAYS TO BUILD A CULTURE EMPLOYEES WILL LOVE

1. Love your employees and show it.
2. Do not compromise on who you hire or keep.
3. Prioritize employees' mental and emotional health.
4. Measure employee engagement quarterly (using surveys).
5. Improve the quality of your employees' lives.
6. Stop policing them and start inspiring them to reach their fullest potential.
7. If your team is virtual, increase your one-on-one meetings.
8. Constantly share vision, direction, and what is in it for them.
9. Demonstrate that you genuinely care for your employees.
10. Set up a system for leaders to "catch" employees doing something right.

2022 AFDR

If you can't measure it, you can't control it

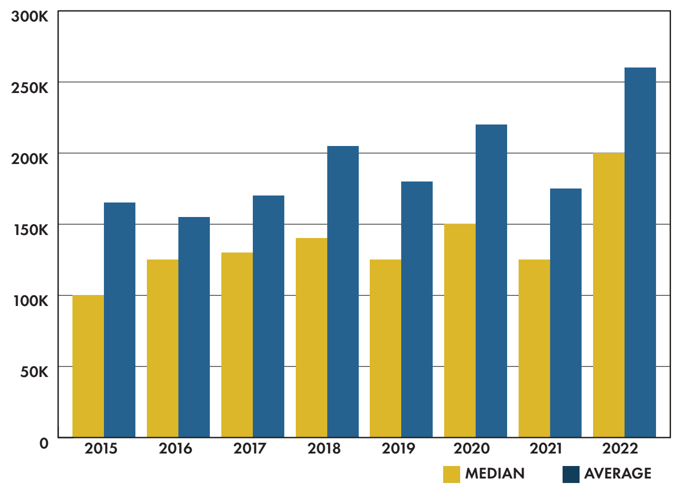
Written By **EDDY GOLDBERG**

Highlights from the 2022 Annual Franchise Development Report (AFDR) were unveiled at the Franchise Leadership & Development Conference (FLDC) in October.

Participants consisted of franchisors that completed an in-depth online questionnaire. Responses were aggregated and analyzed to produce a detailed look into the recruitment and development practices, budgets, spending allocations, and strategies of a wide cross-section of franchisors. The data and accompanying commentary and analysis provided the basis of the 2022 AFDR.

Highlights from the report were presented in a general session by Franchise Update Media EVP and Chief Content Officer Diane Phibbs and Wild Birds Unlimited CDO Paul Pickett. Below are selected highlights. Ordering information is at the end of the article. All conference attendees received a complimentary copy.

Recruitment Budgets: 8-Year Trend



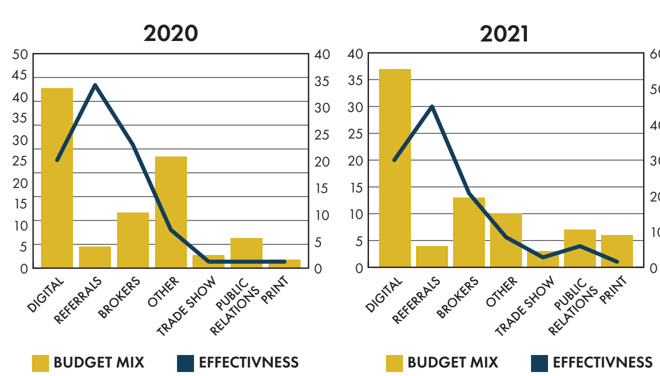
Overall, 2022 planned recruitment budgets came in at the highest level ever in the report's history, averaging $261,543 with a median of $200,000. That far outstrips last year's Covid-depressed average of $174,770 and median of $120,000. It also tops 2020's recruitment budgets of $215,173 average and median of $150,000—pre-Covid planning numbers that represented a 7-year high at the time. For further comparison, those figures in 2019 were $186,818 (average) and $127,000 (median).

It doesn't take a PhD in statistics to see that 2021's recruitment budgets, planned in 2020, were significantly reduced by the uncertainty of the pandemic. As we noted in last year's survey, only 30% of franchisors who responded had their 2021 budgets nailed down. "We've never seen so many franchise organizations without budgets in place at this time of the year," Phibbs said at the time.

Nor does it take a marketing genius to attribute the record spending plans for next year to pent-up demand, revamped recruitment programs tailored to the changing needs and wants of prospects, and a growing sense of optimism by franchise development teams.

One year ago, the predominant reasons respondents cited for reduced recruitment spending were lower system-wide sales; confusion, as franchise development teams not only didn't know how much to spend, but where to spend it; with perhaps the most obvious and largest reason being uncertainty about Covid and its long-term effects on their systems, consumers, and the U.S. economy. And while things have settled down somewhat as 2021 draws to a close, the road ahead remains much less certain than in previous years, perhaps even more so than after the Great Recession.

2021 Spend: Budget vs. Effectiveness

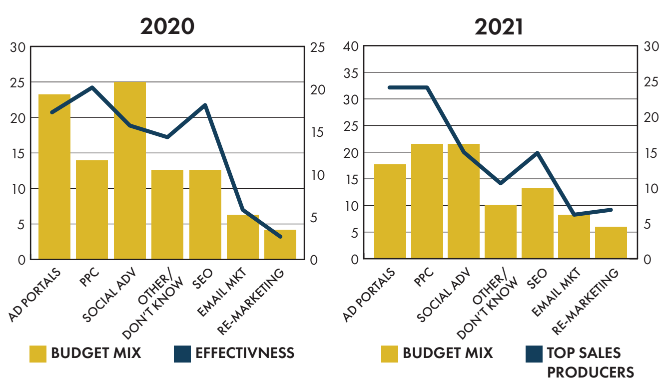


In the 2020 AFDR, respondents said they'd halted many lead generation activities at the beginning of the pandemic. Print and PR spending declined from the previous year, with trade shows taking a big hit as the country shut down. "When travel is canceled, transitioning budgeted dollars to other activities makes sense," said Phibbs at the time.

This year, as the pandemic continued to restrict business as usual, and with so many essentially trapped or working from home well into 2021, budget allocations for digital spending (the largest category by far) rose from 39% in 2019 to 42% in 2020, but fell slightly to 39% in 2021. (See below for a breakdown of digital spending categories.) Effectiveness in this category, at 26% this year, rose slightly from 23% in 2020.

- Spending on referrals, easily the most cost-effective category, declined from 14% of brands' budget mix in 2020 to 4% in 2021; effectiveness remained about the same, rising from 38% in 2020 to 40% in 2021.
- Budget allocations for brokers remained flat at 14% YOY, but effectiveness fell from 27% to 20% (more on brokers below).
- PR spending remained level at 9%, but effectiveness rose from 1% to 5% YOY.
- Spending on print rose from 2% of the total budget mix in 2020 to 7% in this year's AFDR; effectiveness remained steady at 1%.
- The budget mix for trade shows rose slightly from 2020 to 2021, from 3% to 4%, but effectiveness rose from 1% to 4% YOY as people began to return to live events. Barring a national "relapse" of the pandemic in 2022, trade shows will continue to grow in attendance, thus effectiveness, as a lead generation and recruitment source.

2021 Digital Spend: Budget vs. Effectiveness



Speaking on last year's AFDR, Phibbs said, "I believe brands tried a lot of different ways to attract prospects during this time of change. It will be interesting to watch how digital initiatives change in the coming year." Well, here we are, and this year's AFDR revealed some differences in both budget allocations and effectiveness in digital spending from 2020 to 2021.

- Spending on advertising portals dropped 5% YOY as a portion of the total digital budget, from 23% in 2020 to 18% in 2021; effectiveness rose from 20% to 24%.
- PPC spending rose from 14% to 22% of brands' digital budget mix; effectiveness increased from 20% to 24%.
- Social advertising spend remained steady YOY dipping slightly from 25% to 24%, as did effectiveness, also falling 1% from 16% to 15%.
- SEO's portion of brands' digital budgets remained steady at 13% YOY, but its effectiveness fell slightly from 18% to 15%.
- Email marketing, that old standby, still has a place in the hearts and budgets of development teams. In fact, spending in this category rose from 6% to 8% YOY, targeting the WFH crowd; its effectiveness remained steady at 6%.
- Remarketing, the final category here, rose from 4% to 6% YOY, but its effectiveness more than doubled from 3% to 7%. (Food for thought here for 2022?)

Measuring Costs

50% TRACK COST PER LEAD
(vs. 70% in 2020 and 79% in 2019)

$197 AVERAGE/$100 MEDIAN COST PER LEAD
($312 average in 2020 and $213 average in 2019)

44% TRACK COST PER SALE
(vs. 61% in 2020 and 65% in 2019)

$9,270 AVERAGE/$9,000 MEDIAN COST PER SALE
(vs. $12,138 average in 2020 and $10,500 average in 2019)

"If you're not tracking cost per lead and cost per sale, you should be," said Pickett. This seems glaringly obvious, but those numbers dropped precipitously in this year's report.

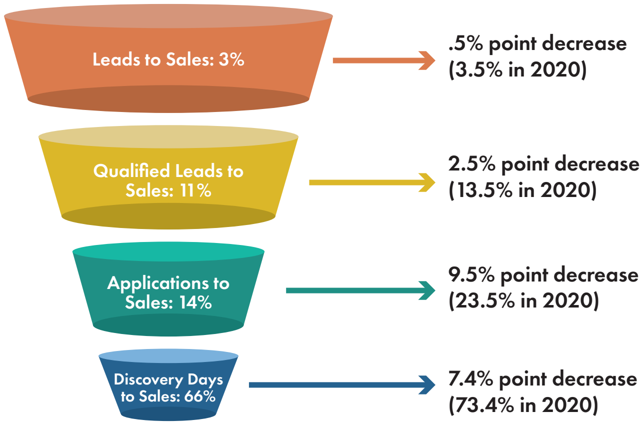
In this year's AFDR, only 50% of brands said they track cost per lead. Compared with 70% in 2020 and 79% in 2019, this decline raised some serious eyebrows as attendees realized that half of the brands responding in this year's AFDR do *not* track cost per lead. Pandemic or not, how can you plan a budget or evaluate its effectiveness if you don't track the outcome of your efforts?

When it came to tracking cost per sale, the same trend held, with the numbers even lower: 44% of respondents said they tracked cost per sale, down from 61% in 2020 and 65% in 2019—numbers that seem startingly low in this age of data and metrics. We'll say it again: How can you plan a budget or evaluate its effectiveness if you don't track the outcome of your efforts?

Cost per lead, at an average of $197 this year, tumbled from 2020's average of $312 and fell slightly from 2019's average of $213. The median cost per lead in this year's report was $100. Cost per sale, which many view as *the* most important recruitment metric, also fell. At an average of $9,270, cost per sale was about three-quarters of 2020's average of $12,138, and about $1,300 less than average cost per sale in 2019. We have no easy explanation for this.

Cost per lead and cost per sale are arguably the two most important metrics in franchise recruitment. The good news is that both declined in this year's report. Finally, as we've wondered in previous years, why 100 percent of franchisors don't track these two critical metrics remains a mystery—and a major reason many development departments continue to miss their annual goals.

Sales Closing Ratios



The ratios of leads to sales, qualified leads to sales, applications to sales, and discovery days to sales make up another critical set of metrics for evaluating the effectiveness of a franchise development team. Lead *quality* is a huge factor here, and brands with pre-qualifiers generally report better closing ratios.

Overall leads-to-sales ratios, which rose from 2.9% in 2019 to 3.5% in 2020, retreated to 3% in 2021. The ratio of *qualified* leads to sales, although a fairly healthy 11%, fell from 13.5% in 2020 and 15% in 2019.

The applications-to-sales ratio of 14% in this second pandemic year fell significantly from 23.5% in 2020, and further from the peak of 26% in 2017.

The discovery days-to-sales ratio, at 66%, also fell from last year's 73%. For perspective, for the years 2012 through 2018, this ratio averaged just below 70%, ranging from a low of 61% in 2015 to a high of 77% in 2013.

Chalk up this year's lower numbers to pandemic-related uncertainty about the future? To more people WFH dipping their toes into the franchising waters, ready to explore the possibility of a career shift from employee to business owner, but not yet ready to take the leap? As Phibbs noted last year, "These ratios all go back to understanding your target audience." Easier said than done in today's environment.

Brokers

$19,906
Average Broker Commission/Fee

$914
Average Monthly Fee

69%
Brands that Pay Fee To Be in Broker Network

$10,213
Average Annual Fee

This is the second year the AFDR asked participants about brokers: if they used them, how much they paid, what results they found, and their plans to use them in the future. Half (49%) of brands in the survey used brokers, and 7 in 10 (68%) said they'd closed a deal through a broker in the past 12 months.

As shown in the graphic, 7 of 10 respondents (69%) paid fees to a broker network, with an average broker commission of about $20,000 for a successful signing.

The leads-to-close ratio for brands working with brokers in 2021 was 17%, compared with the 3% ratio brands reported for bringing their own leads to closing. Respondents reported that 4 in 10 (39%) brokers brought the lead through the pipeline to a successful close.

Results vary, of course, by brand, by sector, and by franchise fee—as well as by the relationship brands establish with the brokers they employ. Still, it's no surprise that brokers specializing in franchising have a higher success rate than those who don't. But there's a price to pay. We plan to look further into the role and success rate of brokers in 2022.

Franchisors Exceeding Goals

59%
Increasing development budget

78%
Lead quality is up

96%
Budget will increase or same

74%
Closed a deal where social media advertising was the source

In a year where no one knows for sure what tomorrow may bring, setting goals for franchise recruitment presented a new kind of challenge. Be cautious? Be bold? Pessimistic? Optimistic? Pretend everything is normal, whatever that means in mid- to late 2021? The common perception of entrepreneurs, whether franchisor or franchisee, is that they are an optimistic bunch, not only seeing the glass as half full, but constantly looking for a bigger glass to fill.

Among franchisors who reported exceeding their goals in this year's report, 6 in 10 (59%) increased their development budget. And nearly all in this group (a whopping 96%), planned to increase or maintain their current development budget for the coming year. While we can't present a breakdown here of what segments those brands are in, it's not hard to imagine they were in QSR and other restaurant brands that adapted by adding or increasing their drive-thrus, curbside pickup, and delivery, whether through third parties or by doing it themselves.

As Americans continued to spend more time at home in 2021, whether by choice or from job loss, home services brands also prospered during the pandemic. Many seized the moment and boosted their recruitment and conversion programs to expand while circumstances remained favorable. No one knows, of course, how long pandemic conditions will persist, if the double-whammy of the seasonal flu and yet another Covid variant will bring down the economy again, or if this is a permanent state and we will never be completely out of the woods.

Getting back to the data, for those brands exceeding their goals, 8 in 10 (78%) reported their lead quality was up this year. And, most likely owing to people working from home and spending more time online, three-quarters (74%) closed a deal where social media advertising was the source.

Again, no one knows how long this trend will last as businesses reopen and companies call employees back to the office. Working from home, or for many where possible, a hybrid model of a few days a week at home and a few at the office, will help maintain these trends of home improvement and "eating in" with pickup or delivery from their favorite restaurants.

Bottom line here? Among franchisors that exceeded their goals, three-quarters (74%) tracked cost per lead, 7 in 10 (67%) tracked cost per sale, and 6 in 10 (61%) said their cost per sale remained the same during Covid. As the old saying goes, If you can't measure it, you can't control it.

2022 AFDR NOW AVAILABLE!

The 2022 Annual Franchise Development Report (AFDR) delivers data collected from a wide variety of franchisors, with responses organized by industry, unit investment, system-wide sales, and more. The annual report provides franchisors with the ideal tool for studying their development practices, benchmarking their sales and recruitment budgets against their own industry categories, and setting goals and budgets for the year ahead. The report also includes research into online recruitment practices, brokers, the growing use of mobile and social tools by prospects, and best practices by franchisors.

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

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

The 2022 AFDR is packed with timely information and benchmarking data that can help your franchise system grow faster and close more deals—while saving thousands of dollars in cost per sale. Based on franchisor responses to in-depth questions, this thoroughly researched report reveals the success drivers that are sure to boost the output and quality of your sales and marketing campaigns.

The 2022 AFDR, with the most comprehensive lead generation and sales data and analysis, is a must-have tool for franchisors, development consultants, and advertising, marketing, and technology suppliers—and ideal for benchmarking and building recruitment budgets and media plans.

To learn more or to order the report, please visit our website. ■

LEARN. LEAD. GROW.

The 2021 FLDC was a cause for celebration!

Written By **KERRY PIPES & EDDY GOLDBERG**

After a 2-year Covid-induced hiatus, the Franchise Leadership & Development Conference (FLDC) returned to Atlanta, *live and in person!* The event, which focuses on recruitment and sales, drew nearly 450 attendees to Atlanta's InterContinental Buckhead hotel this past October 19–21.

The conference theme this year was "Learn. Lead. Grow." While the focal point on paper was system growth and development, attendees and suppliers were visibly excited to be back together again after a year and a half of Covid restrictions. Sessions were packed and hallway conversations livelier than ever. Speakers brought palpable energy to their presentations. Both keynote speakers received standing ovations. These were people eager to put Covid behind them and home in on the opportunities ahead.

Keynote speakers this year were Jesse Itzler and Jim Knight. Itzler is co-founder of Marquis Jet, author of the *New York Times* bestseller *Living with a SEAL,* and one of the owners of the NBA's Atlanta Hawks. Knight is a business culture catalyst, former Hard Rock International executive, and author of *Culture That Rocks* and *Leadership That Rocks,* which was released in May.

Timely and topical sessions led by industry experts and experienced sales and development executives were packed, some with standing room only. The sold-out Exhibit Hall offered ample opportunities for attendees to socialize and talk business with their peers and a wide variety of suppliers to explore business solutions, strategies, products, and services.

The conference was supported by more than 60 sponsors. New this year was a partnership between Franchise Update Media and the IFA, who decided to combine their previously scheduled fall gatherings into one. Platinum sponsors were ChoiceLocal and CustomerID. Gold sponsors were 919 Marketing, Boefly, Consumer Fusion, FranConnect, Hot Dish Advertising, and Synuma. ApplePie Capital once again sponsored the annual STAR Awards dinner at Maggiano's Little Italy.

Tuesday, Day 1: Workshops

The conference kicked off with a full day of concurrent workshops: the annual CEO Summit, IFA's Fran-Guard program, and two in-depth workshops on sales and development.

The CEO Summit is an unparalleled opportunity for franchise CEOs, presidents, and founders from widely different brands to spend a full day working through common problems with their peers. The room was divided into roundtables at which small groups brainstormed solutions on topics that included leading in complicated times; Covid's impact on franchisee/franchisor relationships and maintaining brand standards; a presentation from IFA CEO Matt Haller on current and future legislative challenges for franchising; helping franchisees manage today's workforce challenges; and the role of CEOs in the development process. The all-day meeting was facilitated by this year's Conference Chair John Teza, president and CDO at Hand & Stone Massage and Facial Spa.

Haller urged the leaders in the room to get involved in influencing governmental decisions and highlighted the IFA's six advocacy priorities for the coming year: stopping the PRO Act, protecting independent contractor status, mitigating joint employer regulations, preventing overreach by the FTC, clarifying the vaccine employer mandate, and stopping or mitigating tax increases. While some franchisors and franchisors have become quite large, he pointed out that 50% of brands still have 25 or fewer locations.

Catherine Monson, CEO of Propelled Brands and now serving in her second year as IFA chair, added, "The most important thing you can do is contact your franchisees—activate them to tell their individual stories about how legislation is affecting them." She said the IFA is happy to help with this. The stakes are high.

In a separate room, participants were busy in the all-day FranGuard session—the IFA's sales management and compliance program designed to help senior executives learn how to take proactive steps to reduce risks, manage growth, and build a stronger, healthier system.

Two all-day tracks—"Maximize Sales Performance" and "Franchisee Recruitment Marketing"—took place concurrently on a busy Day 1.

The morning session of the Sales Performance track focused on refining sales basics, with sales pros sharing how they move prospects from leads to engaged candidates to successful franchisees. Paul Pickett, longtime CDO at Wild Birds Unlimited, moderated a panel consisting of Jim DiRugeris, CDO at Celebree School; Carrie Evans, vice president of franchise development at Chicken Salad Chick; John Lancaster, vice president of emerging markets and franchise development at Choice Hotels; and Patti Rother, vice president of development at Scenthound.

The afternoon session focused on creating a career path for development executives. Michael Arrowsmith, COO at Pinch A Penny, moderated. Panelists were Tim Courtney, vice president of development at PuroClean; Eric Little, former CDO of Right At Home; Tom Monaghan, senior vice president of franchise recruitment at CertaPro Painters; and Clare Moore, head of franchising at Tide Dry Cleaners. Discussion topics included how many new franchisee deals will it take to meet brand goals; what kind of spending is required to execute a brand's development plan; and how to build a recruitment budget so your message reaches the right prospects with the right frequency at the right times.

The morning session of the Recruitment Marketing track focused on building a 2022 recruitment program and budget. Moderated by Jayson Pearl, president of ServiceScore, the panelists were Pete Lindsey, vice president of franchise development at The Entrepreneur's Source; Kristen Pechacek, chief growth officer at MassageLuXe; and D'Wayne Tanner, senior vice president of franchise development at N-Hance Wood Refinishing, who shared their experiences and perspectives on the components of building successful recruitment programs and budgets.

The afternoon session for this track dug into understanding today's customers, whose behaviors and preferences have been altered by a year of lockdowns, mandates, and uncertainty. Moderated by Terri McCulloch, vice president of business development at Any Lab Test Now, panelists were Tom Carr, CMO at Chicken Salad Chick; Christina Chambers, CDO-Americas at InXpress; Richard Leveille, CDO at Twist Brands; and Kim Robinson, director of franchise development at AAMCO, who explored topics that included creating an ideal candidate profile and how to tailor your communications to prospects.

"Speak their language and use photos on your recruitment website of people who reflect the kind of prospect you want," said Leveille. Chambers added, "We're looking for achievers, so we use words like 'control' and 'dominate' to help attract the right candidates."

The day concluded with the opening of the Networking Reception in the Exhibit Hall. Attendees, panelists, and suppliers mingled to talk about personal and professional endeavors. Food and drinks were available during the entire 3 hours and helped bring a busy day of education and networking to a close.

Wednesday, Day 2: Keynotes and sessions

The day began early with a continental breakfast awaiting attendees before the first keynote address. Keynote speakers are always a big part of every FLDC and this year was no exception.

In the morning keynote, Itzler's disarmingly casual appearance belied a passionate entrepreneur and motivational speaker who encouraged attendees to pursue their desires and prioritize the things in their lives they consider most important.

"The limitations we put on ourselves are self-imposed," he said. "Pain and discomfort make our brains say 'Stop.'" Yet with dedication, determination, hard work, and even failure, he urged, you can accomplish what you want. Summing up his motivational presentation, he said, "We didn't come this far to only come this far. Go do what you've always wanted to do."

Teza, in his role as conference chair, then gave an inspiring talk honoring past "titans of the industry" who had inspired him on his franchising journey, and recognized many in the room who continue to inspire him today.

He then introduced Darrell Johnson, president and CEO of FRANdata, who presented his annual economic report, sharing his latest data and projections and their most likely impacts on franchising. Johnson noted how the franchise business model is changing in response to changes in consumer and prospect behaviors brought on by the pandemic. "Some of these changes will be permanent," he said. It's just a matter for brands to figure out which, and how to manage them in the years ahead.

One example: pre-pandemic, 60% of consumers preferred to shop in person, a figure that dropped to 37% during the pandemic. Post-pandemic, he predicted, 42% of shoppers will prefer a hybrid model. "It's not the economy that's coming in front of you the next few years, it's the small changes happening around you that will stick," he said.

Johnson also noted what he called a "new era of consolidation" in franchising, with larger franchisees continuing to buy up smaller ones, whether because of business conditions, retirement, or personal reasons. As a result, he said, "Franchisors are asking us how much concentration in their systems is too much."

He also touched on how rising inflation and wage levels will affect unit-level profitability and force some brands to change their business models, including boosting their operational support for franchisees. From a development standpoint, he said, brands must answer the question, "Is there a better way?"

Summing up his take on the implications for franchising, he projected:

- permanent changes in both consumer and prospect behavior;
- price increases as a result of supply chain bottlenecks;
- rising wage levels across all categories;
- labor markets that are permanently changing;
- the rapid substitution of capital for labor (think tech); and
- for many brands, managing new vs. legacy unit programs.

This new era, with significant impacts to the franchise business model, he said, will demand better performance metrics and speed the emphasis on best practices. "Many of these changes were coming, but the pandemic crisis accelerated the evolution."

Following a short break, the crowd got a first look at the results of the 2022 Annual Franchise Development Report (AFDR). Diane Phibbs, executive vice president and chief content officer at Franchise Update Media, along with Wild Birds CDO Pickett, delivered a brief and often entertaining overview of the new AFDR and the Mystery Shopping survey. The AFDR is a key tool for franchise development executives seeking to benchmark their sales and recruitment performance against that of other brands, and for delivering insights into online recruitment practices, strategies, and best practices by franchisors. (For full coverage, see a separate article in this issue.)

Their presentation was followed by a powerhouse panel of franchise executives who took the stage to discuss the impact of Covid on their brands, recruitment, and operations. Conference Chair Teza served as moderator for the panel, which consisted of Clarissa Bradstock, CEO at Any Lab Test Now; Scott Deviney, president and CEO at Chicken Salad Chick; Ericka Garza, CEO and president at Au Bon Pain; and Mark Jameson, chief support and development officer at Propelled Brands (Fastsigns, NerdsToGo, My Salon Suite). All spoke candidly about how they faced Covid at their brands, how they changed their recruiting efforts and processes, and how to adapt to the changes most likely to become permanent.

The Exhibit Hall reopened for an extended lunch, offering another round of opportunities to meet, learn about the latest technologies and solutions from suppliers, and hopefully do some business.

After lunch, it was time for the afternoon's concurrent breakouts—two 70-minute groups, each containing three sessions. The first group was "Digital Tools for Lead Generation," "Refine Sales

Fundamentals," and "Develop a Strategic Growth Mindset." The second was "How To Build an Outsourcing Program," "Using Your FDD in the Selling Process," and "Development's Role in Brand Growth."

With the final breakout sessions concluded, attendees headed into the last general session for a Business Solution Roundtables Challenge with keynote speaker Jim Knight. As mentioned, Knight is a former Hard Rock International executive and author of *Culture That Rocks* and *Leadership That Rocks*. A dynamic and engaging speaker, he challenged the groups at each table to develop their own leadership that rocks. His message included how leaders learn behaviors, how they seek opportunities and knowledge, aspire higher, and stay resilient in challenging times—an especially important skill as winter approaches with the threat of yet another wave of Covid.

The day concluded with the much-anticipated STAR Awards dinner and ceremony at Maggiano's Little Italy. Learn about this year's winners and their thoughts on why they were recognized in the following pages.

Thursday, Day 3: Wrapping up

The final morning of the conference saw Art Coley, CEO at CGI Franchise, lead the "Build Your 2022 Action Plan for Success" closing session. This lively, high-energy event has become a signature event to close out the FLDC, providing attendees with an opportunity to reflect on the previous two days and channel what they'd learned into a strategic plan for the coming year.

This year Coley was joined by Seth Holan, manager of franchise development at Wild Birds Unlimited, Josh Wall, chief growth officer at Unleashed Brands, and David Wells, senior director of brand development at U.S. Lawns.

Coley said the objective of the closing session was to collaborate, gain insights, and share best practices with those in this room "and plan your best year yet!" Group discussion topics were setting a vision for the future and how to use that vision to set recruitment goals; personal development plans for the coming year; gap analysis to identify hurdles in the development process; company alignment; and employee engagement.

Wall reminded the room of business quotations from two giants: "Personal goals drive business goals," from Peter Drucker; and "Leadership is influence, not a title," from John Maxwell.

The reviews are in!

"This was our first time attending FLDC, and we loved it. When we arrived and started meeting people and reconnecting with our franchise friends, everyone told us how this conference was their favorite to attend," said Marilyn Manning, director of franchise development at Payroll Vault, the overall STAR Award winner. "The discussions were very informative and relevant, and the panels presented great information. The general sessions were really educational, and I liked the collaboration with lots of roundtables." Underscoring the personal value of getting together after 18 months of Covid, she said, "This was a great opportunity to really meet so many people."

Brad Fink, vice president of leadership and franchise development at Christian Brothers Automotive, said, "This was the best franchising conference I've been to yet!"

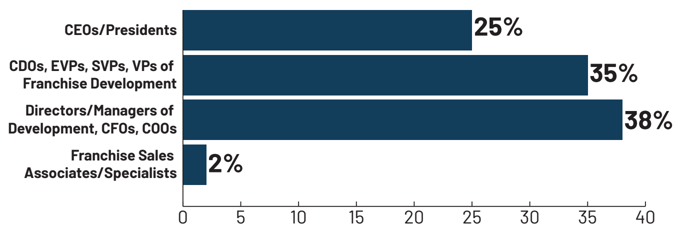
Plans are already under way for the 2022 FLDC, to be held October 17–20, 2022 at the same venue in Atlanta. To learn more about this year's FLDC and register for 2022, visit www.franchisedevelopmentconference.com. ■

2021 Conference Numbers

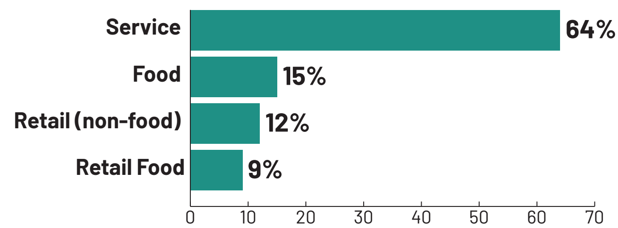
Total Attendees	445
Franchisor Attendees	240
Franchisor Brands	200
Sponsoring Companies	60

Franchisor Profiles

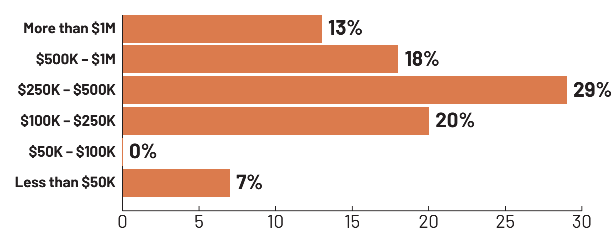
By Title



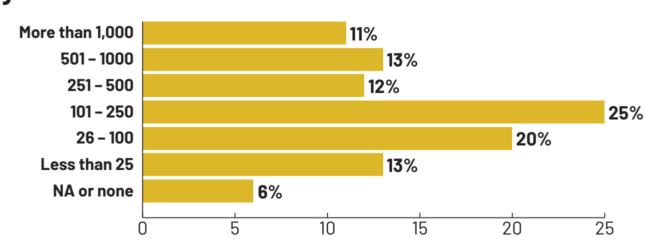
By Category



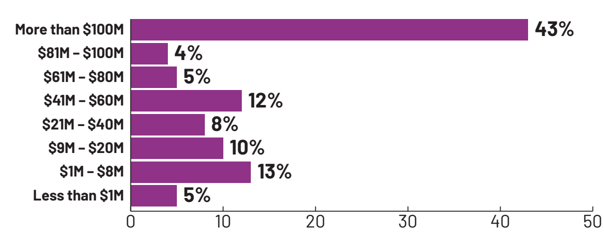
By Investment Level



By Number of Units



By System-Wide Gross Sales



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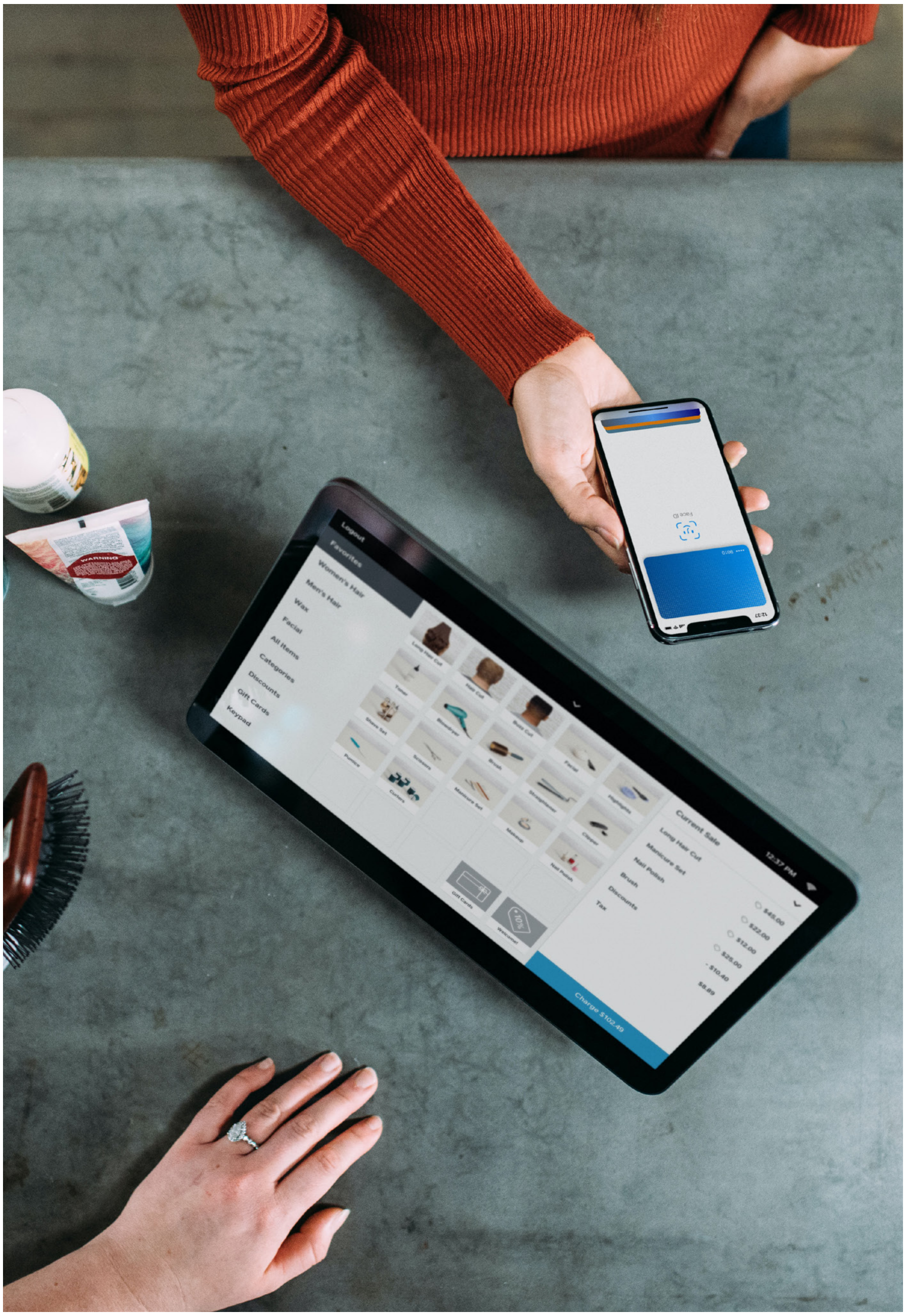

Mystery Shopping

From mobile to websites, social media to franchisee satisfaction

Written by **HELEN BOND**

Mystery shoppers assessing all things franchise development were back in business for the 2021 Franchise Leadership Development Conference (FLDC), held in Atlanta this past October. (For more on the conference, see elsewhere in this issue.)

Mystery shoppers tested the recruitment process of nearly 100 participating franchisors that attended the conference, measuring performance on telephone follow-up, recruitment websites, website response, social media marketing practices, and franchisee satisfaction.

And it couldn't have come at a better time. The pandemic has profoundly affected how people view work and life, resulting in a new wave of entrepreneurs searching for careers with real meaning. Franchise companies with a compelling, purpose-driven culture and a strong community of satisfied franchisees will be well-positioned to grow from this cohort of potential new owners, says Eric Stites, CEO of Franchise Business Review, which conducted the franchisee satisfaction portion of this year's mystery shopping program.

"Candidates are more educated and more discerning than ever before," says Stites. "Franchisors must be prepared to communicate their value proposition clearly and concisely and have a transparent recruitment process—notice, I didn't say 'sales process'—to back it up."

Along with Stites and Michelle Rowan, president of Franchise Business Review, this year's panel of mystery shoppers was Art Coley and the CGI Franchise team; Jayson Pearl of ServiceScore; Lynda Black and Jordan Wilson at Scorpion; and Social Geek Radio's Jack Monson.

After all the mystery shopping was complete, Franchise Update Media reviewed and analyzed the data to provide a snapshot of the findings and shine a light on what brands are doing right—and where room for improvement remains (in some cases, a lot).

Telephone inquiry

To keep the analysis uniform, the team at CGI reached out to 94 participating brands between the hours of 8 a.m. and 5 p.m. local time, posing as a qualified prospect. As with past telephone lead follow-up analysis, the results offered a mixed bag of processes and performance.

Overall, the scores of those who completed the shop were higher, but plenty of missed opportunities remained. Only 37%

of those called completed the inquiry successfully; the remaining 63% either did not call back at all, did not call back within one business day, had no phone number listed, had a bad number or no voicemail set up, or told the shopper to call someone else. (See Coley's column " It's Closing Time" in this issue for further thoughts.)

On the plus side, he says, recruitment franchisors are becoming savvier—and it shows. "We found most of the people we talked to were informative, regardless of their position. They were well versed in the FDD, what FDD Item numbers to watch for from a candidate's perspective, and in FTC regulations pertaining to earnings claims."

Other highlights (and lowlights) from CGI's phone calls include the following:

- Response times varied throughout the process.
- Instead of calling back within the first 24 hours, brands continue to use tech-driven methods for their outreach process, such as auto-send messaging and emails.
- Generic voicemails—many recruiters did not have a brand-specific voicemail set up, making callers unsure which franchise they had called.
- A vast majority of recruiters used hands-free devices; conversations were clear and easy to understand, but unwelcome distractions plagued some exchanges as microphones picked up background sounds.
- More brands than in previous years had removed a phone number from their franchise development website or required the caller to complete a form instead of calling.

Coley says the drive, candor, charisma, enthusiasm, and brand loyalty of some development directors and managers were exciting to hear, and he was impressed by the forward-thinking manner of several emerging brands. "The brands that really stuck out to us were the ones willing and able to look ahead," says Coley, who offered the following recommendations:

- Get crystal clear on gaps in your process.
- Solve gaps with process and systems, not personality.
- Team members should call back within 24 hours and keep following up, even if a text or email was sent.
- Train, coach, manage, and measure all results for the entire recruitment team.

Website submission and telephone follow-up

ServiceScore was tasked with evaluating the website responsiveness and overall phone call performance of 100 brands or multi-brand franchisors. Posing as qualified leads, mystery shoppers submitted a lead form and evaluated the response time by phone, text, or email from a brand's sales rep or lead qualifier. Shoppers also submitted a report on the selling skills of the representatives at responding brands.

When it comes to overall responsiveness, franchisors appeared to be upping their game. The ServiceScore team noted an increase in callback responsiveness compared with previous years. Forty-four percent of brands responded within 24 hours after the form submission, compared with just 29% in 2019, Franchise Update's last published mystery shop program.

Key metrics from ServiceScore's mystery shopping include the following:

- 55% of brands called back.
- 44% called back within 24 hours.
- 34% called back within 4 hours.
- 48% mentioned a brand differentiator.
- Only 18 of the 100 brands called back within 24 hours *and* shared at least one differentiator.

More brands are adding calendar scheduling and communication technologies to the recruitment process with varied outcomes, says Pearl, founder and president of ServiceScore, a technology company designed to help service-based businesses make connections that improve conversions.

Alarmingly, even when an appointment was confirmed, the mystery shopping revealed that the recruiter didn't show up for the scheduled call 12% of the time. "They forgot, they got busy, or called back hours later," says Pearl. Inconsistent communication involving multiple phone numbers and slow text response times also were common, he says. In many instances, a candidate received texts from the recruiter from one number and another from their CRM's "bot."

"The opportunity here is to balance the opening of new communication channels with candidates with the process and accountability to ensure these are managed properly," he says. "You want these platforms to add value, rather than detract from the candidate experience."

Pearl offers the following best practices to integrate communication technologies into a brand's recruitment efforts.

- Check response time, including phone calls—even if other methods are used—to find the most direct way to connect with a candidate, particularly if they've submitted a lead form requesting a phone call from a recruiter to learn more.
- Check the frequency of no-show meetings; it might be your recruiter who ghosted, not the candidate.
- Make sure your scheduling apps are adding value for candidates.
- Ensure text response time is fast and the numbers used between the recruiter and text bot are consistent.

Website best practices

Scorpion's marketing and technology pros evaluated 90 franchisor websites in areas that included SEO, navigation, content, design, multimedia components, and the effectiveness of direct response elements to drive qualified inquiries to the sales team.

A strong franchise opportunity and a franchisee-friendly website are a must to grow your brand. The great news: most websites were structurally sound from an SEO standpoint, underscoring that franchises are getting the message.

Scorpion's analysis also revealed greater brand understanding of the importance of sharing revenue or performance numbers with franchisees. And more than 85% of the sites featured a clear and precise map of available territories for easy user access.

Lynda Black, vice president of strategic marketing at Scorpion, sums up additional mystery shop findings for the 90 brands evaluated:

- 65% had their own unique URL for franchising.
- More than 20% had only one "franchising button" on their consumer site, typically hidden down in the footer; most featured the franchising link on the top navigation as well as in the footer.

- Only 7 brands used some type of chat feature on the franchise development site, "a surprising find as we thought the number would be higher," says Black.
- Social media links were included on 70% of the sites. These should appear no matter what, she says.
- 20% of the websites had invasive pop-ups once you entered them, which can be truly annoying on a mobile device, she notes.
- Informing the website visitor about your brand is essential. Only one-third of the 90 sites had an "About Us" page, and 57% included a "Meet the Team/Leadership" page. "These elements are an important piece of the storytelling process," says Black.
- One-third of all sites lacked information on investment fees.
- About one-third had no FAQ section, a surprisingly high number, says Black. "This question-and-answer list is another 'must-have' for every franchise recruitment site."
- 21 sites lacked any sort of testimonial (video or written). Existing franchisee testimonials are a powerful element to feature on websites, she noted.
- The most popular type of form fill was a short form that included a financial or lead source question (45%); only 9% of websites surveyed provided prospects with a full application.

Social media marketing

Veteran social media marketing pro Jack Monson rated the social media strategy of 93 participating franchise brands, paying particular attention to the critical use of paid ads, especially on Facebook and Instagram, to find and engage new candidates.

"Without engagement—potential candidates viewing, clicking, commenting, and filling out forms—a social media campaign loses its edge and becomes just another passive advertisement," says Monson, host of the Social Geek Radio Network.

Brands were graded on paid and organic social media activity posted in September 2021. A perfect score was 20, with four points allotted for the effectiveness of organic reach and 16 points available for paid ads.

More than 50% of the brands shopped ran paid social media ads aimed at development. Auto detailing and restoration franchise Ziebart topped the list, scoring high in nearly every area, with ads that featured an effective use of video and clear calls to action, says Monson.

"About one-third of the brands did very well, coming close to the leaders," he adds. "Another third did fair/mid-tier, and one-third scored poor and in some cases nearly zero."

While Monson did not have access to results, conversions, or traffic numbers, his benchmark analysis covered the traits of a social media strategy that typically lead to winning campaigns. Below, he outlines what he looked for in his mystery shop and served up some of the hallmarks of social media success that scored points for the participating brands.

- A quality CTA (call to action) should include an explicit request or suggestion, such as "Call Us" or "Click Here To Learn More."
- Video content—and if included, were there subtitles? Length of content— the shorter, the better. "Ten seconds is great; less is better if you can get your message across quickly," he says.
- If videos weren't used, did the ads include GIFs?
- Viewer-specific content.

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- If the franchise fee is less than $50,000, is there a mention of low cost?
- Regarding the number of fields listed for lead ads, contact forms should include no more than five fields. "The more areas, the less likely people will fill them out," he says.
- Click ads that corresponded to landing pages.
- Retargeting—after visiting the corresponding landing page on the website, did the prospect get retargeted for ads in their feed?
- Number of organic content followers and post frequency. "The more followers, the better. Brand pages should feature a minimum of three updates of organic content per week."

Monson's top takeaway: "There's a great deal of potential growth by simply starting an ad campaign on Facebook/Instagram and closely watching its effectiveness."

Franchisee satisfaction

Once again, Franchise Business Review took on the task of identifying the brands among this year's conference participants with the highest satisfaction from their franchisees.

Franchisee satisfaction is arguably one of the most important leading indicators of performance, growth, and long-term franchise system success. Poor owner satisfaction affects financial performance not only at the unit level, but also at the system level because of lower royalty revenue owing to poor validation, says Stites, CEO of Franchise Business Review, which has been researching franchisee satisfaction and performance for more than 16 years.

FBR surveyed 4,352 franchise owners from 44 brands that attended FLDC 2021. The compiled data, representing 14,440 business outlets, was compared against FBR's franchise industry benchmark data from nearly 30,000 franchises across more than 270 leading brands.

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

The FLDC group performed "very well," he says, with an overall Franchisee Satisfaction Index (FSI) score of 77, which exceeded the current FBR benchmark of 71. Among the highlights of the FLDC test group:

- 85% enjoy being part of their franchise organization;
- 84% respect their franchisor; and
- 82% would recommend their franchisor to others.

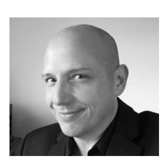
When it comes to franchise owner satisfaction, franchise organizations across all industries struggle with similar challenges. Engaging franchisees more in company decisions, providing effective technology that makes operating the business easier, local marketing programs that deliver a clear ROI, and overall innovation and creativity with new products and services top the list of improvement opportunities for most franchise companies.

The brands with the highest franchisee satisfaction have a truly win-win culture rooted in their franchisees' success. So what does a win-win culture look like?

"It's engaging and involving franchisees at every level of your franchise organization," says Stites. "It's decision making based on franchisee impact. It's a laser-like focus on unit-level economics and franchisee return on investment. It's about organizational transparency. Bottom line, the best franchise organizations spend every day proving their value to their franchise partners." ■

IN THIS ARTICLE

Art Coley



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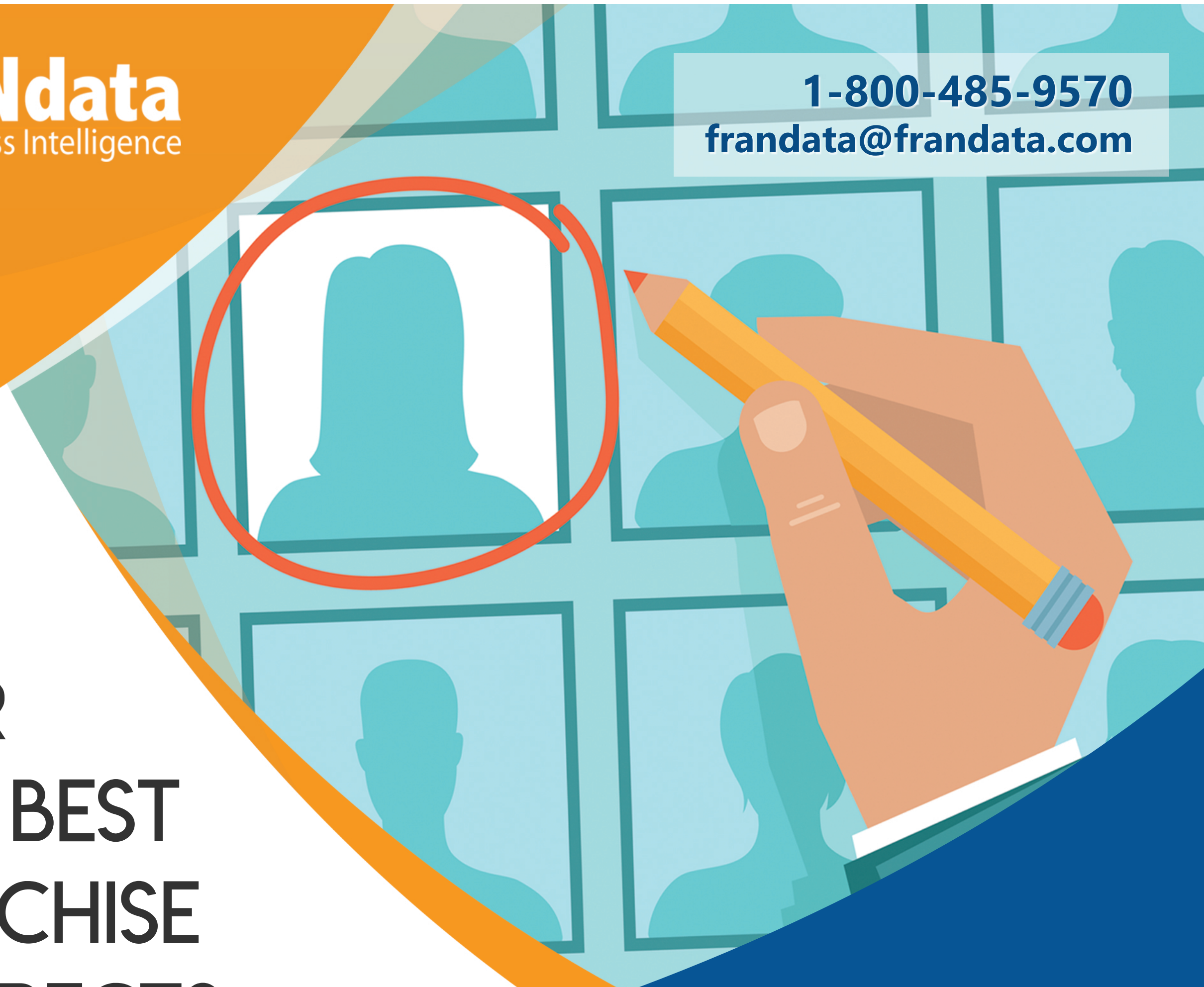

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‘21 STAR AWARDS

Honoring the best in franchise recruitment

Written by **SARA WYKES**

This year’s annual STAR Award winners and runners-up represent 2021’s best practices in franchise recruitment, as well as the resilience and strength of the franchise model. Tested not only by Franchise Update’s mystery shoppers, but also by the ongoing stress of the Covid-19 pandemic, these franchise brands show how well business can be sustained during challenging times. Each winner faced unique circumstances, yet all shared certain qualities of determination, stamina, and ingenuity.

Best Overall Performance: Payroll Vault

Payroll Vault’s win for best overall performance put the franchise “on cloud nine,” said Marilyn Manning, director of franchise development. “Last year we were in constant reaction mode. It wasn’t day to day or week to week, it was hour by hour.”

Payroll is an essential element in every kind of business, and as the economy struggled with the impact of the pandemic the brand’s business took off. One of its advantages was built-in, says Manning. As many companies struggled to adjust to going remote, Payroll Vault was already there. “Everything we do is fully remote,” she says. That advantage was just one of Payroll Vault’s strengths that elevated the brand to the top of the heap in this year’s STAR Awards competition.

When it comes to evaluating candidates, Manning prides herself on being a quick and keen reader of people, adjusting her approach to the individual circumstances of each potential franchisee, and being realistic about what the business requires—even if it means a candidate might not go forward with a contract.

“Recently, we had an excellent candidate just getting ready for a discovery day. His wife was expecting their first child. I said, ‘Are you sure?’ He called me back to say they were going to delay.”

As Payroll Vault approaches its 10th anniversary with 67 locations in 33 states, this past year was one of its biggest ever.

Runner-Up: Propelled Brands

Best Telephone Prospect Follow-Up: Teriyaki Madness

It’s easy to see one big reason Teriyaki Madness won this award: the franchise sets a standard of a *less-than-3-minute reply time* to inquiries. To make this happen, the brand has multiple, redundant layers of communication, says Tyler DeMuth, director of franchise growth. “We also have a handful of people, one of whom is the CEO, on board to react when inquiries come in.”

The brand asks prospects about their preferred form of communication and double-checks those preferences by tracking who responds best, at what time, and to what type of communication. The team also tracks which forms of communication produce the most productive leads, allowing them to increase the odds they can repeat successful lead conversions. DeMuth says this sort of tracking has raised the brand’s conversion rate.

The pandemic has changed how prospects approach franchisors, making the process “part art and part science,” he says. But Teriyaki Madness already had a profile that made it ripe for survival: a focus on takeout, smaller physical footprints, a menu that offers a break from burgers, fries, and pizza, and a food selection that “travels well.”

The brand is seeing a record-setting number of inquiries, DeMuth says, perhaps because of its customizable menu and “a delicious concept that happens to be healthy for a date or a marathon,” he says. Teriyaki Madness has 103 locations open in 28 states with plans to open another 45 to 55 by the end of 2022.

Runner-Up: N-Hance Wood Refinishing

Best Website Practices: Smoothie King

Smoothie King, first-place winner for best website practices, worked with technology and marketing firm Scorpion to launch a website redesign in 2018. That redesign produced a significant increase in traffic and in time spent on the website, says Elise Ganucheau, franchise marketing manager for the fast-growing brand. Those improvements led to more engagement and more qualified candidates, helping the brand grow to more than 1,300 locations globally.

"We make sure to incorporate dynamic content where we can to provide the most important information to our candidates on the home page and inform them about Smoothie King in a concise way," she says. "The website is interactive and features a call to action in multiple locations, making it as easy as possible for a candidate to move forward."

In addition, she says, Smoothie King constantly optimizes the website to ensure that it communicates key points and remains fresh as candidates revisit the site to learn more. "We are honored to have received this award," she says, "and want to thank our partner Scorpion for helping us communicate our benefits and what sets us apart."

Runner-Up: U.S. Lawns

Best Social Media: Ziebart International

"We are very honored to have received this 2021 STAR Award," says Larisa Walega, vice president of marketing. Her team took a step back this year to reconnect with their best target prospects "to better understand who they are, where they are, and what is important to them," she says.

They also took a close look at the journey taken by Ziebart's prospects to better attune the brand's social media efforts and campaigns to that journey. That examination, says Walega, "helped our team better align our strategy across our social platforms to deliver the right message to the right audience, and to reach prospects in our identified markets that will allow the best opportunity for growth."

This process also helped set realistic expectations and KPIs for social media results. "Once each of these key areas was reimagined, we delivered a creative brief to our team to ensure the work that was delivered met the strategic goals of franchise development," she says. "Our entire marketing team works hand in hand with franchise development to monitor and optimize these campaigns to ensure the best support for franchise development's annual goals."

Runner-Up: Ultra Pool Care Squad

Best Online Sales Follow-Up: First Light Home Care

Jamie Davis, executive director of franchise development, knows that understanding the multiple methods of communication used by prospects is fundamental to connecting quickly with them. That's why the brand reviewed and remade its messaging and added texting to its array of communication tools. "It's so important to be responsive, with a sense of urgency," he says. "That sets you apart and sets the tone for the relationship. It sets up good expectations."

Since First Light provides its services in people's homes, the pandemic put a damper on system growth. Despite this, some existing owners hit all-time highs during the pandemic. The award, he says, "shows you what's important: talking to people."

Runner-Up: Payroll Vault

Best Franchisee Satisfaction: Wild Birds Unlimited

Wild Birds Unlimited (WBU) is a familiar face on the STAR Awards winner's stand. After 32 years with the brand, Chief Development Officer Paul Pickett has gained a long-term perspective on franchisee satisfaction—an important component of the brand's success and staying power.

"We look at the different points of view, at what franchise owners need, what customers need, and what suppliers need," he says. "Our foundation is what we call our 'How did we do?' nature."

WBU's all-inclusive needs assessment, combined with an ongoing "do it better" approach, is evident at the company's annual three-day meeting, where the full executive team and franchisees examine the brand's strengths and weaknesses with an eye toward what can be addressed and improved, he says. "We want everyone to win, but we all have to meet each other in the middle." And always at the top of the agenda are the brand's core values of communication and transparency.

The pandemic has been horrible, affecting everyone, he says, even as WBU experienced an increase in sales as more people stayed at home. This increase, brought on by Covid, resulted in several changes, including introducing curbside service and rapidly developing a more powerful e-commerce platform to handle the heightened usage by customers. Record-breaking sales caused a dramatic rise in onboarding, putting everyone under pressure, and supply chain issues soon emerged.

"It was a little scary and a little tough," says Pickett, and franchisees were exhausted. Through it all, he says, was remembering to focus on empathy… and the part of communication that is about just plain listening.

Runner-Up: Fastsigns

Q What do you look for in franchise brokers, and how have you used them to find franchisees?

PATTI ROTHER

Vice President of Franchise Development
Scenthound

To have a robust franchise development strategy in place, brokers are an essential component. While back-end closing costs may put a hit on a franchisor, brokers are ideal partners to help close a franchise agreement more quickly while providing additional support. This support is especially helpful for emerging concepts, as brokers conduct their own marketing and advocacy on behalf of the brand.

Overall, broker leads have a greater chance of closing potential because they come to you as a warm lead, which is very different from traditional marketing leads.

Having a successful partnership with a broker network requires open and clear communication about your brand and defining ideal franchise candidate avatars. For Scenthound, we know that franchise brokers have great success in identifying candidates who are not yet part of a franchise system and are interested in reasonable multi-unit deals. This is where we've focused our efforts with franchise brokers, as our internal marketing teams work with potential leads who are already in the franchising world and have different personas and interests in the brand.

When bringing a new broker into your system, it's best to consider them an extension of your team. For the relationship to be efficient and effective, you want to ensure they understand your brand and that you build a trusting dynamic with them, as they can ultimately help you close the deal and support your process.

When choosing a broker network, also consider the cultural fit. Make sure the brokers are engaged with your brand, and that there's a successful working relationship. As a partnership, you'll spend a lot of time educating and connecting with your broker teams, so making sure they are people you enjoy communicating with is important.

You also want to consider the size of the broker firm. If you're looking for a larger network of national brokers that close deals across the country, select a larger brokerage. If you're looking to grow in a specific geographic area, then you may want to consider a broker that has agents in smaller metro areas to help your specific focus.

Scenthound narrowed down our broker partners from seven to four throughout the past year as we became more selective. Now we partner only with broker groups that make sense for us and our overall goals. We looked for the success with the groups we were currently working with, as well as the unique nuances each provided.

> A great consultant takes it even further by working in tandem with us to debrief with their candidate along the way to uncover fear points and process confusion or overall questions they may not be showing to us. This allows us to present new information.

WILLIAM H. STOLLER

Founder, CEO, & Chairman
Express Employment Professionals

For us at Express Employment Professionals, an ideal franchise consultant partner is truly just that: a partner to help us find high-quality franchisees. This entails hours and hours of phone calls and face-to-face meetings with their candidates to better understand what motivates and drives them. They dive into candidates' passions, hobbies, skill sets, challenges, and more. In addition, our top franchise consultants have a firm grasp on candidates' financial constraints and capabilities. Most importantly, they uncover the *why* for their candidate: *Why* are they looking to own their own business, and what types of businesses best align with their skill set, passion, and budget?

While managing the above relationship dynamics, our best consultants also spend a significant amount of time interviewing and learning about Express to help us find our ideal candidates. Franchise consultants must have a deep understanding of a franchisor's business, for instance if it needs to be managed full-time and hands-on or if the owner can be absentee. They'll also understand what the average day looks like, the investment cost, and other aspects of the business.

When knowing both sides extremely well, a consultant can then present a few brands to their candidates. They will highlight the high-level reasons they should be considering A, B, or C. If the candidate has interest in Express, the consultant makes an introduction to our team. At that point, they provide us with an extensive overview of who the candidate is. In many cases they are sharing personality assessments in addition to all the pertinent info. As you can imagine, this is very powerful for someone in our position to be able to schedule an introductory call with a candidate we know is qualified, serious, and ready to take a deep dive into who Express is.

A great consultant takes it even further by working in tandem with us to debrief with their candidate along the way to uncover fear points and process confusion or overall questions they may not be showing to us. This allows us to present new information.

The consultant then provides further value by explaining the process to owning an Express: introductory calls, qualification, FDD review, discovery day, validation calls, and eventually franchise awarding. By being prepped on what is customary in the process by a third party, the consultant helps to validate all the things we are doing.

As you can tell, they are a true partner from start to finish to hopefully help us find our ideal franchise fit and business they likely will own for years to come.

Franchise Scorecards

A grading system for franchisee success

Written By
LIANE CARUSO

Operations teams and franchise business coaches are always looking for ways to improve franchisee performance, measure KPIs, and track progress. Data can inform decisions to focus on needs and areas of improvement. Much like a school report card, why not institute a grading system for franchisees? Enter franchise scorecards.

Franchise scorecards allow both franchisor and franchisees to keep an eye on their performance and key metrics, empowering all to analyze and improve. Jason Kealey, vice president of strategy at FranConnect, says, "A good scorecard helps guide franchisees on the journey of continuous improvement. Keeping things simple is key. Not everyone is great with numbers." Kealey founded FranchiseBlast, which was recently acquired by FranConnect to bolster its franchise operations suite with tools such as franchise scorecards.

Flooding a franchisee with information and complex business intelligence tools generally doesn't generate improvement. Scorecards are not meant to be used for a thorough analysis as they don't include enough information for that. They do, however, paint a wholistic high-level portrait of the health of the unit.

Scorecards give franchise brands the ability to manage operational success from the brand level down to the unit level. Whether you use a third party's software or develop a system on your own, be sure to monitor metrics in the following categories.

- **Sales.** Franchisors routinely monitor net sales during periods, from hourly and daily to quarterly and annually, depending on the system. But they also review elements such as average check size, percentage of sales of a specific category, or percentage of sales from a certain source, as these are easier to compare across the system.
- **Marketing.** To paint a picture of future sales, track your marketing spend, customer acquisition costs and, when applicable, sales funnel performance. Use only the details that are important without diving too far into the weeds. "Stay away from vanity numbers," says Kealey. "Often the velocity of change is more revealing." Remember, this is meant to be a high-level snapshot of results; you can drill down in areas of opportunity if necessary.
- **Expenses.** This area should cover your main controllable expenses, which are typically labor costs and costs of goods sold, two key drivers behind profitability. It's not necessary to include fixed expenses as they're generally not actionable.
- **Loyalty.** This section will tell the story of your customer. Include Net Promoter Score, loyalty program growth, membership churn, newsletter/loyalty signups, and customer reviews and ratings.

Your franchise business coaches and operations teams can use this data for improved training, as resources, and to identify necessary areas of operational support in the system. When considering which data metrics to include, choose a manageable number. Otherwise both you and your franchisees will be overwhelmed. Tracking improvement with your franchisees, and ultimately across the system, provides a powerful set of data to improve system growth. ■

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 813-786-0206 or liane@lianecaruso.com.

10 Weeks to Recruitment

Driven Brands' process focuses on education

Written By
JEFF TODD

Through my experience in the franchise business, I've learned firsthand that to attract and nurture qualified franchisees, franchise sales leaders and their teams must create an educational pathway for interested investors, rather than a hard selling process. Being pushy is a turnoff, and today's candidates want control. By creating a platform for them to educate themselves, you're meeting them where they want to be met with an informative process.

While this might seem counterproductive, relinquishing a portion of control by providing an in-depth educational process for potential franchise owners helps both the brand and the candidate determine if it's truly a good fit. And, as a franchisor, the value of having franchisees you know are dedicated to the concept from the get-go is priceless.

Joining a franchise system is a long-term commitment that cannot be taken lightly. Whether we like it or not, it can pose many challenges. But by providing full transparency to prospective franchisees from the start, our teams at Meineke and Maaco have been able to identify partners who are well prepared and have a clear understanding of what's to come once they open up shop. Ultimately, regardless of industry, franchisors must align with franchise investors who have full confidence in operating their own business.

The path to ownership

At Meineke, we've established a 10-step educational process that has proven to work well for candidates and our team, helping both sides make informed decisions. It's a mix of live conversations on the phone, virtual meetings and presentations, email communications, and web-based user experiences. The process allows us to identify strengths in prospective franchisees, and franchise prospects to gain a full understanding of the business model, along with required operational and financial commitments. We've found that for our business model, this is the best way to establish open, transparent communication from day one. It provides 10 weeks for our team to interview prospects, and 10 weeks for prospects to interview us.

As you consider implementing a due diligence process that is more educational and informative, it's essential to start the journey by going back to the basics. Talk to your franchise candidates about the brand's franchise positioning today. While it might seem obvious to review these elements, it's a key factor in making sure the person is synched up with your brand values, mission, and future.

Aside from brand values, the operational logistics of running the business are also a deciding factor for many franchisees. By providing a thorough explanation of the business model and what it takes to scale and manage the business, potential owners can learn the extensive responsibility that comes with owning a business. Once the intangibles, financials, and operational aspects are clearly researched and discussed in the due diligence process, the prospect should be sent the FDD for review to get a clear understanding of what's to come. This step is a landmark moment in the process because it clears the way for several other crucial discussions about the investment, operations, and franchisor support.

It's usually at this point we encourage franchise prospects to connect with current franchise owners. We don't beat around the bush on this. It's 100% recommended and we're an open book. They can hear firsthand what it takes to run a Meineke or Maaco business and find out what a day in the life as a franchisee looks like. It's also a fantastic opportunity to gain perspective on the benefits of franchising, such as the lifestyle and earning potential. It's also a good time to do a 180 and recognize that moving forward is not the best way to proceed. The rubber often meets the road here.

At the end of the 10 weeks, we invite the franchise prospects who are still in the process to immerse themselves even more through our educational discovery day. This is the most important step and often is the turning point in signing a franchise deal. We use this day to allow the prospect to interact directly with the entire management team and decide if it's a good fit, both on our end and theirs. It's after this milestone in the process that the excitement of new franchise ownership becomes a reality for all sides.

Advice for interested franchise investors

While I've considered both franchisor and franchise prospect perspectives here, I do want to share some specific guidance for candidates considering a franchise investment. When deciding whether a franchise opportunity is a good match for you, there are *must-do* considerations, regardless of the vertical industry you are considering. Of course, having a passion or being drawn to business ownership in the brand's industry is important, but you also must consider if you are capable of being a leader. If necessary, can you manage a diverse team of employees? Do you know how to set key objectives and measure results? Do you have the skill set to manage operations, or should you consider an operating partner? By having an honest and thorough conversation with yourself, you can identify if a brand—or franchising in general—is right for you.

Next steps

The training and education process doesn't end once you close the deal. Learning continues in parallel for both franchisee and franchisor. Franchisors must continue to identify where franchisee support is needed, and franchisees should continue to challenge their knowledge and encourage collaboration with franchisors to advance their continual education about both the brand and franchising itself. After all, no franchisee or business is perfect. There's always room for growth. ■

Jeff Todd is vice president of franchise development at Driven Brands, with a focus on the Meineke and Maaco brands. He leads a team responsible for awarding the brands' franchise opportunity to qualified investors, working closely with individuals and operator groups interested in diversifying their portfolios or seeking to transition into the automotive aftermarket segment.

Evoking Answers

Shift from telling and selling to asking and listening

Written By
EVAN HACKEL

If you are successful selling franchises, chances are you're following the standard approach: qualifying customers and presenting what you have to offer by discussing your system's advantages and benefits. We all know benefit selling is key. You get the customer excited to buy. This works. Yet, there is another level of selling that produces far greater results.

Having your prospective customer tell *you* why they want to buy is much more powerful than you telling *them* why they should buy. It is much more powerful for your prospective customer to self-discover why they want to buy from you. People naturally distrust sales people. They will trust and believe themselves.

A practical process for "evoking"

You evoke ideas by asking powerful questions that get prospects to think and self-discover. It's a much more effective process than telling people what they should be thinking about.

Evoking might sound abstract. It's not. In fact, evoking is a practical process you can quickly learn to use. Even more important, it will produce rapid improvements in your ability to sell. At the center of this process simply is this: *Instead of telling prospects the benefits of owning your franchise, ask questions to help them discover those benefits for themselves.* This will result in your prospects becoming more invested in their reasons for joining your system.

Here are some examples of evoking questions:

- "What is most important to you right now in making this decision?"
- "How do you see our franchise system helping you achieve that?"
- "What is your greatest hesitation about owning a franchise?"
- "Why would our franchise system help you get past that hesitation?"
- "Why would you want to buy our franchise?"
- "How would owning help you achieve your goals?"
- "If you decide to invest in this franchise system, where do you see yourself in 5 years?"
- "Does that match your goals?"

These questions will start conversations that could lead you back to telling and selling. Resist the tendency shift back to providing answers and continue to evoke.

Four-step process

The new process can be broken down into four steps:

1. **Develop rapport.** Create a personal connection.
2. **Evoke their needs and goals.** Prospects qualify themselves through your powerful open-ended questions. Be curious, but always be evoking.
3. **Make presentations with evoking check-ins.** This is where you review the concept. It is your normal selling process, except you check in with evoking questions throughout such as, "What do think so far?" and "What do you like so far?"
4. **Evoke the sale.** Ask powerful questions that result in the customer telling you why it makes sense for them to buy. When you're in this step, here are some questions that can help you make that happen: "What do you like best about what you have seen?" "Can you see yourself running this business?" "What do you think your friends and family would think if you invested in this opportunity?" (This question is powerful as it enables the prospect to share their true feelings about buying as they see it through the eyes of someone else.) "What are your steps to moving forward?"

When that happens, you will feel the excitement grow within your prospects. They will be more energized and will continue to ask more questions.

And what if this doesn't work? Not every prospect is the perfect buyer for your brand. Your goal always must be to match your opportunity to the right person. By evoking, you might quickly realize that your opportunity isn't the right one for them. Remember that in sales, "No" is the second-best thing you can hear!

Closing the sale

If you evoked well, closing the sale is simple: "I think you made a good decision. Let's get going."

As your prospects close themselves, the likelihood of buyer's remorse goes down dramatically.

The power of evoking is a game changer. As you try it out, you'll become more and more comfortable with it. You'll get better at asking questions, listening, and following up with more evoking questions. But be patient. It will take time to shift from telling and selling to asking and listening. ■

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Where Are the Workers?

It's complicated, but franchisors must adapt

Written By
DARRELL JOHNSON

The jobs are there. We have more than 10 million job openings in the U.S. We hired more than half a million employees in October. Unemployment is at 4.6% and dropping. And therein lie two problems: a changing worker pool and a skills mismatch.

The unemployment rate reflects the number of people looking for work. The overall size of the labor force (defined as the pool of people who have jobs or are looking for work) has changed. The key is the labor force participation rate, which is still well below where it stood pre-pandemic. In 2020 the rate was 63.3%. It's now at 61.4%, *the lowest it has been since the 1970s*. A decline of less than 2% may not seem like much, but it is: since the pandemic 3 million Americans have dropped out of the labor force.

None of the DOL worker classification categories has returned to pre-pandemic levels. Of most concern is a look at all willing or employed workers aged 25 to 54. While their numbers have ticked up to 81.7%, well above the pandemic low, it is lingering far below the pre-pandemic level of 83%, which equates to more than 1.5 million fewer job candidates.

What will bring them back?

Rising wages and greater work flexibility are creating stronger incentives for people to return to the workforce. Yet job fulfillment is sluggish. Up until now, the arguments for the difficulties in filling jobs include stimulus money, extra unemployment benefits, persistent fears about getting sick, and a lack of affordable childcare preventing many parents from returning to their old jobs.

Are those still fair considerations in the face of school reopenings, rising vaccination rates, ample vaccine availability, and better understanding of the pandemic? Sure, but not as much now as 6 months ago. Something else is going on that has implications for your business that you'd better prepare to manage.

Three trends are driving these changes: First, we've had a protracted couple of decades of relatively low wage growth. Wages were rising before the pandemic, especially in lower-skilled jobs, in no small part exacerbated by an immigration policy (or more accurately, a lack of one) that has not provided the supply of workers that historically has fed into entry-level jobs. Second, we have a big gap between skilled job demand and skilled worker availability. Third, because of the pandemic, we have had a compressed trend as employees reevaluate what they want to do with their future. This last trend is complicated, but some examples range from greater job satisfaction to pursuing other career choices (or family choices in the case of two-worker households) to retirement. There's a lot going on here, and it is important to understand what it means for your business.

Despite views that the pandemic will give way to a return to a "normal" workforce for most, I think it increasingly looks like lower participation rates will be longer term. The labor imbalance we are witnessing today is more than a low-paying job issue. The U.S. economy is moving rapidly toward skilled jobs as many unskilled jobs are eliminated or replaced by capital investments in technology and greater efficiencies. Most political rhetoric regarding employment conditions continues to focus on "creating" higher-paying jobs. But when 10 million jobs remain unfilled and more than half of small businesses say they can't fill open positions, public policy must focus on expanding the labor force and aligning skills to jobs.

Three things to consider

What does this all mean for your franchised business model? First, franchised businesses should expect to have a significant jump in labor costs in the next few years. This isn't just a one-time "true up"; it applies to both skilled and unskilled jobs. And it's not just a wage-and-benefits issue; it is also an upward career path question. One of the consequences of the pandemic has been a change in how workers view what they're doing with their lives and are asking themselves new questions. You must be cognizant of this change, expect that these questions will be answered differently than in past decades, and adapt however you can.

Second, businesses should budget more capital for labor substitution, especially at the lower end of the skills spectrum. Consumers, who have been forced to accept many service changes, have found out that they liked a lot of them. So, not only to take pressure off wage costs, but also to anticipate what your consumers will want in the next few years, look at the changes they've had to accept since March 2020, and sort out which were appealing to them—if not immediately, eventually.

Third, franchisors must understand that the changing labor situation is only part of how the business model has changed. Franchisees need strong leadership to navigate their way through all this. The research and advisory questions we're getting today make it obvious that many of our franchisor clients understand we are in a new business era. Do you? ■

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.

2022 Global Forecast

Projected franchise development by country

Written By **WILLIAM EDWARDS**

Key to recovering from the pandemic—to the point where local companies in a country will seek new franchise investment—is the level of vaccination in that country. We monitor more than 30 international information sources and also receive input from our associates resident in 27 countries. I traveled to Italy, Spain, the Netherlands, and the United Kingdom in September for my first international trip in almost 2 years. These countries are 70% or more fully vaccinated and are learning to live with Covid-19.

This report updates 36 normally franchise-friendly countries. Listing a country does not mean it is suggested that a specific franchise brand enter it. That decision requires more research.

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1. Countries projected to have a *high level* of new franchise development in 2022

- **Australia.** There is a high level of interest in new franchise development and the country is expected to reopen by late 2021.
- **Canada.** This conservative country is now largely vaccinated and business is reopening. Franchise interest is strong for current brands.
- **Israel.** Highly vaccinated, this country is now open to new investment. There is considerable investment connected with the United Arab Emirates under the Abraham Accords.
- **United Kingdom.** Largely vaccinated and very open. We are seeing considerable new franchise brand investment interest and expect this to climb higher in 2022.

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2. Countries projected to have a *moderate level* of new franchise development in 2022

- **Egypt.** Despite a very low fully vaccinated population, there is an immense amount of new investment going into consumer malls and a new capital city being built that will have major retail space available.
- **Germany.** This country has done relatively well during the pandemic although supply chain issues have slowed its major manufacturing engine. However, we have seen considerable interest in new franchise brands in recent months.
- **Hungary.** This country is seeing renewed interest in new business ventures that we predict will continue through 2022.
- **Ireland.** With a high vaccination rate, this country is coming back from the pandemic well. The country's small size does not make for a large number of franchise units for a brand.
- **Italy.** Italian businesses continue to recover from the major shutdowns of the pandemic and have learned to live with it. They are open for new business.

- **Japan.** Companies in this country were known as being very conservative pre-pandemic. They are beginning to come out of the pandemic period and we predict interest in new investments in 2022.
- **New Zealand.** We expect the country to reopen in 2022 and to see considerable pent-up demand for new franchise brand investment.
- **Panama.** Lingering pandemic business challenges should ease in early 2022 for this country, where foreign franchise brands are welcome.
- **Saudi Arabia.** A new franchise law with disclosure has made this an interesting country to take foreign brands into in 2022.
- **Spain.** Coming out of the pandemic nicely, interest in new franchise development is growing and is expected to be excellent in 2022.
- **United Arab Emirates.** Much of the population has been fully vaccinated. Tourism is starting to recover. Local businesses will need a bit of time to recover before they are seeking new brand investment.
- **Vietnam.** Little of the population is fully vaccinated and business shutdowns are prevalent at present. Factories are running at low rates. Nevertheless, we expect the ingrained entrepreneurial spirit of Vietnamese investors will recover in 2022.

3. Countries projected to have a *low level* of new franchise development in 2022

- **Brazil.** We estimate 2023 as the earliest this country will be ready for new franchise investment because of vaccine, economic, and political issues. An election in 2022 will not help.
- **China.** This country will remain closed to foreign visitors until at least 2nd quarter 2022 and is going through large-scale economic, regulatory, consumer attitude, and political change at present.
- **France.** This country has had mixed economic results during the pandemic, but business is coming back strong. Elections in 2022 may affect investor outlook.
- **India.** There is limited interest in new business development here while local businesses recovery from the pandemic. Doing business in India remains a challenge.
- **The Netherlands.** Highly vaccinated with no mask or social distancing requirements, this country is waiting for tourism to recover in 2022.
- **Pakistan.** We receive lots of inquiries from Pakistan and believe that once the vaccination rate reaches a high level there will be considerable new investment interest.
- **Poland.** This country is seeing new investment interest that we expect will increase in 2022.
- **Singapore.** This country is almost fully vaccinated and businesses are recovering from numerous shutdowns. The challenge with Singapore remains that it is a saturated franchise brand market with little expansion potential.
- **Sweden.** Foreign franchise brands have had limited success in Scandinavian countries. Specific well-known brands have a higher chance of finding investors.

4. Countries with vaccination, economic and/or political problems

- **Argentina.** It will be at least 2023 before the economy is expected to recover to the point where companies will be considering new investments.
- **Chile.** Despite a fairly high level of vaccinations, political unrest and a new constitution being written may slow new investment.
- **Colombia.** Political and economic unrest are slowing new investment by local companies.
- **Indonesia.** The pandemic has severely affected this very large country and is expected to continue affecting new business development into 2023.
- **Korea.** New laws and regulations are making it more difficult for foreign brands to enter and do business in the country, which is saturated with F&B brands.
- **Mexico.** There is a low level of vaccinations, the government is not business-friendly, and terrorism is present in several areas. New business investment will be sporadic in 2022.
- **Peru.** This country is normally welcoming to foreign franchise brands. The recent election of a Marxist government that is threatening nationalization has stopped new business investment for the time being.
- **The Philippines.** Very foreign franchise-friendly, this country has been set back by very poor government, low vaccination levels, and almost constant opening and shutting of businesses. We see this as a viable new franchise investment market in 2023.
- **South Africa.** Ranking right along with the Philippines, a dysfunctional government and very low vaccination rate means major economic and political challenges and little new investment interest.
- **Thailand.** This major foreign franchise brand country is largely on hold for new investment and tourism recovery as the vaccination level rises. It may be until 2023 when local business recovery reaches the level where there will be a desire for new investment.
- **Turkey.** The economic, political, balance of payments deficit, and unrest keep this country from being a strong market for new franchise investment in 2022.

Bottom line

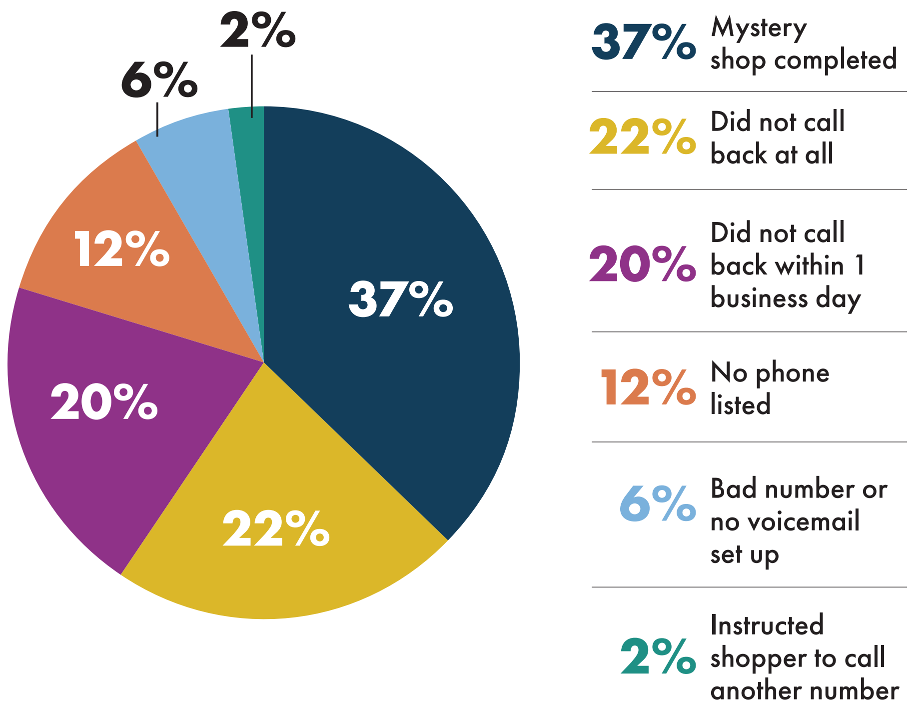
Where the vaccination rates are 70% or higher, business is coming back and we expect local investors to be open to new investment in 2022. Of course, political and economic unrest can hamper new business development! ■

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.

Telephone Mystery Shop

Two of 3 franchisors failed—again

Written By
ART COLEY



Results are in from the 2021 Mystery Shopping on brands participating in the annual Franchise Leadership & Development Conference (FLDC), held in Atlanta in late October. While there were some noteworthy individual findings, there continues to be a huge gap, much as in previous years.

Nearly two-thirds (63%) of brands mystery shopped either did not call back; didn't have a phone number listed on their website; told the mystery shopper to call someone else; had a bad number listed or no voicemail set up; or simply did not respond within one business day.

Collectively, the brands shopped invest anywhere from $8 million to $12 million annually to generate leads that they *hope* will turn into candidates for recruiters to work with. And maybe enough of them are a right fit, want to sign an agreement, and become a franchisee. Fulfilling the vision of the brand depends on getting this right.

Why 63%?

We ask this question each year after we look at the results, act shocked, talk about solutions and what to change, get excited about making those changes, and then return to FLDC to find the same result one year later. We all know this definition of insanity: *Doing the same thing again and again expecting a different result.* We know that some brands do make a change and get a better result. But as a group of brands at FLDC the data is saying we all might be a little bit insane (said with love).

I recently read a blog from best-selling author Seth Godin that might unlock part of the mystery and help answer *Why 63%?*

"If you have a million Twitter followers, that means that 99.9% of the people on Twitter are ignoring you, which, with a little rounding, means you have 0%. If you write a book and it sells a million copies, it will be one of the bestselling books of the year. It will also reach far fewer than 1% of the country's population, never mind the world. There are very few things that ever rise to 1% of the market. Not only don't you need everyone, the act of chasing everyone is probably keeping you from reaching anyone. Zero (rounded) is enough."

Seth's post should get us thinking about why it is so important for every brand to be crystal clear on who they are looking for in a new franchisee. Sometimes it is phrased as the "ideal candidate."

There are 333 million people in the U.S., so 1% of the population equals 3.3 million! Most brands are looking for just 15 to 30 new people annually for startup and transfer units. That easily rounds to zero and drives home Seth's point that zero (rounded) market share is enough for a franchisor to grow.

But to get zero (rounded), we must know *who* we are trying to reach. The good news is that those 15 to 30 are out there… waiting for you to reach them and connect. Thanks to Seth for so clearly reminding us that if we chase everyone, it can keep us from reaching anyone.

Revisit your ideal candidate. Reduce who you are chasing. Show up immediately and appropriately. And enjoy connecting and working with individuals who are closer to a fit from the start. ■

Let's go to work!

Art Coley is CEO of CGI Franchise. CGIF was founded in 2015 with a mission to help franchise companies implement and execute repeatable and sustainable recruitment systems using the Recruitment Operating System. His team is based out of Temple, Texas, and works with brands worldwide. Contact him at 281-658-9409 or acoley@cgifranchise.com.