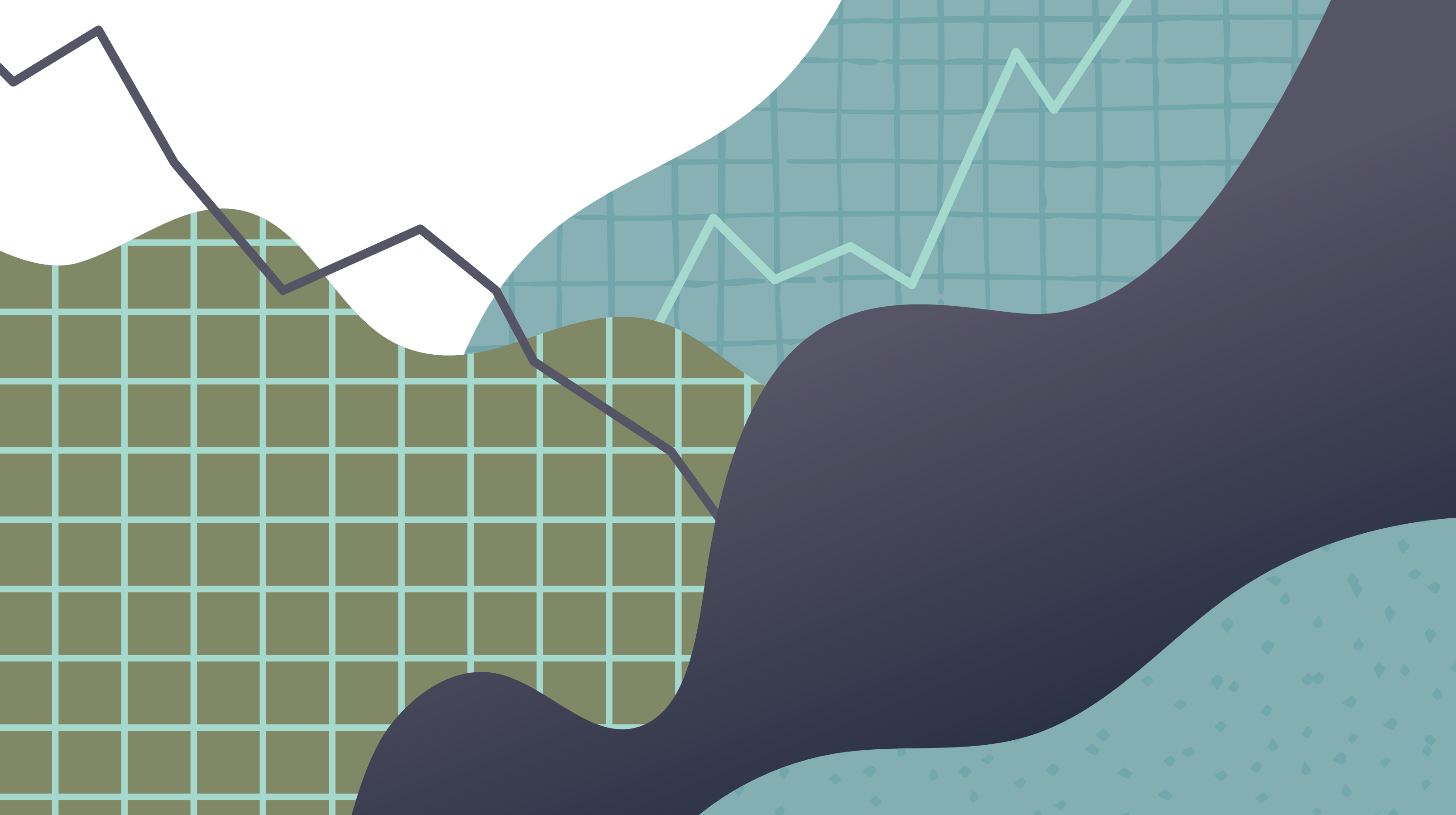
FRANCHISE Update
Business Intelligence for Growing Franchisors
Q4 | 2022

2023 Annual Franchise Development Report

PLUS

2022 STAR Awards Winners

Annual Mystery Shopping Results



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EDITOR'S NOTE

Autumn and Franchise Development Are in the Air!

Written by **KERRY PIPES**

Every fall is eagerly anticipated at Franchise Update Media for two reasons. First, it means it's time for the annual Franchise Leadership & Development Conference. Second, it means Mystery Shopping, the Annual Franchise Development Report (AFDR), and the annual STAR Awards.

First the conference. For the first time in its more than 20-year history, registrations sold out! Once again, the cream of the crop in franchise development converged in Atlanta for annual event. The Exhibit Hall/Networking Area was packed with suppliers, and timely educational sessions and presentations brought leading franchise experts together to share their experience and expertise. This year's theme was Making Connections Count, and from what I could see, attendees made the most of it: Networking and dealmaking were going on in just about every chair, couch, and hallway of the hotel. Read more about the conference in this issue.

Second, we once again had our "qualified prospects" vet attendee brands' recruiting efforts through our annual mystery shopping program, grading their responsiveness by phone, website, and social media. While some brands performed outstandingly well, the results continue to show the need for improvement by too many brands—e.g., no phone numbers listed on their websites, not returning prospect calls within 24 hours... or ever, which continues to amaze.

All the results can be found in this year's Annual Franchise Development Report (AFDR). The research and fresh data are there to help franchise executives of all stripes benchmark their brands and determine where they need improvement most. Read more about the AFDR in this issue, including how to order the full report.

In franchise development, it's never all doom-and-gloom. In fact, there's much to celebrate. That's why we continue to recognize the sales and development teams that are doing it right with the annual STAR Awards. Winners are a who's who of the best recruiters and are recognized and celebrated at the annual awards dinner. The winners tell their stories in another article in this issue.

Franchising is a proven business model that allows people to be in business for themselves, but not by themselves. Franchise executives today have more resources at their fingertips than ever before—and so do prospects. Yet, throughout all the ups and downs of the economy, franchise sales and development executives and teams always seem to find new ways to locate prospects, seal deals, and open units. And that indomitable optimism, despite all, is a major part of the very essence of franchising.


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Ingredients for Success

Cinnaholic is on a gourmet roll!

Written By
HEATHER STENNIS

With nearly 15 years in restaurant marketing roles, I've witnessed firsthand how the restaurant space has shifted in its food marketing, customer demands, and menu development. This has meant paying close attention to emerging trends and individual brands as the industry as a whole continues to evolve.

One growing trend among consumers in recent years is the increased desire for more dietary inclusiveness. This has meant that brands—both seasoned and emerging—have needed to keep this at the forefront of their menu innovation discussions as customizable food options are becoming an expectation.

Though customers want menu options that everyone can enjoy, they still want a delicious product. Many still (falsely) believe that healthy food can't also be a delectable treat. Cinnaholic is a "better for you" bakery that constantly considers dietary or allergy restrictions in our menu development. Still, a lot of our customers don't realize that our products are plant-based. We emphasize crafting amazing products, consistently introducing new ingredients and flavors that satisfy audience cravings, while still holding true to our mission of being a bakery for all to enjoy.

Shark Tank to franchise

Cinnaholic's origin story dates back to 2010. Florian and Shannon Radke, a Berkeley-based vegan couple, dreamt of bringing a vegan bakery to their community. Not only did they achieve this at their flagship Cinnaholic store, the couple now offers a better bakery option to 70-plus communities nationwide.

Cinnaholic made its national debut on Shark Tank in 2014, and the Radkes were offered a deal with the potential to change everything. Although they initially accepted, most people don't know that they later backed out. The Shark Tank offer demanded an emphasis on shipping, but the Radkes believed that Cinnaholic needed to be a storefront bakery. They first started franchising in 2015.

From our first franchise location in Texas to our nationally acclaimed status today, growing rapidly over the last decade has been a thrilling journey. While we're well over 70 locations, we're still experiencing several firsts that keep the energy high. Des Moines, Virginia Beach, and Ann Arbor have been some of our most successful openings to date—and were the first locations in their states. We still have plenty of room to continue expanding, and several new bakeries are in development across the country. By the end of the year, we project we'll have 80 locations.

Rolling out innovations

Opening more bakeries in new and existing markets is only one element in our continued quest to grow and evolve. Throughout the pandemic, brands had to shift to survive. With this in mind, we launched online ordering and delivery options in 2020. This contributed to some of our monumental success during those uncertain times. This year, we've officially partnered with DoorDash—another way to better serve our loyal and new customers.

Keeping innovation at the forefront of our brand with technology and convenience is definitely key, but I believe there's another reason customers love Cinnaholic: our desserts are delicious. They love that everything is customizable, and that our menu is mindful of those with allergies.

Limited-time offerings and consistently updating the menu are something we have always done and truly mastered. Menu creation and planning begin months in advance, which allows ample time to see what competitors are doing, identify the flavors of the approaching season, and monitor trends. In the spring, we want to keep flavors light, fruity, and fresh while during colder months, we can go a little heavier and more decadent with the flavor profile.

13 years and counting

As we approach the brand's 13th anniversary—which includes almost a decade of franchising—there's one piece of advice for building a successful brand. While staying on top of consumer demands, updating technology, and crafting a unique menu are crucial, listening to the feedback from franchise partners and operators at the bakeries builds a strong company.

Franchising is a unique business opportunity, and our franchisee partners are the ones in the bakeries every day. They have firsthand knowledge of what is working and what needs improvement, which is why corporate teams and franchisee partners must have a relationship backed by trust and teamwork. ■

Heather Stennis is vice president of marketing for Cinnaholic.

BRYAN PARK

TITLE: FOUNDER, CEO
COMPANY: FOOTPRINTS FLOORS
UNITS: 79 OWNERS, 164 TERRITORIES
AGE: 40
YEARS IN FRANCHISING: 9
YEARS IN CURRENT POSITION: 14

FROM THE FLOOR UP

A journey of service, quality, and success

Written by **KERRY PIPES**

Bryan Park knows what it means to serve. He attended the U.S. Air Force Academy in Colorado Springs and served in the U.S. Air Force. That commitment to service has followed him throughout life in his family, his community, and his business.

When Park got laid off from a flooring company in 2008, he decided to turn lemons into lemonade. "I enjoyed flooring. I knew how to do it, and I knew the industry would benefit from a more sophisticated approach and a higher level of customer service," he says. In founding Footprints Floors, the Colorado native tapped into an underserved market need and has built a successful brand around it.

"Customer service is the differentiator. We call people back. We show up on time. We're responsive. We won't wrap a project until it's really done and done right," says the 40-year-old. "Those things aren't common in the industry."

The brand has been franchising for nearly a decade now and has built a network of nearly 80 owner-operators in 164 territories. The flooring industry is lucrative and should continue to grow, says Park. Americans spent $420 billion in 2020 on remodeling their homes, and flooring alone is a $24 billion industry.

Park's dedication to service and quality is just as important when it comes to his management team and the franchisees. "I firmly believe that good leaders surround themselves with a competent and capable team and invite them to provide valuable insight and feedback," he says.

The future looks bright for Footprints Floors. "If a business is actively providing a good solution to a real problem and treating customers well, growth will come naturally," he says.

LEADERSHIP

What is your role as founder and CEO? I provide strategic direction and vision and work with all interested parties to ensure that we operate according to our mission and core values.

How has Covid-19 affected the way you have led your brand? Covid-19 didn't have any adverse effects on our brand. In fact, we experienced extraordinary growth in 2020 when many companies were cutting back or shutting down entirely. Amidst the continual stream of conflicting information, I encouraged my team to remain calm. With regard to interactions that we or our contractors had with customers, we continued to do what we have always done: place a premium on respecting their homes, their wishes, and of course their health as a primary concern. We place a high value on being transparent and providing the best service we can, even during the difficult times we experienced over the past 3 years. We also took as many precautions as possible to protect the health of our employees and our valued partners and subcontractors. Being properly prepared before and during a project helped ensure the safety and well-being of not just our workers, but the homeowners as well.

Describe your leadership style. Others would describe my leadership style as transformational or visionary. I surround myself with good people who share the same goals, values, and vision and then empower them with the creative freedom to develop and deploy ideas that will be beneficial to the company over the long term.

What has inspired your leadership style? The life of Christ who modeled servant leadership. To be great, a leader must be willing to serve others and operate in the best interests of others.

What is your biggest leadership challenge? People are always the most underestimated aspect of running a business. People are your biggest asset and your biggest challenge. Everyone has their own dreams and trials in their personal lives, and that's inevitably going to affect your business. That's okay. Sometimes people need to quit, or they just can't do what you need them to do. Lives are messy, and business doesn't like messy, so you need to learn to anticipate and accommodate that messiness in your business model.

How do you transmit your culture from your office to frontline employees? Through consistent leadership and consistent messaging.

Where is the best place to prepare for leadership: an MBA school or OTJ? OTJ.

Are tough decisions best taken by one person? How do you make tough decisions? While the buck ultimately stops with the CEO, the Bible teaches there is great wisdom in seeking counsel from other sources before making a tough decision. No one person has infinite wisdom and knowledge. And since we all have blind spots to varying degrees, it is imperative that leaders surround themselves with trusted advisors who can speak into difficult situations. I find that my closest ally and most trusted confidant is my wife. To begin with, I'll speak with her in general terms to make sure I'm operating in accordance with my principles and values. From there, I'll consult trusted advisors, along with my executive staff, and ultimately make a decision.

Do you want to be liked or respected? I think both are necessary to run a successful team. There must be camaraderie as well as a healthy respect for everyone working to uplift the business.

Advice to CEO wannabes: I think growth in business comes when customers are treated well—often and consistently for a long time. When businesses fail to treat their customers well, they lose them, and without customers businesses die. When running a business, a plethora of things can distract, draw attention, and take time away from the things that really matter. It's important to always return to the basics and remember why your business exists and who your business is for.

MANAGEMENT

Describe your management style: I base my management style on three key pillars. 1) Integrity. Our entire model is based on that point of differentiation I mentioned earlier: just showing up and doing what you say you are going to do. C.S. Lewis said his definition of integrity is doing the right thing even when no one is watching, and we take that to heart. 2) Trusting in reason. You must believe in the data and results you see and act accordingly. That can be harder than it sounds. You can't just go by gut. When we went national a few years ago, it cost us $500,000 to take that leap. It felt like a tremendous risk, but our model was sound, and the numbers we saw made sense, so we took that leap of faith. 3) Putting people first. If you love and respect other people, you can build something great. I don't mean this in any sort of karmic sense, like good things will come back to you. I mean that if you run a business for yourself, you are inevitably going to run it by yourself. This philosophy has helped us retain employees while our competitors struggle with labor.

> *IN ADDITION TO EXPANSION, I WANT TO CONTINUE TO BOLSTER THE SUPPORT INFRASTRUCTURE WE PROVIDE TO OUR CURRENT EMPLOYEES AND FRANCHISEES SO THEY HAVE ALL THE NECESSARY TOOLS AT THEIR DISPOSAL TO HELP MAKE THEM SUCCESSFUL.*

What does your management team look like? Our executive team is composed of seven members who come from different backgrounds but share the common goal of supporting all employees and franchisees in the development and deployment of their God-given talents and abilities.

How does your management team help you lead? I'm surrounded by a group of people I fully trust to make decisions that are not just in the best interest of the company, but that represent the values and convictions of a higher calling. I respect my team not only because they are effective and excellent professionals who lead their respective teams well, but because they are not "yes men." They provide ideas, feedback, and even pushback when warranted.

What makes you say, "Yes, now that's why I do what I do!"? I love to see the success of others.

OPERATIONS

What are you expecting from your market in the next 12 months? We don't have any of the costs associated with storefronts, so we are positioned well to adjust to a changing economy. We have experienced tremendous growth over the past 3 years and don't anticipate any type of slowdown. In a recession, people stop looking outward toward new purchases and instead focus on maintaining and improving what they already have. According to a joint report published by the National Association of Realtors and the National Association of the Remodeling Industry, the two projects proven to improve a home's value beyond the cost are hardwood floor refinishing (ROI 147%) and hardwood floor installation (ROI 118%).

Are your franchisees bullish or bearish about growth and adding units? Bullish a month ago, but turning bearish.

In what ways are political/global issues affecting the market and your brand? Politics and global issues hurt customer confidence and decrease market spending. That tightening, whether based on facts or not, greatly affects residential construction spending.

PERSONAL

What time do you like to be at your desk? In the morning.

Exercise in the morning? Wine with lunch? Exercise mid-morning. No wine with lunch.

Do you socialize with your team after work/outside the office? We socialize because of overlap in other parts of our lives (children, church, serving, etc.), but don't necessarily schedule social events to get together.

Last two books read: *Abide in Christ* by Andrew Murray and *The Wingfeather Saga* by Andrew Peterson.

What technology do you take on the road? Because our team is all remote, I use the same technology on the road as in the home office: a smartphone and a laptop.

How do you relax/balance life and work? When operating a business, there's always a great temptation to sacrifice family at the altar of success. I'm mindful of that and strive to keep the first things first. What this looks like in practice is prioritizing my faith, family, and work in that order. I know I don't always get it perfect, but I do my best to maintain those priorities. My wife is the executive director of a Christian youth theater in the Denver metro area, so we enjoy a lot of time together as a family developing, producing, and participating in musical theater.

Favorite vacation destination: Moab, Utah.

Favorite company product/service: I enjoy my interactions with Southwest Airlines. They just seem to do it right. You call, and somebody answers. I feel like they put their customers' needs first, and they're well priced, too. It's not like you're paying a premium for customer service and a great experience.

BOTTOM LINE

What are your long-term goals for the company? To continue to expand opportunities to others who are driven to be successful while maintaining a work/life balance. In addition to expansion, I want to continue to bolster the support infrastructure we provide to our current employees and franchisees so they have all the necessary tools at their disposal to help make them successful. Another goal—and one that is deeply important to me—is the expansion of the Footprints Floorings' First Fruits Fund. We're in the early stages of organizational development, but our ultimate goal is to donate 25% of our profits to other like-minded, nonprofit organizations—namely, ones that provide adoptive care for orphans.

How has the economy changed your goals for your company? We have tempered our goals, but we have continued to pursue rapid growth despite the economic slowdown.

How do you measure success? We show up on time, we call people back, and we do what we say we are going to do. And that has been enough to make us a leader in our segment. There really is no magic to it. I've done probably 12,000 estimates, and I must have been asked 9,000 times why the prospective client should choose us. My answer is always that we are good at what we do, but, more importantly, we do exactly what we say we are going to do. No surprises. And if anything goes wrong, we make it right. That's our not-so-secret sauce.

What has been your greatest success? My marriage and my family have been my greatest successes. They are the foundation of everything else we've built, so I owe it all to them and the support system we've created together.

Any regrets? I can't say I have any regrets necessarily, but there are a few things I wish I had known before starting out. 1) I wish I had known just how much work it would be! I think people often underestimate what it takes to start a business. When I reflect on those early years, I can't imagine finding the energy to do it again. Then again, maybe it's better I didn't know that. Naiveté can be a big asset in that respect. 2) I wish I had known just how rare integrity is. For employers in almost every industry, finding people who can commit to showing up and doing good work is difficult. When I was younger, I assumed that was much more common than it is. 3) I wish I had worked with more experienced people in my industry. Now that I'm older, I realize there is a real desire among industry veterans to share their knowledge and team up with younger people. I wish I had tapped into that wisdom and support available to me. 4) I wish I had known that not every challenge is a doomsday scenario. When I was younger, I would get so scared of people quitting on me or a job going south. I always thought, "This will be the end. This will sink my business." Even a bad review would send me spiraling. Years later, I realize that these things are part of running any business, and you just have to keep pushing forward. 5) Probably the most important thing I've learned over the years, and the thing that everyone should learn as early as possible, is that you have to be intentional about spending time with your family. If you don't make a point of being present and holding that part of your life as sacred, it will fly by, and you can never get it back.

What can we expect from your company in the next 12 to 18 months? Things are going extremely well for us today. All the grit and hard work that got us through those early days resulted in a rock-solid foundation for our business. We are lean, mean, and very profitable. You can expect us to continue our franchise expansion nationwide. And as I mentioned, we are also launching a fund where we are donating 25% of our profits to nonprofit organizations in our community and around the world. We're hoping to really have a huge effect and influence on the nonprofit community, and we'll have more information on this soon. ■

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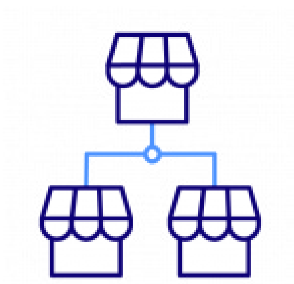

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CHRIS MCCUISTON

TITLE: CO-FOUNDER AND CEO
COMPANY: GOLDFISH SWIM SCHOOL
UNITS: 133
AGE: 42
YEARS IN FRANCHISING: 16
YEARS IN CURRENT POSITION: 16

LEADING WITH INTEGRITY

Looking to double up by 2024

Written by **KERRY PIPES**

Chris McCuiston's journey has taken him from the baseball diamond to the kiddie pool.

Following a successful baseball career at Michigan State University, McCuiston and his wife, Jenny, founded Goldfish Swim School in 2006. The school provides swim lessons and water safety instruction for infants up to adolescents and today has 133 open locations in more than 30 states and Canada.

As CEO, McCuiston says his background in team sports and his business degree are critical factors in his success as a franchise leader, and that his people-focused approach has been a key part of building successful teams and relationships, from the corporate office to the franchisees.

"We put team culture at the center of everything we do. People are inspired, valued, and encouraged to grow," says the 42-year-old. "Being in an environment of people committed to making a difference continues to inspire me."

Of course, it doesn't hurt that the brand has a proven concept with state-of-the-art facilities, high customer service standards, and a proprietary learn-to-swim curriculum. But for McCuiston, success always comes back to people and a team approach. "We aim to hire top talent, putting the right people in the right seats," he says. "I cast the vision for the company and then get out of the way."

Like any passionate CEO, McCuiston is excited about the future, and his goal is to make Goldfish Swim School the largest swim school provider in North America.

So what's on the horizon for this growing brand? "We hope to have 260 schools operating by the end of 2024, and grow our international presence," he says.

LEADERSHIP

What is your role as CEO? I have the honor of building a cohesive leadership team, casting a vision for the company, inspiring the franchise support team, building and maintaining a strong company culture, overseeing large brand relationships, and problem-solving major issues affecting the franchise business.

HAVING DEALT WITH OPERATING A BUSINESS DURING THE PANDEMIC, I'VE LEARNED TO LEAD WITH MORE COMPASSION AND EMPATHY. I'VE ALSO BECOME MORE GRATEFUL FOR WHAT WE HAVE, BUT WITH THE DESIRE TO CONTINUE TO DO EVEN BETTER.

How has Covid-19 affected the way you have led your brand? Having dealt with operating a business during the pandemic, I've learned to lead with more compassion and empathy. I've also become more grateful for what we have, but with the desire to continue to do even better—whether that's being more efficient in how we operate and spend, or how we encourage new ideas from the team to improve their work/life balance or accomplish their goals and tasks.

Describe your leadership style. My style is leading with integrity, compassion, and trust. I cast the vision for the company and then get out of the way to let my team of hungry, humble, and smart professionals do what they do best and bring it to life.

What has inspired your leadership style? Playing sports as a child and then throughout college led me to acknowledge that I can't do everything on my own. You play your position, need to trust the rest of the team to do their part and play their position, and then all come together to go for the win.

What is your biggest leadership challenge? Harmony is a strength of mine, so I generally want to please everyone. In a franchise, unfortunately, you can't always say yes. There are rules and there is a way we ask our franchisees to do business, so sometimes you need to have a hard conversation to make sure everyone is aligned.

How do you transmit your culture from your office to frontline employees? We build a strong culture and a healthy organization by building a cohesive leadership team, creating clarity with that team, reinforcing that clarity, and then over-communicating that clarity. We need to be an example and make sure that everyone understands the purpose of why we exist.

How can a CEO help their CMO develop and grow? Quite simply, the CEO can hire a rock star CMO, provide them with the necessary tools for success, offer them opportunities to grow and build their skill set, and then support them when they need it. You hire a leadership team to execute your vision. So if you've hired the right person for the right seat, you won't need to do much beyond trying to provide them opportunities to see extraordinary results.

Where is the best place to prepare for leadership: an MBA school or OTJ? I never went to MBA school, so I would have to say OTJ. However, having great mentors and coaches throughout the years is a huge advantage in helping you become a great leader.

Are tough decisions best taken by one person? How do you make tough decisions? Tough decisions must be communicated by one person, but those decisions are often made by a cohesive leadership team that discusses all options before the decision is communicated.

Do you want to be liked or respected? With my harmony strength, I would like to be both liked and respected. However, if I have to choose, I would prefer to be respected. Not everyone will like my decisions, but I hope that they will be respected.

Advice to CEO wannabes: Enjoy the ride, and pay attention along the way! Everything you learn to become a CEO will help you lead your teams once you get there.

MANAGEMENT

Describe your management style: I am fortunate enough to have a great president to oversee day-to-day management. I would describe my management style as compassionate with high expectations. I'm compassionate but expect extraordinary results. We have a great team that should be able to accomplish amazing results if we can stay humble and execute for the greater good of the company.

What does your management team look like? We have a highly competent leadership team that's a mix of franchise veterans and people who have had no previous franchise experience before Goldfish. They have a great passion for our mission and a skill set that helps us lead and grow. We aim to find people who get their roles, want their roles, and have the capacity to get it done.

How does your management team help you lead? Our management team is amazing at offering up their perspectives, sharing their experiences, and then discussing ways to solve problems before communicating that to our company or franchise system.

Favorite management gurus: Do you read management books? Favorite management gurus and authors include Patrick Lencioni and Gino Wickman. Both have shaped the way we lead and manage our organization.

What makes you say, "Yes, now that's why I do what I do!"? It has to be when a child goes from being deathly afraid of the water to one day not wanting to get out of the water because they love it so much.

OPERATIONS

What trends are you seeing with consumer spending habits in your business? Fortunately, we are a more recession-resistant business. Because we teach a life skill, parents continue to prioritize helping their children become safer.

How is the economy driving consumer behavior in your system? Through the rise in wages comes the ability for parents to continue to afford swim lessons for their children. With the talk of a recession, parents will consider cutting other “non-essential” expenses, while keeping safety-focused activities—like swim lessons—a part of their weekly routine.

What are you expecting from your market in the next 12 months? We currently have a strong pipeline of schools in development and are on track to open 35 to 40 schools over the next 12 months.

Are your franchisees bullish or bearish about growth and adding units? The majority of our system is bullish on our swim school industry. And the bullish franchisees are growing at a faster pace than ever.

Are commodity/supplies costs any cause for concern in your system? Yes. Our buildouts are already a sizable investment, so anytime you have the cost of construction increase, that’s a concern. Additionally, some of the in-water teaching tools that we use come from outside the U.S., so delays can cause us to have to move fast to find suitable alternatives.

In what ways are political/global issues affecting the market and your brand? Global issues will always affect the sourcing of the best products to run our business. As far as politics, we are always concerned with taking good care of our people and franchisees, and sometimes politics can get in the way of running a successful small business. Labor issues and how employees are defined in a franchise organization can sometimes be muddied.

PERSONAL

What time do you like to be at your desk? I arrive at my desk around 8:30 or 9 a.m., after dropping our four sons off at school.

Exercise in the morning? Wine with lunch? I exercise after work while the kids are at swim practice, and I have wine with dinner. Wine at lunch is for the weekends or during vacation for me. During the week, it’s all business!

Do you socialize with your team after work/outside the office? Yes, but mainly after quarterly planning sessions, team-building activities, or at conferences.

Last two books read: *The Advantage* and *Five Dysfunctions of a Team* by Patrick Lencioni.

What technology do you take on the road? Everything Apple: iPhone, MacBook Pro, iPad Pro.

How do you relax/balance life and work? A mix between family time, golf, time at the lake, and date nights with my wife!

Favorite vacation destination: Maui, Hawaii.

Favorite occasions to send employees notes: Birthdays and work anniversaries. Birthdays are always a special day for someone, and I like to recognize years of service. We are grateful for the team that we have, and I want to acknowledge their commitment to the brand.

Favorite company product/service: Our parent/tot mini-lessons. Not only is it amazing to see these young children and parents bond in the water, these classes are the foundation for the learn-to-swim process and the backbone of our business. The more success we have with the youngest age group lessons, the safer children will be, and the more successful we will be toward our mission.

BOTTOM LINE

What are your long-term goals for the company? We hope to have 260 schools operating by the end of 2024, as well as more of an international presence. We currently have two locations in Ontario, Canada, and I believe that we can increase that number dramatically.

How has the economy changed your goals for your company? The economy hasn’t changed the goals for our company as far as the total quantity of locations is concerned. It has just helped us become more realistic about how quickly we can open up schools.

Where can capital be found these days? We have a strong network and mix of local and big banks, as well as ApplePie Capital and the SBA supporting our franchisees.

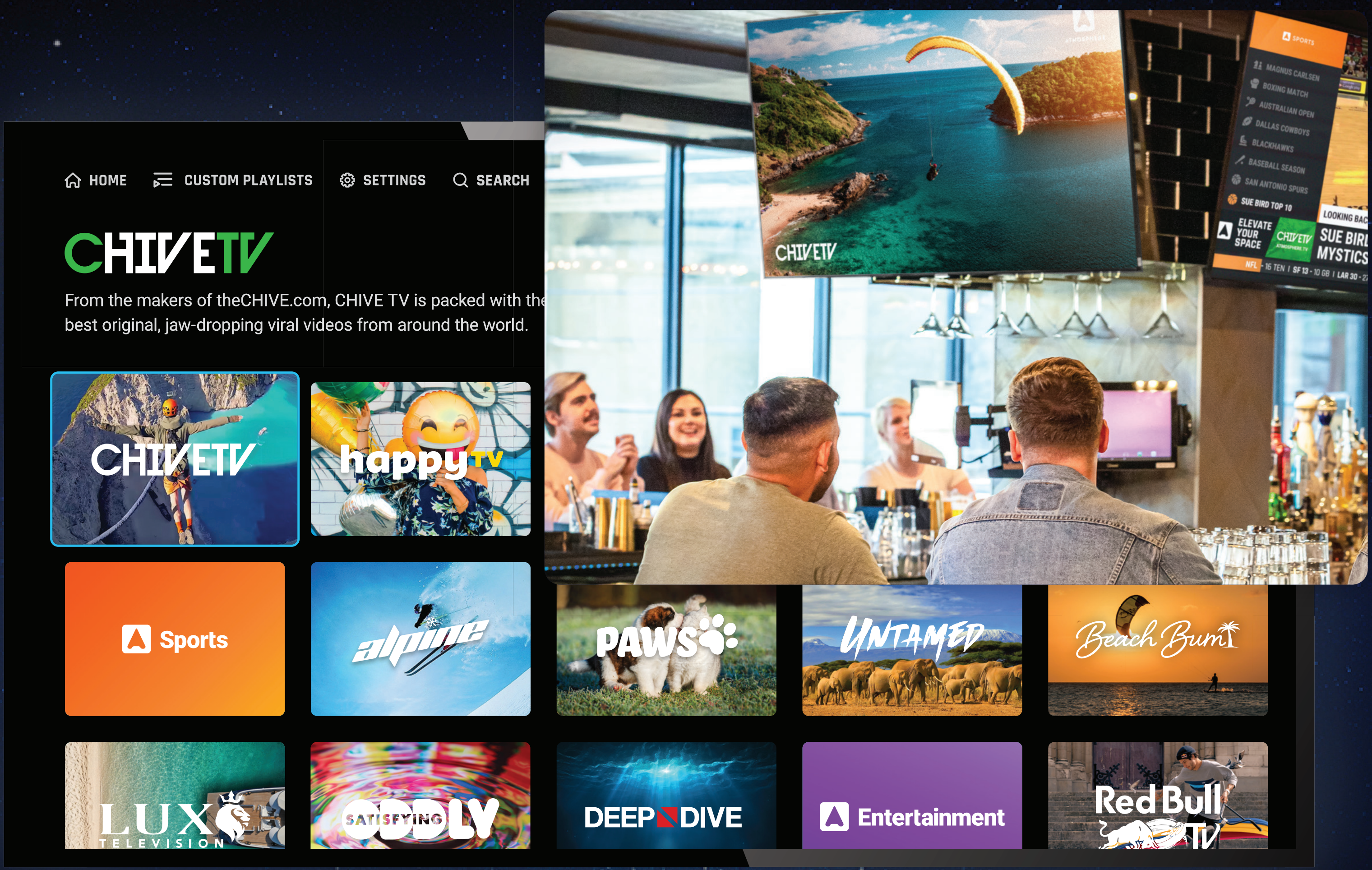
How do you measure success? By the number of existing franchisees adding schools to their portfolios, as well as by new franchisees coming into our brand from other reputable franchise brands much larger than ours. If you have a good model and a good reputation for supporting franchisees, you’ll attract quality franchisees.

What has been your greatest success? Starting a business and a family with my wife. She has been my rock. I call her my “oracle” because she has always had such a clear vision for this brand, and she is incredibly wise. She is also the CEO of our household and does a wonderful job being a leader to our four young boys.

Any regrets? No regrets. Everything works out how it should and we are here by the grace of God. It’s easy to look back and wish I had made different decisions along the way, but I’m very thankful for where I’m at, and I take nothing for granted.

What can we expect from your company in the next 12 to 18 months? We plan to open more than 70 schools over the next 12 to 24 months and continue to remain committed to our vision of opening more than 260 schools by 2024. The only changes you’ll see are different annual goals, but we will continue to live by our core values, build a cohesive team, and nurture an amazing culture with our franchisees. ■

ATMOSPHERE



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Stand Up for Franchising

Your voice matters, now more than ever

Written By
MATT HALLER

Your voice, your engagement, and your collective impact on policymaking have been a consistent theme in my updates this year. I'm back once more to relay the story of one of the most pivotal efforts for franchising in California, what it means for franchise businesses, and how it may come to your state next year.

Now more than ever, your voice is needed—both to advocate and to educate. Your voice matters for many reasons, but one simple truth rises above the rest: residents of the communities you serve almost certainly know more franchise employees than they do franchise owners.

However, too few in our country know—let alone understand—how the franchise business model works. Yet our elected officials are charged with making policy decisions that directly impact your day-to-day business, your employees, and the people you serve. Regardless of your political engagement or views, nobody can deny that lawmakers in Washington or your own state capital or city council need a better education about franchising—and they need to hear it from you on a continuing basis.

At the end of August, California Assembly Bill 257, or the FAST Recovery Act, passed the state senate and was signed into law on Labor Day. This bill is one of the single most detrimental bills to franchising, singling out the quick-service restaurant sector by establishing an unelected board of political appointees to set wages and labor standards for any establishment with more than 100 locations nationwide and a mandatory minimum hourly wage of up to $22 by next year.

How did we get here?
And, more importantly, what does it mean for you and your franchise business?

California lawmakers attempted in 2021 to introduce an earlier version of the FAST Act, but it never saw the light of day because its reckless nature would have led to irreparable damage to local quick-service restaurants, employees, and customers. However, nearly 8 months later, California lawmakers saw a window to revive the bill in the following legislative session. While the bill is much improved in some ways (such as removal of the joint employer liability provisions), it was signed into law, despite fierce opposition. IFA members, especially the franchisees who would be affected most, went all in to ensure that California senators understood the ramifications that could arise if this bill came up for a vote.

The IFA predicts that the costs associated with this bill could increase prices for California restaurant customers by about 20%, with some businesses saying it could be as much as 40%. One IFA member predicts operational costs could rise by $450,000 per unit per year. Yet, the voice of special interests prevailed—and the governor signed the bill into law.

However, the larger issue from here is that what happens in California does not stay in California.

Service Employees International Union President Mary Kay Henry recently said she hopes the bill will inspire similar measures across the U.S. We know that it already has. Concerning to both small business owners and consumers nationwide, six states have already indicated similar efforts are under way. Henry describes it as a "watershed moment" for collective bargaining in the quick-service industry and organized labor's efforts to transform the franchise sector and take away individual business ownership opportunities. New York, Oregon, Washington, Illinois, New Jersey, and Hawaii are some of the next targets for this, with eyes on many more.

AB 257 is a wake-up call
The model put in place by the FAST Act in California should be a wake-up call not only for other states, but also for other sectors.

In rare agreement, the editorial boards of the Wall Street Journal, Washington Post, and Bloomberg all decried the bill. As the Washington Post wrote, "Other states considering adopting California's model should listen to concerns from business owners and anxious employees, and find better ways to support vulnerable workers." Bloomberg called it a "terrible idea."

This entire effort was based on the false notion that labor violations are more rampant in the quick-service sector than in others. However, the state's own data shows that only 1.6% of labor violation claims occurred in limited-service restaurants, less than the sector's own share of employment.

We know that franchises pay higher wages, offer better benefits, train better, and provide career paths, but not enough people outside of franchising do. This singling out of one sector—primarily composed of one business model—shows the target painted on the back of franchising. Franchising is one of the single-greatest forces advancing entrepreneurial opportunity, yet too few understand how it works.

While it may all seem like all bad news, it is not too late. The IFA is working to give California voters the chance to have a say in whether or not they want to face higher prices, job losses, and reduced opportunity for business ownership.

The next step starts with you sharing your good news story everywhere you go. Educate lawmakers on the opportunities you create, the ways you serve the communities where you operate, and how franchising has helped millions achieve the American Dream. You are already doing the hard work. It's time to take the credit. ■

Matt Haller is CEO of the International Franchise Association.

Expert Witness

Lessons from a litigation expert

Written By
MICHAEL SEID

For 25 years, I've spent part of my time as a testifying or consulting litigation expert in the U.S. and internationally and am told by litigators that I'm very effective. But experience and expertise aren't enough to be an asset to the court. I've seen equally competent experts damage their reputations and be excluded from cases.

Understand your role

Your purpose in litigation is to clarify, explain, and assist the court to better understand the facts, based on your expertise, industry experience, and the generally accepted standards and practices in your field. You're neither an advocate nor a fact witness.

Understand what opinions the lawyers are looking for. While litigators may be skilled, they often don't have a deep understanding of how franchising actually works. Ask questions and get comfortable with the issues. Ensure up front that you don't have any conflicts of interest, disclose whether you've ever worked for or been hired as an expert for the opposing side, and whether (and why) any of your previous opinions have been stricken or limited by any court.

Gain an understanding of the issues by reviewing the pleadings and asking questions. Only when you're comfortable that you can support the lawyer's case should you accept any litigation assignment. As you review additional material, opinions you thought you could offer may not be supported by the facts of the case. When that occurs, your opinions will have to change. The result may be that your participation in the case must end.

Understand your scope

As a litigation expert, you must stay in your lane. If you offer conclusions that only the trier of fact is empowered to issue, your opinions will be excluded. Your role is not to win the case, and maintaining your credibility is important to the lawyer who engaged you (and to every future lawyer you may work with).

Consistency is essential. The lawyers challenging your opinions may have collected every article, PowerPoint, social media post, expert report, deposition, and trial testimony you've ever made. If you or any of your opinions have been excluded in previous cases, they'll know. If your opinions haven't been consistent, they'll know that, too.

Read the case material

In every case, there will be a lot of material you might review. Good litigation counsel will help you sort out the documents that will affect your opinions. If you think there are other documents that are important, determine if they are available.

If you request an available document and the attorney refuses to provide it—with limited exceptions and without a very valid reason—it may be necessary to exit the engagement. Opposing counsel will likely have those documents and will use them to impeach you and your opinions. Being blindsided is unpleasant, unnecessary, and unproductive both for the case and your credibility.

Writing your expert report

If your engagement requires an expert report, it must include all of your opinions and the supported basis for them. Stay within the scope of your opinions. In general, your expert report should contain your CV detailing your qualifications; the articles and publications you've authored in the past 10 years; your trial and deposition testimony over the past 4 years; the compensation for your engagement; the information you've considered and the documents you've reviewed in preparing your report; your opinions and your basis of support; and your signature and the date of your report.

If you cite outside resources in your report, include those as footnotes and provide copies of any material you relied on to legal counsel.

Understand the purpose of your report. If it's an initial report, focus on the scope agreed upon with legal counsel. If it's a rebuttal report, focus on rebutting the other expert's report, not adding opinions that may get your report excluded.

The reader of your report may not understand industry jargon or may have a different understanding of its meaning. Write clearly and define, with sources, the terms you use. Make certain your report flows logically, and that the opinions you provide are supported.

Deposition and testimony

It's hard to say "I don't know." After all, an expert is supposed to know everything. But you don't, and it doesn't hurt your credibility to say so. It's hard not to have an opinion on most things in your field. Even when you do, if the question is outside the scope of the opinions, your answer should be, "It is outside the scope of my opinions." Opposing counsel may repeat questions hoping for an answer they like, but remember to stay within the scope of the opinions.

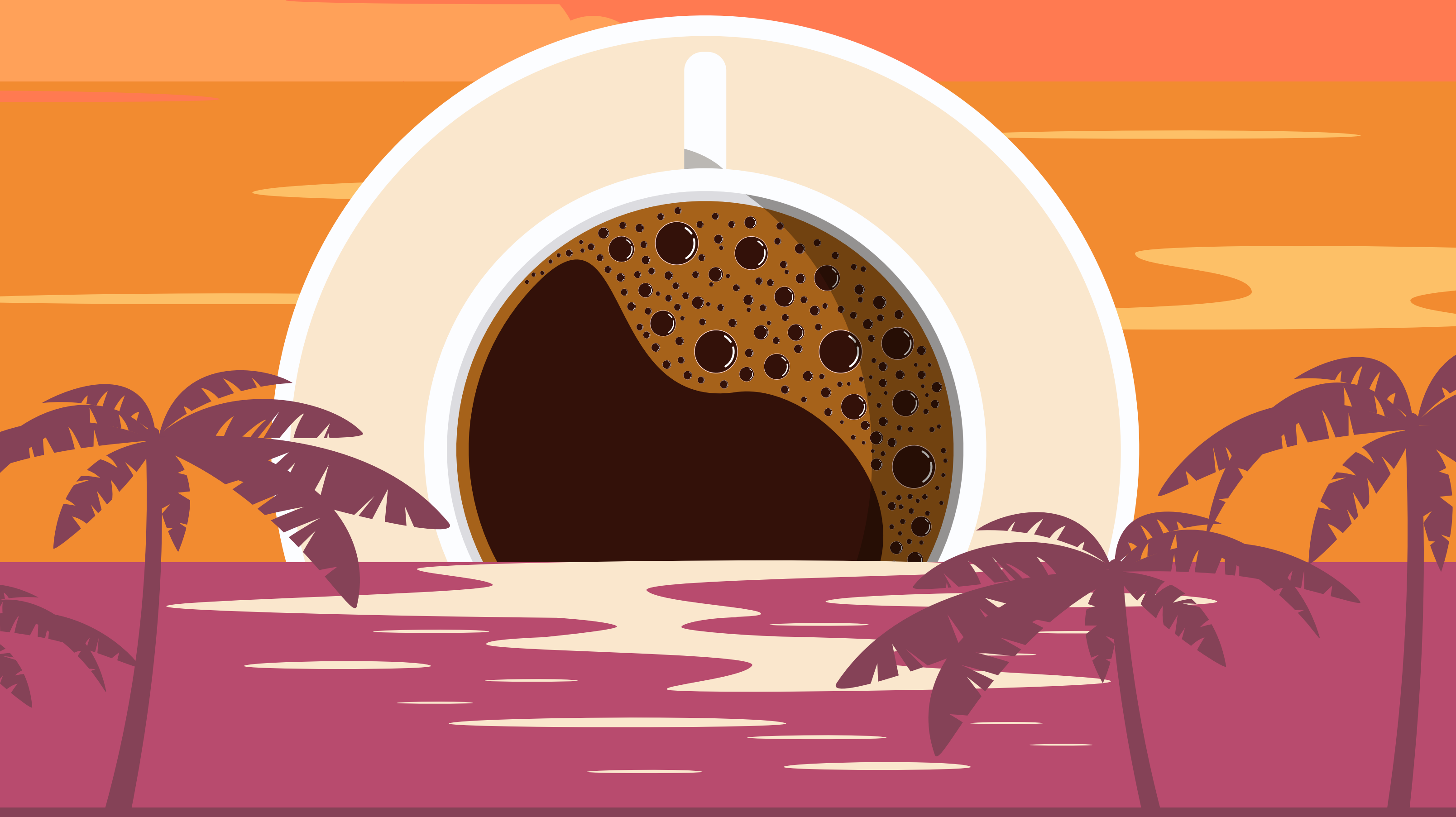
Most attorneys will prepare questions for you, including those they anticipate opposing counsel will ask. Examination by the attorney you've been working with will be relatively easy. That's not likely with opposing counsel, where depositions and trial testimony can feel like a boxing match. Read depositions and testimony taken by the opposing attorney to understand their style.

How you conduct yourself during your testimony is as important as the opinions you provide. If it's a jury trial, speak directly to the jury. They'll judge what you say and how easy it is for them to understand your opinions, as well as your tone, posture, outfit, and professionalism. A smile goes a long way in a trial.

Last, when working on a case, it often feels that you and the lawyers are on the same team. To an extent, you are. But while you were asked to be an expert because your opinions support their arguments and trial strategy, you're not an advocate and are compensated for your time, not for the results of the case. Understanding your role and staying true to your professionalism and ethics will make you a better, more effective, and more sought-out litigation expert. ■

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.

Coffee With a Kick



Written by **KERRY PIPES**

Chris Ruszkowski describes himself as the "Bad Ass storyteller." That's because, he says, "Not only do I get to promote some of the best-tasting coffee in the world, I also get to promote products that come from one of the most fantastic places in the world: Hawaii."

To be clear, he's senior vice president of marketing for Bad Ass Coffee of Hawaii, a growing coffee brand known for its premium sourcing, roasting, and high-quality blends. In his role, Ruszkowski oversees the brand's marketing communications, vision, and advertising planning, including social media and local store marketing for every Bad Ass Coffee franchisee. With more than two decades of experience with brands including Quiznos, McDonald's, Breckenridge Brewing, and Einstein Bros., he's no stranger to marketing.

Bad Ass Coffee of Hawaii has been brewing great coffee and growing a cult following for more than 30 years. "People remember us from vacations spent in Hawaii, Florida, and Virginia Beach, to name a few," says Ruszkowski, who's headed up marketing for the brand since early 2020. "Our name is very recognizable and disruptive. As a marketer, you couldn't ask for more."

Ruszkowski says he approaches his job with a data-first mentality. "We get excited when we hear data. Data equals insights," he says. "We rolled out a new POS in 2021, and the data from that and our loyalty platform allows us to understand what is going on with menu mix, pricing, and merchandise sales trends—all from dashboards at our fingertips."

He's introduced strategies that have resulted in aggressive sales growth and double-digit jumps in annual average unit volume sales over the past 2 years. The brand now has more than 20 franchise locations, with another 70 shops in various stages of development.

"We're entering an era of rapid growth and are looking to double our nationwide store count by 2023," says Ruszkowski. That's Bad Ass.

Describe your role as SVP of marketing: I have one of the best jobs in the world. Bad Ass Coffee of Hawaii has been growing a cult of brand loyalists for more than 30 years, and that plays nicely into our growth strategy. Not only is the name attention-grabbing, it comes from a place of legends. Bad Ass Coffee of Hawaii pays tribute to the hardworking donkeys that carried the coffee down the steep volcanic mountainsides. I lead a team that oversees brand voice and marketing strategy. Our goal is simple: Grow awareness and sales growth for our family of stores, while supporting our franchisees. This ranges from grand openings to brand loyalty, social, product promotion, design, and more.

What's the most challenging part of being the head of marketing today? The challenges today are the same as when I started on the advertising agency side at McCann Erickson decades ago: Define and defend your market position, and find the best ways to reach your audience. This leads to keeping up with the mediums (technology) that will most effectively reach our customers. Understanding who your customers are is only part of the equation. Knowing how and when to reach them is the key to success.

How has Covid-19 affected the way you've led your brand's marketing efforts? We have learned to appreciate flexibility. In early 2020, we identified a need to improve our loyalty and mobile ordering offerings for our franchise base and customers. We also started menu innovation that streamlined SKUs and supported items that deliver great experiences and can travel well. By focusing on these two elements, we were able to provide our franchisees with the competitive tools that customers are looking for, especially as Covid-19 changed ordering habits and expectations.

What are the 3 most important keys to being an effective marketing leader today? 1) Customer. Understand your customer and how they compare to and differ from those of your closest competitors. Learn how to lean into the offerings and positioning that differentiate you from the competition. 2) Competition. Understand the competitive landscape and find ways that your team can experience and see what is going on out there beyond a digital screen. While understanding the competitive landscape, never ignore gaining insights into indirect competition. 3) Marketing technology. ABL: Always Be Learning. Marketing technology moves fast. It continues to be important to understand where it's going as it relates to your customers' expectations, and to determine what's best for our franchise owners.

How do you prepare a marketing plan and execute the strategies? As we set our goals related to marketing plans, I like to start from the inside out. Success starts at the store location and works outward. We begin with the four-walls, in-store experience and move into the store's four surrounding blocks. Then we reach out within approximately 4 miles of the stores—the Bad Ass 4x4x4 LSM approach. In basic terms, local store marketing is at the center of all our efforts to build sales. Today's version of local store marketing starts with digital—a focus on smartphones and being found at the right times, by the right people. This can evolve into many tactics that build on our strategy. We place importance on proximity marketing, search, and extending into geo-based digital buys. Within the store, we will rely on our staff to aid in the growth of loyalty numbers and to support limited-time seasonal product messages throughout the year.

How do you measure marketing results and effectiveness? We obviously start with tracking store sales. Then we look at sales during times of promotion and advertising. We also put a strong focus on growing our loyalty database, so the percentage of loyalty guests per store is something we'll closely watch. Last, we're encouraged to track and see growth associated with our online ordering at the store level.

How do you go about creating a customer-centric marketing and brand philosophy? It's important to understand our customers and the insights around how they're using and interacting with Bad Ass Coffee of Hawaii. In the coffee category, we know that our premium Hawaiian coffee is a big reason they fall in love with our brand. However, we recognize that customers are busy, pressed for time, and seek out efficient and consistent buying experiences. Therefore, we made a commitment to building our loyalty and online ordering program, which puts the customers at the center of decision-making. Last, we understand that customer psychographics, demographics, and behaviors are different across our locations, which are open from as far west as Hawaii and east to Florida. We'll look to understand our stores' customers at the local level and look for common threads that we can use for insights.

Describe your marketing team and the role each plays. We have a team dedicated to the franchise stores' success. They focus on grand openings, store promotions, product launches, and

local store market advertising, including digital and proximity marketing. We also have a customer service lead that helps with questions that come in from social platforms. Last, we have team members dedicated to growing our retail merchandise items, such as Bad Ass Coffee of Hawaii shirts, drinkware, and more.

Why is it so important for the marketing department to have a personal touch when it comes to helping the brand connect with franchise prospects? The marketing department plays a key role in the storytelling of the brand. There are direct connections to understanding our customers and how to communicate our brand positioning to them. As franchise owners open stores, they become the voice of the brand in their communities, and the marketing team helps to get them comfortable with our story and how they can make a local impact. Beyond understanding and feeling passionate about our brand story, we want prospects to truly understand what we do for them, and what they need to do for themselves to be successful. All this can be achieved when the marketing department has one-on-one conversations with prospects.

How does this help your franchise sales and development effort? From the development side, our prospective franchisees know that we're looking for people who embrace our brand story and core values. During the discovery phase of the sales process, they're able to evaluate their ability to connect to our brand. Finding the *right* candidate matters. We're selective in the process and we want our prospects to be, too.

What ways/tools do you rely on to do this? Our high-touch, individualized approach gives us an opportunity to interact with and get to know our candidates. Beyond that, we're able to tout our multi-layered marketing programs. Of course, a key element to that is local marketing, so we spend extra time ensuring they understand how our team will provide a marketing road map that will ultimately help contribute to their success.

Do today's prospects expect more from the franchise marketing department? What, and how do you provide it? Not necessarily more, but they rely on the marketing department for ongoing guidance, especially around marketing technologies. As mentioned earlier, our markets differ across the country, and we rely on our stores to understand the market opportunities that may work best. Then it is our job to partner with them to provide solutions.

Describe the evolving role of social media in your brand's marketing efforts. Humans are interactive. Social media has opened new doors for brand engagements, and we value that. Social media allows direct lines to customer insights and allows for responsive messaging. It's an always-on medium and we understand its role and how important it can be, especially in responding to guests. We have a tool that allows our marketing team and franchise owners to see a central dashboard of reviews. We can then reply to and engage with those on a timely basis, all contributing to our strong customer relations and guest loyalty.

How do you work with other internal departments, and does technology help? Marketing plays a key role in the overall strategic direction of the brand, which makes working with other internal departments essential. We are an *ohana* (family) and need to stay connected. Therefore, we do rely heavily on technology and in-person interaction to communicate and align on strategy.

Do you see vendors as business partners? Why/why not? Partners. As mentioned, technology moves fast. We can't keep up with the trends alone and expect our business partners to bring us insights specific to their areas of concentration. I like taking calculated risks, but I want to be sure I'm partnering with companies that have my back and base their recommendations on insights they have proven or invested research in, to better understand the place in the market.

What advice would you offer to aspiring marketing executives? Take advantage of getting diverse marketing experiences early in your career. I started my marketing career working at advertising agencies. That allowed me to get experience working in various categories, ranging from pharmaceuticals and technology to financial and packaged goods, and even tourism. On the agency side, I also got experience with brands like McDonald's, Einstein Bros., and Breckenridge Brewing. It was my experiences working with restaurant clients that made me realize that I loved the restaurant category. In short, get experiences that will lead you to a career that gives you flexibility and experience in an area that you love. ■

Q How do you determine which marketing channels are getting the best ROI for your brand's franchise recruiting?

JACKIE WOODWARD
Chief Marketing Officer
Bojangles

With nearly 800 restaurants in 14 states, Bojangles is a leader in the QSR and chicken space. That said, our industry is quite competitive, so we must be innovative—as well as nimble—to ensure we're using the right channels to communicate our message to prospective franchisees.

With so many exciting things happening with our brand, it's critical that we leverage the right tools and channels to get in front of single- and multi-unit operators who will help us grow in target markets across the country. As you've probably seen, we're beginning to expand into new markets. So while we're focused on driving consumer awareness, we also must educate franchisees within those DMAs, as they likely aren't as familiar with our brand as our operators in the South.

Those challenges present opportunities. To recruit franchisees in new and existing markets we use tools such as PPC, email marketing, and print and digital advertising. Additionally, our sales and development team attends the right conferences and trade shows to showcase our differentiators, which include the food, potential revenue, our new Genesis restaurant design, and support from the corporate team, as well as other important points of interest.

Additionally, while we do use more traditional channels to market to franchisees, Bojangles is unique in how our consumer marketing can affect lead generation. Our brand is a leader in sports marketing, which includes our focus on tailgate season. Right now, we're in the middle of our first Tailgate Tour and have partnered with several colleges and universities to relaunch our team-themed Big Bo Boxes.

We're also very involved in NIL (name, image, likeness) and have partnered with many collegiate student athletes to help build brand awareness. These exciting marketing initiatives grab the attention of prospective franchisees in new and existing markets. When we combine our consumer focus with the B2B marketing strategy, we begin to see lots of interest and build franchise momentum across the country.

While our strategy is working and we're seeing ROI, we remain innovative and will continue to identify new ways to connect with operators. We're using marketing channels that deliver a return, but we have to seek ways to push the envelope to ensure our marketing strategies don't go stale, and that we're effectively communicating what makes us the leader in chicken and biscuits. ■

> To approach ROI, we analyze cost-per-lead and cost-per-deal metrics, as well as lead quality through stages of the development funnel. We also test and learn. This enables us to build a healthy recruitment marketing plan that combines proven channels with new ideas.

APRIL ANSLINGER

Global Chief Marketing Officer
Self Esteem Brands

Self Esteem Brands is composed of four franchise brands and more than 5,000 units across the globe on all seven continents. Our franchise brands include Anytime Fitness, Basecamp Fitness, Waxing The City, and The Bar Method, as well as a direct-to-consumer nutrition brand, Stronger U. Each is unique and at a different stage of maturity. As such, we look at ROI separately for each and invest in strategies and tactics that will drive awareness and leads. What works for one brand doesn't necessarily work for another.

To approach ROI, we analyze cost-per-lead and cost-per-deal metrics, as well as lead quality through stages of the development funnel. We also test and learn. This enables us to build a healthy recruitment marketing plan that combines proven channels with new ideas.

The approach used for Anytime Fitness will differ from the studio brands because of its size. Basecamp Fitness, for instance, is an emerging, innovative brand that fits in the HIIT/boot camp space, so recruiting expectations aren't comparable to our larger brands. From a channel perspective, we see less search demand for "Basecamp," so we must be aggressive with unbranded and challenger search terms.

We take a different approach with Waxing The City and The Bar Method. With Waxing The City, we're focused on finding investor-owners looking to hire staff to run daily operations for multiple locations. Waxing is not top-of-mind with entrepreneurs, however. Therefore, we focus marketing and PR messages that sell the category, then differentiate Waxing The City from competitors. With The Bar Method, we've had success finding owners within our member base, so we develop that messaging and use high ROI channels to push this narrative.

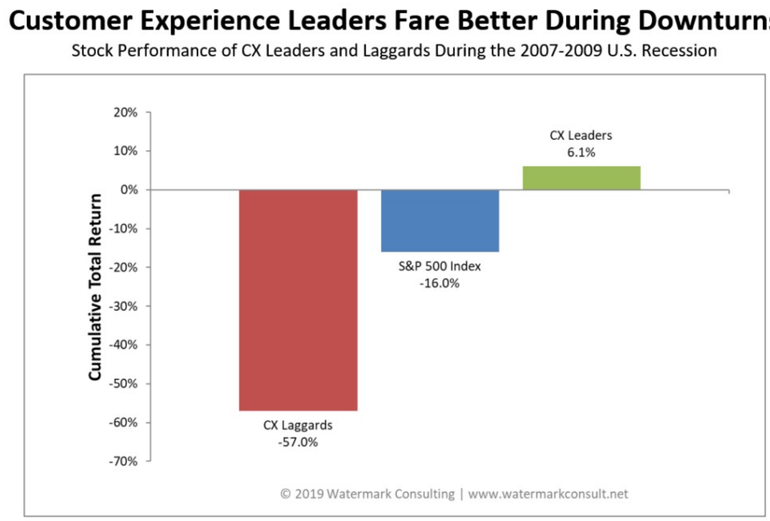
On all brands we approach our franchise recruiting efforts with humility. We try new ideas and carve out budget to test and learn. For instance, trade shows have not been as effective for us as pre-pandemic, but we aren't giving up. We know the power of face-to-face interaction.

We are also looking at different ways to sell the portfolio. We have existing franchisees who diversify their portfolio with our brands. We also want to find prospective owners who are interested in our mission "to improve the self-esteem of the world" and build a diverse portfolio from our collection of brands. That's what franchising is really about—finding entrepreneurs who believe in our mission and helping them change people's lives. ■

The Customer Connection

Great CX brands outperform—in any economy

Written By
JOHN DIJULIUS



"The companies that don't invest in customer experience are the ones where their leaders don't understand the financial impact CX can have."

How do companies outperform competitors and the stock market by significant margins—in any economy? By being customer experience leaders in their industries, that's how!

Make no mistake, there's a direct correlation between love, loyalty, and profitability. According to Bain & Co., companies achieving the highest Net Promotor Scores (NPS) in their industry consistently beat the stock market over the past decade, with annual returns of more than 26%.

When brands decide to make the experience that they deliver their single-biggest competitive advantage, the results speak for themselves. Stronger revenue growth naturally follows. Sales, profit, brand loyalty, customer referrals, and employee morale all increase, while advertising expenses and employee turnover decrease. This approach is a proven relationship builder.

In his book *Winning on Purpose,* Fred Reichheld shared an incredible comparison of two groups of companies. The first group consisted of the 11 organizations that Jim Collins focused on in his groundbreaking book *Good to Great,* which he identified as "great" based on financial criteria as the only competitive differentiator. They were compared with the NPS leaders featured around the same time in Reichheld's earlier book *The Ultimate Question 2.0.*

Bain teams examined the total shareholder return of the 11 "great" companies featured in *Good to Great* for the decade following that book's publication. Bain then performed the same analysis for the NPS leader companies from *The Ultimate Question 2.0* for the decade after that book's release—and then compared both sets of companies to the median stock market return in the decade following each book's publication.

The *Good to Great* companies delivered 40% of the median market performance, while *The Ultimate Question 2.0* NPS exemplars delivered 510% of the median return. In other words, the firms appearing "great" through the lens of financial performance only made their investors very unhappy over the decade, while investors in companies that focused on delighting their customers also delighted their investors in the next decade.

Why customer experience wins

So how did the companies that were labeled "great" in Collins' book not maintain that level? Reichheld explains it this way: "Those firms (like most companies today) gauged their success using the metrics of financial capitalism—primarily profits. When profits become the purpose, it becomes too easy for large and powerful firms to boost their financial performance by shortchanging both their customer base and their employees."

The focus is no longer on engaged employees creating positive experiences for loyal customers, or even new ones. It's an approach that can affect the entire customer journey. This business model merely extracts value, rather than creating it. It does nothing to improve relationships with customers, much less exceed customer expectations. We know that even one bad experience can lead to negative customer feedback. When bad customer experiences occur over a time period ranging from months to years, the company's investors can be the last to know.

CX counters downturns

No better point can be made than the accompanying graph from Watermark Consulting's Customer Experience (CX) ROI Study. The study analyzes the stock market performance of the top-rated customer experience companies versus the bottom-rated during the period of the last U.S. recession, from 2007 to 2009.

The worst CX companies, delivering poor customer experience, had a negative 57% ROI; many of them didn't survive. The stock market struggled at a negative 16%, while the best CX companies providing customer experience excellence posted a positive 6.1% ROI.

In today's competitive market it's clear that when considering market share and revenue goals for their companies, business leaders must include customer service training among their top investments as an essential facet of their overarching customer service mission. ■

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.

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2023 AFDR

Growing in a Recession

Written by **Eddy Goldberg**

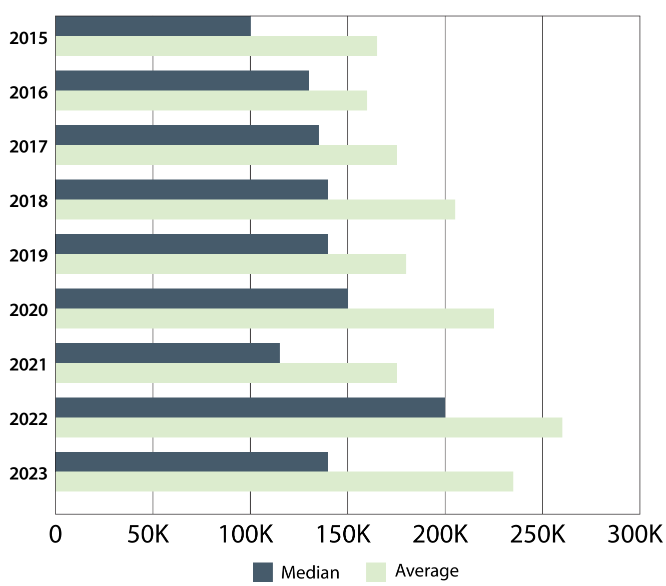
Highlights from the 2023 Annual Franchise Development Report (AFDR) were unveiled at the Franchise Leadership & Development Conference (FLDC) in October.

Participants consisted of franchisors that completed an in-depth questionnaire online. 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 for the 2023 AFDR.

A total of 101 franchisors participated, representing 21,802 franchised units and 2,044 company-owned units. Despite predictions of a recessionary year ahead, participants plan to open a total of 1,725 new franchised units in 2023.

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

Recruitment Budgets: 9-Year Trend

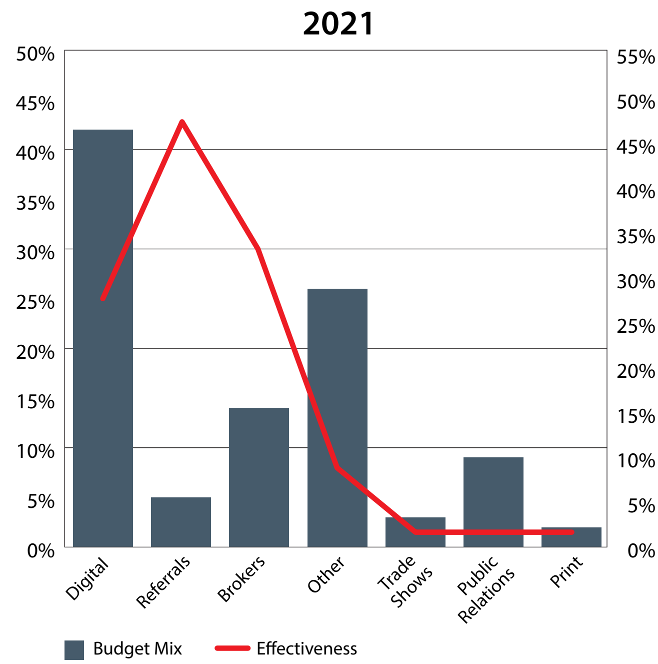


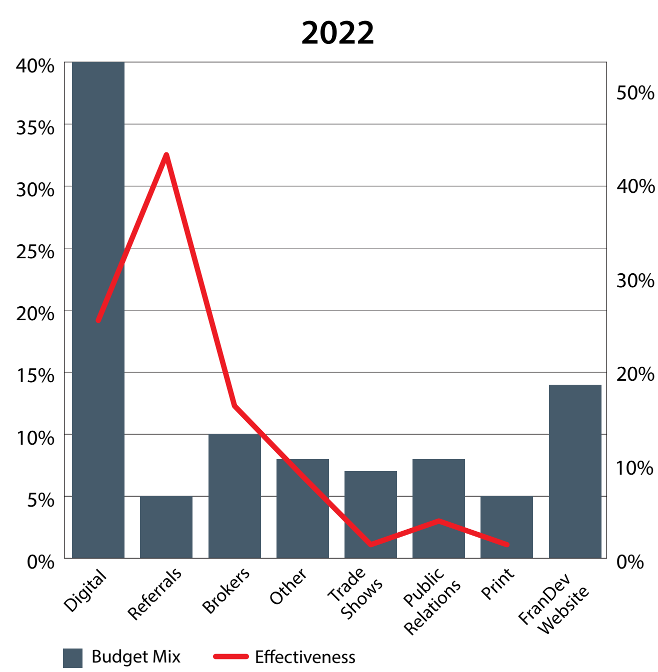
Overall, 2023's planned recruitment budgets fell YOY. It's important to note, however, that 2022 was an outlier year, with the highest median and average recruitment budgets since 2015, as franchisors recharged their recruitment budgets after trimming them severely in 2021 in Year 2 of Covid.

For reference, those 2022 recruitment budgets clocked in at the highest level ever in the report's history, averaging $261,543 with a median of $200,000. That compares with this year's average of $225,240 and median of $143,000.

Looking back a little further, this year's numbers exceeded 2021's Covid-depressed average of $174,770 and median of $120,000, and was fairly close to 2020's average of $215,173 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).

2022 Spend: Budget vs. Effectiveness





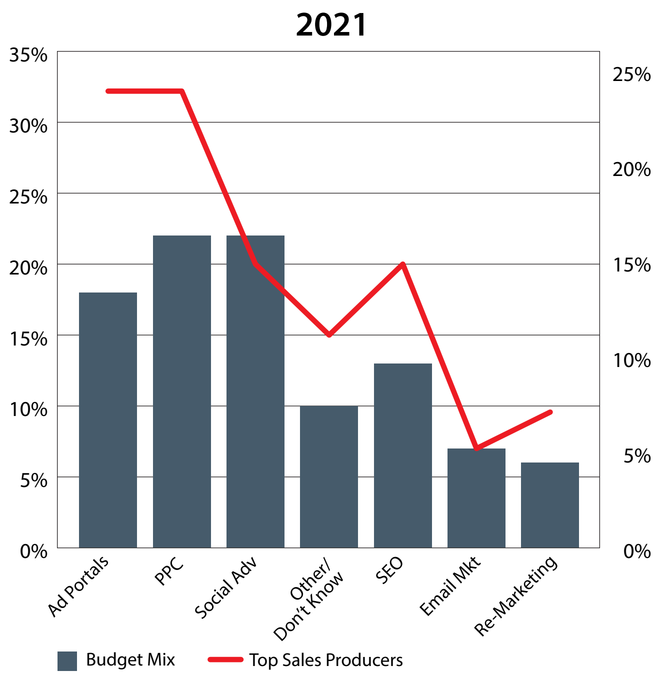
When Covid hit in early 2020, many respondents told us they'd halted lead generation activities completely. Then, in 2021, as the pandemic continued to restrict business as usual, affecting employment and customer behavior, budget allocations for digital spending (the largest category by far) fell this year, after rising from 39% in 2019 to 42% in 2020 and falling slightly to 39% in 2021.

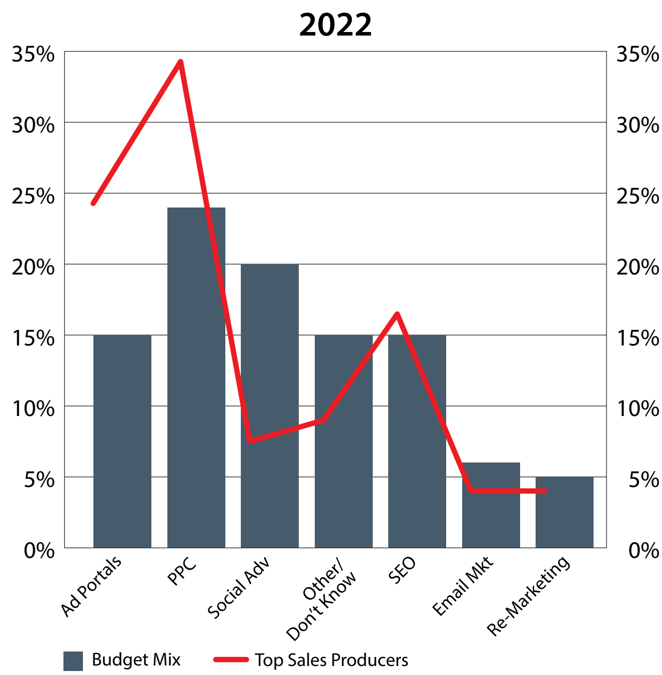
As shown in the graphic, while spending has shifted among the categories, effectiveness on the whole has dropped. One of the biggest changes this category is the YOY falloff in the effectiveness of digital spending (about 5 percentage points)—despite spending levels remaining essentially the same as a percentage of total spend.

These shifts, whether large or small, are something brands must seriously consider in determining how they allocate their online spend. The environment has changed, prospects have changed, and of course, as many say, Covid has changed everything.

Querying respondents about their frandev sites, a new category this year, accounted for 14% of brands' budget mix. ("Spend" in this category includes a brand's franchise development website but not its effectiveness, i.e., a frandev website is not a lead generator).

2022 Digital Spend: Budget vs. Effectiveness





As noted above, digital effectiveness dropped across the board in most categories from 2021 to 2022.

- Spending on advertising portals as a portion of the total digital budget dropped from 18% in 2021 to 15% in 2022; effectiveness as a sales producer remained steady at 24%.
- PPC spending remained steady at 24% of brands' digital budget mix; however, its effectiveness leapt from 24% to 34% YOY.
- Social advertising spend dipped slightly YOY from 22% to 20%, a negligible change; its effectiveness, however, plummeted YOY from 15% to 8%.
- SEO's portion of brands' digital budgets remained steady at 15% YOY, as did its effectiveness of 15%.
- Email marketing spend, which had been enjoying a resurgence in the hearts and budgets of development teams, dropped a bit YOY, from 8% to 6% of brands' budget mix; effectiveness also fell, from 8% to 4% YOY.
- Remarketing, the final category here, fell slightly from 6% to 4% YOY; effectiveness also dropped, from 6% to 4% YOY.

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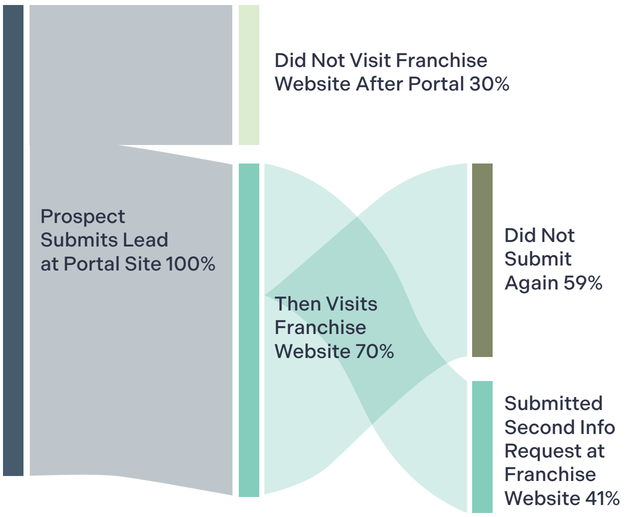
Portal Leads



This year's AFDR looked into the behavior of prospects who entered their franchise journey through a web portal. Franchise Ventures (which aggregates data from its six portal brands), reported that 70% of those who submitted lead information through a portal continued through to visit a brand's website. Of that group, 4 out of 10 (41%) submitted a second lead request.

Lead attribution is crucial in determining where to spend your recruitment dollars. Prospects often don't know for certain where they first heard of your brand. To ensure you're attributing leads as accurately as possible, ask them more than once, in different ways at different times, where they came across your brand.

Measuring Costs

- **63%**
  track cost per lead
  (vs. 50% in 2021 and 70% in 2020)
- **$155**
  average cost per lead
  (vs. $197 average in 2021 and $312 average in 2020)
- **50%**
  track cost per sale
  (vs. 44% in 2021 and 61% in 2020)
- **$10,086**
  average cost per sale
  (vs. $9,270 average in 2021 and $12,138 average in 2020)

Big picture? Cost per lead rose and cost per sale dropped. Now for some numbers.

- **Cost per lead.** Among this year's respondents, 63% said they tracked cost per lead (which means more than 1 in 3 did not!). That compares with 50% in 2021, 70% in 2020, and 79% in 2019. While this metric is up from last year, why it isn't closer to 100% leaves us baffled year after year. Pandemic disruptions aside, how can you plan a budget or evaluate its effectiveness if you don't track the outcome of your efforts?

Among those who did track cost per lead, their average spend was $155, which fell from $197 in 2021 and $312 in 2020.

- **Cost per sale.** Only half (50%) of participants tracked cost per sale. While that's up from 44% in 2021, it's down from 61% in 2020. So, half of those who took the time to fill out the AFDR online survey said they did *not* track their cost per sale. Seriously, franchisors? Really? Why not? Among those brands that did track this all-important metric, their average cost per sale of $10,086 in 2022 came in between that of 2021 ($9,270) and 2020 ($12,138).

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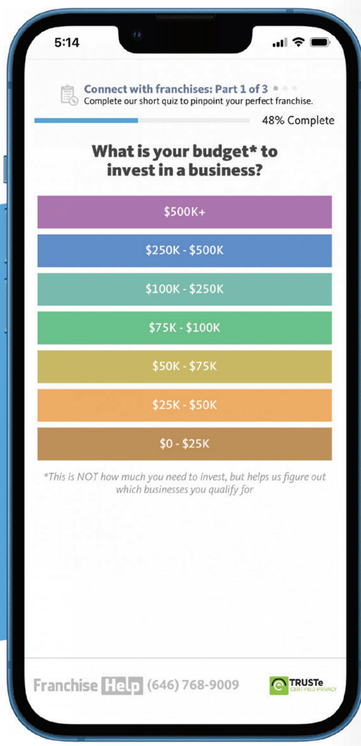

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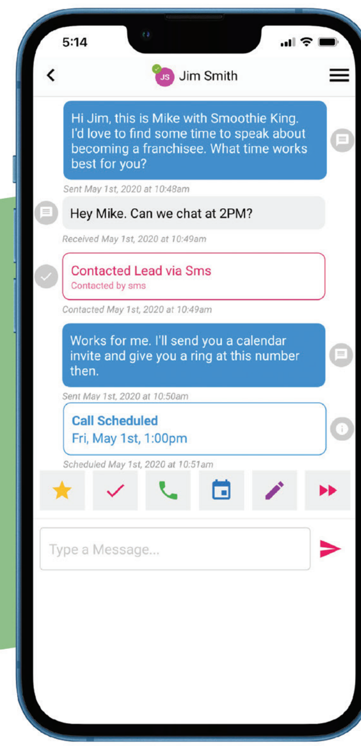

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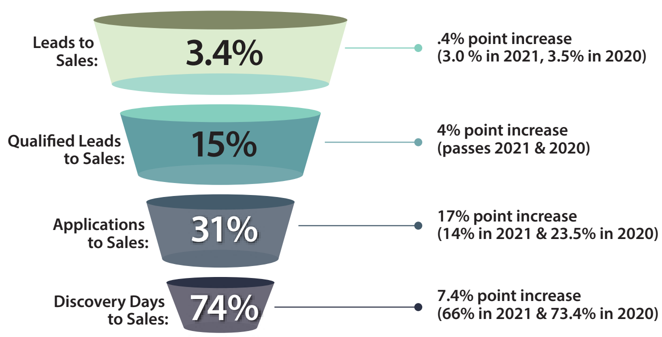
Cost per lead and cost per sale are arguably the two most important metrics in franchise recruitment. What Paul Pickett said at last year's AFDR reveal is something the presenters have been saying for years: "If you're not tracking cost per lead and cost per sale, you should be."

Finally, as we seem to wonder year after year, why 100% of franchisors don't track these two critical metrics remains a mystery—and a major reason many development departments continue to fall short of 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. Closing ratios improved slightly this year for all four categories. Lead *quality* is a huge factor here, and brands with pre-qualifiers generally reported better closing ratios than those who didn't employ them.

- Leads-to-sales ratios, which rose from 2.9% in 2019 to 3.5% in 2020 and retreated to 3% in 2021, rose slightly to 3.4% this year.
- The ratio of *qualified* leads to sales, which fell to 11% in 2021 from 13.5% in 2020 and 15% in 2019, bounced back to 15% in this year's report.
- The applications-to-sales ratio of 31% saw a huge (17%) increase this year, up from 14% last year. This year's apps-to-sales ratio also topped 2020's 23.5% and surpassed the previous peak of 26% in 2017.
- The discovery days-to-sales ratio of 74% also improved, topping last year's 66% and returning to 2020'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.

Brokers

This is the third 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. Four in 10 (39%) of brands in the survey used brokers, and 8 in 10 (81%) of them said they'd closed a deal through a broker in the past 12 months. Of those who used brokers, once they'd received a lead from a broker, 7 in 10 (69%) chose to take it from there and bring that lead through the sales process themselves.

	Use Brokers	Don't Use Brokers
Average cost per lead	$295	$155
Average cost per sale	$13,870	$10,086

About 4 in 10 respondents (37%) said they had a budget allocated specifically for broker networks, and among those who used them, the average annual marketing spend on brokers this year was $48,000.

A new category this year, Measuring Broker Networks, asked the franchisors who used brokers which of the four following metrics they tracked:

- Territory check to close: 36%
- Lead to close: 73%
- Applications to close: 45%
- Discovery day to close: 45%

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 for their services, often a steep one. We plan to continue digging further into the role and success rate of brokers in future AFDRs, our magazines, and our newsletters in 2023.

Franchisors Exceeding Goals

More than 9 out of 10 franchisors (92%) who exceeded their goals said that their lead quality was up or the same. Additionally, although 50% of those exceeding their goals used brokers, their cost per lead was still $100 less than franchise brands that fell below their annual goal. The "exceeders" also tended to close deals from multiple sources.

Among this group, metrics mattered: 83% tracked cost per lead, 82% tracked cost per sale, and 92% reported that their recruitment budget for the year either increased or stayed the same. As the old saying goes: If you can't measure it, you can't control it.

The clear leader for lead sources that led to closed deals were brands' franchise development websites. Next, in descending order, were digital sources, referrals, brokers, trade shows, email marketing, public relations, print, and direct mail.

Two other programs practiced by the "exceeders" could be of interest to brands seeking to expand their prospect pool: 73% had a formal resale program, and 67% had a program to recruit new franchisees for transfers.

Finally, we asked this group about their lead sources for closed deals. Attribution is always an elusive, moving target. Did your prospect hear about your brand on the radio? See it on TV? On a billboard while driving? Through a friend? Or maybe they ate in your restaurant, had their car repaired, or their kitchen renovated by your brand. ■

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The 2023 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? Are you paying for them? How much?
- 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 2023 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 lead and 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 quality and results of your sales and marketing campaigns.

The 2023 AFDR, with the industry's 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 www.multiunitfranchisingconference.com.

2022 FLDC

FRANCHISE LEADERSHIP & DEVELOPMENT CONFERENCE

Making Connections Count

FLDC returns to Atlanta for a sold-out event

Written by **KERRY PIPES & EDDY GOLDBERG**

For the first time in the more than 20-year history of Franchise Update's annual Franchise Leadership & Development Conference (FLDC)—and perhaps an indication of franchising's resurgence in a tough economy—registration was closed in advance because there simply was no more space available. The FLDC drew more than 550 attendees and suppliers to Atlanta in October for franchising's premier sales and development conference, which returned to the InterContinental Hotel in Buckhead. Franchise Update Media hosted the event in cooperation with the IFA.

Conference Chair Lori Merrall, director of franchise development for Sola Salon Studios and Woodhouse Day Spa, welcomed attendees, emphasizing the conference's reputation for networking, learning, and sharing opportunities. Building on this year's theme of Making Connections Count, she said, "This is an opportunity to get together with other great people in franchising. Successful people build relationships. Let's do that here!"

As ever, franchise growth and development were front and center. Meeting rooms were packed and there was a palpable buzz in the air as franchise development leaders and their teams packed the general and breakout session rooms to overflowing. Information-packed sessions led by experienced sales and development professionals are the foundation of every FLDC, with speakers sharing their expertise on timely, relevant topics and attendees bringing their questions and their own experiences to each session as well.

Keynote speaker Mike Weinberg—a consultant, coach, speaker, and best-selling author who knows a thing or two about business development and sales—shared his "sales guru" tips and tactics with attendees throughout the conference, first with a keynote address to a general session, and later by leading a sales training session with roundtables and challenge exercises. His fast-paced, no-nonsense approach to the sales process focused on helping attendees create high-performance sales teams.

The Exhibit Hall/Networking Area was sold out once again, with booths overflowing into the hallways, providing attendees with numerous opportunities to socialize and talk business with their peers. Exhibitors and suppliers helped them explore solutions, strategies, products, and services to help their businesses grow.

The conference was supported by more than 80 sponsors. Unleashed Brands was this year's Platinum Sponsor. Gold Sponsors were Hot Dish Advertising, Placer.ai, FranConnect, and Boefly. ApplePie Capital and 919 Marketing sponsored the annual STAR Awards dinner.

Day 1: Learning

Things kicked off with the all-day CEO Summit, exclusively for franchise presidents, founders, and CEOs, as two sales-focused sessions took place nearby. "Franchise Sales Fundamentals" offered a panel of experts discussing ways to move a prospect from lead to engaged candidate and, ultimately, to signing on as a franchisee. "Build a Prospect Profile & Recruitment Plan" focused on understanding your target audience, using the communication methods they prefer, and on how to build a recruitment plan based on that information.

Following lunch, sales professional attendees chose from two afternoon sessions. In the Franchise Sales Basics Track, the "Build Your Development Bench for Growth" session took attendees on a deep dive into better ways to build the bench strength that leads to growth, and how to position themselves to move up into executive leadership.

This is an opportunity to get together with other great people in franchising. Successful people build relationships. Let's do that here!"

Lori Merrall
Conference Chair

Across the hall in the Lead Generation & Marketing Track's "Budgeting & ROI to Meet Your Goals" session, a panel of experienced franchise executives walked attendees through how to build a budget to ensure their message reached the right prospects and how to improve their recruitment budgets' ROI.

The Networking Area then opened for business, giving attendees their first chance to rub elbows with suppliers, and to recharge with a drink and some light snacks before dinner.

Day 2: Keynote and sessions

A continental breakfast welcomed attendees to the second day of the conference. The general session began with keynote speaker Weinberg—a high-energy, dynamic, and engaging sales pro with extensive experience that he's refined into a process that can help sales professionals build new business more effectively.

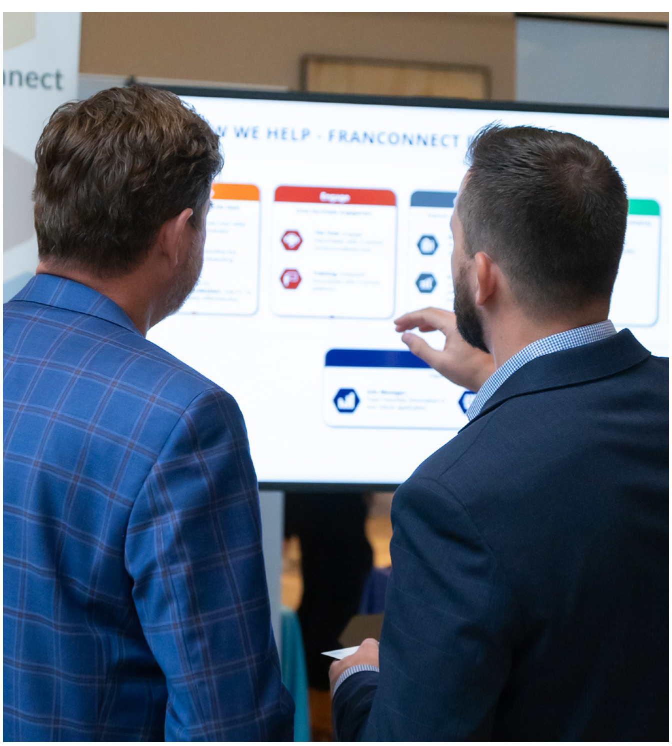
"Use the phone," he urged attendees repeatedly. "The phone is sexier than ever because no one uses it." His fast-paced presentation touched on how easy it is for salespeople to become too comfortable and complacent, and how important accountability is to help sales teams deliver their best results. To make this happen, he recommends regular meetings to review performance and make adjustments to improve results. "Do this every month," he said "Have a one-on-one and discuss results, pipeline, and activity."

Next up was the annual "State of the Economy" report from FRANdata CEO Darrell Johnson. Addressing the elephant in the room, he said the downturn clearly has turned into a recession and that there's nothing on the horizon to propel a recovery. Warning that the market will likely be tough for some time, he said, "Inflation is driving an economic downturn around the world, household income is declining, and banks and lenders are more selective and have lower risk tolerance."

What we know, he said, is slowing economic growth, rising interest rates, no fiscal stimulation likely, and rising labor wage rates that will stick. What we don't know, he said, is how long and how deep a downturn or recession will be and when product shortages caused by supply chain issues will rebalance. What we think, he said, is that consumers will be very price-conscious and that business unit margin erosion will continue beyond 2023. Finally, what matters, he said, is the Fed's singular focus on inflation, when unemployment will turn around, and when household income will stabilize. (For more, see his column in this issue.)

One piece of good news, he said, is that banks have more money. However, he added, "the availability of capital is at odds with the accessibility of capital" and lenders will have lower risk tolerance going forward. Still, he said, brands can weather the storm if they "preserve margins and make changes," resulting in innovation continuing to accelerate across industries.

The morning's general session wrapped up with a political and legislative update from IFA CEO Matt Haller. He emphasized the IFA's efforts to defend franchising in areas ranging from the PRO Act to joint employer legislation to the effort to repeal California's AB 257 bill, and thanked attendees for supporting the association's efforts.



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Diane Phibbs, Franchise Update Media's executive vice president and chief content officer, along with Paul Pickett, chief development officer at Wild Birds Unlimited, next took the stage to deliver an overview of the 2023 Annual Franchise Development Report (AFDR) and Mystery Shopping survey. The eagerly anticipated report documents the best and worst of franchise development, providing insights into best (and worst) practices and helping franchise development executives and teams benchmark their sales and recruitment budgets—and results—against those of other brands. (For more on Mystery Shopping results and the AFDR, see two separate articles in this issue.)

A final general session panel before lunch, "Level Up Your Candidate Communication—Talk Less, Listen More Across Different Candidates," topped off the morning of Day 2.

The Networking Area opened for lunch, offering attendees another opportunity to visit with vendors before the sessions fired back up that afternoon. Attendees filled the meeting rooms to overflowing for sessions organized into four distinct tracks, each offering two back-to-back sessions:

- The Attract Multi-Unit Franchisees Track offered "What Do Multi-Unit Franchisees Look for in a New Brand?" and "Grow Existing Franchisees into Multi-Unit Operators."
- The Franchise Sales Basics Track offered "Discovery Day 2022 & Beyond" and "Saying No to a Candidate."
- The Growth Track offered "Real Estate & Site Selection 2022/2023" and "Build Your Action Plan for International Growth."
- And the Lead Generation & Marketing Track offered "Effective Marketing & Communication Tools" and "Managing Up—Help Your Leadership Understand the Metrics."

The day concluded with keynote speaker Weinberg leading a Business Solution Roundtables Challenge session, with tables competing in challenges such as "Let's hear your story in a low-pressure scenario." The essence of Weinberg's presentation and challenge exercises was to frame the sales pitch as a solution for the customer (not as an explanation of all the great things about your company!).

Attendees then made their way up the street to Maggiano's Little Italy for the much-anticipated STAR Awards dinner and presentation recognizing this year's best performers. Learn more about this year's winners and their thoughts on why they were recognized in the pages of this issue.

Some of the best of the best come to this meeting, and hearing about their successes and challenges and sharing my own is really powerful."

JT Thiessen
Chief Development Officer
Home Franchise Concepts

Day 3: Wrap-up

The final day of this year's conference provided a fresh twist by offering attendees *two* closing sessions for their final chance to add to their sales toolkit and review what they'd learned over the previous two days: "Resales & Refranchising Workshop" (Attract Multi-Unit Franchisees Track); and "Build Your 2023 Communication Plan for Success (Franchise Sales Basics Track).

Happy customers

"It was great to sit alongside some great professionals with tons of experience," said Grant Kreutzer, vice president of franchise development at Hawaiian Bros Island Grill. "I learned a lot from their comments and approaches to managing franchise systems."

"Networking!" said JT Thiessen, chief development officer at Home Franchise Concepts. "Some of the best of the best come to this meeting, and hearing about their successes and challenges and sharing my own is really powerful. I learn something every time about best practices that are working for others that maybe I never thought of."

"Another outstanding event, as always," said Nicholas Marco, CEO of Marco Region Enterprises.

Plans are already under way for the 2023 FLDC, which will take place October 18–20, 2023 at the same venue in Atlanta. To learn more about this year's FLDC and register for 2023, visit www.franchisedevelopmentconference.com. ■

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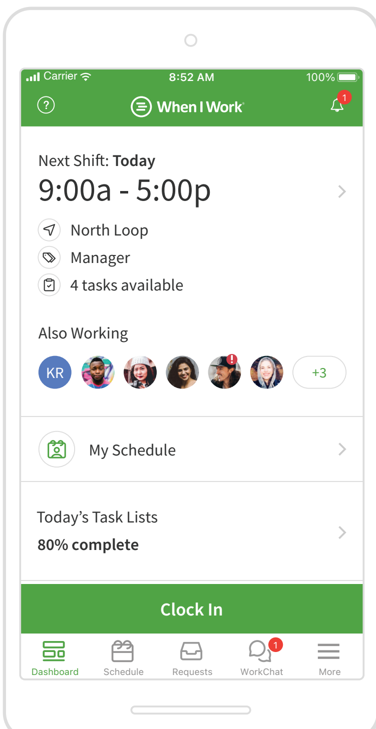

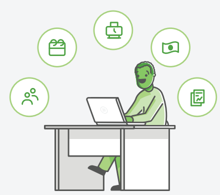

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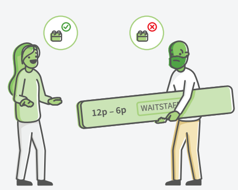

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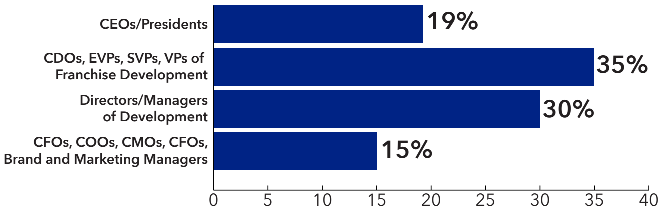
370 Franchisor Attendees

270+ Franchisor Brands

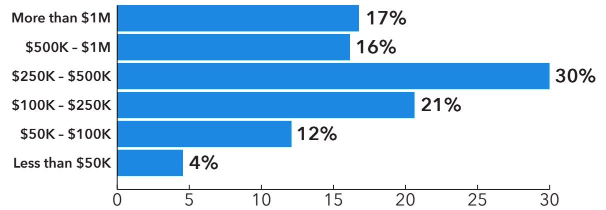
80+ Sponsoring Companies

Franchisor Profiles

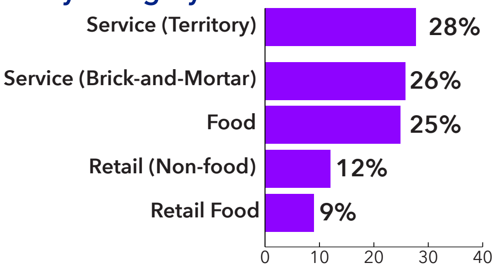
By Title



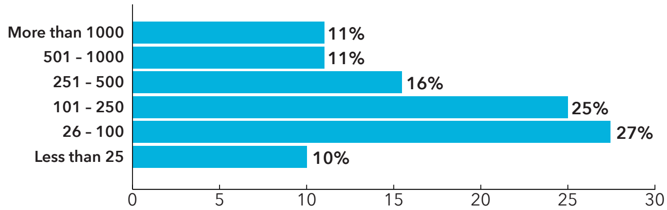
By Investment Level



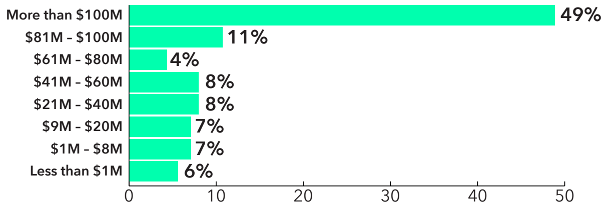
By Category



By Number of Units



By System-Wide Gross Sales



MYSTERY SHOPPING

Annual study finds old problems and new solutions

Written by **HELEN BOND**

Thanks to automation, sophisticated digital marketing strategies, and a slew of communication channels, it's never been easier—and somehow harder—to connect with franchise prospects.

Rising above the competitive noise requires both a tech-forward franchise development process to reach and engage with the right candidates, and authentic one-on-one conversations that can lead to signings.

However, with so many digital tools available, it's easy to move away from the time-tested practices that can seal a franchise deal. Don't, advises Art Coley, CEO of CGI Franchise. "Go back to the basics," he says. "They won't let you down."

Getting back to the basics was one of the messages that resonated from the mystery shopping exercise carried out for the franchise brands that pre-registered for the 2022 Franchise Leadership & Development Conference this October in Atlanta.

Coley was joined by fellow mystery shoppers Jayson Pearl of ServiceScore, Scorpion's Gabriella Ferrara and Jordan Wilson, Social Geek Radio's Jack Monson, and Michelle Rowan of Franchise Business Review.

The pro panel covered all things franchise recruitment, evaluating the development process by calling brands directly, submitting an online form, reviewing the effectiveness of franchise development websites and use of social media, and gauging franchisee satisfaction compared with the overall industry.

Below, we share the results and top takeaways of the 2022 franchise recruitment best practices review, along with observations and advice for improvement.

Telephone shop

Veteran mystery shoppers Coley, Jenny Langfeld, and the team at CGI Franchise were charged with evaluating brands' response to telephone inquiries, posing as "Katy Walker," a profile they created of a "perfect" candidate ready to speak with someone about franchise ownership.

Calls were placed between 8 a.m. and 4 p.m. (CST), with three follow-up attempts. Participating brands could score up to 40 points based on their initial response, the information they provided, effective follow-up, and overall responsiveness.

Nearly 30% (39 of 135 participating brands) had a short shelf life in the telephone shop: there was no phone number listed on their franchise development website, just a fillable inquiry form. Based on their phone calling, Coley and his team found the following:

- Roughly 30% of franchises—a mix of established and newer brands—did not respond to the mystery shopper's call… at all.
- Overall response times were slow and varied throughout the process, suggesting recruiters screened calls first or were busy with something else.
- Most brands ultimately called back, but only a handful of franchise representatives answered the first call.
- The lack of texting used to communicate was surprising: only 14 brands responded with a text.
- Poor follow-up continues in the franchise development process. Voicemail messages left with 39 brands were never returned.

The good news here is that brand representatives who did respond to the telephone shop were extremely informative, regardless of their position. Recruiters and franchise development managers were professional, knowledgeable about their process, and well-versed in providing the information prospects look for when researching a brand.

Jayson Pearl

"We have great tools today. If they are used well, they can take the friction out of the process."

Still, the lack of a personal touch up front continues in the initial stages of franchise development. The number of franchisors that removed a designated phone number from their website jumped significantly, from 12% in 2021 to 29% in 2022. Instead, they required the mystery shopper to complete an online form before receiving a phone number.

Picking up the phone to learn more about a franchise remains a go-to method for many prospects. Coley encourages franchise recruitment teams to return the telephone to its rightful place in their brand's recruitment arsenal. Other tried-and-true recommendations include simply answering the phone, following up as quickly as possible, reaching out more than one way through phone, text, or email, and staying engaged through all steps in the process.

"Follow-up is the key to recruitment," says Coley. "It's the top item if you want to succeed."

Website inquiry submission

Jayson Pearl, president of ServiceScore, analyzed website responsiveness and the overall job performance of franchise brands in the follow-up phase of online leads submitted through the portal. As in 2021, 55% of the franchise brands that received the website submission contacted Pearl, but this year's group took longer to respond:

- 38% called back within 24 hours, compared with 44% in 2021
- 27% called back within 4 hours, compared with 34% in 2021
- 21% with a scheduled call meeting failed to show up for the call, compared with 12% in 2021

Overall, 88% of franchisors responded to the mystery shopper's online inquiry by email or text, up slightly from 86% in 2021. Automation can be essential in the franchise development process, but the findings revealed that brands may rely too much on technology during this early stage in the sales funnel.

"We have great tools today. If they are used well, they can take the friction out of the process," says Pearl. "But things can go awry if you don't have the human aspect in place to manage and monitor them. You never know the best way people want to reach out or conveniently respond. Include it all, or you'll miss some opportunities."

Returning a phone call is not the end-all of telephone follow-up. In addition to lead qualification, it's prime time to share what sets your brand apart from the competition. In this year's mystery shop, only 23% of brands called back within 24 hours and shared at least one differentiator.

"You want to call back right away and give somebody a reason they should choose your brand over somebody else," says Pearl. "Those are probably the two things with the most impact in franchise development. If you get those two right, you're going to be best in class."

Jordan Wilson

> "The website is the first date—it's the first impression"

Website shop

When it comes to franchise development websites, first impressions count. Scorpion's Jordan Wilson and Gabriella Ferrara measured the recruitment websites of 135 franchisors. They looked for optimized core features, usability, and the quality and visual interest of key content in areas such as benefits, FAQs, investment chart, requirements, lead forms, and an available territories map. Observations based on Scorpion's website shopping include the following:

- Brands increasingly used their website to inform and educate prospects with quality content ranging from investment requirements to the benefits of being a franchisee.
- Improvements also were seen that made it easier for franchisees to find due diligence information. Outlining the award process promotes brand transparency to ensure the right fit with potential prospects who understand what they are getting into with franchise ownership.

While brands are doing a better job providing quality information, more opportunities exist to educate and open the door for increased conversation and conversion. Among them are investment charts, earnings claims, and a chat feature.

- Investment charts were included by roughly half (66 of 135) of the brands shopped. This information can help engage qualified prospects by helping them to understand your brand's investment requirements.
- Only 40 brands (30%) included earnings claims. More candidates are searching for business opportunities where they can make the most money. Including information on potential earnings in the FAQ section or elsewhere on your website allows prospects to see their income possibilities.
- Only 13 brands included an online chat feature, an easy way to communicate with prospects.

Prospects head to websites to learn more about a brand and explore its fit with their personal and financial goals. That's why it's vital to give them the information they're looking for, says Wilson, Scorpion's senior vice president of franchise sales.

"The website is the first date—it's the first impression," he says. "It tells the prospect very quickly what to expect from the brand. If it's organized, updated, and seamless, you're a step above the competition. If it's dated, confusing, or all over the place, it's hard to battle back after that impression."

The bottom line, says the Scorpion team, is that seamless, easy-to-access, highly informative websites with a quick and up-front call to action win.

Social media

Even with constant platform changes and increasing privacy hurdles, social media remains a cornerstone of digital marketing, as well as the best bang for your franchise development buck to boost brand awareness, says Jack Monson, CEO and host of Social Geek Radio.

Monson examined the social media strategies of participating brands on Facebook and Instagram, particularly in the area of paid ads posted in September 2022. Franchisors earned best practices points for the following:

- Running ads on Facebook, Instagram, and Messenger
- Video ads
- Content specific to the target audience
- Ads that corresponded with a landing page/website

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- The use of retargeting ads after a website visit
- Organic posts 3 times per week or more

Based on his research, Monson made the following observations:

- Only 24% of brands surveyed ran ads on Facebook or Instagram, down slightly from 27% in 2021.
- The quality, creativity, and messaging of ad content have improved.
- More brands are running multiple ads targeting specific audiences.
- Fewer brands are taking advantage of retargeted ads than last year, but those that do presented shoppers with "many great ads and scored highest," says Monson.

"If you're not running ads, start," he says. "You will instantly be ahead of nearly 75% of other franchise brands."

To up your social media game, Monson recommends the following best practices:

- Run ads on Facebook, Messenger, and Instagram
- Include a quality call to action, messaging, and content
- Use video ads
- Create content specific to your target audience
- Ads should correspond with the brand's landing page and website
- Retarget with ads after a prospect visits the franchise website
- Relationship-building organic posts 3 times per week or more

"Too many franchise development executives treat social media exactly like search and expect easily tracked return on ad spend," says Monson. "But social media is first and foremost a brand awareness channel. Your franchise recruitment marketing works best with a blend where social media sets up your search, videos, and display advertising to succeed."

Franchisee satisfaction

Franchisee satisfaction and validation are crucial to the development and growth of any franchise system. We once again turned to Franchise Business Review (FBR) to gauge the temperature of the franchise partners of the conference's participating brands.

FBR's research covered 91 brands (Franchise Update Test Group) representing 62,965 business outlets. A total of 13,255 franchisees completed an independent survey, with the results compared against FBR's franchise sector benchmark data, which represents more than 340 leading franchise brands.

Satisfaction was measured across the following key areas: training and support, franchise system, leadership, financial opportunity, franchisee community, self-evaluation (franchisee performance), and general overall satisfaction. Key findings include the following:

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

Overall, the 2022 Franchise Update Test group scored slightly lower than the industry benchmark: 68.9%, compared with the FBR Franchise sector benchmark of 70.3%.

Brands earned high marks for franchisee enjoyment, general satisfaction, franchisee community engagement, and the belief in the honesty and integrity of their franchisor. The Franchise Update Test Group scored lower when it came to effective use of technology, marketing and promotional programs, innovation and creativity, overall financial picture, and how well senior management involves franchisees in important decisions.


Michelle Rowan

"People don't want to be 'sold' anymore"

During validation, what franchises share can cement a brand's value or break a deal. "People don't want to be 'sold' anymore," says FBR President and COO Michelle Rowan. "They want to find independent data supporting what your sales team is saying. They want to hear about the experience of others. Sharing feedback from your franchisees can set realistic expectations of what it is like to open and run the business," she says.

Rowan says understanding and improving the satisfaction of current franchisees should take priority over money spent on recruiting and growing your franchise base. Unpacking franchisee satisfaction is a transparent way to help align both sides of the franchise brand equation to grow and position your brand for success much faster.

"How the franchisor prioritizes and navigates the complex relationship with franchisees can say a lot about what happens as you move through changes in the system. Franchisees won't always be happy. Like all relationships, it will ebb and flow, but how you work through hard times is equally—if not more—important than how you cheer each other on," says Rowan.

"In today's world of data, you can't rely on what your loudest franchisees say, anecdotal feedback from franchisees, and your gut on how things are going," she says. "You can't improve what you don't measure. So just get started." ■

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STAR Makers

Recognizing franchising's recruitment elite

Written by **SARA WYKES**

The lingering effects of the pandemic may still be in play, but if anything remains consistent in franchising, it's the value of listening and a commitment to doing better. This year's STAR Award winners all strike those notes—and more—as the elements behind their success and the awards.

The annual STAR Awards demonstrate the resilience and strength of the franchise business model and have long been a benchmark for measuring franchise recruitment efforts. The winning franchise brands all face unique circumstances and challenges as they grow their brands. They also share a determination to create and implement a recruiting process that gets results. Those results are successful franchisees and successful brands. Here are this year's winners and runners-up.

BEST OVERALL PERFORMANCE

DreamMaker Bath & Kitchen

"We are always working on making improvements, on how we can get better," says President and Chief Stewarding Officer Doug Dwyer.

To do that, the franchise asks for constructive feedback, poses a "make one recommendation to senior management" question, and pays attention to the categories in franchise surveys that point to areas where the brand could do better, he says. DreamMaker also has revamped its advisory council, adding a business coach to the group. It also has updated its technology and made sure that quality of life, in addition to strong margins, is at the core of its brand positioning.

"Our values are the foundation of our success," says Dwyer. DreamMaker is now in 24 states with 40 locations and has set a goal of reaching 100 by 2030. Dwyer also is proud of the average growth franchisees have seen: 192% between 2011 and 2019.

BEST OVERALL PERFORMANCE RUNNER-UP

Wild Birds Unlimited

To see Wild Birds Unlimited among the top performers is no surprise: the brand has been on the STAR Awards list in recent years several times over. The franchise also is a runner-up for this year's award for Best Online Sales Follow-Up.

Director of Franchise Development Seth Holan is quick to point out that the brand's website was recently revamped for the first time in a while, giving its messaging a boost and amping up its visibility in the forest of franchise options. For a franchise with a large percentage of prospects who arrive already knowing the brand, such a revamp might not have seemed necessary, he says, "but there are those who are interested in franchising who come to us because they see our satisfaction ratings, and then they learn more about Wild Birds."

BEST WEBSITE

U.S. Lawns

Vice President David Wells says the brand is proud of the way its website demonstrates that candidates from a variety of backgrounds can find success with U.S. Lawns. "Whether they are looking for an owner-operated business, a semi-absentee opportunity, or even converting their existing landscape business to a U.S. Lawns, we have a solution for them," he says.

To make it both easier and more appealing for each kind of prospect, the website features a drop-down menu for four different types of ideal candidates: owner operators, veterans, current landscape business owners (conversions), and owner investors. Each has a link to a different web page, providing a vision of how U.S. Lawns can help them achieve their personal and financial goals.

BEST WEBSITE RUNNER-UP

The Little Gym

The Little Gym brand is part of Unleashed Brands, which offers six brands focused on youth enrichment. CEO Michael O. Browning, Jr., says the franchise prides itself on transparency and accessibility.

"Our website clearly outlines the franchise opportunity and what to expect, while making it easy for potential franchisees to get in contact with us," he says. "From the different areas of support to the investment information, we offer a way for candidates to learn more about us and our steps to franchise ownership."

BEST ONLINE SALES FOLLOW-UP

Assisting Hands Home Care

Visit the brand's website and you'll be greeted by a chatbot that offers three choices: I'm seeking home care, Looking for employment, and Buy a franchise. Answer the last one and Dan Durney, director of franchise development, will get a text or an email. The appropriate geographic Assisting Hands location for franchise inquiries also will respond, but keeping Durney in the loop keeps him apprised in a way that matches the brand's focus on family. And he likes its utility.

"The chatbot is clear and precise," he says of a mechanism that is more and more a part of the online world.

BEST ONLINE SALES FOLLOW-UP RUNNER-UP

Wild Birds Unlimited

Director of Franchise Development Seth Holan, who's been with the franchise since 2018, has seen the brand's growth accelerate in the past 2 years with the addition of lead prospect qualifier Audrey Kleine. Both learned quickly that Wild Birds Unlimited has a tradition of quickly responding to prospects. "Speed the lead," says Holan.

Kleine has added her welcoming energy to the first impression prospects receive, and Holan says her role qualifying prospects allows him to focus on nurturing them through the rest of their journey.

BEST SOCIAL MEDIA

MassageLuXe

Chief Growth Officer Kristen Pechacek credits "an awesome team" that supports the brand's social media presence and spurs development and interest from prospects.

"We are using social media to tell the success stories of our franchisees, to put them in the forefront, to celebrate their anniversaries and the goals they meet," she says. "When we can show prospects the lifestyle our opportunities can bring, they are interested."

Some of the brand's social media presence is organic and some is paid. The paid is particularly useful in retargeting potential prospects to share more information with them and educate them about the brand, especially through the perspectives of other franchisees.

BEST SOCIAL MEDIA RUNNER-UP

Green Home Solutions

Glen Snyder, the brand's chief development officer, says Duone Byars, the brand's vice president of marketing, is its "marketing magician" for all consumer and franchisee marketing. Byars, who joined the company about a year ago, says its social media goal must be to break through all the clutter the average person sees online en route to finding Green Home Solutions.

"In today's world, you don't want to interrupt people, you want to intercept them," says Snyder.

And, as Green Home Solutions continues to evolve beyond its status as an emerging brand, the variety of its target candidates is expanding, says Snyder. So has the need for additional resources: they've added a third-party provider to create copy and graphics to further engage prospective franchisees. Byars' role also has expanded. He now chairs an in-house branding committee that includes input from franchisee councils to focus on marketing needs.

BEST FRANCHISEE SATISFACTION

Christian Brothers Automotive

"I am proudest that the home office and our owners have built a beautiful relationship based on trust, transparency, joy, and excellence," says Brandon Thomas, director of franchise development. "And that our main goal has always been, still is, and always will be, to love your neighbor as yourself and further God's kingdom through automotive."

BEST FRANCHISEE SATISFACTION RUNNER-UP

Two Men and a Truck

"At Two Men and a Truck, franchisee satisfaction is top of mind in everything that we do," says Franchise Development Manager Jeremy Wallace. "As a part of the ServiceMaster Brands portfolio, we are serious about our commitment to doing the right thing, every time.

"Focusing on this value allows us to help franchisees realize the potential of their investment, while earning their trust in the partnership as we face the future together. We believe that franchise satisfaction is rooted not merely in making franchisees happy, but in showing them each day that we take seriously the responsibility of our partnership."

BEST TELEPHONE MYSTERY SHOPPING

Handyman Connection

CEO Jeff Wall echoes the continuous improvement theme. "Handyman Connection has been participating in the Franchise Leadership & Development Conference for almost 10 years, and we have continued to rely on the conference, the material presented, and the opportunity to interact with the subject matter experts in franchise development to ask ourselves the question, 'What do we need to do better?'"

For Wall, "It's been important to learn about the holes in our process, what information we may be lacking on our website, and how we can provide candidates a transparent and positive experience." Wall says he knew that Handyman had been close to an award in the past few years, so the brand continued to work with vendor partners to identify areas to improve.

"We've gone about specifically making those changes recommended and are very proud of the work our full-time development team has done in implementing them, especially to share the Handyman Connection story and opportunity with candidates exploring franchise opportunities," says Wall. "We are honored to have been recognized as a winner of a STAR Award."

BEST TELEPHONE MYSTERY SHOPPING RUNNER-UP

Buddy's Home Furnishings

Director of Development Mitchell Lee calls himself a one-man band. "I am the direct point of contact," he says. When a prospect calls, the franchise lives and dies by his ability to answer the phone—which clearly has paid off in the Telephone Mystery Shopping category. Lee attributes his accessibility to his Central Time Zone location that allows him to be available from 7 a.m. to 9 p.m.

Q What are the key factors in how you determine what to spend in your recruitment budget?

MARK BOLLMAN
President
Creative Colors International

We look at several key factors. Historically, our primary factor is based upon past and prior year results of what we have done in terms of advertising. This includes print or online, SEO, pay per click, trade show, franchise portals, broker network shows, and events.

In short, if we are getting good traction with our marketing and advertising efforts throughout our sources, we will stick with our recurring spend every year or look to increase the spend in hopes of gaining even better results. However, if our lead flow is not where we expected it to be and was poor or substandard with any such expenditure, we will not repeat the process as it doesn't make sense to spend money with no return on investment.

This is especially true when it comes to reviewing all the online portals, as there are simply way too many of them and it's impossible for us to make an investment in all of them, especially with a limited budget. That being said, we try to focus on the ones that we feel can bring us the best value based on our unique franchise model.

Too many times the salespeople at advertising/marketing companies overpromise a positive return on investment and anticipated results as a way to sign you onto their programs. While that may have great results with a brick-and-mortar franchise brand, it does not necessarily mean it will work for a home-based franchise model. These companies need to understand it is not a one-size-fits-all approach, and that they must work with each franchisor to find the best solution for each brand. It is ultimately about conversion, and if we don't receive good-quality leads and prospects that convert for our brand, it's a moot point.

We also look to factor in what new markets we want to try to open and develop over the coming year and will look to specifically target our efforts there. We also keep a certain percentage of money earmarked for new opportunities. Since new programs and strategies become available to the marketplace throughout the year, we like to test them, as one could be the next home run for our brand. ■

> Determining a sales objective sounds simple: "We want to sell a lot of franchises." But the right answer isn't that straightforward. A franchisor must first ask two questions: 1) "Are we ready to sell franchises?" and, 2) "How many new franchisees can we support at one time?"

JEFF KULIK
Chief Strategy Officer
Volofit

How much a franchisor should spend on their recruitment budget should be driven primarily by sales objectives. Once a sales objective is determined, there are important decisions to be made regarding partners, strategy, and channels.

Determining a sales objective sounds simple: "We want to sell a lot of franchises." But the right answer isn't that straightforward. A franchisor must first ask two questions: 1) "Are we ready to sell franchises?" and, 2) "How many new franchisees can we support at one time?"

To be successful, ultimately it's not just about selling franchises. The franchisees must also be successful. With this in mind, the smart approach for most franchisors is to walk, not run, out of the gate. Set modest sales goals at first. Make sure you have the resources, processes, and training in place to give your new franchisees the best possible opportunity to succeed. Another benefit of setting modest goals at the beginning is that it will provide you with the opportunity to be more selective in choosing strong franchisee partners.

Once you've determined your sales objectives, it's time to map out a plan for partners, strategy, and channels. On the partners front, start with asking what resources you have in-house and what may need to be outsourced. For example, do you have someone on staff who will be responsible for the franchise sale process (lead management, diligence discussions, discovery days, documentation, etc.), or will you have to outsource this function? Outsourcing can be less expensive on a month-to-month basis than a full-time employee, but third-party partners typically require a significant commission on each unit sold.

Many franchisors that are targeting high-volume franchise sales also work with a third-party marketing firm that specializes in web design, data analytics, digital presence, PR, and digital marketing for franchise sales. Third-party marketing firms typically charge a monthly fee for their services in addition to any digital ad budget.

One of the most difficult questions to answer is always what strategies and marketing channels a franchisor should use for franchise sales. Unfortunately, the answer isn't one-size-fits-all. Deciding which channels you use and how much you spend on each channel will depend on your overall goals. There are inexpensive channels on a cost-per-lead basis, such as portals and email marketing, but these channels often produce low-quality leads and require a high volume to achieve one sale.

Digital strategies such as advertising on Facebook, Google, and LinkedIn can be effective, but require expertise to make sure you are spending dollars efficiently. Digital strategies are also most effective when combined with an optimized website and online content. Brokers, another channel, can deliver high-quality leads, but sales commission rates are high and take the majority of the up-front franchise fee. Some broker networks require up-front or annual fees.

Last, one of the most effective and least costly strategies for selling franchises is simply word of mouth. Happy customers and employees are often great sources for franchise leads—and they don't cost anything! ■

Are You Listening?

Listening is the fuel that powers great franchises

Written By
EVAN HACKEL

Ask a room full of 100 of your franchise owners to name their biggest frustration with your franchise company, and I am willing to wager that at least 70 will answer: *"They just don't listen to us."*

Terrible, right? But is it really so terrible they said that? I don't believe it is. Because if that many think you aren't listening, you can effect a huge increase in their satisfaction by doing just one thing. And that thing is listening. They told you what they want. And then you deliver it. How powerful is that?

What an opportunity! You don't have to hire an expensive consultant to identify areas of dissatisfaction among your owners. You don't have to take them on a retreat and spend days surveying them and holding focus groups. They've told you what they want: for you to listen! Now you just have to do that.

Improving your ability to listen

If I were writing this article for a group of general, non-franchise business owners, I'd recommend they learn some basic skills to improve their listening. I'd advise them to stop interruptive listening (when people start to formulate an answer while a speaker is still talking).

I also recommend something I've developed called "ingaged" listening. This is listening for what is *right,* not what is *wrong* when another is speaking. After hearing and identifying kernels of wisdom in what the speaker has said, you work with them to amplify and develop the ideas they have given you.

The problem within franchise systems, as you know, is that a number of structural barriers prevent regular, one-on-one interactions between members of the parent company and individual franchisees. In many franchises, conversations between franchisees and executives from the parent company are infrequent, inconvenient, and maybe even uncomfortable. How much good will excellent listening do if you hardly ever get to talk with franchisees?

So before you practice enlightened listening, you must build some structural bridges between management and franchisees. What can those bridges be? I'd like to recommend one that I've used and know works.

Establish franchise councils

These are groups of franchise owners who meet regularly, every 6 months or annually if possible, to help make decisions that steer the entire franchise. (I have just authored a book on the importance of franchise councils that will soon be published by Ingage Consulting.)

So how should your franchise council work? Here are some best practices.

- **Don't only bring your council completed plans you've developed.** The purpose of the council is to actively develop new ideas, not to rubber stamp ideas from headquarters. Turn people loose in general meetings, let them present their biggest ideas, and capture those ideas on a whiteboard. Then develop those ideas in the general meeting or by assigning them to task forces of council members.
- **Remember, your franchise council isn't a voting body.** They are there to put on their thinking caps and participate in formulating plans. Voting is not the same thing as communicating and listening.
- **Encourage franchisees to meet and interact in breakout sessions where executives from the central office are not present.** This may seem to run against the theme of this column, which is to improve listening skills. How can you listen to your franchisees if you aren't even in the room? Of course, you can't. But when you keep top executives out of the room, you demonstrate a high level of trust, and that encourages franchisees to introduce topics they might not if management is in the room. When you let franchisees meet in autonomous groups, you're also encouraging them to connect with each other as mentors, as expert sources of information, and even as friends. If you do this, your entire franchise will become energized and engaged.
- **Create sub-councils to focus on issues such as marketing, technology, training, and branding.** If you divide your main council into these sub-groups and turn them loose, the insights they develop will surprise you.
- **Don't compensate council members.** Doing so sends the wrong message. Members are there to make a personal, committed contribution to your organization, not for compensation.
- **Rotate membership.** Because the purpose of your council is to support the flow of new ideas, consider appointing members for a limited term. One year works well. How do you select new members? Current council members can recommend potential new members. Or if your franchise is small, members can be appointed from headquarters. Regularly bring in new members, and their fresh new perspectives and ideas.
- **Continue to communicate.** Send email advisories or newsletters with information about how their ideas are being developed and used. Send surveys and questionnaires that solicit ideas and feedback throughout the year. Continue to breathe fresh life into your council so it will remain vibrant and effective.

How will it work?

This depends on the number of franchise owners, the size of your council, the geographic distribution of your members, and other factors. If you have a council of 25 members or more, try to bring them to a central location. Your franchise should pay for travel and accommodations.

Even though we live in a time when video meetings are the norm, in-person council gatherings at least once a year send a message that serving on the council isn't just another meeting. Your council should be a place where franchise owners are listened to and their ideas are heard. What a difference that can make in the overall success of your franchise! ■

Evan Hackel, a 35-year franchising veteran, is CEO of Tortal Training and principal and founder of Ingage Consulting. He is a speaker, author, and host of "Training Unleashed," a podcast covering training for business. Contact him at evanspeaksfranchising.com, follow him at @ehackel, or call 781-820-7609.

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SELLING FRANCHISES BOOTCAMP

Growing in a Recession

Managing through an uncertain economy

Written By
DARRELL JOHNSON

With 2023 planning well under way, it would be helpful to know what kind of economy we're heading into. While it's clear we're heading into an uncertain 18–24 months, there are enough indicators to form some base assumptions.

Let's start with the consumer. In 2021, we saw pandemic-driven government programs and general consumer optimism boost household wealth; that is now decreasing. More importantly, household income has eroded. Disposable income and savings rates are declining, as are core personal consumption expenditures. Consumer discretionary cash is down double digits from 2021. All this is forcing businesses into a battle for wallet share, and the wallet is getting thinner. In this environment it is hard for businesses to offset slowing demand by raising prices.

How long with this trend last? Ask the Fed. Current Fed Chair Powell seems committed to impersonating Paul Volker, whose policies as Fed chair from 1979–1987 were credited with ending the high inflation of the time. That took several years, so in an attempt to shorten the pain associated with such hard-to-swallow medicine, the Fed has instituted a very aggressive interest rate rise.

When will the Fed blink? It seems their primary benchmark is the unemployment rate. Until that shows a material easing, we should expect a strong inflation-fighting posture, which very likely means a base planning assumption of a tough economy in 2023 and into 2024, with a pasta bowl recovery down the road.

Capital access

Let's turn to capital access. The good news is that banks are in strong shape. This is not another 2008 scenario where they basically shut down lending for a couple of years. Therefore, the availability of capital is strong.

The challenge franchisors must prepare for is getting access to funding for their franchisees in 2023. Lenders are looking at the same economic forecasts as you are, which is pushing them to use more conservative underwriting standards. They know labor and input costs have risen. Now interest rates have as well, which affects unit economics. Your prospects must be more financially qualified in 2023 than many you accepted in the past 24 months. Further, lenders are asking franchisors for more information about the performance of their franchise systems, such as:

- How is the brand dealing with inflationary and macroeconomic pressures?
- What is the impact of increased cost of capital on the bottom line?
- How will demand for the brand's goods or services change in 2023+?
- Is the brand prepared to survive an economic downturn?
- Does the business model hold up to a pro forma stress test?

The clear implications for franchisors are to prepare to show how well their system navigated the pandemic, how they are addressing inflationary pressures on unit economics, and how well their product or service pricing has held up.

Understand how lenders are thinking today. They have internal portfolio questions to address around both brand and sector concentrations. Transparency will be a key mantra for most lenders. We are seeing a fair amount of movement in FUND Scores because of transparency issues, and banks are adjusting their appetite using such tools.

How it may play out

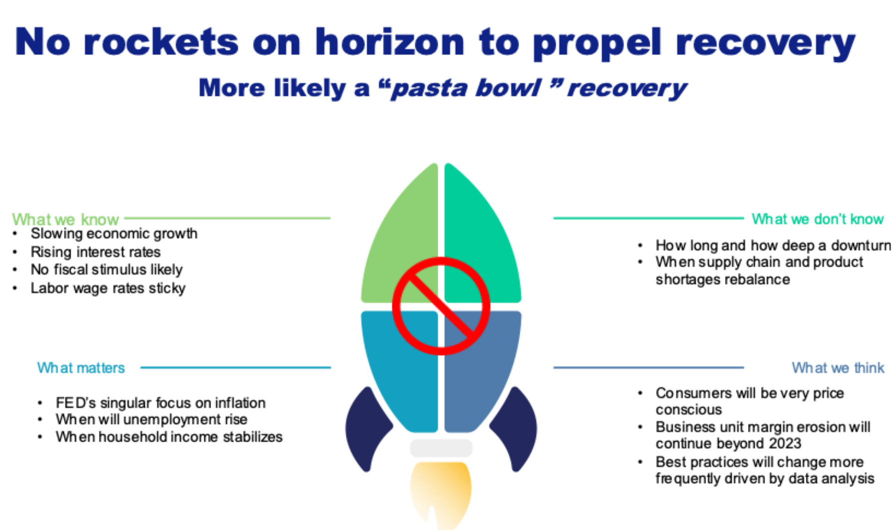
Those base assumptions create a foundation of what all this means for franchising. We know how franchising typically behaves in economic downturns, and what recent trends in franchise activity suggest about where you should focus your resources and management attention in 2023.

According to FranConnect's client data, total leads and closed deals in Q3 2022 were down more than 37% YOY. Yet half of the franchisors they polled anticipated double-digit increases in 2023 franchise sales. Are they being too optimistic?

FRANdata's information, which spans four recessions, paints a clear pattern over economic downturns. In the early stages, closures and transfers rise and "signed but not open" becomes a more significant issue. That is followed by unit consolidation through franchisor buybacks and multi-unit operators acquiring units from smaller operators. As a recession plays out and a bigger pool of displaced workers appears, franchise sales pick up at a pace that exceeds the general economic expansion.

If our 2023 economic forecast holds, we will have a longer contraction trough and a more gradual recovery than most are expecting. As you plan for 2023, it might be in your brand's long-term interest to temper growth expectations and focus a greater amount of management attention on existing system dynamics. ■

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.



Going Global?

Consider these factors first!

Written By
WILLIAM EDWARDS

When going global with their brand, perhaps the most important decision a franchisor makes is which countries to enter. The goal for international franchise development is to expand the number of units and increase the royalty revenue over time. To increase the chance of profits over time, advance market research in target countries is absolutely essential. Here are the factors to consider when making a proactive plan to maximize the return for your brand.

What it's like to do business in a country. The World Bank has an "Ease of Doing Business" index that covers 190 countries. One interesting factor is how easy it is to start a new business in a country. While Australia, Canada, China, Singapore, South Korea, and the UAE rank in the top 25%, Brazil, Germany, India, Indonesia, and Japan fall in the bottom half, requiring more steps and time to open a new business. The key for success is planning for the time and cost to open new franchise units in a given country.

Rule of law. In some countries, laws and regulations favor local companies when it comes to litigation and maintaining control of a brand and its trademarks. This may mean that if your licensee terminates your agreement (or does something that requires theirs to be terminated) you're unlikely to get your license or your marks back without incurring high legal fees.

Franchise laws and regulations. Twenty years ago, few countries had franchise laws and/or disclosure requirements. The U.S. has done a great job of "exporting" franchise laws and regulations to more than 40 countries. Laws and regulations in most countries are fairly easy to adhere to, but some are quite onerous, resulting in high legal costs to enter. This doesn't mean you should ignore excellent franchise markets such as Canada and Australia, but do factor in the time and legal costs needed to properly enter.

Culture and adaptation. Stories of franchisors entering countries without considering the local culture, both business and personal, abound. In the case of restaurant brands, this means adapting your menu to local tastes and religious requirements, such as no pork in Muslim countries. For fitness brands, you may need to provide separate gym facilities for men and women. For home healthcare franchises, there may be medical regulations on who can provide your service. These are just a few examples. Market research can save you huge amounts of time and money—and prevent embarrassing cultural blunders.

Political and economic factors. It's just good business to project unit growth for a country to decide where you should invest time and money. But all that effort can mean little if the local political and economic environment is historically poor or hard to predict. Of course, even in "iffy" countries you might get that all-important license fee up front. But the real money comes from opening lots of units with acceptable revenues that produce sufficient royalties to justify ongoing licensee support.

Customers for your specific brand. A country may have a large population, but that doesn't necessarily mean lots of customers for your franchise. Determine how many people can and will pay for your service. To ensure there's sufficient consumer buying power, research what competitors charge, their customers' demographics, and factors such as GDP per capita.

Competition. While it's not recommended you be the first brand of a kind, be sure your brand has a competitive edge over similar, established businesses. If you're just another burger offering entering a country saturated with similar brands, both local and foreign, you'll need a "special sauce" to succeed.

Acceptance of foreign brands in a country. One parameter I believe is really important is the percentage of franchises in a country that is local versus foreign. Over years of working with more than 30 franchises in 35 countries, it's apparent that if more than 90% of franchises are local, foreign brands will face high barriers to success, as customers probably prefer local brands. In Brazil, where about 95% of franchise brands are local, it's been hard for foreign brands to succeed. In Mexico and the Philippines, with more balanced foreign/local brand percentages, many foreign brands have succeeded.

Ability to get paid. You'll certainly want to be paid fees and royalties by your licensee. Many countries have withholding taxes, which means any fees and royalties will be taxed (withheld!) before the money leaves the country. Also, some countries don't like hard currency (like the U.S. dollar) leaving their borders. China, Brazil, and South Africa all have barriers that may prevent you from getting paid in a timely manner.

Expenses you'll incur. Many of your costs (such as initial research and finding and signing international licenses) will come *before* you sign a license agreement and are paid an initial fee. These costs, which can be considerable, include: trademark and URL filings; legal costs to create an agreement enforceable in the country; supply chain and local adaptations, if needed; new licensee training costs both in your country and theirs at startup; and travel and staff costs to support the growth of your business.

All of the above isn't meant to discourage you from taking your franchise into new countries. But these are essential factors to consider when developing a proactive plan for expanding internationally. ■

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.

2023 Is Almost Here!

3 game-changers in franchise development

Written By
ART COLEY

Growing a brand is challenging. Add economic headwinds along with mindset shifts in the labor force, and growth in 2023 new unit signings may even feel impossible. However, it's not! Our team has seen a lot and been through the cycles. We've dedicated years to data collection and observation to focus on best practices in each situation. For 2023, consider the topics below, and how they might be part of your recruitment strategy.

Conversions

When the business landscape gets tighter and tougher, non-franchised businesses in your industry can be an amazing place to recruit new franchisees. Add units that start with a customer base and existing revenue.

Most franchisors seek out new startups with individuals from the corporate world who are new to business ownership. In 2023, this will be tougher because of lower unemployment, increased flexibility in the workforce (like working remotely), and higher costs of capital.

However, there are thousands of non-franchised units in your industry that don't know that converting their business and joining your brand could be an amazing option. The pandemic and current environment have changed the playing field in your industry. The extra support and new programs you implemented for existing franchisees can help others in your industry. What if you picked up the phone today and reached out to 10 non-franchised business owners in your industry? Request a conversation about gaps and challenges they are facing. What would this look like? My guess is that you have solutions right now that could transform their results.

HR and systems

Revisit your business model's value proposition. A business format franchise—which is what most brands are—has developed a more efficient and effective way of operating. Your data versus the industry should provide evidence of this. Because of your systems, programs, and continuous improvement, your unit results should be better than the industry. Lower cost of goods sold, technology packages, and sales and marketing programs are a start! And don't forget help desks, in the field consulting, and coaching. These are some examples of areas where you've developed real value.

NOTE: If your franchise opportunity doesn't offer results that exceed basic industry unit results, stop reading now. First, go to work on understanding why this is and what has to happen to change it.

Another area that's critical, especially in 2023, is human resources. In the past two to three years, we've seen a shift. The pendulum of power has shifted to employees. The demand for higher wages, better benefits, flexibility with hours, and ability to work remotely has made hiring, training, and retaining a team much more difficult. Your human resource programs for finding and keeping quality staff might be a hidden gem for the recruitment of new franchisees.

What if your industry has average annual turnover of 100%, but the units in your franchise are at 50% because of your HR programs and systems? And, as a result, your units generate significantly more bottom-line profit versus the industry. Why? Because you help your franchisees with strong and proven human resources support. The candidate wants to leave the corporate world and loves the industry you're in, but has concerns about finding employees and building a team. You guessed it! They just signed a franchise agreement with your brand... because they discovered the power of your HR systems.

Tip: Back off a little on talking subjectively about your brand and start communicating more objectively and specifically about your systems and results.

Outbound lead generation

What does your outbound lead generation look like? It's targeted. It's a purchased or mined list that you're reaching out to. Think outbound dials, texts, and emails to a targeted group that might be a fit. Most of the franchise industry (more than 95%, based on our experience) depends solely on an inbound lead generation strategy.

With outbound lead generation, you have a name, you're reaching out directly about your business model, and you're requesting some time to discuss. This potential candidate may never have heard of your franchise. Setting up an outbound program isn't complicated. However, it does require a dedicated and disciplined effort with constant adjustments to get your outbound lead generation formula on target. Plus, some version of an outbound strategy will likely be required moving forward for recruitment success.

If you're feeling in the dark and concerned about your 2023 recruitment results, the best place to start is within. Revisit your goals and what results you need to stay on track with the vision. Explore your data versus the industry, the ideal candidate, and the non-negotiables for awarding a franchise. Get crystal clear on the real value your system delivers.

You can increase signings, build better forecasting, and have confidence in your recruitment. Brands become great, not when it's easy, but when the landscape is tough. 2023 can be your best year ever.

Let's go to work! ■

Art Coley is CEO of CGI Franchise. Using the proven Recruitment Operating System (ROS), his team helps franchise companies implement and execute a predictable, repeatable, and sustainable new franchisee recruitment program. Based in Temple, Texas, they work with brands worldwide. Contact him at 281-658-9409 or acoley@cgifranchise.com.

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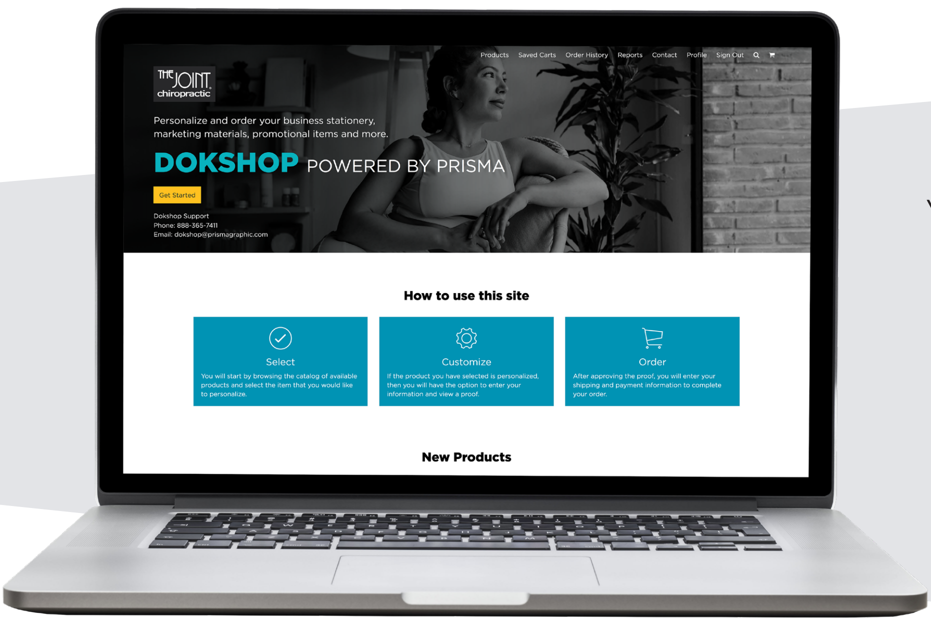

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