PEOPLE ■ INVESTMENT INSIGHTS ■ CUSTOMERS COUNT

Multi-Unit Franchisee

ISSUE III 2013

2013 MVPs!

Annual awards honor outstanding operators

■ **POS 2.0+**
Point-of-sale sale systems have come a long way, baby!

■ **MULTI-UNIT FRANCHISING CONFERENCE ROCKS!**
Record-setting event soars to new heights

■ **MU50 RANKINGS**
2013's most popular brands for multi-unit operators

MVP Spencer Smith follows the system— and the Golden Rule—to success

*This reflects the average gross sales (net of sales taxes and discounts) of our two company-owned restaurants in Irvine and Pasadena, California, from their respective initial opening through March 17, 2013, but excluding each restaurant's first week of operations, as published in Item 19 of our March 2013 Franchise Disclosure Document (FDD). The reporting period is 31 weeks (8/13/12 - 3/17/13) for Irvine, and 21 weeks (10/22/12 - 3/17/13) for Pasadena. The FDD also includes the restaurants' average food costs and certain labor costs (not all costs or operating expenses), during the same periods. These were our only operational restaurants during the stated periods and half met or exceeded the reported average. A new franchisee's results may differ from the reported figure. We are not offering franchises to residents of any state where we are not currently registered. Minn File #F-7088. Offering is made by prospectus only.

Multi-Unit Franchisee contents

ISSUE III, 2013

COVER STORY

LISTS

FEATURES

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MULTI-UNIT FRANCHISEE MAGAZINE IS PUBLISHED FOUR TIMES ANNUALLY.
Annual subscription rate is $49.00 (U.S.)

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FOR REPRINT INFORMATION CONTACT FOSTER PRINTING AT 800-382-0808
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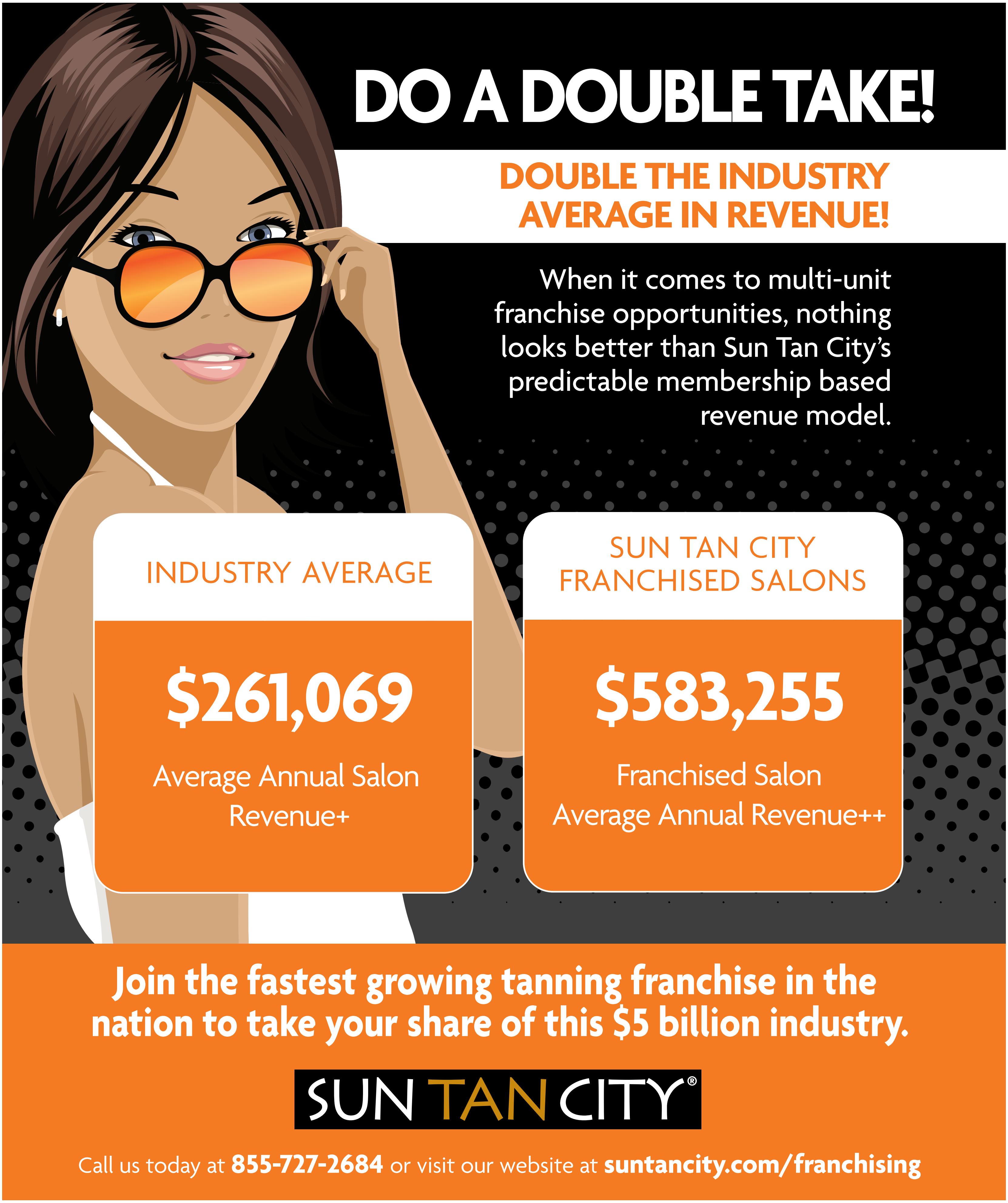


+IBIS World Industry Report, July 2012 ++Represents 2012 annual revenue average of 37 franchised locations that were in operation for the entire 24 months ended December 31, 2012. Of these locations, 35% had annual revenue that exceeded this average. A new franchisee's performance may differ from these results. Please see Item 19 of our 2013 Franchise Disclosure Document for additional information. This information does not constitute an offer to sell a franchise.

Chairman's Note

What You *Don't* Know Could Cost You!

At this year's Multi-Unit Franchising Conference, an incredible panel of experts spelled out, in easy-to-understand language, how the Affordable Care Act will affect multi-unit franchisees. I left there feeling the most knowledgeable I have ever felt about the Act, but still unsure of what it all means to my business. I have been to at least 15 conferences where there was a presentation about the Act. Yet I still lack confidence when it comes to administering the plan and knowing all its eccentricities.

Here's my premise: I think that 25 percent of all business owners "kind of" know what's going on, and 98 percent of employees have no idea! This was confirmed the other day when a good friend called me in a complete panic about how the Act was going to affect his business, and quite possibly close his doors. After I talked him off the cliff, he realized that he wasn't in as much trouble as he feared! I also had a conference call with my managers last week to start the conversation about the upcoming requirements. Their silence spoke very loudly about their confusion and lack of understanding about what's coming.

As a business owner, do you know that you are currently in the "measurement period?" The number of hours and employees you have right now will determine whether you must offer a healthcare plan. Do you have any idea how to measure that yourself? Do you know how or where you are going to report your measurements? I don't!

Do you know that if you take the penalty for not offering insurance that the penalty is not tax-deductible, whereas the premiums paid for your employees' healthcare plan are? Your tax situation may help decide which route you will take!

Do you think your employees know they are required to have healthcare coverage in 2014? If you as an employer do not offer it, they are required to go to an "exchange" and pay for it themselves. If employees choose not to purchase a plan, they will be penalized: $95 the first year, $325 the second year, increasing every year!

Do any of your employees know what or where an exchange is? Do you think they know that 24 states have refused to set up an exchange, requiring the federal government to be the default exchange? The government did not expect so many states would refuse to set one up, and it is not ready for the massive numbers who will need to buy coverage for 2014. Although the government says it will be ready by the fall, some employees will be required to get health insurance but will have no way to actually get it!

The government has a lot of work ahead to inform everyone about how and when we report, where to get coverage, when to get coverage, how much it's going to cost, and so many more things! And on July 2, the Obama administration announced a one-year delay in the employer mandate. Get ready for mass confusion! In the meantime, arm yourself with some facts, participate in webinars, attend conferences, and make a plan. A well-thought-out plan is better than no plan at all!

I encourage you to write in and correct any errors I may have made here. I have never claimed that I know what's going on! In fact, I would estimate that I understand only about 60 percent of the Act—but 60 percent is far more than the vast majority of employers and employees out there.

SEAN FALK

95% of our Franchisees are Multi-Unit Owners.

$287,607

2012 Average Annual Pre-Tax Cash Flow

Scan with your QR reader to go directly to our franchise Website.

Sometimes you have to look beyond the obvious to discover the opportunity.

These annual numbers are for the year ending December 31, 2012 for our top 195 company stores that have been operating for at least two full years as of January 1, 2012, which accounts for 22.9% of total company stores surveyed per our 2013 FDD's Item 19. Of these 195 stores, 68 (34.9%) had higher average sales, and 93 (47.7%) had higher average pre-tax cash flow. CAUTION: These figures are only estimates of what we think you may earn. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

2013 Franchise CONSUMER MARKETING CONFERENCE

✓ CONFERENCES

Franchise Consumer Marketing Conference — "Own Your Audience"

Things really "hotted up" at the Franchise Consumer Marketing Conference in Atlanta on June 25–26. The high-powered marketing event set a new attendance record, expanded in content and scope, and featured a wide variety of consumer marketing experts to share their knowledge and experience on panels and in sessions. This year's theme, "Own Your Audience," focused on understanding and engaging your customers—whether that's your consumers or your internal customers of franchisees and front-line employees. Session topics included relationship management, marketing execution, brand development and rejuvenation, and much more. Franchise CEOs, presidents, and marketing executives from far and wide made the event. For more information about the conference, visit ***www.franchiseconsumermarketing.com***

✓ ONLINE *Multi-Unit Community Grows*

Check out our community-based website for multi-unit operators. It's your exclusive look into the world of multi-unit franchising, your one-stop shop to find:

- New brand opportunities
- Networking opportunities
- Online edition and archives
- Exclusive interviews
- Operator profiles
- Financing resources

www.franchising.com/multiunitfranchisees/

✓ NEW ONLINE VIDEOS

EmpireBuilders.tv Expands

Great entrepreneurs build great organizations. They possess a knack for making smart business decisions, building great teams, and creating successful companies. But as we've learned from years of interviewing successful multi-unit franchisees, they've also struggled, doubted, and made more than a few mistakes—yet they've soldiered on, persevered, and ultimately come out on top. To provide a deeper sense of their journeys, insights, and personalities, we're selecting franchisees from our most inspiring print interviews and creating a new series of online videos of these franchisee leaders—who we call Empire Builders. ***www.franchising.com/empirebuilders/***

✓ FRANCHISE OPPORTUNITIES

Looking for your next franchise opportunity? Have we got the tools for you! Find articles on companies, concepts, industries, trends, and profiles—and search our features. Find franchisors looking for multi-unit franchisees, area reps, and area developers. Search by top opportunities, alphabetically, investment level, industry, state, and more at ***www.franchising.com/***

✓ RANKINGS *Check out our annual rankings*

of top franchisees and their multi-unit brands and find out "Who's on first." ***www.franchising.com/multiunitfranchisees/mu50.html***

✓ PRESS OFFICE

"Don't just survive, thrive!"

Franchise Update Media Group's *2013 Annual Franchise Development Report* and Steve Olson's best-selling book, *Grow to Greatness* provide invaluable tips for franchise sales success and unit growth in today's economy. For ordering information visit ***www.franchising.com/franchisors/afdr.html*** and ***www.franchising.com/franchisors/growtogreatness.html***

✓ QUICKLINK

For a one-click link to articles in this magazine and to past issues of *Multi-Unit Franchisee* magazine, visit ***www.franchising.com/multiunitfranchisees/***

✓ Creativity

"There's a difference between being entrepreneurial and being someone who wants to be very creative. For me, I was looking for the best system out there, one that was financially viable and would grow rapidly and create opportunities for others. That was my original litmus test. At the end of the day, I wanted to create not just minimum wage jobs, but careers for our associates."

—Spencer Smith, president and CEO for Smith Group (39 Aaron's and 2 Big O Tires)

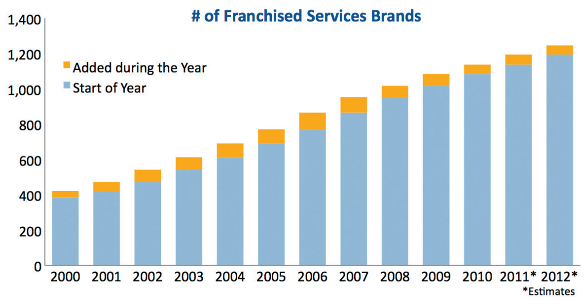
Services Stats By FRANdata

Service Brands by the Numbers

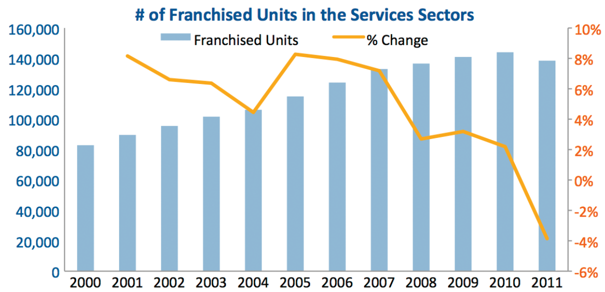
Each year we ask FRANdata for the numbers on franchised service brands, highlighting trends, growth/shrinkage, and brands on the move. Here's what they found.

Services by the unit

In 2000, more than 400 franchised service brands were operating in the U.S. By the end of last year, that number had tripled to 1,246, with brands operating in 14 industries in almost 100 sectors. Between 2000 and 2012, the number of new service brands on the scene peaked at 94 in 2006, then declined back to levels seen at the start of the decade.

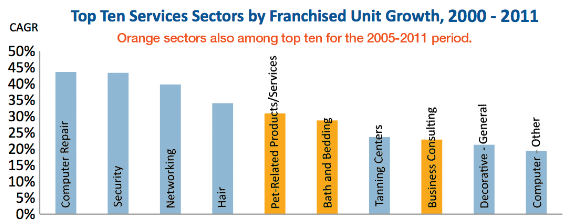


Our previous estimate of 2011 unit activity was too conservative. With confirmed data, we now know that the number of franchised units continued to increase every year between 2000 and 2010, before declining in 2011. Unit growth slowed to 3% in 2008, dropping from 7% the previous year. In 2010, the number of franchised units increased at even slower 2%, then dropped by an estimated 4% in 2011.



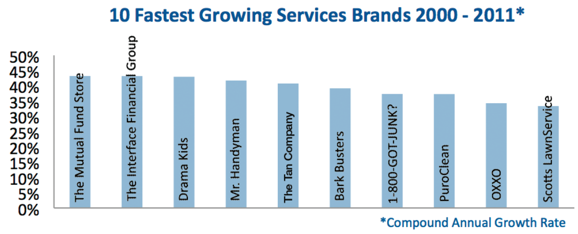
Services by sector

From 2000 through 2011, service brands increased their number of franchised units at a CAGR of 5%; decreasing to 3% for the more recent 2005 through 2011 period. Over the period ending in 2011, the computer repair and security sectors grew fastest, as measured by number of franchised units. The bath and bedding, pet-related, and business consulting sectors ranked among the ten fastest-growing services sectors in both periods.

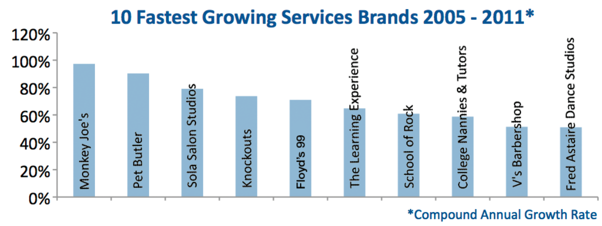


Who's growing

As of last year, The Mutual Fund Store was the fastest-growing service brand on a unit growth percentage basis between 2000 and 2011, growing from a single franchised unit to 52, after peaking at 58 in 2008. Along with The Interface Financial Group, two financial services brands are in in the top ten.



However, neither of these brands was among the ten fastest-growing concepts from 2005 through 2011; in the past 6 years, child-related and pet-related service brands grew their franchised units at a faster pace.



When reviewing different growth periods through 2011 (from 2000, from 2005, and from 2009), it is interesting to note that a total of eight child-related brands made the top ten in each period, followed by five beauty-related brands. This was driven by children's educational program concepts such as Drama Kids or The Learning Experience, and hair care brands such as Sola Salon Studios or Knockouts.

Services by size

In terms of franchised unit numbers, maintenance and business-related services are the largest service sector brands. As of 2011, Jani-Pro (9,010 units), Jani-King (8,948), and Jackson Hewitt Tax Services (5,222) led the pack. However, of the ten largest services brands, only three managed to grow franchised units between 2009 and 2011: Liberty Tax grew at a CAGR of 11%, followed by Great Clips at 5%, and H&R Block at 4%.

Thanks to the success of our restaurants, we at **Hurricane Grill & Wings** are experiencing phenomenal demand for our franchises nationwide, and the growth of our brand and our business is matching that demand on a daily basis. **Hurricane Grill & Wings®** whose trademark is "Live with Flavor®" is known for its uniquely savory chicken wings, offered with a choice of more than 32 signature sauces and flavors. Menu items are cooked fresh to order with high quality ingredients and zero trans fats. Other menu options range from salads to Certified Angus Burgers and delicious seafood along with a full bar and line-up of craft beers and wine. Here are some of our national accolades:

- Franchise Business Reviews Top Franchisee Satisfaction Award 2013
- *Restaurant Management Magazine* "Top Ten Franchise Deals for 2012"
- Future 50 Award *Restaurant Business Magazine* 2011 and 2012
- *Entrepreneur Magazine*'s Top Franchisees for 2011 and 2012
- 2009 Chairman's Award winner and 2007, 2009, 2011 Festival Favorite
- Winner at the National Buffalo Wing Festival Contest in Buffalo, New York
- #21 on the *Franchise Time Magazine*'s Fast 55 Growth Franchises for 2010
- *Franchise Update Magazine*'s STAR Award winner for 2010
- *USA Today* 10 Great Places for wings
- *Restaurant Business Magazine*'s "Top Twenty Fastest Growing Concepts" 2009 & 2010

The original **Hurricane Grill & Wings** opened in Fort Pierce, Fla., in 1995. There are over 50 locations in eleven states, including Arizona, Florida, Michigan, New York, North Carolina, Minnesota, Maryland, Alabama, Texas and Pennsylvania, with additional restaurants planned nationwide. "The national growth rate **Hurricane Grill & Wings** has experienced is remarkable," said Martin O'Dowd, president of **Hurricane Grill & Wings.** We have set a strategic pace for the brand's growth and together with our stellar business model; **Hurricane Grill & Wings** has been able to increase our average unit volumes to over $1.7 million and an unmatched 3:1 sales to investment ratio." Much of our success is based on the strength of our concept and our business model:

- 3:1 Sales to Investment Ratio – one of the very the best in industry today
- Positive Comp Sales for the past 4 years – up over 8% in 2012
- Enterprise growth rate at 35%+ year after year – now opening 2 -3 restaurants per month nationwide
- Minimal start up with an average of $500K - $600K per store
- Announcement of $10 MM in financing for new and existing franchisees
- 32+ award-winning sauces and rubs with signature chicken, steak, fish, salads and sides made with authentic, all-natural ingredients, also featuring craft beer, wine and full liquor bar

Currently, our family-friendly, island-inspired restaurant has over 50 locations in eleven states and growing nationally. New commitments will open restaurants in 7 new markets including Denver, Colorado, Houston, Dallas, North Dakota and Georgia along with additional units throughout Texas, Minnesota, North Dakota, south/ central & northern Florida, and the Greater New York area. **Hurricane Grill & Wings** now has a total of over 140 commitments nationwide!

HURRICANE ADVISORY

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Ready To Catch The Wave?

Learn how to grow your business while leveraging the equity of this fast track brand.

Entrepreneur's FRANCHISE 500 RANKED 2012

WE ARE THE PERFECT STORM

- AUV of $1.7MM for restaurants of 150+ seats
- 3:1 Sales to Investment Ratio
- Positive Comp Sales every month for 4+ Years
- Minimal Start Up as low as $500K
- $10 Million in financing available

50
2013 Franchisee Satisfaction Awards
Franchise Business Review

HURRICANE GRILL & WINGS®

For more information

DAVID BLOOM dbloom@hurricaneamt.com
Hurricanefranchising.com I 877.769.9464

2013 MVP AWARDS

Outstanding multi-unit performers are honored

Each year, *Multi-Unit Franchisee* magazine recognizes outstanding performers with our annual MVP Awards. Honorees demonstrate character, innovation, and generous contributions to their markets and brands. Here's a preview of this year's winners. Their full profiles follow. We thank Comcast Business Class for sponsoring this year's MVP Awards.

STEVE BALIVA *Noble Cause Award*

For passionate, unwavering support for those in need

Steve Baliva brings consistency to operations and profitability in his three brands. But what earned him the Noble Cause Award was his response to Hurricane Sandy: Tom's River, N.J., is not only where his T.G.I. Friday's are located, it's where he lives. "We knew it was coming and thought that we had five restaurants in the path of it," says Baliva. "Turns out we had seven." He re-opened quickly, fed residents and employees, delivered supplies to local shelters, and led a company-wide drive to gather supplies for the victims.

WILLIAM RAY BRUCE *Noble Cause Award*

For passionate, unwavering support for those in need

After viewing a documentary about hungry people in the U.S. dumpster-diving for food, William Ray Bruce was moved to action. Working with the Rescue Mission of Salt Lake, where his company, Abundant Brands, is based, Bruce collects the excess rice, beans, pork, and tortillas from the company's 16 Costa Vida restaurants and bakes it into a seven-layer burrito dish served every Thursday to about 500 people.

SAMANTHA GOLDSMITH *Influencer Award*

For demonstrating the path to success to other franchisees

In less than 3 years, 25-year-old Samantha Goldsmith has opened 10 Red Mangos on her native Long Island. That makes her the brand's youngest franchisee and largest multi-unit owner. A big believer in marketing, she uses Facebook, Twitter, and Foursquare to promote growth. "It's great when young people come to the manager and ask if I'm there because they want to talk to me about being successful."

JOE HERTZMAN *Innovation Award*

For bringing a new and unique contribution to their brand

Joe Hertzman opened his first Rally's restaurant 28 years ago. Today he operates 24 Papa John's, 13 Rally's, and 7 Long John Silver's. He's always been an innovator: last year he played a critical role in developing a program to improve lunch performance at Rally's; and, taking a cue from his kids, he pushed to add a waffle cone to the brand's Cold Creations menu, boosting sales and profitability. At Rally's, he's also a leader on the FAC and in 2012 won the brand's Sustained Sales Growth Award.

GUILLERMO PERALES *American Dream Award*

For achieving remarkable success in his new country

Guillermo Perales thinks big. His 398 units, spread across 7 brands, provide more than 10,000 jobs in Texas and Florida. A native of Mexico, Perales came to the U.S. in search of success, and he found it: in 2012 his company was ranked among the top 10 by *Restaurant Finance Monitor*; and he is the largest Latino restaurant franchisee in the U.S. He co-founded the Latin American/DFW Fund to raise money for Latino-based programs and initiatives and provides incentives for Latino students to stay in school.

SPENCER SMITH *Role Model Award*

For providing an example for others to follow in franchisee success

Not all role models are flashy and charismatic. Sometimes they are thoughtful and soft-spoken—like Spencer Smith, a multi-brand franchisee who has earned success by following "the program" and the Golden Rule, treating his employees and customers accordingly. And it's all paid off handsomely for Smith, who operates 39 Aaron's and 2 Big O Tires locations, all in less than 9 years.

DANNY SONENSHINE *Spirit of Franchising Leadership Award*

For extraordinary and enduring performance, growth, & community giving

Danny Sonenshine opened one of the first Wingstops in Los Angeles. Today he operates 21 and is president of the Wingstop Southern California Advertising Co-op and the Wingstop FAC. He recently opened the second test concept Wingstop Sports location in the country. Now he has his sights set on Hawaii and Guam, where he has obtained development rights.

KEVIN & LAUREL WILKERSON *Veteran Entrepreneurship Award*

For outstanding performance by a military veteran

Kevin and Laurel Wilkerson, who served a combined 44 years in the U.S. Army, say that their military experience prepared them well for their new life in franchising. After only 3½ years with Marco's Pizza, they have opened 7 units and earned several awards. In 2011, Kevin was named Area Representative of the Year and has been instrumental in training new Marco's franchisees and helping out at many of their openings.

2013 MULTI-UNIT 50 RANKINGS

Looking for a new brand? Don't miss this year's "Multi-Unit 50" lists from FRANdata, ranking brands by 1) greatest number of multi-unit operators, and 2) percentage of multi-unit franchisees in their system. MUF

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*This ad is for informational purposes only. The information enclosed is not intended as an offer to sell a franchise. An offer of a franchise will only be made by a properly registered and effective Franchise Disclosure Document where required by law.

BY DEBBIE SELINSKY

Above and Beyond

Steve Baliva used his Friday's to go the extra mile in Hurricane Sandy

Just before Hurricane Sandy slammed into the New Jersey coast, Steve Baliva was huddling with team members from his area T.G.I. Friday's restaurants to prepare for what many forecasted to be the storm of the century.

"We knew it was coming and thought that we had five restaurants in the path of it," says the Tom's River, N.J., resident. "Turns out we had seven—five in Jersey and two on the border of the Pennsylvania side. We were laying up plans to close down on Sunday, Oct. 29, since we knew we'd lose power."

NAME: Steven Baliva
TITLE: VP Restaurant Operations
COMPANY: Metz Culinary Management
NO. OF UNITS BY BRAND: T.G.I. Friday's, 13; Ruth's Chris Steak House, 1; Wolfgang Puck Express, 1; Lucky's Sporthouse, 1
AGE: 51
FAMILY: Married
YEARS IN FRANCHISING: 15
YEARS IN CURRENT POSITION: 10

Baliva, T.G.I. Friday's 2011 Franchisee of the Year and vice president of restaurant operations for Metz Culinary Management, lives within 10 minutes of several of the restaurants. So on Tuesday he headed out to check on things. Four of the restaurants—along with 85 percent of Ocean County, N.J.—had no power. "There was wind damage and we'd lost awnings, but we weren't close enough to the water for flooding, so it could have been much worse."

By Tuesday night, Baliva had mobi-

2013 MVP *Noble Cause Award*

FOR PASSIONATE, UNWAVERING SUPPORT FOR THOSE IN NEED

Why do you think you were recognized for the Noble Cause Award? I live in the middle of the area hardest hit by Superstorm Sandy. In the days and weeks following the storm, 80 percent of the area had no power. We were able to get a few restaurants up and running to provide at least some temporary normalcy for people. I tried to help in area shelters by serving food and providing supplies. We organized a company-wide drive to bring much-needed supplies and food to the shore from our Pennsylvania employees and guests. The outpouring of help was incredible. I have to say that there are other people in our company who did more than I did, so I'm honored to be recognized.

As a multi-unit franchisee, how have you raised the bar within your own company? We try to improve our business daily. The standard is not good enough—we need to be above it at all times. When a guest chooses a restaurant, they choose based on a number of different factors, and we want to be the lead choice in all of them.

What innovations have you created and used to build your company? We have used a number of guest-enhanced systems to improve the guest experience. We were among the first with free Wi-Fi and were on board in the early stages of text blasts, email blasts, and Facebook.

What core values do you think led you to win the MVP Award? Treat people the way you want to be treated. We have a huge responsibility to the communities we operate in. Our partnerships with local charities and organizations are as important to us as our business. You have to constantly give back.

What is the value of community involvement for you and your company? We spend much time developing relationships with chambers of commerce, other businesses, children's charities, etc. When we run our bar competitions, we partner with local charities for each restaurant. We've raised more than $500,000 for local charities over the past eight years.

What leadership qualities are important to you and your team members? You need to walk the walk. You can't ask someone to do something you would not do. I try to set the example every time I walk into a restaurant by helping where it's most needed. People need to feel there is an open line of communication and an avenue to discuss any issue. I think we have met that at every level.

"You can't ask someone to do something you would not do. I try to set the example every time I walk into a restaurant by helping where it's most needed."

lized his team to check on employees' safety and to get power up at two restaurants. "We opened on Wednesday and set up charging stations so people would have somewhere to get warm, recharge their phones, watch the news, and get coffee or a bite to eat," he says. "It was crazy and chaotic—we were the only ones open in town."

Baliva and two of his directors helped employees move food to nearby locations and donated, delivered, and served food from Friday's in shelters, where it benefited many, including some of his employees. He also led a company-wide drive for supplies, mainly water and clothing, and filled a large truck with much-needed supplies.

As bad as Sandy was, Baliva says he'll remember that time as "the best I've ever had working in restaurants. We were short-handed and would be out of 10 items, and our guests were great about it. It was almost like a family gathering,

PERSONAL

Formative influences/events: I worked in restaurants all through school never intending to stay. My goal was to be an accountant, but after working in various positions I found that I really enjoyed the interaction with employees and guests. And 34 years later, here I am.

Key accomplishments: I spent many years at Friendly's restaurants where I was a trainer for district managers and a test region. In addition to other awards, I was named T.G.I. Friday's Franchisee of the Year in 2011. I'm also proud that my manager turnover is less than 10 percent annually.

Decision I wish I could do over: None.

How do you spend a typical work week? I'm in the office two days a week. The rest of the week I'm in the field visiting restaurants and working with the directors.

Favorite fun activities: I recently discovered I liked cruises after going to Alaska for my 50th birthday. In my downtime, I read, visit Atlantic City, or work on my lawn (I'm obsessed!).

What are you reading? John Grisham's *The Accidental Hero.*

Best advice you ever got: Take care of your people and they will take care of your business.

What's your passion in business? I love the high pace, working with people, and seeing hourly employees grow into management and beyond.

How do you balance life and work? That's a tough one. I love what I do, but in recent years I have tried to take more time off to do things. My Alaskan cruise was the first time I have been without a cell phone in 15 years. Rough!

Last vacation: My house in Florida for a week of just hanging by the pool.

with people talking from table to table about what was going on."

Baliva, the recipient of *Multi-Unit Franchisee* magazine's 2013 Noble Cause Award, says he wasn't thinking about making money during the storm. "We're stable financially and we have insurance, so it wasn't about what kind of business we'd do. We have so many employees who live paycheck to paycheck, and they needed to get back to work immediately. Our goal was to get open, give people a sense of normalcy, help where we could, and get people back to work." MUF

MANAGEMENT

Business philosophy/management style: I try to allow people the room to do their job without being micro-managed. I expect a lot but people need to feel they own it.

Greatest challenge: Letting people make mistakes and learning from them.

How I give my team room to innovate and experiment: Again, I allow them to run the business and try to manage each person's style.

How close are you to operations? Very. I am very active in day-to-day operations.

What do you rely on/expect from your franchisor? Since I have three different franchisors, I often get three different answers, but communication about what is happening is most important.

What do you need from vendors? We need support for initiatives we are pursuing and quick follow-up on any issues the GMs experience. It truly is a partnership.

How is social media affecting your business? We are very active in Facebook and email blasts. The speed of getting the word out today versus 15 years ago is amazing.

How do you hire and fire? We have a pretty lengthy interview process involving several different people. We are very protective of who gets to play on our team. I truly believe that people fire themselves. We set the expectation up front and it is their decision from there. Outside of lying or stealing, we will do what we can to help an employee who may have lost their way.

Fastest way into my doghouse: Lie or steal—no go-backs from there. I tell that to every manager who comes on board. Anything else we can coach them through.

"Nothing replaces simple communication and caring about your people."

BOTTOM LINE

Annual revenue: Prefer not to say.

2013 goals: We've been holding steady because we're getting ready to enter the reimaging program with all our T.G.I. Friday's restaurants. We do plan two more T.G.I. Friday's in New Jersey, and perhaps another in Pennsylvania. We've also been very successful with our Ruth's Chris, so it's a matter of timing and the right location for another.

Growth meter: How do you measure your growth? Sales are not the number to look at any more. The true measure of success is in guest count growth year on year. You can attract as many new guests as you want, but if you don't retain your base you go backward.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, I'd like to have additional restaurants of our current brands. In 10 years, I can see us with one or two other brands and starting a new growth strategy.

Are you experiencing economic growth or recovery in your market? We have been fortunate in most of our markets. Sales have rebounded nicely across all concepts.

How do you forecast for your business? We look at forecasts quarterly and adjust based on trends.

What are you doing to take care of your employees? We try hard to be the employer of choice. We do an annual for any employee over five years. Last year we had 200-plus employees in that category. We constantly look at our benefits to make sure we are best in class. But nothing replaces simple communication and caring about your people.

How do you recognize top-performing employees? We have a number of different programs from time off to cash bonuses based on sales and profits.

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BY KERRY PIPES

Sharing His Bread with the Poor

Leftovers, once tossed, now feed hundreds each week in Salt Lake

When we first met William Bruce last year (MUF, Q4 2012), it was clear that he values people—a lot. The COO of Abundant Brands in American Fork, Utah, values his family, customers, employees, and those in his community who are in need. This passionate dedication is why he was chosen for *Multi-Unit Franchisee* magazine's 2013 Noble Cause MVP Award.

Bruce remains dedicated to his company and its more than 250 Subways and 16 Costa Vida Mexican Grill restaurants… as well as to the Rescue Mission of Salt Lake. Together each week, they gather the excess rice, beans, pork, tortillas, and other food items and bake it into a

NAME: William Ray Bruce

TITLE: Chief Operating Officer

COMPANY: Abundant Brands, LLC

UNITS: 280 and counting: 252 Subways (developing agent for Utah; 19 AB LLC owned, remainder franchised); 16 Costa Vida Mexican Grills; 10 Roxberry Juice Co.; 1 Big Al's Texas BBQ; Craig's Cuts (75% of 10 locations in Utah)

AGE: 50

FAMILY: Beautiful wife Tali, and five teenagers: Austin, 19, serving a Mormon mission in South Korea; Baron, 17, a 6'4", 300-lb. all-state junior at Alta High; Kai, our 8th grade math prodigy; oldest daughter Kelby, age 19, earned a scholarship in physics at USU; Kenzie, now 17, is our dancer, drill team lead, and 3.9 GPA senior in 2014. (We have some family pride. Go family!) Having teenagers at home is what makes managing these young adults at work so much fun.

YEARS IN CURRENT POSITION: 5

2013 MVP *Noble Cause Award*

FOR PASSIONATE, UNWAVERING SUPPORT FOR THOSE IN NEED

Why do you think you were recognized for the Noble Cause Award? I have the best cheerleader. Her name is Tali Bruce. Your spouse can be your best asset. When you recognize this, you begin to grow and understand you "married up." I have loved building a delivery system to feed the Rescue Mission guests. However, Tali explained another improvement idea. Instead of waiting for a holiday to help the less fortunate, each of us should do this on our birthday. Now that is a Noble Challenge.

What innovations have you created and used to build your company? 1) The centralized kitchen for Costa Vida has shown tremendous added value and is now an added profit center serving other franchisees in the state. 2) Playing humorous characters with Dr. Roxberry and Mr. Costa Vida on YouTube has been fun, and these have turned into commercials on the NFL channel for our AFL team. 3) Teaching and engaging managers has allowed them to create win-win environments. If leaders stood tall and said "Everyone, you are Empowered!" now everyone is innovating.

What core values do you think led you to win the MVP Award? Be your word. I feel this is the highest value in America. Like the Greek word *filotimo*, which is "friend of honor," and regarded as encompassing all values. When you deliver on your commitments, your teams vibrate and deliver in the same way.

What is the value of community involvement for you and your company? We deliver fresh food to our Costa Vida restaurants each day from the central kitchen. I set up the restaurants and kitchen to bring back the food that was left over and slated for waste. Each week I have the kitchen make 250 pounds of seven-layer burrito. We change the flavor each week. We then deliver and feed about 500 less fortunate folks at our Salt Lake City Rescue Missions. On the street, "Costa Vida Thursdays" is happening. We have been doing this for 18 months. Our newest street name in Salt Lake is "Subway Tuesdays," which we started the first week of 2013, using the leftover, flavored breads from three downtown Subway locations. Weekly changes include open-faced, beef gravy sandwiches (my favorite), toasted pizza breads, and garlic cheese breads. The mission serves these hot each week, about 250 sandwiches. Combined, we now serve more than 750 guests weekly in the many Rescue Missions of Utah, with leftover foods from the two brands. With this system, "I thank my life for these helping moments."

What leadership qualities are important to you and your team members? I know a tenured leader can walk into a room, understand the people there, recognize their talent, and create scenarios within the team that benefit everyone in their circle of influence. My hope one day is perfecting this leadership energy!

seven-layer burrito dish they serve to the needy. These days, the regular delivery of 500 meals is known on the streets as "Costa Vida Thursday," says Bruce.

And this year, he created "Subway Tuesday," which serves an additional 250 meals. "We now take the leftover Subway breads and produce open-faced, hot, tasty sandwiches weekly. The kids who make tortillas and baked breads feel good knowing the extra is feeding the hungry."

In addition to Costa Vida and Subway, Abundant Brands' concepts also include Roxberry Juice Co., Big Al's Texas BBQ, Craig's Cuts, and the Utah Blaze arena football team. And Bruce, whose "do good vibe" permeates every facet of Abundant Brands, credits his wife Tali, director of marketing for Roxberry, as being his greatest partner and supporter.

Bruce says he has all kinds of fun with the Blaze. "This past month, we rode out to midfield with our flamed

PERSONAL

Formative influences/events: Michael Mack, CEO of Souplantation & Sweet Tomatoes. He always offered self-improvement seminars: "Taking Responsibility," "Leadership Career Stoppers," and such. These proved to be worth every moment.

Decision I wish I could do over: No regrets. For me the real question is, "What did I learn from poor decisions?" These "business stoppers" happen. What I learned: Do not make the same mistakes. Remember and learn from them. Leaders who enjoy learning and can change with age are better performers.

How do you spend a typical work week? Delivering the company vision; finding people doing their jobs better than I ever could. When I work behind a counter, I always tell the guest, "I am here slowing down the line. These folks are the fast and efficient ones!"

Favorite fun activities: Date nights, kids' sports and living their successes, surfing, snowboarding, personal journal writing, and you won't believe this (my wife will concur): I love cleaning house and shining shoes.

What are you reading? I am a heavy magazine reader: *Multi-Unit Franchisee, QSR, Surfer, Snowboarder, iD (Ideas & Discoveries),* theology. I love the Internet for fast reads and topics. I started again the book *Blink* by Malcolm Gladwell. This book articulates the way I make choices.

Best advice you ever got: When it came to restaurants, Vern O. Curtis, who in the 1980s, led Denny's and its subsidiaries as CEO, drove home: "Location, location, location, for restaurant success!"

What's your passion in business? My passion is being "plugged in" so that when someone approaches you, you're ready before they ask. Can a leader be this advanced and ready, before any problem can arise? I believe leaders like this exist and they are always "on their restaurant/business/personal game."

How do you balance life and work? I feel balance is everything; family time, healthy outlook, work duties, husband "honey-do" lists, spiritual experiences, and helping our community are all essential. There is probably more, but balance is key to loving your life. We do love our life, and strive to expand our help to others.

Last vacation: There is nothing like a fishing trip. We had a grandpa who built a cabin in Yellowstone around 1920, by himself. His honeymoon was in this cabin. It took him three days to travel there from Salt Lake City with his bride. Now we get two weeks a year from our non-updated, spider infested mattresses on the shack floor—and the fishing is like having them in a barrel. My sons and I will never give up this fishing hole!

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Case Study: Quick Service Restaurant

WENDY'S FRANCHISE SAVES $50,000, ACHIEVES 100% E-PAY WITH WEX RAPID! PAYCARD.

Overview

With 65% of its employees lacking bank accounts, Western Restaurants needed a flexible way to deliver pay while reducing costs. With 52 Wendy's franchise locations across Kentucky, Illinois, Tennessee and Virginia, they employ roughly 1,650 workers.

The Problem & Goal

- Western Restaurants had always relied on paper checks for pay delivery.
- With 43,000 checks, paper had become time-consuming and expensive.
- Annual $148,000 payroll costs kept spiraling higher
- Location managers were distracted by manual distribution of paychecks
- Only 35% of Western Restaurants' employees had bank accounts

As part of a company-wide effort to go paperless, Human Resources Manager Carla Cooper decided to investigate electronic-payroll solutions that could replace paper checks.

Case Study:
Quick Service Restaurant

> *"WEX rapid! PayCard is secure, flexible and reliable, and it eliminates the payday drama for both our managers and employees alike. I can't imagine going back to paper checks. In fact, I can't believe we waited this long to switch!"*
>
> Carla Cooper
> HR Manager
> Western Restaurants

Paperless Made Painless

Cooper first heard about WEX rapid! PayCard through favorable referrals from colleagues. "We'd looked into other paycard companies, but none had the overwhelmingly positive references that rapid! did," she says.

Enrollment was quick and painless and occurred in weeks, not months. Cooper was impressed with the high service level. "I've been in HR for twenty years, and the WEX rapid! PayCard team was the easiest, most responsive group I've worked with on a program roll-out."

Benefits were realized immediately. Western Restaurants shaved administrative time, and more than $50,000 from annual payroll expenses. Also, non-banked employees got new financial freedoms. "My employees love it because they don't have to wait for their pay," says Cooper. "And my managers tell me, 'I can run my store now and focus on customers.'"

Solution at Work

By switching to WEX rapid! PayCard, Western Restaurants eliminated paper checks entirely, and created long-lasting benefits, including:

- 100% e-pay enrollment - cut out 42,900 paper checks annually
- Saved 34% on annual payroll costs—roughly $50,000
- Eliminated payday confusion and improved overall payroll efficiency
- Provided unbanked employees new financial benefits

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chopper roaring, bringing fans to their feet and cheering the Blaze team on."

Bruce has been in the foodservice business a long time, starting with tossing pizzas at a beachside restaurant when he was 16. His restaurant experience also includes top leadership roles with Paradise Bakery & Cafe, Souper Salad, and Souplantation & Sweet Tomatoes. He's been with Abundant Brands since 2008. His self-described operating philosophy of "good and human progression," or "good vibrations," he says, is fitting for a guy who grew up surfing every day in Southern California and whose parents owned a consumer marketing company that rated restaurant quality and service.

His recipe for success includes a belief in strong operational systems, checklists for all facets of a restaurant, and hiring and training the best people. "My main thing is loving our people," he says. "We hire great people with the same vibration I have, that our company has, and our culture has. We have low attrition, and that is a win for us in all our restaurants." MUF

MANAGEMENT

Business philosophy/management style: When associates ask, "Can you do this?" and your experience says you know how, always speak up and say, "Yes, I can!"

Greatest challenge: Following. I have a competitive drive to be first down the ski mountain, ride the biggest waves, be first on the bus for more seat choices, and lead teams to always win.

How I give my team room to innovate and experiment: Innovation keeps people moving. Rarely do I say, "Do it like this!" Innovation means asking your folks, "How would you do this?" Now you are working as a team, synergizing. You may have the right answer, but with all that input the idea may develop into a brand builder.

How close are you to operations? Very close. There is not a cash register in the home office. No money being made there!

What do you rely on/expect from your franchisor? Partnership with integrity.

What do you need from vendors? Nicholas & Company and their executive leaders like Craig Romney create open communications. If you have a problem, the channels to talk are open. Vendors play a significant role in all restaurants.

How is social media affecting your business? We use Facebook and others. I believe social media was really big in 2009 and 2010. We have begun to see slumps. Perhaps the Facebook IPO is drowning our Facebook love. Our Costa Vida and Roxberry brands get laughs on YouTube with "Mr. Costa Vida" and "Dr. Roxberry" videos (I am the star—take a peek!). We play these during our Utah Blaze arena football games on the NFL channel. We get a lot of comments from these spots on cable TV, even though they are really designed for social media.

How do you hire and fire? In hiring and terminations, I feel company culture can have a vibration of good and human progression. When people are being interviewed, you want to feel they vibrate at the same level as you and your organization. When employees are demonstrating something other than great performance, they vibrate themselves out; they really fire themselves. Being a leader, being "plugged in," helps you recognize these behaviors and vibrations and inspire growth.

Fastest way into my doghouse: Saying "It's done" when it's not. I will always follow up. Therefore, be your word.

BOTTOM LINE

Annual revenue: Utah Subways and our other brands about $50 million.

2013 goals: Growth. Now is a great time. Good deals are around.

Growth meter: How do you measure your growth? Profitability, other results, our culture being lived, having good relationships with team members and franchisees, and life balance.

Vision meter: Where do you want to be in 5 years? 10 years? Owning. Mentoring and helping managers become better people is always my goal.

Are you experiencing economic growth/recovery in your market? We are steady in Utah. The housing market has really increased in the past year.

How do you forecast for your business in this economy? We will stay ahead of competitors. The economy is always up and down. Versus flying in coach, I want to be flying in "first class" with service, food quality, and fresh ideas. We'll let competitors look through the drapes separating us, have them wondering what is going on in that first-class company we're running. Let them see we are always "top shelf." The difference: they can come in, experience it, use the bathroom, etc. However, we always forecast to be the best.

Where do you find capital for growth/expansion? From investors, our current bank relations, and our own profits.

What are you doing to take care of your employees? I always have a New Year goal-setting seminar, and mid-year we do awards. Bonus potential is available and we have an open-door policy if a team player needs help. I feel that one-on-ones with an executive team member are always a win for crew and us alike. Always take time with employees in the business atmosphere; they watch us closely.

How are you handling rising employee costs (payroll, healthcare, etc.)? The best we can. Hurdles always come. Certainly we can overcome obstacles that arise. What an awesome idea that all Americans can have healthcare. I am not the biggest supporter of government programs, ideas, and small-business government controls. However, to offer medical attention for our country's populace feels right within me.

How do you reward or recognize top-performing employees? We have many items to reward on. Results are measurable. We have Mindshare (guest feedback program at Costa Vida) and Evaluators who measure operations and every aspect (Costa Vida and Subway). Rewarding is made simple with these tools. We always have holiday parties and monthly manager meetings. In management meetings, if something really cool came up that month, we let all the managers know and single out that manager for great performance and a job well done. If the manager has a great idea and we as a group run with it, recognizing them is very important.

BY DEBBIE SELINSKY

Youth Mover!

Red Mango's youngest franchisee is also its largest

In less than three years, Samantha Goldsmith has opened a whopping 10 Red Mango locations on her native Long Island. That makes her the system's youngest franchisee, largest multi-unit owner, and Long Island the single largest market for the brand. That's quite an accomplishment, even for a veteran franchisee. But Goldsmith, 25, has been in the business for only a short time.

Her list of accomplishments, punched up by multiple Facebook, Twitter, and Foursquare accounts, is the reason Goldsmith is something of a rock star at her store grand openings and the recipient of *Multi-Unit Franchisee* magazine's 2103 MVP Influencer Award. "It's great when young people come to the manager and ask if I'm there because they want to talk to me about being successful in business," she says.

Goldsmith spent her childhood at her father Harvey's heels. "I've wanted

NAME: Samantha Goldsmith

TITLE: Founder

COMPANY: Goldsmith Companies

NO. OF UNITS: Red Mango, 10

AGE: 25

FAMILY: Husband Tim Gatto, company operations manager, and three stepchildren

YEARS IN FRANCHISING: 3

YEARS IN CURRENT POSITION: 3

"I strive to be the best I can be. I want my stores to be as profitable as they can be, and I want people to see how clean and well-run the stores are."

2013 MVP *Influencer Award*

FOR DEMONSTRATING THE PATH TO SUCCESS TO OTHER FRANCHISEES

Why do you think you were recognized for the Influencer Award? Well, opening and operating 10 stores is not easy. I'm young—I started with Red Mango when I was 21. But I have a good head on my shoulders and I know what to do and have passion for what I do.

As a multi-unit franchisee, how have you raised the bar within your own company? I have high expectations, and I reward employees with incentives to push sales and percentages up and to be the best they can be.

What innovations have you created and used to build your company? Of course we follow the system, but at Red Mango we have input on flavors or products. We try them all before we sell them, check out the taste, feel, and texture.

What core values do you think led you to win the MVP Award? I have a tremendous work ethic. I'm honest, communicative, and determined to be successful.

What is the role of community involvement to you and your company? We do lot of fundraisers. My stepson has Down syndrome, so we've given percentages of sales from blocks of hours to the organizations that benefit children with Down syndrome. We're quick to donate to raffles and baskets for people. Whatever is a big need in the community, we care about.

What leadership qualities are important to you and your team members? Honesty and determination.

to be like my dad since I was five years old. He had an inventory business, renting out scanners to companies to use when taking inventory. I'd sit in the back of his office, making boxes and watching him do business," she says. At 16, she started work at Bed Bath & Beyond and was promoted twice in less than four years. "I liked managing and being part of a team," she says. But she couldn't see spending four years in college when she already knew what she wanted to do.

When she and her father came across Red Mango at a franchise expo, she liked the brand's "delicious and healthy" prod-

PERSONAL

Formative influences/events: My dad had his own company for 42 years. As I grew up, I watched the way he built it from the ground up. I wanted to be like my dad and have my own business.

Key accomplishments: I'm most proud that I was able to get 10 stores off the ground in a short time, and that I'm able to run them without issues.

Decision I wish I could do over: Nothing.

How do you spend a typical work week? I'm in the office early and I'm constantly in the stores or visiting other franchisees' stores. My life is Red Mango 24/7.

Favorite fun activities: I have three stepchildren whom I dearly love, so my husband and I enjoy spending family time with them every other weekend and a couple of days during the week. They go to Mangos with me and we play in the park.

What are you reading? I read all of James Patterson's books.

Best advice you ever got: My dad told me to think everything through. He said, "Don't be impulsive when it comes to business and the bottom line. Think of all the possibilities and outcomes and make your decisions based on that."

What's your passion in business? Being successful. I strive to be the best I can be. I want my stores to be as profitable as they can be, and I want people to see how clean and well-run the stores are.

How do you balance life and work? It's difficult, especially since bringing my fiancé (now husband) on board as COO. When you work together, regular conversation can easily turn into work conversation. We've had to say, "Let's leave the office at the office and interact at home as if we worked in different places."

Last vacation: Hawaiian honeymoon in May.

"Most of my managers are in their 20s, so we're the same age, which helps."

ucts. She approached the franchisor, who didn't seem taken aback by her age, she says, and opened her first unit early in the chain's national development.

"Red Mango appealed to me because I'm health-conscious like most people between 24 and 50. We're all concerned about calories, fat-free, and gluten-free. I thought our products would be popular and the stores would thrive right now," she says.

Her instincts were good, and Goldsmith has kept up a rapid growth rate, opening her other nine stores within three years. Her husband, Tim Gatto, is COO, and the pair closely mentor their 10 store managers.

Red Mango founder Dan Kim has described Goldsmith as an "inspiration." But her father is her biggest fan. Says Goldsmith, "He tells me how proud he is all the time." MUF

MANAGEMENT

Business philosophy/management style: My management style is to try to give as much information as I can to my team so they can do their best job. I'm open and I encourage people to feel free to bring ideas to me or to discuss anything they like. Most of my managers are in their 20s, so we're the same age, which helps. My biggest issue is respect. I'm the boss and I expect them to respect that, just as I respect them.

Greatest challenge: I used to travel all the time, but my biggest challenge now is walking away from work for a while to do family-related things.

How I give my team room to innovate and experiment: We have group meetings—the 10 managers, myself, and operations manager. We bounce ideas off each other. Some are good and some are not for us, but everybody has a chance to discuss things.

How close are you to operations? Pretty close. I work hand in hand with Tim on daily operations. Since I have him on board, I can now walk away from certain parts of it.

What do you rely on/expect from your franchisor? Advice mostly. I can call Red Mango and ask anything I want. They support us with great products and we have open communication.

What do you need from vendors? We may have special issues on store openings and need to ask for special deliveries, and they've been very accommodating about that.

How is social media affecting your business? Social media is striking positively for us. At a grand opening in May, a lot of young people wanted to talk to me and pick my brain, because they view me as young and successful. They've read about Red Mango and me since we have 10 Facebook accounts, 10 Twitter accounts, and 10 Foursquare accounts.

How do you hire and fire? We check resumes on Craigslist and other hiring sites. The GM does the interviewing, and if he or she feels a candidate is hire-worthy, the operations manager interviews them. We try not to fire anyone. I wrote the Goldsmith Manual, and everybody we hire knows if they violate anything in the manual, they're subject to termination.

Fastest way into my doghouse: By disrespecting me. I don't like lying or disrespect.

BOTTOM LINE

Annual revenue: Can't tell at this point.

2013 goals: Right now, I'm steady where I am. I want to get my 10 stores perfect before I continue to open stores.

Growth meter: How do you measure your growth? On customer percentages, social media responses, and customer feedback.

Vision meter: Where do you want to be in 5 years? 10 years? I want to continue to be successful, whether I stay with Red Mango and work through 20-year leases or add another concept, too. I want to stay busy and involved.

Are you experiencing economic growth and recovery in your market? It's a bit challenging, but I'd say yes.

How do you forecast for your business? We follow trends, use innovative products, and thrive as a chain off our new ideas.

Where do you find capital for growth/expansion? Smith Barney Mortgage.

What are you doing to take care of your employees? We have a good work environment and we run lots of programs. We offer health insurance to full-time employees and have award programs. We also have an open door policy. Because I'm on the younger side, I understand where they're coming from when it comes to supporting their moms or paying college tuition.

How are you handling rising employee costs (payroll, healthcare, etc.)? The best I can.

How do you reward or recognize top-performing employees? We have an Employee of the Month award at each store, and the winner gets a gift card to the store of his or her choice. I generally promote from within, so if I see someone supervisor-worthy or manager-worthy, we give them the opportunity. A couple of my managers started as $7.50 per hour employees and they now run full stores. They've earned what they have.

BY DEBBIE SELINSKY

All in the Family

Award-winning brothers rally 'round their brands

Joe Hertzman is always thinking. When the father of four attended sporting events with his children, he noticed that when they ordered ice cream they always requested waffle cones. So when Rally's decided to add new Cold Creations items to the brand's menu, Hertzman had a suggestion.

"I said, 'Look guys, why don't we put the ice cream in waffle cones and we can get another buck on the transaction and make another 80 to 85 cents?'" he recalls. "Around the office, we jokingly call it the JoeCone.'"

That kind of innovation over the years is what earned Hertzman the Franchisee of the Year Award from Rally's/Checkers and the 2013 *Multi-Unit Franchisee*

NAME: Joe Hertzman

TITLE: President

COMPANY: Radcliff Group

NO. OF UNITS BY BRAND: Papa John's, 24; Rally's, 13; Long John Silver's, 7

AGE: 56

FAMILY: Four children

YEARS IN FRANCHISING: I've been involved since my dad became one of the first Long John Silver's franchisees in 1969. We've been with Rally's for 28 years, and my brother Charles and I have been with Papa John's since 1991.

YEARS IN CURRENT POSITION: Decades, since our company is an extension of our father's.

Executive Summary:
SurePayroll Delivers for Vibe Restaurants

Vibe Restaurants with 34 franchises and nearly 1,000 employees in six states experienced payroll growing pains. To find an easy, accurate and efficient way to handle payroll and payroll taxes for its employees in light of ever-changing tax regulations in multiple states, Vibe turned to SurePayroll, a Paychex company. SurePayroll's Franchise Management Portal allows Vibe Restaurants instant access and the ability to manage payroll for all locations with just one secure login.

Meet Vibe Restaurants

Founded in 2005 as the franchisee for seven Little Caesar's restaurants, Vibe Restaurants has grown to 34 franchises under the leadership of Shalin Patel, who succeeded his father in management of the company. Vibe Restaurants manages 33 Little Caesar's pizzerias and one Which Wich restaurant.

The Challenge: Dream Growth Creates Potential Payroll Nightmare

While its success has been a dream come true, managing payroll for all of Vibe's businesses had been more like a nightmare. Vibe Restaurants realized that QuickBooks, which the company had been using, was not nearly robust enough to meet its needs. Vibe needed:

(1) To find a way to efficiently handle payroll for the wide scope of their operations.

(2) To ensure that they were keeping up with various and ever-changing tax regulations, payroll schedules filing and reporting deadlines.

(3) To find an efficient way to manage all the reporting and record keeping for their dozens of locations.

SurePayroll is the Right Fit

Vibe Restaurants signed on with SurePayroll in April 2012. SurePayroll's franchise-friendly online product proved to be the right fit as it could provide:

(1) Secure single login to a Franchise Management Portal that provides an overview for access and management.

(2) A nationally renowned platform which pays and files local, state and federal taxes in all 50 states.

(3) An award-winning U.S.-based customer care team backed by 40 years of payroll experience.

Easy Payroll, Employee Access, & Customer Satisfaction: "Our number one payroll concern of course is that our employees be paid accurately and on time and have easy access to their payroll details and pay stubs. When you have dozens of employees in dozens of facilities with varying benefits etc., this can be tricky. We know SurePayroll is meeting this need. And our employees appreciate the online access to their information," says Vibe Restaurants Human Resources Manager Rosalyn Williams

Easy Management & Automated Reporting: Williams is most impressed with SurePayroll's Multi-Access solution requiring only one secure login to access and manage payroll for all 27 of the franchises. "Being able to log in and see all the companies with just a click allows us to effectively monitor each location to assure their payroll needs are being met," says Williams.

Moreover, since SurePayroll provides comprehensive full-service payroll management, there is no need to get involved with tedious tax work and other minutiae that would otherwise keep clients from being able to focus on their own area of expertise.

Conclusion: A Strong Partnership, Peace of Mind and Valuable Time and Cost Savings.

"SurePayroll was able to easily overcome our challenges and even anticipate potential future issues. There is no question we've saved countless hours and an enormous amount of money along the way with SurePayroll," says Williams.

"When our team sees an opportunity to take something that is working and make it work harder, we're always in favor, as long as it is within brand standards."

2013 MVP *Innovation Award*

FOR BRINGING A NEW AND UNIQUE CONTRIBUTION TO YOUR BRAND

Why do you think you were recognized for the Innovation Award (for Rally's)? We're obsessed with following the system and we're also obsessed with improving the system. We feel so fortunate in Rally's tremendous leadership. Their franchise administration is the best I've ever worked with. They leave their egos at the door and roll up their sleeves to work with us on ways to improve the brand.

As a multi-unit franchisee, how have you raised the bar within your own company? We just try to do a better job than our competitors to continue to grow transactions and guest count.

What innovations have you created and used to build your company? When Rally's/Checkers added Cold Creations to its menu, I advocated for a waffle cone, since I'd seen my kids opt for those whenever we were at a game or ice cream store. I also worked to develop the brand's Peak 150 program to improve lunch performance. We've had good success trying for a larger order of something the brand is promoting in order to achieve a higher check. When our team sees an opportunity to take something that is working and make it work harder, we're always in favor, as long as it is within brand standards.

What core values do you think led you to win the MVP Award? I'm humbled to have won the award, because there are a lot of innovative people out there. Our top core value is to practice integrity in how we do our business and how we treat our guests and employees. We also have a tremendous focus on work ethic.

What is the value of community involvement for you and your company? Community involvement is more individual to each store, and Charles and Darren are very involved. I'm passionate about the volunteer work I do as vice chairman of the Jewish Community of Louisville and as a longtime board member of the Boys and Girls Clubs of America.

What leadership qualities are important to you your team members? Vision, integrity, hard work.

magazine Innovation Award.

"Rally's has great brand relevance, and we truly appreciate their leadership. They do a great job with strategies, menu development, and cost effectiveness," says Hertzman, a member of the brand's Franchise Advisory Council who played a critical role in developing the brand's Peak 150 program to improve lunch performance.

Born and raised in Louisville, Hertzman is proud of being a second-generation franchisee: his father was one of the original franchisees for Long John Silver's. "I'm grateful that I got to learn this business from my dad as a teenager, and that my brother Charles and I have worked to grow that business into the future," he says.

Rally's awarded Hertzman the brand's

PERSONAL

Formative influences/events: My father, who was a self-made guy, influenced me. He was a person of high integrity who taught us a lot. He signed some bank notes and lent my brother and me money to get started, but we had to pay back every dime.

Key accomplishments: One of the things we're most proud of is the fact that we've involved ourselves with older brands that are currently doing well. We've twice been Franchisee of the Year with Papa John's, and three years ago, we were Rally's Franchisee of the Year. Two years ago, we won that award with both brands. I'm also proud that Rally's/Checkers gave me the Legacy Award the first year they gave it to a franchisee.

Decision I wish I could do over: No regrets.

How do you spend a typical work week? We're fortunate to have great operating partners for both Papa John's and Rally's, so I can step away some from the day-to-day operations. We recently had a change in leadership on our Long John's team, so I've been working closely to get the new director up to speed. I also communicate daily with our brand leaders.

Favorite fun activities: I'm an avid tennis player and golfer, and I love to travel and to attend my kids' sporting events.

What are you reading? *The Wall Street Journal,* trade journals, business publications, and Nelson DeMille novels.

Best advice you ever got: Treat everyone with respect, but choose your friends wisely. Another is to hire smarter people than yourself.

What's your passion in business? I want to do it right. We've always done a great job in running ops by the book and within the culture in which it's designed to be done.

How do you balance life and work? I didn't get married until my mid-30s, so I had a good jump on building the business. We opened most of our stores before I was 40. I also can achieve a good balance because we have such great teams running the day-to-day business.

Last vacation: To Paris to see my son before his graduation.

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Legacy Award the first year it was given to a franchisee. "With Rally's, we've really tried to stick to brand heritage, which is great, bold tastes within the value niche, and with Papa John's, which my brother heads up, for its great quality and competitive pricing," he says. Two years ago, Joe won Rally's Franchisee of the Year Award and Charles won Papa John's Franchisee of the Year Award.

Even as the business continues to grow, Hertzman still considers the company a family affair. With a sister with a Ph.D. and a brother with an MBA, he jokes that he's the family member with the "M.O.P." degree, referring to his early days cleaning stores—although he did earn a B.S. in business from Miami of Ohio University.

Hertzman, who opened his first Rally's 28 years ago, is quick to add that none of the success his family has enjoyed would have been possible without their operating partners: Darren and Dawn Haggard, at Rally's in Evansville, Ind.; and Charles Burris at Papa John's in the Ohio office. "We are so lucky to have these people on our team," says Hertzman. "When you know you have great operators out there, you can sleep at night." MUF

MANAGEMENT

Business philosophy/management style: My business philosophy is not a lot different from my personal philosophy. I believe in treating people with respect in life and in business, but holding them to necessary accountability. We're not too big yet to still operate more as a family business.

Greatest challenge: Macro: how do we keep our brands current? As franchisees, we don't make a lot of those decisions, though I enjoy being a member of Rally's FAC where I can offer input. Micro: we just want to continue to find good people and develop them properly.

How I give my team room to innovate and experiment: Through collaborative decision-making. It's seldom that we say no to what our operating partners want to do. We're usually on the same page.

How close are you to operations? I don't deal with operations day-to-day, but I'm in regular contact with operating partners because my background is operations.

What do you rely on/expect from your franchisor? Outstanding leadership, innovative marketing, menu innovation that can create both traffic and higher check average, and fairness in the relationship. I've never seen a fairer franchise agreement than Rally's.

What do you need from vendors? Quality service.

How is social media affecting your business? In the pizza business, which my brother heads up, we've seen a growing percentage of online ordering every year. I don't think we've cracked the code yet on translating social media to immediate sales in our other two concepts, but we'll continue to learn better ways to tap the potential out there.

How do you hire and fire? I don't do too much of either anymore. However, I recently had to replace our director of operations for Long John Silver's. We were happy to be able to promote from within.

Fastest way into my doghouse: Don't lie to me. I'm a straight shooter and I appreciate others who are. I don't have a lot of use for folks who aren't honest.

BOTTOM LINE

Annual revenue: With both Rally's and Papa John's, we've had year-over-year-over-year increases. Last year, we received the Sustained Sales Growth Award from Rally's for achieving 41 percent sales growth over the last four years.

2013 goals: To continue to fine-tune our Rally's operations with continued sales growth and transaction growth, and in Long John Silver's to see significant brand development while improving store operations. (My brother is doing a great job with Papa John's.)

Growth meter: How do you measure your growth? Year-over-year same-store sales.

Vision meter: Where do you want to be in 5 years? 10 years? I love what I do and the people I get to do it with. But there's been so much change in the industry that it's hard to project where I'll be next month, much less in 5 or 10 years.

Are you experiencing economic growth or recovery in your market? Yes.

How do you forecast for your business? We use a combination of historical trends, business pulse, and cost of commodities.

Where do you find capital for growth/expansion? Through traditional banking relationships.

What are you doing to take care of your employees? We offer competitive wages and benefits and try to provide a culture in the stores where employees feel appreciated and have an opportunity to develop skills and move up.

How are you handling rising employee costs (payroll, healthcare, etc.)? Cost of labor is always a very sensitively managed item. We're not sure of the impact of the Affordable Care Act as there's still so much to be determined over the next 18 months to two years.

How do you reward or recognize top-performing employees? Rally's/Checkers has a great culture whereby the franchisor recognizes the top 10 percent of all managers in the system with a five-night Caribbean cruise for managers and their spouses. On the last night of the cruise, we do a Top 20 recognition and count down to the Manager of the Year. I'm proud to say that Brenda Miller, a 22-year employee who manages our Bowling Green, Kentucky, store, was named No. 2 manager in the system in April and No. 1 three years ago.

BY KERRY PIPES

Extreme Growth

Following massive acquisitions, a focus on operations and remodeling

Guillermo Perales is at it again. When we spoke with him last year (MUF, Q4 2012), he was on the grow and flirting with 400 locations across his restaurant kingdom. Now he has been recognized with the *Multi-Unit Franchisee* magazine MVP Award as he kept busy remodeling more than 40 of his Burger Kings, Popeyes, and Golden Corrals, cutting the ribbon on three new Popeyes, and building several more units in his core markets of Dallas, Houston, and Orlando, Fla.

"We've still got around 400 total locations," he says matter-of-factly. "But we did sell off 10 Golden Corrals in January and have been heavily remodeling a number of our other units." He says another handful of restaurants are awaiting building permits that are "tough going." And when we spoke, he was cooking up a deal to purchase two more existing restaurants.

Perales is well-known in these pages. The Mexican native graduated with honors before heading to the U.S. and corporate life. His first job, with Mexican company Gruma Corp. in the 1980s, provided him the experience he needed and served as a stepping-stone to starting his own business.

Dallas looked rich with potential, and Perales settled in. He identified some key sites and by 1997 had opened his first Golden Corral in Dallas. An SBA loan helped him meet the financial criteria to get his new business off the ground. There's been no letting off the gas since.

One thing he's learned, he says, is that "It's better to be a part of a bigger system. It takes away some of the risk when you have a recognizable name, and it makes financing easier to get."

NAME: Guillermo Perales

TITLE: President and CEO

COMPANY: Sun Holdings, LLC

NO. OF UNITS: 398 total: Burger King, 172; Popeyes, 73; Arby's, 52; CiCi's Pizza, 49; Golden Corral, 33; T-Mobile, 12; Del Taco, 7

AGE: 50

FAMILY: Wife, Adriana, and three children, 14, 12, and 8

YEARS IN CURRENT POSITION: 15

YEARS IN FRANCHISING: 15

Perales currently is operating Burger King, Popeyes, Arby's, CiCi's Pizza, Golden Corral, T-Mobile, and Del Taco locations. His restaurants are now all in the Dallas, Houston, and Orlando DMAs. His 398 locations make him the largest Hispanic franchisee in the country and fourth-largest Burger King franchisee. Growth, real estate ownership, and centralized locations are cornerstones of his operation. And going big is his calling card. "With one unit you can fail, but with several you can

2013 MVP *American Dream Award*

FOR ACHIEVING REMARKABLE SUCCESS IN HIS NEW COUNTRY

Why do you think you were recognized for the American Dream Award? I can't say for sure, but I hope it's in part because I have come to America and created a successful business that provides many jobs within the community. I have also tried to be an active participant in these communities and make sure that I am giving something in return. I am honored to have been recognized by the MVP Award.

As a multi-unit franchisee, how have you raised the bar within your own company? We benchmark our results against other franchisees in the systems we're involved with. Measuring these results and making adjustments are both necessary. I would also say that we have been aggressive developers, taking over existing locations and building new ones. We also try to identify needed changes and make them quickly. It's important to always look for ways to improve.

What innovations have you created and used to build your company? We created our own training software program that helps us keep stores properly scheduled and staffed. Labor costs are such a significant part of our operations. With our system we can schedule staffing to ensure great customer service while controlling labor costs and maximizing profitability. I might also add that we give out gift certificates to students in area schools when they excel in the classroom.

What core values do you think led you to win the MVP Award? I think it all boils down to focusing on operations. It's important that we have the right people with the right attitudes and dedication. If we all do this, the result will be that we are the best at whatever we do.

What is the value of community involvement for you and your company? I believe a business cannot truly thrive without taking an active hand in cultivating strong communities. I co-founded the Latin American/DFW Fund to raise money for Latino-based programs and initiatives. We support education and provide incentives for Latino students to stay in school. Almost 5 million free meal certificates are distributed every year to local students through the program. And we provide 50,000 free meals each year to armed services veterans on Veterans Day. I've also served on numerous local boards.

What leadership qualities are important to you and your team members? I look for people who are dedicated and committed to the cause: hard-working, honest people who want to be a part of this team and want to make this team the best. And that goes from my executive team here all the way down to the front-line employees in the restaurants.

support the network," he says.

His MVP Award is the latest in a long line of awards and recognition. One reason he was selected relates to his extensive and ongoing community involvement. He co-founded the Latin America/DFW Fund to raise money for Latino-based programs and initiatives, and he has supported programs that encourage Latino students to stay in school. And his nearly 400 franchise locations provide more than 10,000 job opportunities in the communities where he does business.

"Finding the right people, training, and retaining them is always challenging," he says. "And different concepts have different training demands, poli-

> **"I look for people who are dedicated and committed to the cause."**

PERSONAL

Formative influences/events: When I turned 50 last year it was a kind of milestone for me. It caused me to stop and reflect on where I had been and consider where I am going. I believe I have done things well, and hope that the philosophies I have developed over time will continue to serve me well as I proceed into the future.

Key accomplishments: We have helped get more Latinos into franchising, both as franchisees and suppliers. I feel I have been a leader and a role model in this community. I'm glad that my business has been able to provide so many jobs for people—more than 10,000. I'm still proud to be the largest Hispanic multi-unit franchise operator in the country.

Decision I wish I could do over: There have been things I would have done differently, like when I bought some Denny's restaurants at a price that was too high and eventually ended up selling them. And there were times when I chose the wrong site to open a new unit. But I think the way to look at it is to learn from the mistakes so you don't repeat them.

How do you spend a typical work week? Even though I am now 50, I still maintain busy work weeks. I'm still putting in 70- to 80-hour weeks. I want to be available for whatever might come up. I travel a couple of times most weeks to association meetings, conferences, my stores, or other meetings. I'm part of our weekly manager's meeting and I'm reviewing financials.

Favorite fun activities: I try to spend time with my family whenever I can, especially now that the kids are older. We like to go to Colorado, skiing together, and I like to play tennis.

What are you reading? Mostly trade industry publications. I have been traveling some lately, and that allows me time to keep up on the industry. Of course I read *Multi-Unit Franchisee* magazine, *QSR* magazine, and the *Dallas Business Journal.*

Best advice you ever got: Perseverance and persistency.

What's your passion in business? I would have to say managing the business. I believe that every day in business provides a new challenge or opportunity. So for me, I am always looking for new growth opportunities and what we can do next as a company.

How do you balance life and work? It's tough. I try to find a balance with exercise, work, travel, and family time. You just try to keep an even balance there.

Last vacation: I'm on the board of BBVA Compass and they recently sent the directors to Hong Kong. It was a working trip, but my wife came and we had a chance to enjoy China while we were there.

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MANAGEMENT

Business philosophy/management style: Organic growth through a lot of new construction and searching for purchases. Since day one we have focused on growth, building, and buying. We've also consciously been trying to stay strong in our Texas and Florida markets (Dallas, Houston, and Orlando).

Greatest challenge: The larger we've gotten, the more exposure we have had to legal trouble. That's one of the reasons we now have four attorneys on staff to help us make sure we are doing everything by the book. On the corporate level, it's difficult to find good people who will stick with you. At the unit level, the problem of employee retention remains. We're always dealing with turnover in this business.

How I give my team room to innovate and experiment: Let me first say that we are a very operations-driven company. So within that I empower each of my brand managers to think and manage on their own. They are encouraged to problem-solve and develop new ideas. I love when they think innovatively and try new things. They have that freedom. However, they are accountable and they must get results.

How close are you to operations? I'm close, but at 400 units I rely on insight from my brand managers. But I do see the numbers every week and visit my stores. Believe me, I keep an eye on cash flow.

What do you rely on/expect from your franchisor? It's very important to me for the franchisor to take care of the brand. We all have a lot riding on this business. So I expect them to attract the right franchisees, support us with marketing, and provide good operations and systems. Good management at the top of the brand is essential. Popeyes has done a great job of managing the brand over the past few years.

What do you need from vendors? I expect vendors to deliver the right products, on time. That should be a given. But I also need them to watch the dollars and be willing to talk numbers when necessary. Negotiation is important.

How is social media affecting your business? Our brands are all experimenting with social media to varying degrees. They are putting together and using systems that capitalize on the marketing and monitoring aspects of social media. For our part, I have a person dedicated to marketing and social media. There is value here.

How do you hire and fire? At this stage I don't do any hiring or firing at the unit level. But I expect my managers to be on top of things there. I'm keeping my finger on our benchmarks and financials, and when a store is not performing we are not afraid to make a change.

Fastest way into my doghouse: Not responding efficiently to questions. Poor performance is another. Basically, any time I sense a lack of commitment or dedication to the job and this company.

cies, and procedures."

As he told us late last year, remodeling units was on his front burner for 2013. He wasn't kidding: 40 so far this year and dozens more to come. And he's always looking for places to add or build new units. "We would already have more units built, but we are facing some tough going getting building permits for the locations," he says. He's also been busy traveling. The day before we spoke he had been in China and was preparing to head to Chicago on business. Perales says he has assembled a great team of dedicated professionals that he trusts to run things when he's away.

It's difficult to say what's next for Perales, but he always has several irons in the fire, and you can bet it will involve growth. Whether it's a conversion, a new build, a refranchise, or a remodel, Perales has the dedication, experience, and resources to make it happen. MUF

"Finding the right people, training, and retaining them is always challenging. Different concepts have different training demands."

BOTTOM LINE

Annual revenue: Over $400 million.

2013 goals: We plan to build around 15 new units this year. We will also continue to do many remodels, probably 30 Burger King, 15 Popeyes, 4 Golden Corral, and 5 Arby's remodels in 2013.

Growth meter: How do you measure your growth? Last year was huge for us with the Burger King and Arby's deals (96 Burger Kings in Florida and 50 Arby's in Dallas). We set development schedules. We like to develop our sites and own the property, that's one way. But we also buy existing franchises from others. So we measure our success based on our development schedules.

Vision meter: Where do you want to be in 5 years? 10 years? More growth, of course. I would like to add more brands and locations that become available in our main markets of Texas and Florida. That's where we want to dominate. I'm open to looking at new or established brands, whatever the smart decision is for us. The goal is to grow organically. We're always looking for potential new sites and ways to build out faster. I'd like to double our size in 5 years.

Are you experiencing economic growth/recovery in your market? In Dallas, my perception was that the recession hit later and the recovery started sooner than most other metropolitan areas. We're now seeing double-digit growth at our stores in Dallas.

How do you forecast for your business in this economy? Through benchmarking and year-over-year comparisons.

Where do you find capital for expansion? We used to rely mainly on banks, but when the economy went down we had to get more creative.

What are you doing to take care of your employees? We provide English classes and are working on a scholarship program.

How are you handling rising employee costs (payroll, healthcare, etc.)? The new health insurance will be a challenge. We may have to raise prices to comply.

How do you reward or recognize top-performing employees? By recognizing performance and providing a healthy bonus/incentive plan.

BY DEBBIE SELINSKY

System-atic Success

Spencer Smith is fully on board with both his franchisors

Sometimes leaders gain followers by being flashy and charismatic. And sometimes role models are people like Spencer Smith, a soft-spoken multi-unit, multi-brand franchisee who has earned his success by following "the program" and the Golden Rule. The 2013 winner of *Multi-Unit Franchisee* magazine's Role Model MVP Award, he says following the program is a simple, yet powerful concept.

"Years ago, I read an article about franchising and some of the mistakes people make," says Smith, who opened 39 Aaron's and two Big O Tires stores across 8 western states—all in under 9 years. "I gleaned from that article that when you buy into a franchise, you're buying into doing business that particular way. If you have to be a maverick and reinvent the wheel all the time, both you and the franchisor will be frustrated. When I look at a potential franchise, I ask myself: 'Am

NAME: Spencer Smith

TITLE: President and CEO

COMPANY: Smith Group

NO. OF UNITS: 39 Aaron's, 2 Big O Tires

AGE: 40

FAMILY: Five children, 3 to 14, and an amazing wife who makes it all work

YEARS IN FRANCHISING: 12

YEARS IN CURRENT POSITION: 12

2013 MVP *Role Model Award*

FOR PROVIDING AN EXAMPLE FOR OTHERS TO FOLLOW IN FRANCHISE SUCCESS

Why do you think you were recognized for the Role Model Award? My organization and I were recognized because we just follow the program. Our level of execution is higher than most anybody else in Aaron's. Someday we will be executing better than anyone in our organizations.

As a multi-unit franchisee, how have you raised the bar within your own company? I continue to expect more of myself every month, every year, just as I do with our associates. When I go on store tours, I tell them they should hold me, the home office, and the franchisor to high standards.

What innovations have you created and used to build your company? We just follow the program. We're not trying to reinvent the wheel. The only thing we do more than most companies and franchisees is compensate and reward.

What core values do you think led you to win the MVP Award? I believe in living the Golden Rule. Do the right thing whether it makes financial sense or not at the moment, because it always makes financial sense in the long run.

What is the value of community involvement to you and your company? Community involvement is huge, both at the local and international levels. We get involved in fairly significant ways with the Make-a-Wish Foundation and the Red Cross. During the earthquake in Haiti, our company donated money for solar systems and got a local guy from Colorado to go down and install solar systems and battery backups.

What leadership qualities are important to you and your team members? The most important leadership quality is integrity and doing the right thing when nobody's watching. A leader is someone who realizes that the whole team creates success, not the individuals. If some superstar thinks he can do it on his own, he won't be on the bus with us.

"A leader is someone who realizes that the whole team creates success. If some superstar thinks he can do it on his own, he won't be on the bus with us."

I fully on board with doing business the way they're doing business?' If not, I keep looking."

Smith, a staunch family man who grew up working in his father's tire store and on the family farm, disputes the notion that to diligently follow the franchise system is to work without innovation or entrepreneurship.

"There's a difference between being entrepreneurial and being someone who wants to be very creative. For me, I was looking for the best system out there, one that was financially viable and would grow rapidly and create opportunities for others. That was my original litmus test," he says, and he found that at Aaron's. "At the end of the day, I wanted to create not just minimum wage jobs, but careers for

PERSONAL

Formative influences/events: My father had me start working at his tire store each day after kindergarten. When I was eight, my family bought a farm and I started working there. I owe much of my success to my father, not only for the work ethic he instilled in me but also the business sense he passed along.

Key accomplishments: Assembling the key management positions within our organization to grow our Aaron's operations to 39 locations in less than nine years and being able to cash flow our organization growth from within.

Decision I wish I could do over: Nothing, because I've needed every experience for my personal growth. Of course I have things I'd like to say I'd do differently, but I'm concerned it may have taken me down a different path and the one I'm on is perfect for my family and me.

How do you spend a typical work week? 8 a.m. to 5 p.m. in our office. As needed, I start working at about 10 p.m. after my family has gone to bed. I travel six to eight days a month.

Favorite fun activities: House boating at Lake Powell—our children choose this over Disneyland every time. We invite family, friends, and associates and enjoy one of the best places on earth.

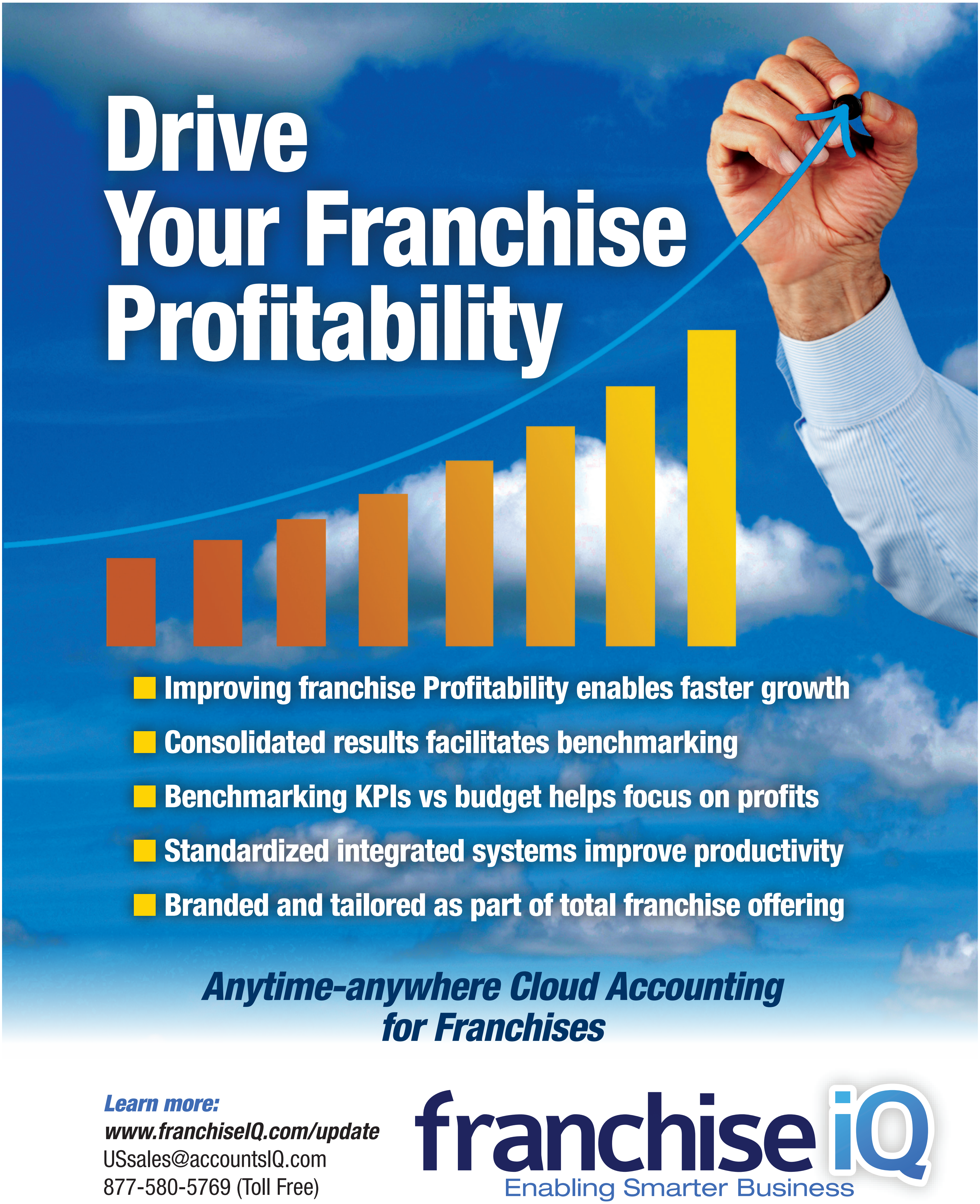
What are you reading? *Huckleberry Finn* to our children and *Never Eat Alone* for my professional development.

Best advice you ever got: Follow the program. It's simple but powerful.

What's your passion in business? I love to create opportunity for others and grow our organization. My lofty ambition was to have 10 Aaron's open in 10 years. We've blown that out of the water and will continue to do so.

How do you balance life and work? I spend my energy where it is needed most each day and leave the rest to the Lord!

Last vacation: Maui, with my wife and five of our top-performing key management associates and their spouses.



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MANAGEMENT

Business philosophy/management style: As I've gotten each part of our organization started, I've found someone who is better than I am and have turned it over to him and gotten out of his way.

Greatest challenge: Recruiting the right talent to keep up with our growth.

How I give my team room to innovate and experiment: I turn it over to them and move out of the way. I have gotten much better at having forthright conversations when things aren't being performed to expectation.

How close are you to operations? I'm not hands-on on the day to day, but I visit all 41 locations every six months. I go with our COO and get out to meet all the associates, shake their hands and thank them face to face for what they're accomplishing. While I get weekly updates on operations, I concentrate far more on acquisition of real estate, development, and finances.

What do you rely on/expect from your franchisors? A profitable business model and a willingness to make changes on their end in order for it to be a mutually beneficial relationship.

What do you need from vendors? Corporate manages these relationships, but what we need from our vendors is leading-edge innovation, quality, and a mutually beneficial relationship.

How is social media affecting your business? Social media is helping our business, but for us there's not much push or pull from it. Its importance will be growing in the future, and so will our involvement.

How do you hire and fire? I hear what happens but I'm not involved anymore. Our organization sets clear expectations with clear timelines and then goes through a methodical process when an associate is not meeting expectations and lays out what is needed for them to achieve success. At the end of the day, if someone is not the right person, we help them find success elsewhere.

Fastest way into my doghouse: Lack of integrity. I'll work with anyone with deficiencies unless it's a jugular integrity issue, such as the values they must uphold while representing the company.

"At the end of the day, if someone is not the right person, we help them find success elsewhere."

our associates."

His innovation has taken the form of several employee reward and compensation programs. "We offer so many competitions and reward programs that it takes an associate a full six months on the job before they realize just how many competitions there are at the company and corporate level," he says. "It's almost impossible for them not to win something."

Also part of Smith's litmus test was finding a franchise with units that were closed on Sundays. "That was important to me personally for religious reasons. It is fully up to associates if they want to take advantage of that, but I wanted to make the opportunity available." MUF

BOTTOM LINE

Annual revenue: $49 million

2013 goals: To open three more Aaron's locations, to increase our net profit, and to further develop our bench of management so we can take advantage of future expansion and acquisitions.

Growth meter: How do you measure your growth? By net profit.

Vision meter: Where do you want to be in 5 years? 10 years? Our goal for 5 years is 60 Aaron's stores. For 10 years, it's 100 Aaron's stores.

Are you experiencing economic growth or recovery in your market? Yes. In all of our markets, we continue to see slow but recognizable growth, where we've continued to add revenue each year since the downturn.

How do you forecast for your business? On incremental growth for existing units and the addition of new units.

Where do you find capital for growth/expansion? We have found it all internally. We've been very blessed;. We did well enough with the first tire store we purchased to build the second. Then, from that, we did the first two Aaron's stores. We've been lucky enough to create the momentum to propel us forward.

What are you doing to take care of your employees? We continue to add benefits and are looking for better ways to compensate associates each year. Early on, we added health insurance. A few years ago, we added a 401(k), and recently we've offered flexible time off.

How are you handling rising employee costs (payroll, healthcare, etc.)? We are watching our overtime more closely, as well as scheduling, at our stores. We discovered that in some locations we're overstaffed. We've made adjustments without any terminations. In these cases, if somebody leaves, we don't replace them. It's a slower process to get staffed at the right level, but I feel a responsibility to the associates who are performing well.

How do you reward or recognize top-performing employees? We have a very healthy bonus plan, as well as almost endless competitions within the organization. Every month, we have a competition among all 39 locations on five key positions in each store. Every other month, we have a large customer appreciation event, and everybody competes for that. It takes a new associate six months or better before they even begin to understand how many levels of competition there are within our business and at the corporate level. It's almost impossible for them not to win at something.

BY KERRY PIPES

Spreading His Wingstops

Following his dad's advice was a good idea from the start

Danny Sonenshine clearly remembers his father encouraging him to look into franchising about 10 years ago. The elder Sonenshine had experienced his own successful career in the restaurant business and had always been an important influence on his son.

"There weren't many Wingstops around Southern California at the time," recalls Sonenshine, "but my dad saw the potential of the brand and how getting in at the beginning could be a great move." At the time, Sonenshine was slogging it out as a litigator and transactional attorney with a major law firm in Orange County—and he was unhappy. "I didn't like working for someone else," he says, "and I didn't like not having any control over my schedule."

He heeded his dad's advice. Although he didn't know much about franchising or restaurants, he had heard that a couple of Wingstops in California were registering good numbers and that the franchisor was looking for franchisees. That was 2004.

Sonenshine signed a deal for 10 units in Southern California and opened his first store in spring 2006. The last time we visited with him (*Multi-Unit Franchisee*, Q4 2010) he had grown to 11 units. He now has 22 open and 5 more in development. He's also acquired the rights to Guam and Hawaii (he expects to open two Wingstops in Hawaii next year), and he's about to add a second brand to his organization. On top of all this, he was named *Multi-Unit Franchisee* magazine's Spirit of Franchising Leadership MVP Award winner, and recognized at the Multi-Unit Franchising Conference in March.

The Laguna Beach native is on a roll. He's weathered the tough economic storms of the past few years and come through with flying colors. "Our progress has been to open two to three stores each year, and I see that continuing for at least the next couple of years," he says.

Sonenshine has no regrets about leaving his law career behind and loves

NAME: Danny Sonenshine

TITLE: President

COMPANY: Far West Restaurant Group, LLC

NO. OF UNITS: 22 Wingstops open, 5 in development

AGE: 40

FAMILY: Wife Kerri; daughters Maggie, 11, and Sarah, 7

YEARS IN FRANCHISING: 9

YEARS IN CURRENT POSITION: 9

2013 MVP *Spirit of Franchising Leadership Award*

FOR EXTRAORDINARY AND ENDURING PERFORMANCE, GROWTH, AND COMMUNITY GIVING

Why do you think you were recognized for the Spirit of Franchising Leadership Award? I have always placed a priority on being involved in the communities in which we operate our stores. We do this through making donations for raffles and auctions, sponsoring teams, and hosting fundraisers for schools and organizations. We believe it is important to take an active role in our communities. I have also given back significantly to the Wingstop brand: I have volunteered my time on the Franchise Advisory Council for many years and now chair it; I also spearheaded the formation of the Wingstop Southern California Advertising Association and have served as its president since its inception. Additionally, I have almost daily conversations with potential and future brand partners about the Wingstop brand and share my experiences as a franchisee.

As a multi-unit franchisee, how have you raised the bar within your company? Operating multiple Wingstops forced us to develop systems and procedures to ensure the highest standard of operations. We have consistently been recognized as a top operator within the Wingstop system, receiving the Multi-Unit Operator of the Year award in 2009, and other brand partners have adopted many of our practices and procedures into their restaurants.

What innovations have you created and used to build your company? People are our top priority. Not only do we take pride in offering our guests the best service, quality, and hospitality available, we take care of our employees. When we bring someone in for a position at Far West Restaurant Group, we are offering a career and not just a job.

What core values do you think led you to win the MVP Award? I'm proud of the values my parents and family have taught me: generosity of time and money, and hard work. Those qualities will help lead you to success in business, and in your daily life.

What leadership qualities are important to you and your team members? I look for team members who I can trust. If you have trust and communication, you have the keys to a strong business relationship that will set you on the course to growth and building an enduring brand and company.

having more time to spend with his family. He's adapted well to the franchising world and has been a quick learner.

"I have close supervisory relationships with my main employees, my VP of operations and my regional director. They run the stores, because I know they know much more than I do," he says. "I focus on development and finances and let them handle day-to-day operations."

Sonenshine says he's happy with the Wingstop product and the simplicity of its concept. "In California, Wingstop has a huge following, much like In-N-Out Burger," he says. "We're the wing experts. We are now serving not just the traditional bone-in wings we are known for, but also boneless wings and strips—but we do wings better than anybody else."

He and his wife Kerri (VP of marketing for the company) remain actively involved in their community and support numerous causes and groups. As for business, he looks to stay busy growing his Wingstop locations in California while adding new territories and a new brand.

Looks like father really did know best. MUF

PERSONAL

Formative influences/events: My father has been my biggest influence. He's had a strong, successful career in the restaurant business and was the person who encouraged me to take a chance and become a Wingstop franchisee. At the time Wingstop didn't have many restaurants in California, but he saw a great opportunity to get in on the ground floor of a growing brand. Before Wingstop, I was a lawyer. I left behind a legal career to get involved in the restaurant business and never looked back.

Key accomplishments: Owning more than 20 Wingstops in Southern California and helping build the brand in this market, as well as building an organization and team to support the network. Far West Restaurant Group has created jobs for almost 400 employees, and with several new restaurants on the horizon, we expect to add many more opportunities within the company and in our restaurants. Balancing running a business with involvement in community organizations and spending quality time with my family.

Decision I wish I could do over: Several years ago, we acquired a few Wingstop locations from another brand partner. Those stores have not performed as we expected, and I wish we had done more due diligence to negotiate a more favorable price and brought in our own staff members.

How do you spend a typical work week? My focus is primarily on development, which includes meetings with key team members about current operations. I am also the president of both the Wingstop Franchise Advisory Committee and the Wingstop Southern California Advertising Association, so I regularly attend meetings and conference calls with the corporate team and other franchisees.

Favorite fun activities: Running (I have completed 9 marathons). Activities with my daughters, ages 7 and 11. Southern California Food and Wine Society. I am on the board of several nonprofit organizations, including my daughters' school, which I also attended.

What are you reading? *Wall Street Journal, New York Times,* my email.

Best advice you ever got: Take a chance. I left practicing law to franchise with Wingstop and it was one of the best decisions I ever made.

What's your passion in business? I'm passionate about always doing the right and fair thing, for my employees, our guests, my family, and the community. Providing opportunities for our employees, and helping others achieve success also drives me in business.

How do you balance life and work? I have to remember that one of the reasons I work for myself is so I can be there for my kids and family, enabling me to attend school activities and participate in nonprofit organizations. I have learned to be able to take breaks when needed and catch up on work in the evenings.

Last vacation: Palm Springs with my family.

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MANAGEMENT

Business philosophy/management style: I am not a micro-manager. I try to hire the best people in the business and let them shine. They know their areas of expertise and don't need me getting in the way. As long as they keep me updated, and we can problem-solve together when necessary, things are good.

Greatest challenge: Recently, food cost has been a major challenge because of the high cost of bone-in chicken wings. Our team has been extremely diligent in managing all of our inventories and promoting items such as boneless wings to help us through this period. Our ongoing challenges remain finding and developing strong sites for future locations in Southern California and managing food costs.

How I give my team room to innovate and experiment: The teams I've put in place are the experts in their respective areas. Each team member can come to me with ideas or recommendations, whether it's on controllable costs, HR policies, or systems to manage back of office and accounting tasks. I'm open to any good ideas and encourage my employees to bring new ideas and best practices to the table.

How close are you to operations? I rely on my operations team for the day-to-day tasks. Even though I am not in the restaurants daily, I'm always in the loop on what is going on, including reviewing daily sales and food cost numbers.

What do you rely on/expect from your franchisor? The relationship between the franchisor and the franchisee must be built on communication and honesty.

What do you need from vendors? With more than 20 restaurants, 400 staff members, and loyal guests who expect a quality, made-to-order product, we rely on vendors for timely service and solid communication.

How is social media affecting your business? From a traffic-driving standpoint, we are using Facebook and other tools to better engage with our customers at the market/ad association level, and to build additional occasions through offers. On the feedback side, we are constantly on top of Yelp and other reviews. That has become an area we need to continually manage. We are alerted to each review as it comes in and share them with the team. We respond when necessary to gain more information so we can continue to improve our operations. Despite it being an open forum where customers can share their gripes, we try to see social media as a positive that we can learn from.

How do you hire and fire? I have an excellent team in place to run the day-to-day in the restaurants, so I deal with management at the top level. My senior team manages the rest of our employees. When we have to make tough personnel changes, I believe in giving people a second chance, and making sure there aren't ways to better coach and develop. If that is not the case, then we have to part ways. It's also important and standard practice to properly document each employee.

Fastest way into my doghouse: I value honesty and genuine people above all else. If someone is not being honest, that's the fastest way to ruin a business relationship.

"We are currently in a growth mode. Despite continued tough economic times, our food is still relatively affordable and guests crave the product."

BOTTOM LINE

Annual revenue: $25 million

2013 goals: To open three new Wingstop locations in Southern California and grow comp sales by 10 percent at my existing locations. I'm also working to become a developer with another concept. We are currently in discussions to bring a national brand to Southern California.

Growth meter: How do you measure your growth? The most important measurement is guest count, and the second is average ticket. Guest counts allow us to see how our stores are performing, isolated from price increases.

Vision meter: Where do you want to be in 5 years? 10 years? I intend to be operating more than 35 Wingstop units, in addition to becoming a multi-brand operator.

Are you experiencing economic growth or recovery in your market? We are currently in a growth mode in our market. Despite continued tough economic times, our food is still relatively affordable and guests crave the product. We also focus on carry-out service, which adds to our value, and it's a great way to feed a family.

How do you forecast for your business? We rely on data from our POS and accounting systems to look at trends from the previous year and weeks, factoring in seasonality, sports games, promotions, and other factors that may have influenced sales.

Where do you find capital for growth/expansion? We are primarily funding new locations through cash flow, but also use bank financing.

What are you doing to take care of your employees? We start by offering more than minimum wage. We pride ourselves on promoting from within, and have created dozens of opportunities for employees to become shift managers, general managers, and even regional managers. We have also put in place many incentives for our employees at all levels of the organization.

How are you handling rising employee costs (payroll, healthcare, etc.)? By planning ahead, researching changes in laws, and meeting with vendors early, so that we can be prepared.

How do you reward or recognize top-performing employees? Managers are eligible for weekly bonuses. We also host a year-end dinner for the Employee of the Year at each store and all general managers. The Employee of the Year is selected by their teammates.


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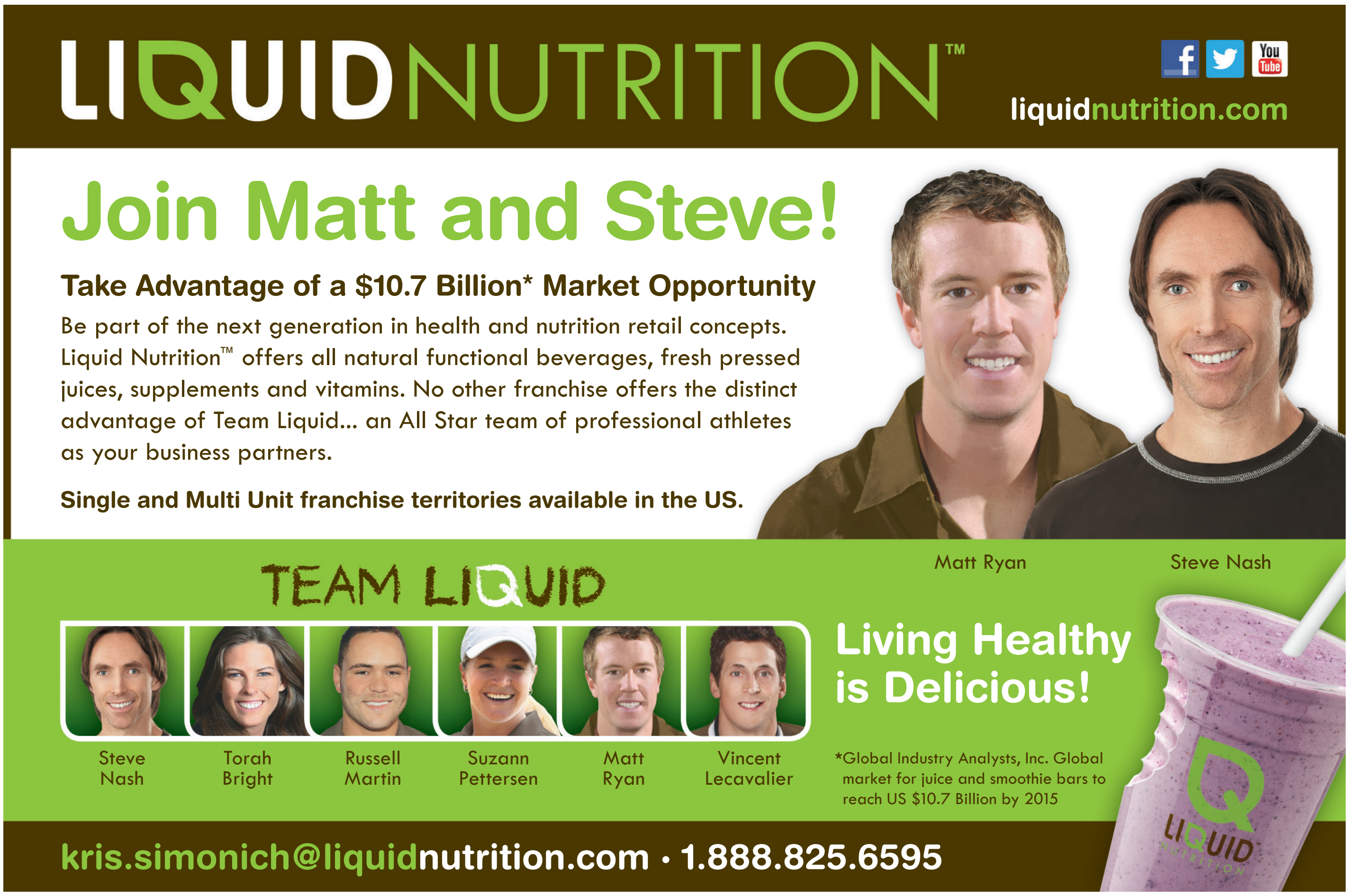
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BY DEBBIE SELINSKY

Division of Duties

Retired veteran couple turn their training to franchising

When Kevin and Laurel Wilkerson, winners of *Multi-Unit Franchisee* magazine's 2013 MVP Veteran Entrepreneurship Award, came to Marco's Pizza from the military using the IFA's VetFran program, they were pretty sure their total of 44 combined years in the U.S. Army stood them in good stead.

"What I enjoyed most about the Army was the variety of things I did every day: decision-making, analysis, operations, logistics, training," says Kevin Wilkerson, who retired in 2005 after 24 years as an Infantry Officer.

NAME: Kevin and Laurel Wilkerson

TITLE: Owners

COMPANY: Boomer Pizza, LLC

NO OF UNITS: 7 Marco's Pizza

AGE: Kevin, 54; Laurel, 49

FAMILY: Daughter Amber and son Gary

YEARS IN FRANCHISING: 3½

YEARS IN CURRENT POSITION: 3½

"Franchising, especially multi-unit franchising, tends to be similar to that. When you look at what a multi-unit franchisee does in a typical day, you're talking about the fact that we can apply ourselves to lease negotiations, site selections, hard and soft science, construction, sequencing, marketing, operations, business analysis, personnel, training. That's the fun part to me, and it's hard to replicate just anywhere outside the Army."

Kevin, who also has an MA from Harvard University, and his wife Laurel, an attorney who served 20 years

2013 MVP *Veteran Entrepreneurship Award*

FOR OUTSTANDING PERFORMANCE, LEADERSHIP, AND INNOVATION BY A VETERAN

Why do you think you were recognized with the Veteran Entrepreneurship Award? As a dual military couple, we have been fortunate that we have been able to transfer our leadership and organizational skills into success in the Marco's franchise system.

As a multi-unit franchisee, how have you raised the bar in your own company? We tend to think outside the box and learn from our mistakes. As a result, our last two stores have had record-breaking openings. This has shown the franchisor the realm of possibilities for the future.

What innovations have you created and used to build your company? Because we're not a huge chain on national TV, we rely on guerilla marketing and direct mail. Initially, our units had 18 to 20 percent delivery, so we included delivery maps to help the customer see right away if they're in our delivery area. Since then, we've been opening at 50 percent delivery right up front. Another innovation was doubling the make line for grand openings and Friday nights. This has helped us get pizza out in half the time it would normally take. Something else that has really had ancillary benefits is showing the customer their pizza at the counter. Our pizzas are attractive and look good, and we know that we eat with our eyes first. Also from a quality control standpoint, it enables us to make any changes we need on the spot, instead of letting the customer get home and be upset when the pizza isn't what they wanted.

What core values do you think led you to winning the MVP Award? Tenacity, innovation, strong work ethic, sense of humor.

What is the value of community involvement for you and your company? We're very much involved in charities and fundraising events in all the communities around our stores. If contacted by charities to participate in an event, we do so 99 percent of the time. We partner on fundraising events with virtually all of the schools in the area.

What leadership qualities are important to you and your team members? Leadership by example, attitude, communication, and competence.

as an Army JAG Corps Officer, have found the transition to franchising pretty seamless. They've opened seven stores in their contract in just over three years.

The division of duties between the two owners of Boomer's Pizza LLC of Edmond, Okla., is a natural one, they say. "She has a law degree so she handles a lot of HR, client, and government issues and the kind of things that need to be handled any time you build a business. She's very involved with store openings as well as some of the training," says Kevin. "I tend to be more involved in site selection, design, operations, and finances."

The Wilkersons are happy with their franchisor. "Marco's has allowed us to be innovative," he says. "It's big enough that you have a great system behind you, but small enough for us to have input and offer innovations."

> **"We're very much involved in charities and fundraising events. If contacted by charities to participate, we do so 99 percent of the time."**

It's also been rewarding to form a network of friends who have become franchisees in other states, he says. "This allows us to leverage best practices with others."

During his three years with Marco's, Kevin has served as inaugural president of the brand's Area Representative Leadership Council and, working with the franchisor, established significant improvements to the system.

The Wilkersons have also been quick to lend a helping hand to new franchi-

PERSONAL

Formative influences/events: Kevin served 24 years as an Infantry Officer in the U.S. Army, and Laurel served 20 years as a JAGC Officer in the U.S. Army.

Key accomplishments: In September 2012, we had the highest opening sales of any Marco's in the country. In April 2013, we had the second-highest opening sales of any Marco's in the U.S. In 2011, Kevin was selected as the Area Representative of the Year for Marco's. One of our units was acknowledged for being in the top 10 in sales for 2012.

Decision I wish I could do over: Joined Marco's Pizza earlier.

How do you spend a typical work week? We focus on franchise sales, new store development, training, and daily operations.

Favorite fun activities: Flying our own airplane for travel and business (Kevin is a pilot). We also like snow skiing and water sports (boating, water skiing).

What are you reading? *Change the Culture, Change the Game* by Roger Connors and Tom Smith.

Best advice you ever got: Do only those things that you can do; delegate the rest and supervise.

What's your passion in business? Developing our employees, customer service, making our customers smile, and offering the highest-quality pizza on the market.

How do you balance life and work? If you enjoy what you do, you will never work a day in your life. We do enjoy travel, and it allows us time to relax, regroup, and sharpen our focus.

Last vacation: A week of snow skiing in Colorado with a fellow franchisee and his family.

MANAGEMENT

Business philosophy/management style: We establish parameters for our leaders, and let them use their creativity and initiative to accomplish our goals within those parameters.

Greatest challenge: We are in a very strong development phase right now, so time management between development and operations is a particular challenge at the moment.

How I give my team room to innovate and experiment: It starts with us leading by example in trying new things and being innovative, and we encourage our team to do the same. We highlight, celebrate, and learn from innovative mistakes.

How close are you to operations? Very.

What do you rely on/expect from your franchisor? We expect our franchisor to be a partner with us so we can grow our business and grow the brand.

What do you need from vendors? Timely delivery, consistent products and service.

How is social media affecting your business? Positively. As long as you provide a great product and superior service, word will spread.

How do you hire and fire? We hire people based on a good attitude and a willingness to work as part of a team. Employees with a poor attitude or who cannot be relied upon are counseled. The employees themselves normally discover they are not a good fit for our business and move on.

Fastest way in my doghouse: Tell me you are going to do something and then don't follow through.

sees. On one occasion, Kevin, a pilot, loaded up his plane and flew supplies to a new Alabama store because sales volumes more than doubled projections and the distributor couldn't restock quickly enough. Without Wilkerson's help, the store would have had to close. "That was fun," he recalls. "I had the capacity and the time. He would have done it for me had the tables been turned."

Wilkerson sees franchising as a great opportunity for other vets. "My best advice would be to throw the net wide and think more broadly in terms of what the business is. It's not just about selling pizza. It's about building a multi-unit, scalable business that you can take to any level." MUF

BOTTOM LINE

Annual revenue: Approximately $8 million

2013 goals: We have doubled the number of units in our territory every year since 2010. We plan to double again this year. Additionally, we are focused on increasing same-store sales over the past year.

Growth meter: How do you measure your growth? Development of our people, same-store sales, and number of units in our territory.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, have our territory completely developed. In 10 years, we hope to have purchased another Marco's territory and be developing it.

How do you forecast for your business? We look at a couple of different layers. On one hand, how many stores will we build next year in our territory personally and as a group? What are sales and stretch goals? Certainly we also look at same-store sales, trying to forecast based on realistic but stretched goals. In store development, so far we've doubled the number of stores every year since we started. We'll go from 9 to 18 this year, but that's getting tougher every year.

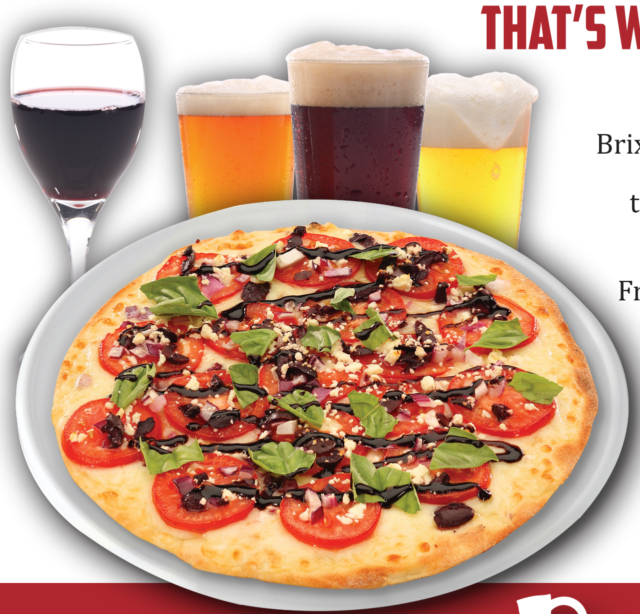
Where do you find capital for growth/expansion? We have funded internally or taken advantage of SBA conventional loan programs.

What are you doing to take care of your employees? It starts with providing a positive work environment. We try to establish a place where they are developed, challenged, and enjoy coming to work every day. Pizza is fun. This is still work, but we try to make it a fun work environment.

How are you handling rising employee costs (payroll, healthcare, etc.)? We try to minimize employee turnover and establish a stabilized work force. We are currently trying to determine the impact of the Affordable Care Act. Ultimately, the costs will be passed on to consumers.

How do you recognize top-performing employees? We love catching employees doing the right thing. In these cases we give immediate recognition along with a financial bonus. At the store level, when we have a store reach 90 days without a customer complaint, the entire store receives an incentive, for example a Marco's jacket or movie tickets. At the management level, managers who achieve key results are rewarded with trips for two along with financial incentives.

MAN CANNOT LIVE ON PIZZA ALONE



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The 2013 Multi-Unit 50

Ranking the most multi-friendly brands

Top 50 Brands by Number of Multi-Unit Franchisees

RANK	BRAND	MULTI-UNIT FRANCHISEES	TOTAL FRANCHISEES	% OF MULTI-UNIT FRANCHISEES
1	SUBWAY	3,920	8,286	47.31%
2	MCDONALD'S	2,192	2,703	81.10%
3	H&R BLOCK	885	1,752	50.51%
4	LIBERTY TAX SERVICE	841	1,817	46.29%
5	DUNKIN' DONUTS	807	1,406	57.40%
6	AFC FRANCHISE CORP./SOUTHERN TSUNAMI	775	1,717	45.14%
7	THE UPS STORE	708	3,302	21.44%
8	DOMINO'S PIZZA	646	1,112	58.09%
9	LITTLE CAESARS PIZZA	634	736	86.14%
10	DAIRY QUEEN/DQ	625	2,732	22.88%
11	BURGER KING	589	1,027	57.35%
12	JACKSON HEWITT TAX SERVICE	531	679	78.20%
13	GREAT CLIPS	519	823	63.06%
14	RE/MAX	460	2,376	19.36%
15	ACE HARDWARE	442	3,083	14.34%
16	WENDY'S	419	695	60.29%
17	CENTURY 21	401	1,622	24.72%
18	KFC	367	637	57.61%
19	TACO BELL	357	562	63.52%
20	HEALTH MART PHARMACIES	325	2,306	14.09%
21	QUIZNOS	291	1,700	17.12%
22	COUNTRY INNS & SUITES BY CARLSON	284	399	71.18%
23	PAPA JOHN'S PIZZA	275	545	50.46%
24	VISION SOURCE	273	2,006	13.61%
25	COLDWELL BANKER	265	1,500	17.67%
26	DUNKIN' DONUTS/BASKIN-ROBBINS COMBO	257	540	47.59%
27	SONIC DRIVE-IN	247	491	50.31%
28	JIMMY JOHN'S	246	510	48.24%
29	PAPA MURPHY'S	244	518	47.10%
30	FANTASTIC SAMS	240	591	40.61%
31	ARBY'S	231	381	60.63%
32	SPORT CLIPS	222	367	60.49%
33	ANYTIME FITNESS	215	1,170	18.38%
34	COLD STONE CREAMERY	214	687	31.15%
34	SNAP FITNESS	214	610	35.08%
36	FIREHOUSE SUBS	209	242	86.36%
37	PIZZA HUT	202	392	51.53%
38	MIDAS	192	490	39.18%
38	PACIFIC PRIDE SERVICES	192	315	60.95%
40	DENNY'S	184	476	38.66%
41	KUMON CENTER	183	1,232	14.85%
42	GENERAL NUTRITION CENTERS/GNC	178	485	36.70%
43	MASSAGE ENVY	171	419	40.81%
44	EDIBLE ARRANGEMENTS	170	585	29.06%
44	POPEYES LOUISIANA KITCHEN	170	557	30.52%
46	FIVE GUYS	165	183	90.16%
47	ZAXBY'S	156	191	81.68%
48	BASKIN-ROBBINS	153	707	21.64%
49	CHICK-FIL-A	151	1,222	12.36%
50	MIRACLE EAR	145	188	77.13%

Brands with 25 or fewer franchisees were excluded. Source: FRANdata

The 2013 Multi-Unit 50

Top 50 Brands by Percentage of Multi-Unit Franchisees

RANK	BRAND	% MULTI-UNIT FRANCHISEES	MULTI-UNIT FRANCHISEES	SINGLE-UNIT FRANCHISEES	TOTAL FRANCHISEES
1	APPLEBEE'S	100.00%	41	0	41
2	PANERA BREAD	96.88%	31	1	32
3	GATEWAY NEWSTANDS	95.70%	89	4	93
4	JENNY CRAIG	94.29%	33	2	35
5	RALLY'S	91.43%	32	3	35
6	FIVE GUYS	90.16%	165	18	183
7	JIMMY'S PIZZA	90.00%	36	4	40
8	BOJANGLES'	89.33%	67	8	75
9	CHECKERS	88.29%	98	13	111
10	BAJA FRESH	86.61%	97	15	112
11	Z PIZZA	86.44%	51	8	59
12	FIREHOUSE SUBS	86.36%	209	33	242
13	THE LITTLE GYM	86.18%	131	21	152
14	LITTLE CAESARS PIZZA	86.14%	634	102	736
15	LONG JOHN SILVER'S	85.71%	66	11	77
16	BACK YARD BURGERS	84.85%	28	5	33
17	CAPTAIN D'S	84.21%	64	12	76
18	ZAXBY'S	81.68%	156	35	191
19	MCDONALD'S	81.10%	2,192	511	2,703
20	SEATTLE'S BEST COFFEE	80.65%	25	6	31
21	SUPERCUTS	79.07%	102	27	129
22	RADISSON HOTELS	78.43%	80	22	102
23	JACKSON HEWITT TAX SERVICE	78.20%	531	148	679
24	PONDEROSA STEAKHOUSE	77.59%	45	13	58
25	MIRACLE EAR	77.13%	145	43	188
26	HERTZ RENT-A-CAR	75.44%	43	14	57
27	MCALISTER'S DELI	75.00%	39	13	52
28	BRUEGGER'S	73.53%	25	9	34
29	FAZOLI'S	73.33%	22	8	30
30	AARON'S	73.02%	92	34	126
31	PENN STATION EAST COAST SUBS	73.02%	46	17	63
32	JACK IN THE BOX	72.89%	121	45	166
33	BETTER HOMES AND GARDENS REAL ESTATE	71.43%	20	8	28
34	CARL'S JR.	71.29%	72	29	101
35	COUNTRY INNS & SUITES BY CARLSON	71.18%	284	115	399
36	QDOBA MEXICAN GRILL	70.13%	54	23	77
37	UNO CHICAGO GRILL/PIZZERIA UNO	70.00%	21	9	30
38	GRANDY'S	69.77%	30	13	43
39	PASSPORT HEALTH	68.97%	40	18	58
39	SUN TAN CITY	68.97%	20	9	29
41	VALVOLINE INSTANT OIL CHANGE	68.25%	43	20	63
42	ACE SUSHI	68.22%	73	34	107
43	COST CUTTERS	67.50%	54	26	80
44	GODFATHER'S PIZZA	65.98%	128	66	194
45	DUTCH BROS. COFFEE	65.38%	34	18	52
46	AVIS RENT-A-CAR	64.00%	32	18	50
47	TACO BELL	63.52%	357	205	562
48	FRONTIER ADJUSTERS	63.11%	142	83	225
49	GREAT CLIPS	63.06%	519	304	823
50	PLANET FITNESS	61.04%	94	60	154

Brands with 25 or fewer franchisees were excluded. Source: FRANdata

BY EDDY GOLDBERG

POS 2.0+

POS, YOU'VE COME A LONG WAY BABY!

Once upon a time, not that long ago, point-of-sale (POS) systems were standalone electronic cash registers, ringing up sales and providing a place for cash. For today's young front-line hires, those machines are ancient history, Model T's replaced by turbo-charged, cloud-based, multi-purpose, integrated systems.

For today's franchisees, POS systems are becoming the central hub for data on every aspect of their operations—and their customers—available at a moment's notice from anywhere in the world. And, like every other business advance powered by converging technologies, they can do it faster, cheaper, and better.

When he started in the restaurant business some 14 years ago, POS systems were "dinosaurs," says Jason Ingermanson, president and CEO of JRI Hospitality Management in Wichita. He's a franchisee of Freddy's Frozen Custard & Steakburgers and an operating partner for several other Freddy's franchisees, and has signed on to develop and manage 70 more units in the next 8 to 10 years.

Early in his career, when he was working at a large burger chain, he says, "We had a lot more of the technology than mom-and-pop places." Still, the POS was limited to only the things he could do in the store every day, and corporate had to wait for paper reports once a week.

"There was not a lot of capability for you as an operator. Almost everything you can do as a multi-unit operator today was nonexistent," he says. "The things I can do today, being mobile and trying to run a business with a lot of restaurants and areas—the POS system is not only a great tool to run your business, but also to expand into new markets because I can be on the road every day. Now I can be in Glendale, Arizona, and can look at a ticket in the Fairfax, Virginia, store rung up a minute ago or two years ago."

When it comes to POS systems in 2013, change seems to be the keyword. "We are on the cusp of a major technological change in innovation," says Michael Lehman, CIO at Batteries Plus, which uses NCR's Counterpoint specialty retail POS in conjunction with

"The POS system is not only a great tool to run your business, but also to expand into new markets because I can be on the road every day."

—Jason Ingermanson


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"Things are changing," agrees Sheryl Kimes, professor of operations management at Cornell University's School of Hotel Administration, who has consulted with many franchise brands. This is especially true in the area of providing more value and functionality at a lower cost as technology shifts from big ticket in-store hardware to cloud-based solutions with monthly fees. Although the newer systems can reduce fixed costs *and* do more than the older systems, switching to the newer, cloud-based systems can be difficult for those who have made a significant investment in traditional POS systems, she says.

The legacy POS companies—the NCRs and the Micros Systems of the world—are scrambling to adapt, adding new features and capabilities to their more traditional offerings. And they're collaborating with innovative startups to meet the demands of their clients to integrate all their transactional and customer data, whether to create more comprehensive consumer profiles or provide data for business analytics and strategic planning.

There is "absolutely, positively, without a doubt a shift" in the POS arena, says Jon Lawrence, director of product marketing at NCR. He cites the emergence of cloud computing, web access, and the tremendous growth around mobility as key factors in the change—leading to the integration of new (as well as formerly separate) functionalities that are coming together through POS systems. "We look at the POS as the center, the brain that sits at the core of a potential convergence around features, benefits, and value," he says.

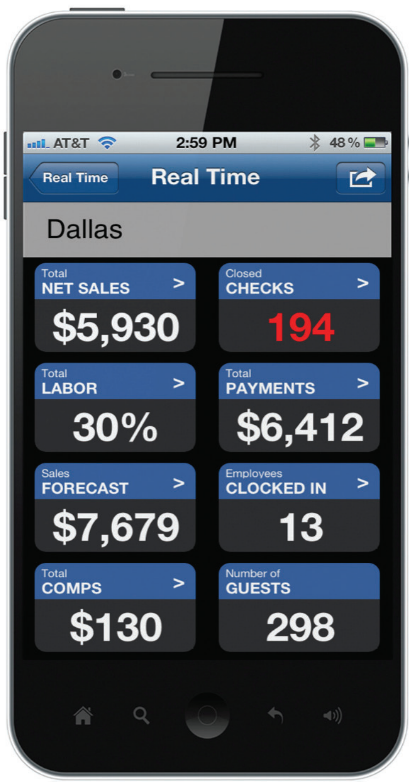
"We are on the cusp of a major technological change in innovation. Everything is going mobile, going cloud."

—Michael Lehman

At Micros, which has more than 370,000 systems installed in more than 180 countries, "We kind of reinvent ourselves as we go along," says Chief Technology Officer Michael Russo. Ten years ago, he says, "the perception was that we were closed." No more, he says. "We're looking to make it even easier for third parties to plug into our ecosystem."

The way to "plug in" is through APIs (application programming interfaces), which make it possible for different software components to work together. That's what Micros is aiming for with Simphony, its first SaaS (software as a service) solution.

"One of the advantages of the Simphony suite for franchisees is that they get to leverage all that new technology available through a cloud-based system," says Russo, something that in the past, with on-site hardware and software, would have been difficult and expensive. "We have the glue, the infrastructure to pull it all together."



NCR Pulse Real-Time

Something old, something new

As more and more functionalities combine through POS systems, everything also is coming together on the consumer-facing side with the emergence of mobile ordering and payment. "Customers love that," says Kimes. "It gives them a lot more control over their time, and for payment a lot more control over security." And for franchise businesses, providing these services, integrated with loyalty programs, email clubs, and social media, delivers a competitive advantage, boosting repeat visitors and increasing average ticket amounts.

At NCR there also is a great deal of attention focused on providing these kinds of capabilities. Last year the company launched NCR Silver, a cloud-based POS system for small businesses. And, Lawrence says, NCR has been working for the past 12 to 18 months on a platform called Pulse Real-Time, to turn data collected from the POS system into actionable information, delivered to a user's smartphone or tablet.

"We're beginning to see a lot of these capabilities unfold," he says. "As consumers we want to migrate to get more and more through our device, and restaurant managers are the same." For now, he says, if you're hoping to leverage mobility as part of your toolset, you might end up with four or five different vendors. However, he adds, "We don't believe it will stay that way for too long."

At this year's NRA Show in Chicago and the IFE in New York, NCR's Lawrence said many people told him, "We look at your POS as the 'brains' of our business, and we need these other things too," he says. "As much as we think our solutions add a lot of value, we know that it's important to provide an integration framework." And that's where the third parties come in.

POS at the center

For many franchisees, the POS has become the central hub or clearinghouse for all data, from customer transactions and loyalty programs to back-of-the-house functions such as inventory, staff scheduling, and order delivery time.

The Point of Sale Takes a Walk

The growing popularity of tablets, most notably Apple's iPad, has created a growing market for companies providing shopping, ordering, and payment solutions built specifically for these devices, whether remotely or from inside the four walls of a business. Revel Systems, based in San Francisco, is one of those companies.

Started three years ago, not long after the first iPad appeared in April 2010, Revel bills itself as "The iPad Point of Sale Solution." CEO Lisa Falzone says the iPad is "a great device, incredibly powerful, and there are no ports where grease can get in" (other than the data port, which is covered). She says iPads are durable, easy to replace (no waiting for a vendor to show up), and are quick to use, simply by downloading and installing an app. They're also easy to use, reducing training time. No argument there.

Revel's iPad POS system provides integrated payroll, inventory tracking, customer relationship management, and more. And it can operate without an Internet connection. "We've cut out the back office server and host everything in the cloud," says Falzone. "Franchisors and franchisees can see how everything's doing in real time from one website." And a Revel iPad setup can cost about one third the price of a typical legacy POS system, she says.

But what really makes it so powerful, she says, is its third-party connections and open API. "We have a developer's marketplace that makes it really easy for third-party developers to develop off and connect into our API," she says. The result? Integration with loyalty programs, gift card companies, ERP systems, accounting software, online ordering, Twitter, Facebook, Groupon, and Living Social.

The company offers gift cards through providers such as Mercury Gift Cards, Valutec, and Givex, and has reward partners through LevelUp!, LoyaltyTree, and Synergy Rewards. Revel has also developed its own gift and reward card programs that integrate directly into its system and reporting suites.

Recent news confirms Falzone's high opinion of the company: in June Revel received $10.1 million in funding from two private investors to fuel overseas growth. One of the investors, Tim Tighe, is the former CEO of Hungry Jack's (Australia's Burger King master franchisee) and senior vice president of McDonald's Southeast Asia. "This company is making huge strides for revolutionizing point-of-sale as we know it," said Tighe, who also joined the company's advisory board.

Another number in Revel's favor, says Falzone: a prediction by McKinsey & Company that 5 million businesses will be on tablets in the next year.

Lisa Falzone

> "It's all going to get integrated. Look at Amazon—they know what you buy. If franchising can emulate that…"
>
> —Sheryl Kimes

"The POS is the central nervous system of the restaurant, their lifeblood," says Lisa Falzone, CEO of Revel Systems, an iPad POS supplier (see previous page).

"All transactions flow through your POS but they start at numerous places, customer touchpoints," says Mike Snow, senior director of product management at Micros. "The POS is important, but equally or more important is the outflow to loyalty, CRM, and marketing," he says.

Tom Regev, vice president of operations at Menchie's Frozen Yogurt, says he tends to agree with that viewpoint, adding that the POS is not only at the center of the interaction with the guest, it's also becoming an invaluable tool in the day-to-day management of operations. "From a KPI standpoint, it can provide immediate high-level reporting you can get now, versus a monthly P&L. The POS today is becoming a tool that is central."

Since its beginnings in 2007, Menchie's has used the Micros e7 POS system, along with the Micros RES 3700 for its international locations. Regev says the company is looking to expand its ability to track operations at its more than 300 locations, as well as to add new capabilities, most notably its mySmileage loyalty program, CRM, and social media.

Menchie's, like many other brands, is in search of the "holy grail" of one-to-one marketing that is efficient, affordable, and effective. Says Regev, "We have a pool of people and can analyze their consumer behavior—and the dollars we're investing from a marketing standpoint—and attract them to specific events, a time of day, or a day of the week, building a relationship between us and our guests."

To succeed at data mining and leveraging the data, the new platforms must speak to each other. "That's one of the most attractive things in looking into the new solutions," he says. "At the end of the day, you're investing in the loyalty program to have the database to speak to your loyal customers, your guests, and reward them for being part of this group. Today, with the e7 we can't do that," he says.

"In 2007, cloud and other solutions were not available," he says. "When we engaged with Micros, RES was the new thing; now Simphony is the new thing. We're looking at multiple solutions; Simphony is one of them." He's also looking to work tablets into the mix, which also weren't available in 2007.

Legacies vs. newbies

Innovative new companies offering additional functionalities to POS systems are springing up everywhere—and are attracting millions of dollars from private equity investors, accelerating the adoption of their technologies. Choosing a solution from a two- or three-year-old startup can deliver the latest in social media or business analytics, but their staying power is uncertain in this exciting, highly competitive space.

For Regev, the main element in choosing a POS system today is service over time and across geographies. "Technologies, price, and platforms are all the same to a certain extent. I think what people should look into is the service supporting the platform."

One of the advantages the legacy players have, says Regev, is that they will be around in five years, offering a level of security for their customers. While the newer companies may also be around, it's not as sure a bet. On the plus side, he says, the new generation companies are hungry, willing to be flexible and work around your needs, whereas legacy vendors will offer off-the-shelf solutions with some customization options. Still, he says, at the end of the day, "New and old offer the same; most are pretty comparable in their offerings and price points."

"From a franchise perspective, one of the things they run into is service and support nationally," says Louise Casamento, vice president of marketing at Micros. National brands seeking system-wide conformity for their POS data must take that into account, she says. "We have that."

"It's all going to get integrated," says Kimes. She says it may be messy along the way, with consolidations, mergers, acquisitions, and some falling by the wayside, but it will come together. Knowing which people have a higher average check, or order more wine, or who buy batteries every three weeks is valuable information. "Look at Amazon—they know what you buy. If franchising can emulate that…" MUF

> "Technologies, price, and platforms are all the same to a certain extent. People should look into the service supporting the platform."
>
> —Tom Regev

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2013 MULTI-UNIT FRANCHISING CONFERENCE

Success Drivers

Franchisees gather in Vegas for premier multi-unit conference

BY KERRY PIPES AND EDDY GOLDBERG

Multi-unit franchisees are a resilient and optimistic bunch, and hundreds of them brought that attitude to Las Vegas in March for the 12th annual Multi-Unit Franchising Conference. This year's theme—Driving Profitability—perfectly suited these entrepreneurs, who are not only driven but believe the best is still ahead.

In her opening address, Therese Thilgen, CEO of host Franchise Update Media Group, welcomed attendees, saying, "Multi-unit franchisees continue to evolve by facing reality. They're a resilient group that succeeds because optimism is part of their nature."

That set the tone for the event, held March 27–29 at Caesars Palace, where the conference rooms were filled with high-octane panels, presentations, and participative sessions—along with many hours of networking and social opportunities.

Once again, the event set several new records. More than 1,200 attendees flocked to Las Vegas for the event, more than 450 of them franchisees. Thilgen noted that three quarters of the franchisees said they were looking for additional brands, and the sold-out Expo Hall, featuring a record 200 booths, provided plenty of opportunity for that, along with suppliers offering solutions for problems ranging from social media and mobile to accounting and financial services.

More than 1,200 attendees flocked to Vegas for the event, more than 450 of them franchisees.

Therese Thilgen, CEO, Franchise Update Media Group; Keynote Speaker Capt. Mark Kelly; and Sean Falk, 2013 Conference Chair

Thilgen was followed by 2013 Conference Chair Sean Falk, a multi-unit franchisee with four food brands. Recalling his years as a U.S. Marine, Falk cited the force's motto "Semper fidelis" (Always faithful) to encourage his fellow multi-unit operators to choose a brand and believe in it. He also noted some potential threats looming for franchisees: the Affordable Care Act, a minimum wage hike, and the increasing cost of fuel and commodities.

"As small-business owners, we have no idea how we're going to be taxed in 9 months, much less 5 years," he said. "All these challenges cannot be met by raising prices." He encouraged the audience "to be more efficient—find vendors who can do things better and more efficiently than we can." And he urged franchisors to develop programs to help their successful franchisees manage more units.


Peter Guber, keynoter

David Akers

Franchising Cares—a lot!

For the past decade, the conference has supported the Little Rock Foundation, dedicated to improving the lives of the blind and visually impaired from early childhood through adulthood. This year, the conference offered something more.

Gary Gardner, chairman of Franchise Update Media Group, took the stage to introduce Franchising Cares, a new franchise charitable giving initiative. As chair, Falk was encouraged to name a charitable organization to add as a beneficiary of this year's fundraising efforts. He chose the Semper Fi Fund, which provides financial assistance to wounded Marines and their families as they recover.

Gardner said the previous day's charity golf tournament raised almost $5,000. The conference also featured its regular Silent Auction, with more than $46,000 worth of items donated this year. And Thursday night's Chairman's Dinner raised an additional $15,000, boosting total charitable donations at the conference to about $65,000.

Day 1: Annnnd they're off!

Wednesday morning's general session kicked off with a keynote from Hollywood and sports mogul Peter Guber. The former studio chief at Columbia Pictures and co-chair of Casablanca Records today heads up Mandalay Entertainment. The fast-paced talk by the author of *New York Times* number-one bestseller "Tell To Win" focused on the importance of "reaching your customers' hearts," and he spoke like a man who has learned how to do just that. He gave the crowd several tips for identifying what their customers are looking for—and, more important, how to give it to them.

The "secret sauce of success," he told attendees, is "your innate ability to move other people to action." And while each person has a different call to action, the most effective way he's found to reach people is through the power of narrative.

"I'm a storyteller—that's the secret sauce," said Guber, 71, a lesson he learned only in what he described as "the third act" of his life. We're all emotional creatures, he said, and a good story has the power to "emotionalize" the audience you're trying to reach, whether in movies, sports, or franchising. "You want people to *feel* it," he said. "That's the way we're wired. Hits are born in the heart—not the head, and not the wallet."

Guber, who is involved in the food business at his sports arenas as co-owner of the Golden State Warriors and Los Angeles Dodgers, had some relevant advice for the audience. Answering his own question about how he sells out games at his arenas, he said, "It's not the food, it's the experience." He has the players meet the fans when they come in, and he focuses on perfecting each moment of a customer's visit. "At a restaurant, every detail counts; the total experience counts," he said, adding that for Wolfgang Puck, *every* night is opening night.

Guber also cautioned against over-reliance on digital technology—something he knows plenty about as a movie industry executive and producer. "You have to move people to action, and digital technology will not do it. Don't surrender your humanness to digital technology. You will lose over time."

Speaking of his own remarkable career of successes and failures, Guber said, "Success is the ability to go from failure to failure without losing your enthusiasm," adding, "Success and failure are handmaidens on the journey." To illustrate, he talked about Michael Jordan, one of the greatest basketball players ever, emphasizing the fact that Jordan missed 26 game-winning shots—among the 9,000 he missed—during his career.

Affordable Care Act

Next on the agenda was an in-depth session on the Affordable Care Act. Panelists included Jeff Lungren, director of congressional and public affairs for the U.S. Chamber of Commerce; Christy Williams, COO of the National Association Management Group; and Mike Kahley, senior vice president of the Lockton Companies, which provides insurance, benefits, and risk management services. The panelists explained various aspects of the law as it stands today, how and when it will be implemented, the upsides and downsides of different responses to the "play or pay" option, and the effects the act will have on franchisees, depending on how the regulations are eventually written.

The panel also included David Barr, chair of PMTD Restaurants, which operates 23 restaurants. He presented different scenarios he's been exploring for his 412 employees (109 full-time, 303 part-time). In one scenario, the act's regulations would have cost him $750,000 annually. After studying different scenarios, he managed to reduce his initial estimates of what the act would cost him from $750,000 to $444,000; and in an ideal scenario, where employees don't sign up because they went on their

spouse's plan, that cost could come down to $136,000. Barr said that in any scenario that came in at less than $200,000, it was worth it for him to play, instead of pay the penalties. He did express concern about the effects of employee cutbacks on the quality of service at his restaurants, and how that must be balanced against the purely monetary aspects of any decision. "Reducing FTEs has to be completed with one eye toward customer service," he said.

After that session, filled with dense, detailed charts and diagrams explaining the rules, current options for franchisees, and seemingly endless ways to work the numbers in an uncertain environment (implementation is still in the works), the morning's general session broke into two separate luncheons, one for franchisees and one for franchisors and suppliers.

Franchisees gathered to continue networking with peers and enjoy a fast-paced, humorous magic show by motivational speaker, magician, and former NFL player Jon Dorenbos, who was a long snapper for the Philadelphia Eagles and a 2010 Pro Bowl selection. After that, panelists from the healthcare session fielded questions.

In a separate room, the franchisor luncheon focused on lead generation, recruitment, and qualification. Facilitated by Lane Fisher, partner at franchise law firm FisherZucker, the panel consisted of Steve Dunn, vice president of global development at Denny's; Pete Lindsey, vice president of franchising at Sport Clips; Dan Collins, senior vice president of brand development at East Coast Wings & Grill; Greg Tanner, national director of franchise sales at Aaron's; and Scott Mellon, vice president of franchise sales at Papa Murphy's.

> **"Success is the ability to go from failure to failure without losing your enthusiasm."**
>
> — Peter Guber

The discussion included topics such as the ideal franchise candidate, profiling tools, the award process, recruitment budgets, conversion rates, cost per sale, and the importance of adapting all of those into a strategic development plan—and sticking to it. Tanner won the panel's "best quip" honors with his response to a question on how to create a recruitment budget. "Setting a budget is like carving Jell-O," he said.

Day 1, Wednesday afternoon

Wednesday afternoon saw the launch of educational breakout sessions. A unique twist this year featured a group of heavy-hitting multi-unit franchisees on stage discussing hot topics as the audience listened in. Multi-unit operator Aziz Hashim (Popeyes, Domino's, Checkers/Rally's, and PetValu) facilitated the session, which delved into topics as diverse as employee retention, upselling customers, and maintaining brand culture during growth, to closing units and working more closely with franchisors.

The "Growing to 10 Units" breakout session, facilitated by Sean Falk, featured Randy Allen, CFO at the Morelock-Ross Group of Companies; Dan Burrell, an area director for Jersey Mike's; Gary Avants, a Zaxby's franchisee; and Karim Khoja, a Dunkin' Donuts and Baskin-Robbins franchisee. In this wide-ranging, fast-paced 75-minute panel, they discussed the pros and cons of outsourcing, maintenance and repair, insurance, the value of constantly interviewing for new talent, real estate and leases, lending relationships, and how to manage the complexity that comes with growth.

Other afternoon sessions included "Creating Infrastructure To Support 20–30 Units," "Building Customer Loyalty and Profits," "Franchisee Exit Strategies and Succession Planning," and "Show Me the Money: Franchise Finance Pitch Session," featuring a panel of franchise lenders.

The Expo Hall officially opened on Wednesday afternoon, providing a venue for attendees to gather several times during the conference, attracted by suppliers offering solutions for both franchisors and franchisees—as well as by ample food and drink. Suppliers and franchise brands in the 200 booths rubbed elbows with franchisees, pitching their wares and answering questions. The Expo Hall was a sold-out success, the largest ever for the annual conference.

Thursday, Day 2

The day began with a continental breakfast, followed by a general session and more

details about the new "Franchising Cares" initiative. Conference Chair Sean Falk introduced Laura Castelvi, senior manager for community outreach at the Semper Fi Fund, who provided additional details about the organization. Since its establishment in 2004, Semper Fi has issued more than 56,000 grants totaling more than $74 million to more than 9,300 injured Marines and their families.

NFL kicker and four-time Pro Bowler David Akers took the stage and encouraged the audience to "get outside of yourself." He said this was possible by giving "money, time, resources, and passion." Akers, who has scored more points than anyone in the NFL since 2000 (although he was first to acknowledge that he had a terrible 2012), said he'd planned to be a teacher before finding his way to an NFL career. His interest in helping children led him to establish the David Akers Kicks for Kids organization in 2001. Soft-spoken, and not nearly as big as most expected of an NFL player, Akers urged the audience to "invest in someone." He's adopted three children overseas, and said people don't have to change the world, "but you can change one person's world."

Next up was franchise economist Darrell Johnson, CEO of FRANdata, who delivered his assessment of the state of the current economy and how it is affecting both consumers and franchisees. "There's still consumer debt, recovery takes time," he said. Despite the persistence of consumer debt, a slow housing market, and weak consumer confidence, he said the economy

> **"Reducing FTEs has to be completed with one eye toward customer service."**
>
> —David Barr

is improving "slowly and fitfully." Addressing the ongoing paralysis in Congress, he made what he called a "bold prediction" that Congress will strike a grand bargain this year on the economy. Citing Winston Churchill's observation that the U.S. will do the right thing—only after exhausting all other possibilities—he added that if the Congress acts decisively, consumer confidence will improve in the coming year. If not, he cautioned, 18 to 36 months of further uncertainty are in store.

The outlook for franchise lending is good he said—as long as franchisees are top performers or associated with top-performing brands. He noted that with many private equity funds nearing the end of their run, transfers and M&A activity will increase, providing plentiful opportunities for larger multi-unit organizations to acquire units from smaller (1–3 unit) franchisees. In summary he said, "It's a period of slow growth, but the economy is improving."

That was followed by the presentation of *Multi-Unit Franchisee* magazine's 2013 MVP Award winners. The ceremony was sponsored by Comcast Business Class. Read their profiles in this issue, starting on page 14.

Most dramatic presentation

Thursday morning's general session saved the most dramatic and moving for last as Mark Kelly, former astronaut and Navy pilot, and husband of former U.S. Congress member Gabrielle Giffords, took the stage for an inspiring keynote speech. He told tales of his aerial combat and space missions with a behind-the-scenes look at what happened—and what could have happened. He called every successful launch of the Space Shuttle (he went up four times) a "minor miracle," and said that at takeoff the Shuttle "is like a butterfly bolted to a bullet," accelerating at takeoff from zero to 17,500 mph, resulting in tremendous g-forces. Re-entry is no picnic either: temperatures reach 5,000 degrees and astronauts must wear a liquid cooling suit to survive. In between, though, up in orbit, he said, "It's amazing to see this big blue marble floating in the black."

Kelly also shared the heroic story of his wife Gabby, who was shot in the head at a political rally in her home district near Tucson in 2011. Kelly said Giffords—who at 26 was CEO of El Campo Tire Warehouses, a 15-unit automotive chain founded by her grandfather—has been strong and determined throughout the ordeal, and he spoke of her bravery in facing what appears to be a lifetime of rehabilitation. Kelly said

Conference by the Numbers

Franchisees, franchisors, and suppliers from across the U.S. and Canada gathered in Las Vegas for Franchise Update's 12th annual Multi-Unit Franchising Conference. The event continues to grow each year, setting new attendance records. This year, more than 450 franchisees (representing 333 franchise organizations) attended, 50 more than in 2012.

A quick rundown of the aggregated statistics from the 450-plus franchisees who attended shows the following impressive figures:

- **9,400+** operating units
- **180,000+** employees
- **$7.5+ billion** in annual system-wide revenues
- **200+ brands** in all business categories
- **38%** have 2 or more brands
- **47%** operate in 2 or more states encompassing more than 40 U.S. states and Canada
- **70%** are seeking additional brands
- **50 companies** came seeking specific brands

> **"You don't have to change the world, but you can change one person's world."**
>
> — David Akers

that every morning as his wife heads out the door to rehab, she looks at him and says "Fight, fight, fight," and said her attitude is a daily inspiration to him. "The power of the human spirit is an incredible thing. She reminds me every day to deny the acceptance of failure."

At the conclusion of the general session, franchisees gathered for roundtable discussions, each with a different topic and hosted by a subject expert. This format, offering something for everyone, allowed small groups to discuss specific strategies, tactics, problems, and solutions. Topics included technology, customer retention, new store openings, and a perennial challenge: finding and keeping great employees. Attendees then moved on to lunch and more networking in the Expo Hall.

After lunch, attendees gathered for the final general session of the conference, featuring a panel led by multi-unit franchisee Aziz Hashim, who queried two successful multi-unit franchisees (Rob Branca, Dunkin' Donuts, and Gary Robins, Supercuts) and two franchisor executives (Kathleen Gilmartin, CEO of Interim HealthCare, and Jim Lyons, COO of Quiznos) about private equity funding and its role in franchising. The conversation ran the gamut from the pros and cons of PE money to due diligence and contracts. "Due diligence should go beyond just the financial side of things to include really understanding the franchise brand," said Hashim. That includes carefully assessing the brand's culture—something panelists agreed most PE firms don't do sufficiently.

Two rounds of breakout sessions completed the afternoon. Sessions covered timely topics such as cost control, negotiating leases, adding brands, local store marketing, and unit profitability. The session on driving profitability by controlling costs delved into how franchisees can maximize their strengths and save time by automating processes for sorting, managing, and paying bills, for example. Elsewhere, seasoned franchisees talked about avoiding and dealing with lease negotiation pitfalls. Franchisees Gary Grace (Supercuts) and Laurel Wilkerson (Marco's Pizza) shared firsthand stories of how they deal with landlords, fixed renewal rates, personal guarantees, and more.

Attendees had one final chance to visit with the exhibitors on Thursday evening. Based on the crowds, the activity, and the buzz in the room, franchisees and exhibitors alike appeared pleased with how business had gone inside the Expo Hall during the conference.

Day 3, the checkered flag

As the conference drew to its close Friday morning, Russ Umphenour led a closing session entitled "Great Brands + Great Franchise Partners = Franchise Partner Profitability." Umphenour, who once operated 775 Arby's, today is CEO of Focus Brands. His long and successful history in franchising provided him with many personal examples of success and failure he used to illustrate his points. Umphenour spoke about the importance of setting and achieving goals, and how franchise brands and their franchisees are partners and should be working together to create great brands. "Always do what's best for the brand. This benefits all," he said. It was the perfect finale to the week.

Driving profitability requires a steady hand and a foot on the accelerator. Those who succeed in franchising do so through dedication, hard work, smarts, and being in the right place at the right time. That's exactly the kind of franchisee who attends the annual Multi-Unit Franchising Conference. With plenty of talk about deals in the making, operating tips, and record attendance, these franchisees passed the checkered flag as winners.

Find out more about this year's event at www.multiunitfranchisingconference.com, and watch for details of next year's conference to be announced soon. MUF

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What Are Your Customers Telling You?

Demolishing three frequently held customer experience survey myths

Without customers, you are out of business.

It seems to me that part of learning "how-to-make-customers-loyal" is to ask customers to give you feedback on their experiences of doing business with you. Yet some franchisees still push back against the idea of surveying their customers. Why is that? The arguments against measuring the customer experience usually start with these three.

Myth #1: No one takes these surveys. If you are a person who never takes surveys, it's easy to assume that no one else does. Guess what? Millions of people take customer satisfaction surveys every day. The fact that these survey-taking-customers *don't* think and act like you demonstrates exactly why you should ask them what they think!

The truth is a range of customers take surveys—from satisfied to dissatisfied. The demographics of survey respondents closely match your brand's demographics. Additionally, the customers taking surveys range from very loyal customers to occasional customers to first-time customers. Franchise organizations that work with professional research firms *do* get a very representative sample of customers responding to their survey invitations.

Okay, I'll agree that not everyone will take a customer survey. You'll never get all customers to give you their opinion, but you only need a sample of a few hundred customer opinions to measure how you're doing. (You need opinions from a sample of only about 1,000 voters to predict how 100 million people will vote in the next presidential election.)

Myth #2: The feedback won't tell me anything I don't already know. This is a huge myth. Just because you are in your stores frequently doesn't mean you are inside the heads of your customers. For example, you have a new limited time offer that generates great trial, great sales. What you don't know is, will customers buy it again? Will they recommend it? You don't know.

You can know how your sales stack up compared with others in the system, but you won't know how your customer satisfaction rating compares with those of other franchisees—unless you measure it. (Do I need to remind you that highly satisfied customers come back twice as often? And recommend you three times as often?) You don't know how you compare (or what's really possible to achieve) on basics like speed of service, friendliness of employees, and frequency of problems—the operational and experiential elements that *drive* satisfaction and sales. You don't know unless you—and your whole system—measure customer satisfaction.

Even Napoleon said, "I've been mistaken so many times I don't even blush for it any more."

In fact, the *only* way to know what specific elements of the customer experience correlate most highly with increasing customer loyalty at your brand(s) is to have a qualified research team statistically analyze your customer feedback. Without that, you're just guessing.

Myth #3: We will get only negative responses to our surveys. That's also false. Very happy (highly satisfied) customers usually make up the largest number of survey respondents; usually, dissatisfied customers make up the smallest group for franchise brands. Given a decent sample size, the distribution of positive, neutral, and negative surveys is a very accurate representation of your customer satisfaction.

What you are primarily trying to learn from customer surveys is how to turn ordinary (indifferent) customers into raving fans. What makes the difference? When a customer has the chance to choose "Highly satisfied" on a survey, but instead chooses merely "Satisfied," there are real reasons why. What are they? Where should you focus performance improvement efforts to eliminate any negatives whatsoever? And yes, you always need improvement. Customer surveys never let you forget that! But they also reinforce how many customers love you—when you are at your best.

Customers love to praise great experiences. They spend about 5 minutes completing the survey. Well over half of customers leave comments, and the average comment includes more than 30 words. (This paragraph has 35 words.)

The truth is franchisees are using customer survey results, and especially customer comments, to recognize and reward employees for doing a great job. Some even have created Achievement Certificates that include the verbatim customer comment from the survey right on the award.

Now in fairness to folks who object to customer surveys on the basis of the three arguments above, we've all been guilty of believing things that were simply not true; where the facts contradict the opinions we hold. The truths we cling to often depend on a point of view that we acquired without thoughtful analysis. Even Napoleon said, "I've been mistaken so many times I don't even blush for it any more."

For a factual, and eye-opening, look at the power of scientific customer surveys, please go to www.smg.com and request *Five Things We Learned from Talking to 500 Million People*. MUF

SMG Vice President **Jack Mackey** *helps multi-unit operators improve customer loyalty and drive growth. Contact him at 816-448-4556 or jmackey@smg.com.*

BY NATE DAPORE

Maximize Your Hiring E-Sources

Using social media as a recruiting tool

"Google," which became a verb in June 2006, is among many new verbs that have transformed the way we speak—and interact. Today we "friend" someone on Facebook, "bookmark" a website, "blog" an article, and "text" from our phones. Social media is rewriting how we connect with each other—and it's happening in every aspect of our lives. Twitter transformed how we get our news; Groupon revolutionized how we consume; Foursquare revamped how we "check-in"; and now, social media is redefining how we hire.

More than a decade ago, HR saw the emergence of job boards that allowed employers to reach an expanded talent pool with the click of a few buttons. Since that time, virtual hiring portals have dominated candidate sourcing. As social media infiltrates everyday life, franchisees must leverage these resources to connect with both their consumers and candidates.

Today, one of every six Americans uses social media. Of those, 59 percent interact with businesses through social media sites, with one in four checking in more than once a week (Cone Communications). And consumers who "like" your business give your brand and your bottom line a "thumbs-up." In fact, 61 percent of Facebook users who have "liked" a brand note that they are more likely to purchase from that brand (AllFacebook).

The business case is clear. It is time to seize the day and capitalize on online influence by integrating social media into hiring processes. For franchise businesses with a following, it is the obvious next step, especially for the fast casual segment, where social media campaigns have already shown marketing success.

Social media is already revolutionizing the restaurant industry. The NRA's 2012 Restaurant Industry Forecast found that more than 80 percent of restaurant operators plan to increase their social media marketing efforts. Over the next two years, more than half plan to add online review sites, Facebook, Twitter, and blogs into their marketing mix.

Social media takes the old networking adage of hiring based on "who you know" to a new level.

Further, according to the 2012 HR Toolbox survey, HR professionals spend 7.62 hours each week on social media sites. What are they doing? They are using online profiles (originally reserved for connecting socially) to hunt for jobs, build credibility and a personal brand, and network professionally.

Social media is a powerful recruiting and sourcing tool for franchisees. Social media takes the old networking adage of hiring based on "who you know" to a new level. The ability of employers to tap into these social networks is quickly becoming an indispensable resource: hiring managers can reach their target demographic more easily, employ a proactive sourcing plan, and drastically reduce costs. Most social media sites allow businesses to Post, Tweet, Pin, and Message open positions free—unlike job boards, which can cost employers hundreds of dollars for each position.

BranchOut, the largest professional network on Facebook, went mobile in the fall of 2011. The program lets members use their Facebook network to look for jobs, source leads, recruit candidates, and cultivate professional contacts. Three months earlier, LinkedIn launched an "Apply with LinkedIn" button, allowing candidates to submit resumes directly from their profile with just a click. Sophisticated talent management systems can pool social media sourcings and quickly filter through applications to identify the best candidates.

Developments such as these continue to drive innovation in franchising. The future of franchise hiring and repeat customers is a two-way conversation. If you're not speaking the lingo, you'll be left behind.

Look at what is working for others who are being successful, and then set goals for where your franchise is headed. Take into consideration industry innovations, relevant social media outlets, culture and brand messages, and the development plan for your franchise business. Open a conversation with your management team and team leaders about where you want to go and what you need to get there. Then empower your team to lead the charge.

Nate DaPore *is president and CEO of PeopleMatter. He is passionate about providing team members, including his own, with a rewarding workplace experience that values creativity and innovation. Contact him at 877-230-4088 or info@peoplematter.com.*

Ad Index

Operations&Maintenance

BY KELLIE D'ANDREA

Work Order Relief

Track your facilities assets to save time and money

How much maintenance information do you have on all of your locations? Do you know how many of your HVAC units will need to be replaced this year? Are your signs still under warranty? What maintenance is the landlord required to do, and when? How often do your floors need to be stripped and waxed? When should your backflows be tested and fire extinguishers inspected? Do you know how much you are spending on repairs, and are those charges consistent at different locations?

Tracking your facilities maintenance transactions may not be a priority; treating this as a reactive component to your business is standard practice. However, if you believe that your locations are your #1 asset and that maintaining them could lead to more business and a better customer experience, you would want to simplify this process, correct?

If you had a work order management system that was easy to use, you could quickly find all of this information and automate your maintenance programs using the following key features found in work order systems:

- **Asset tracking –** Each of your locations has assets that must be maintained: HVAC, lighting, floors, stoves, walk-ins, grease traps, signs, etc. However, you need a place to store all the data about these assets. An asset database serves this purpose, allowing you to track serial numbers, colors, square footages, and asset photos. Service history can also be tracked against each asset.
- **Vendor management –** You spend time finding the right vendors to service your locations. Why not capture all their information in one centralized system so you have their contact information, insurance documents (with you listed as additionally insured), certifications, and price lists in one place? A work order management system will track how many times they have been to your location, the work performed, the amount charged, and any warranties they offer.
- **Service dispatch –** When an issue happens at one of your locations, your managers will have a centralized system with a list of prequalified vendors. If the system is set up right, NTEs (Not To Exceeds) are built into the vendor records so that every vendor knows they cannot charge more than the NTE without permission from either the manager or corporate. The system generates a work order and alerts them to the problem, leaving a paper trail. The IVR (Interactive Voice Response) system requires vendors to check in and check out, which allows you to track whether they are at your location and how long they are there. When the vendor hands you an invoice, you now have more knowledge about its accuracy. Plus, you will have a record if the repair doesn't "take" and you need to bring them back for a recall.
- **Program automation –** Maintenance programs can be placed on a "set and forget" program in your system and automatically generate work orders based on the frequency you've determined. For example, if you want your windows cleaned both inside and out each month, a work order will be auto-dispatched to your provider each month. If you want a quarterly HVAC preventive maintenance program or a monthly grease-trap pumping program, all of that can be automated through a work order management system.
- **Accounts payable –** Most work order management systems have modules that require vendors to input their information, leaving less administrative work for you. Each work order is updated with "actual" work completed and converted to an invoice in your system for approval based on the fees you *pre-negotiated.*
- **Reporting –** The last critical component is to ensure that your system can generate reports to help you run your business. To support you in making future business decisions, these reports should provide the option to break down the information by location, trade, or asset. Most work order management systems have an automated function that will send pre-designed reports directly to your inbox at whatever frequency you want. Reports could include financial information, budgets vs. actuals, type of repair, vendor time on site, and open quotes.

An asset tracking and work order management system is a strategic decision for owners who want to ultimately save time and money.

An investment in an asset tracking and work order management system is a strategic decision for multi-unit owners who want to ultimately save time and money. Using these systems, operators are able to make more informed and cost-effective decisions for their equipment and building maintenance with regard to repairs, extended asset life, and replacements. MUF

Kellie D'Andrea *is president of NEST International, a facility maintenance management firm. A former franchise owner, her passion is taking businesses to the next level. She is on the board of the Professional Retail Store Maintenance Association. She can be reached at 800-611-6378 or kellie.dandrea@enternest.com.*

/8
David Alan Harvey / Magnum Photos
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BY DANIEL LIEBERMAN

Improve Your Social Media!

Getting smarter at online marketing

Social media is important—and confusing—one reason that each month our *Franchise Consumer Marketing Report* e-newsletter features a "Social Media Roundup" column from social media tracker and consultant Daniel Lieberman, highlighting useful new developments and trends in social media marketing. Here's a selection to whet your appetite. **subscribe.franchising.com/franchisors.html**

Spend your social media time more efficiently

Small businesses seeking to take advantage of social media face the same problem they have with everything they want to do that isn't absolutely necessary to keep the business going: time. There simply are not enough hours in the day to do everything that needs to be done *and* interact on social media—even though they know it's important, and that their customers expect them to be there. This 10-step action plan aims to help small businesses maximize their social media efforts and use their time more efficiently.
heidicohen.com/small-business-how-to-use-time-efficiently-on-social-media/

The "perfect" Facebook post: 7 tips

Nobody's perfect, especially in social media, so here are seven tips to help you craft better Facebook Page posts. They include advice on the optimal size for image uploads; how to use Facebook's Sponsored Stories to promote your posts; the need for calls to action; and a reminder that many or most Facebook users are now viewing your content on mobile devices—which means you need to keep it simple and short.
www.jeffbullas.com/2013/05/03/the-perfect-facebook-post/

6 steps to mastering the power of local data

All sales are local, so crank up your locally based social media efforts. Start by claiming your venue on Facebook Places, Foursquare, Google+ local, and Yelp. Monitor your reviews and check-ins. Learn about what your customers like and don't like about your brand. Take the opportunity to respond: you can counter bad reviews and build on good ones. Remember, 97 percent of consumers search for local businesses online and 67 percent of those searches result in purchases, so there's a lot at stake. Local data also can provide insight into your competition.
www.viralblog.com/big-data/how-to-master-the-power-of-solomo-data-in-6-steps/

Tumblr as a marketing platform?

Tumblr, the microblogging service, was recently purchased by Yahoo for more than $1 billion. Here are four reasons you might want to give it another look, especially for businesses with younger customers:

1) Creative freedom: Tumblr has an exceptional set of easy-to-use tools to publish any kind of content you can imagine. It's easy and fun to make an interesting and unusual Tumblr page.

2) It's cool: Tumblr is at least as popular among the 15- to 25-year-old demographic as Facebook. For the many younger users turned off by the presence of adults in their lives on Facebook, Tumblr offers relative anonymity.

3) Your competition probably isn't there yet. Tumblr has not been used much by smaller brands.

4) Tumblr now offers ads. Both on the desktop and on mobile devices, Tumblr offers advertisers access to younger users.
www.likeable.com/blog/2013/05/4-reasons-why-your-brand-should-reconsider-tumblr/

Blogging more often—in less time

Blogging works for businesses online. It's been proven to be a winning strategy. An active blog serves as a useful anchor for a social media strategy, providing both a steady source of content for posts and an engaging, content-rich destination for people who take an interest in a brand. But keep in mind: blogging is work. Learn some tactics to make it easier to keep an effective, engaging blog going.
heidicohen.com/blogging-how-to-post-more-often-without-working-harder/

On the other hand, maybe social media's not for you

Small businesses feeling the pressure to jump on the social media bandwagon can take a step back and breath a sigh of relief: they don't have to do it yesterday, or even tomorrow… at least until they get other, more immediately important, parts of their house in order. Here's an interesting blog from Stephanie Schwab, principal at Crackerjack Marketing, suggesting that smaller businesses take a step back and do a self-evaluation of what they are doing *before* adding something new in the form of social media marketing.
www.socialmediaexplorer.com/social-media-marketing/when-small-businesses-shouldnt-do-social-media/

Daniel Lieberman *is the founder of Daniel Lieberman Digital ("I speak Geek—You don't need to"). Based in Shelburne Falls, Mass., he helps companies, organizations, and individuals learn to use the Internet to communicate, market, and brand themselves using the most up-to-date tools and techniques. Contact him at 413-489-1818 or daniel@daniellieberman.org.*


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Investment Insights

BY CAROL M. SCHLEIF

Teach Your Children

They will inherit your assets, not your wisdom

Death and taxes. Given that estate planning combines two of the most dreaded eventualities, is it any wonder that most folks have a difficult time warming to the topic?

A monetary legacy can provide an incomparable "leg up" and open a world of opportunity to the next generation—if that generation is adequately prepared. Inelegant handling of the training stage can, however, create generations of enmity, or breed unmotivated offspring with an entitlement attitude. Missteps are easy to make, since the issues are complex and multi-faceted. Here are a few key areas parents should consider as they grapple with intergenerational transfer issues:

• **Unveil your own financial management *beliefs*, the sooner the better.** In the frenzied intersection of building and maintaining businesses and raising families, it can be overwhelming to take time to discuss "money" with your heirs. Perhaps your own financial affairs are not in as precise an order as you wish, assembled bit by bit as the years passed. But it does not take a four-hour discussion of the family balance sheet for you to open the dialogue. Start small, for example, by teaching key values such as "Spend less than you earn," and the importance of giving back to the community. Explain how you pay yourself first by funding your retirement account first. Explain how to use automatic payments to fund charitable donations. In today's electronic world, our children (especially if they are no longer at home) may not know that we are regularly divvying the resources in this way.

• **Delay talking about your financial *balances*.** While it is best to start demonstrating your money philosophy early, most advisors agree that you should be very careful how soon you reveal "real dollars." Children understand very early where they are in the social strata relative to their peers. To the extent that privilege discourages children from finding their own purpose and reason for being, it can be an overwhelming burden and a disservice that lasts a lifetime.

According to many advisors, any significant amounts gifted to a child before age 25 can seriously impede that child's personal search for a meaningful livelihood. Some advisors recommend waiting until children are in their 40s or 50s before giving them direct access to significant unearned wealth. Part of the answer lies in what children are taught while they are growing up about the role that money plays in their lives. Children must learn the responsibilities attendant to affluence, not just be left to revel in the privileges.

• **Encourage your children to find their own passion and purpose.** In her book *Children of Paradise*, Lee Hausner repeatedly stresses the importance of giving children the ability to develop wide-ranging competencies. For children growing up in affluent households, this can be especially difficult. As Hausner puts it, "Many wealthy parents lead lives that place them in strong supervisorial roles… Eliminating, or significantly diminishing, this 'take charge' orientation when parenting is not easy. But parents who assume the responsibility for making all the important decisions without input from their children are actively encouraging dependency rather than helping them develop competency."

• **The tough love school of intergenerational wealth transfer.** Parents need to be aware of the emotional messages sent by funding their children. If a parent steps in with financial aid every time the child's credit card is overextended, for example, the messages the child receives are that "Struggle is bad," or "You are not responsible enough to get yourself out of jams." Come to a child's aid too often, and an entitlement mentality may become firmly established. Not all parental expenditures are bad, however. Paying for post-secondary education, for example, is a legitimate way to help children prepare for independent and productive careers of their own. It is best not to help your children out here or there just because you "can," because you think you "should," or because there is some tax advantage. Your children can inherit your assets, but not your wisdom. Personal wisdom is attained by personally overcoming obstacles and struggling to reach goals.

• **What does "fair" look like?** Some givers are intent that equal dollar amounts flow to each child and the nuclear family of each child. Indeed, many professionals argue that this approach ensures future family harmony. Some grandparents, however, want each child to be treated equally and each grandchild to be treated equally—which means that the family of a child with a larger brood receives more of their parents' wealth than the family of a sibling with fewer or no children. Either approach is valid, and how well either works depends on the family's unique dynamics. The more that parents communicate to the children and grandchildren about what their perspective is and why, the fewer intra-family resentments there will be.

Though the issues surrounding wealth transfer planning are emotionally charged, they are not insurmountable obstacles. With thought and careful planning, affluent parents have an incredible opportunity to pass a lasting legacy—both financial and emotional—to the generations in their wake.

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Finance

BY STEVE LEFEVER

Are You Building for Success or Failure?

90 percent of small businesses fail because of poor financial management

You say you want to own a business and make your own decisions? You say that owning a business is one of the few remaining ways to build net worth today? You say that building a business is one of the greatest personal challenges you can face? That success makes the clearest possible statement about your perseverance, ingenuity, and skill?

Well, ladies and gentlemen, you're right. And you're right no matter how you became an independent business owner. You probably didn't volunteer for the job. Perhaps you married into it, or inherited it, or got fired from another job and just fell into it. No matter. There it was, and you did it.

It wasn't easy, either. I know. In more than a decade of working with business owners, I've learned to recognize the type. You come home after a normal 16-hour day and sit at the dining room table complaining bitterly about cutthroat competition, the over-reaching government, thieving employees, and the lousy unions. Then you look across the table at your 15-year-old child and say, "Kid, some day all of this will be yours!"

Why-a-preneur?

What makes you tick? For starters, you probably have a technical skill: you know how to do something well, and you're prepared to work long hours to succeed. Why? Maybe to show the so-and-so who said it couldn't be done that it could. But more probably, it's because you want freedom, power, and the last word—or perhaps, opportunity, something uniquely available in this nation of ours. Reasons involve dreams, too: dreams for a path to a better tomorrow.

These, perhaps, represent a few of the components in the fabric that binds us in common—all of which makes you a card-carrying member of this country's traditional small business community, founded on the principles of opportunity and upward mobility. The innate attraction was the chance to get ahead on your own merits. And despite the socioeconomic changes that have transformed this nation since its earlier days—the machine age, the industrial revolution, and ever-accelerating technological advances and growth—the small business tradition has tenaciously survived. More than that, and in the face of sometimes monumental obstacles, it has even prospered.

Statisticians will tell you that 600,000 new businesses are started each year in the U.S. They'll also tell you that an almost equal number fail.

Of the 26 million businesses in the United States, the vast majority are small enterprises, closely held or family managed. The small business sector employs roughly 50 percent of the non-government workforce, making it easy to imagine our economic plight without the support of small business. Statisticians will tell you that 600,000 new businesses are started each year in the U.S. They'll also tell you that an almost equal number fail, some 50 percent in the first three years.

Beyond the stats

From bittersweet statistics such as these, you can draw two conclusions: first, the lure of independent ownership is as strong as ever; and second, the laws of natural selection and survival of the fittest operate here with staggering efficiency.

To know what it takes to survive as a small-business owner, you must look at why businesses fail. While the excuses offered are many, the real reasons actually are few. Usually, when you see two partners involved in a business enterprise, one knows how to make it and one knows how to sell it. Unfortunately, neither knows much about financial management. Let the record show that 90 percent of small business failures are the result of poor financial management.

Where financial management is concerned, some otherwise intelligent, hardworking, and creative business owners are exactly like the automobile owner we used to see on the old Fram Oil Filter TV commercial. His car needs repairs, but he doesn't want to bother with them now. Of course, the longer he puts them off, the more serious they'll become, and the more they'll cost. As the TV salesman warns, "You can pay me now or pay me later."

The business owner who ignores his company's financial picture runs the same kind of risk. Only instead of a ruined car, he's looking at a dead business, which means his own and his family's livelihood. The telltale signs are clear enough. He leaves the company's financial analysis to his banker and accountant and, if there is no red ink in their reports, he breathes a sigh of relief and tosses them into the third drawer, lefthand side, along with all the others gathering dust there.

Taking financial control

Why, then, does this frequently fatal ignoring of financial management occur as often as it does? It's psychological, mostly. We are all human, and it's human nature to focus on what we do well and try to ignore what we don't. Also, there's a deep-seated suspicion that this whole finance business is a bunch of hocus-pocus malarkey, secretly controlled by pompous, bespectacled charlatans in three-piece suits whose chief task in life is to give us migraines and send us big bills.

This suspicion is largely unfounded, but it does raise an interesting question. As a parent, would you leave the raising of your children to a daycare center? Obviously not. Why then, as a business owner, would you want to leave the health and care of your company, which you also view as a living, breathing entity, in the hands of strangers?

It is precisely in this area of financial management—thus the growth and health of your business—that you may ignore your responsibility as owner. While you are your company's greatest asset, you can also become one of its primary liabilities. Sound financial planning and control will not, by itself, make you a successful owner. However, it will often keep you in business long enough for your technical expertise to create success and achieve your dream. Without it, you don't know where you've been, or where you're going. In that case, any road (or no road) will get you there. With it, you have a fundamental guide to follow in planning and charting a course for your company. MUF

It's human nature to focus on what we do well and try to ignore what we don't.

Steve LeFever *is the founder and chairman of Profit Mastery, a Seattle-based eLearning company that has trained more than half a million people on how to measure and manage financial information to consistently increase business profits. Their programs have been taught around the globe and are now available online as an on-demand video program that can be accessed 24/7/365. Learn more about this educational course at www.profitmastery.net. or contact him at 800-488-3520 x14 or lefever@brs-seattle.com.*

Exit Strategies

BY DEAN ZUCCARELLO

Are You *Truly* a Seller?

The market is ready—are you?

You've heard it before, and have likely seen it firsthand in the market: interest rates are at historic lows, franchisee consolidations and refranchisings are prevalent, lenders are hungry, pent-up equity is available and waiting to be deployed, and deal activity is high. You might be contemplating taking advantage of this environment. But are you *truly* a seller? To help you make that determination, let's address some critical considerations.

Timing

While the market factors may be aligned to create an opportune time to sell, a more important consideration is where *you* are in your entrepreneurial life cycle. If you have been contemplating retirement, getting into a different business, or some other major life change, the timing may well be right for you to sell. But if you are merely being seduced by the market and do not have a solid strategic reason for selling, this path will likely lead to a failed transaction. To consummate a successful sale, first be sure a sale is right for you—then determine if it is a favorable time for you to sell.

Valuation and expectations

If you have determined that a sale is right for you strategically, it is critical that you get an accurate market valuation of your company. You may have heard about a price an acquaintance or fellow franchisee received on the sale of their business, and attempted to apply that to your business. But typically there is not enough information available to make an accurate assessment.

For example, was it based on store EBITDA or corporate EBITDA? Pre–G&A or post–G&A? Were there Capex requirements? Without knowing this, that information is more rumor than data, and notoriously inaccurate. There is no substitute for using a competent industry professional to determine the value of *your* business.

In terms of expectations, don't make the mistake of expecting an unrealistic valuation for your company. Listen to your advisor—who is on your side and holds your best interests first and foremost. The market understands that operators take great pride in their companies, and that it took sacrifices and hard work to build them. The market takes this into account in determining what a business is worth. The deal market may be quite active, but that does not mean sellers can command an unreasonable premium for their business. Unrealistic expectations will likely ensure that no transaction takes place.

Don't make the mistake of expecting an unrealistic valuation for your company. Listen to your advisor—who is on your side.

Buyer's perspective

One excellent way to check the validity of the valuation of your business is to take a buyer's perspective. Would you pay the asking price for your business? What kind of return would that yield? How much equity would you have to contribute? What leverage constraints are imposed by available financing?

Approximately 95 percent of transactions involve lender financing. A buyer's lender will run leverage calculations, such as lease-adjusted leverage, on a proposed purchase. Based on financial performance, a business can support only a certain amount of debt. The balance of the price is made up of equity from the buyer. If a price is higher than the amount of debt a lender is willing to extend plus the amount of equity a buyer is willing to contribute, the transaction cannot take place. Even if buyers have sufficient equity to "make up the difference," they must take into account what the return on that equity is. Paying an unreasonable premium over market will result in a low return on equity for the buyer.

Capex

Capital expenditure requirements are also a very important factor to consider and can have a dramatic impact on valuation. We think about Capex as falling into the following two buckets:

1) Deferred maintenance Capex. Buyers expect a business to be fully functioning, while sellers may take an "as-is" perspective. When a buyer discovers non-working items during a walkthrough, this becomes an issue that, if not handled properly, can cause a deal to collapse. The franchisor will often require that deferred maintenance Capex is satisfied as part of the transfer. Most often, these expenses are primarily the seller's responsibility.

2) Image Capex. Franchisors are very cognizant of image requirements, more so in this environment than at any time in the past 10 years. This seems to be especially true in the QSR sector, although we expect this will expand to cover most franchise businesses in the near future. As part of the process to approve the transfer of the franchise agreement, the franchisor will enforce the remodel requirements. The buyer and seller will each take the position that it's the other party's obligation. If this is not contemplated and agreed to early in the process, the deal is most likely over.

Adjustments

Add backs and adjustments to a seller's financials are a normal process. For example, there may be an adjustment to eliminate intercompany rent, non-recurring costs, or to normalize G&A to industry standards in the event an operator is expensing personal items through the company that result in an overstated G&A expense. But some sellers want to make unrealistic adjustments to their financials; these might include eliminating a valid operating expense or compensation. This is not the seller you want to be. Most buyers will figure this out quickly, and will perceive the seller with mistrust.

The solutions are not always simple, but not having a solution is certain to derail your transaction.

If you think you are really ready to sell, have you considered the points presented above? The solutions are not always simple, but not having a solution is certain to derail your transaction.

Proactively deal with these issues early on, rather than reacting to them when they crop up during the process. Rely on your trusted advisor to help you navigate through the process to ensure a successful outcome. MUF

Dean Zuccarello, *CEO and founder of The Cypress Group, has more than 30 years of financial and transactional experience in mergers, acquisitions, divestitures, strategic planning, and financing in the restaurant industry. The Cypress Group is a privately owned investment bank and advisory services firm focused exclusively on the multi-unit and franchise business for more than 22 years. Contact him at 303-680-4141 or dzuccarello@cypressgroup.biz.*

BY DARRELL JOHNSON

MUOs on the Rise

It's a good time to be a multi-unit operator!

Multi-unit franchise operators are about to exceed the 55-mph speed limit: we can now officially say that they control 55% of all franchised units in the U.S. The 80/20 rule also applies: those 55% of all franchised units in the U.S. are controlled by 20% of all franchise unit operators. Both are records.

The steady expansion of multi-unit dominance started in the late 1980s, so it is relatively recent in the context of the franchise business model. As recently as eight years ago, a majority of units were controlled by single-unit operators. The pace of change has been consistent and rather predictable, with a current rate of change of about 1% each year.

There are two big drivers of this change. The first is that we raised a generation of franchisees with growth on their minds. They pushed through the older "buy a job" mentality with business plans aimed at multi-unit expansion from the time they started in business. The second driver is cooperative franchisors, who went from being concerned by too much franchisee power to actively designing development programs around multi-unit models.

Some of today's largest franchisees are NPC International (1,158 units, mostly Pizza Hut); Target Corp. (1,147 units, mostly Pizza Hut Express); Heartland Automotive Service (529 units, mostly Jiffy Lube); and Harman Management Corp. (466 units, mostly QSR brands).

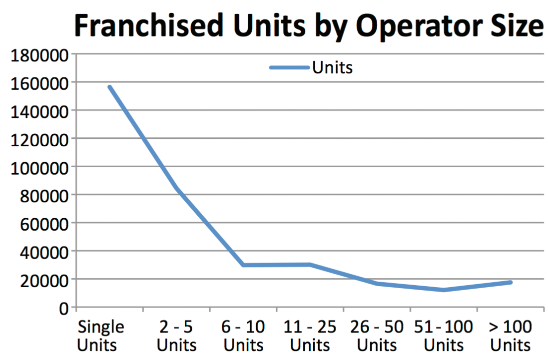
As with these four franchisees, industries with the highest concentrations of multi-unit franchisees are in food. As the table shows, more than 82% of franchised QSR businesses are controlled by multi-unit franchisees, followed by restaurants (sit-down) at 77% and baked goods at 72%. Also of note is the rise of some non-food industry classifications, such as business-related, automotive, real estate, clothing retail, and education-related.

Top 10 Industries by MUF Control	% Multiple Units
QSR	82.4%
Restaurants (sit-down)	77.1%
Baked goods	72.1%
Beauty-related	66.4%
Frozen desserts	65.6%
Business-related	58.0%
Automotive	57.9%
Retail food	57.1%
Real estate	40.8%
Clothing & accessories	38.3%
Education-related	37.8%

On the other end of the spectrum, less than 5% of franchised travel businesses are controlled by multi-unit franchisees, followed by computer products and services (5.7%) and photographic products and services (8.5%). Perhaps the most important point is that multi-unit franchising has penetrated all industries where the franchise business model is found.

There are some interesting geographic distinctions as well, creating a sort of North-South divide. Only four states have a majority of units in the hands of single-unit franchisees: Maryland (51%), Vermont (52%), New Jersey (56%), and Montana (57%).

West Virginia, at 64%, has the highest concentration of units controlled by multi-unit franchisees. All other states with high concentrations of units in the hands of multi-unit franchisees are in the South, including: Arkansas, Mississippi, Kentucky, and Alabama, each with 62%.



Additional findings

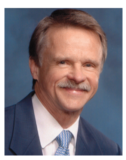
Here are some more statistics that shed light on the profile of multi-unit operators.

• Based on a large sampling of franchised businesses for which gender information was available, 28% were women-owned, and almost 40% of these were controlled by multi-unit franchisees.

• Of the close to 40,000 multi-unit franchisees, 7% (about 2,700) operate units across several brands. While that doesn't seem like a high percentage, it is growing quickly.

• Of the roughly 450,000 total business format franchised units in the U.S., about 360,000 are represented in the graph. Compared with similar graphs from a few years ago, it shows that not only do we have a growing concentration of units controlled by multi-unit operators, we have a growing concentration of units controlled by *larger* multi-unit operators.

Across all units, the average multi-unit franchisee owns 5 franchised locations, up from about 3.5 in 2007. This obvious skewing is the result of larger franchisees adding units at a faster relative pace than single-unit and smaller multi-unit operators. Although the economy has been bad for most companies, it has greatly assisted this trend toward concentration. In the 2008–2010 period, many single-unit operators either sold to larger operators or closed because of sales and financing pressures. While the sales levels have improved somewhat, in the past two years lenders have concentrated their lending at the lower end of the business risk spectrum, which, of course, is represented by none other than multi-unit operators. Despite the economic obstacles, it's a good time to be a multi-unit operator.



Darrell Johnson *is CEO of FRANdata, an independent research company supplying information and analysis for the franchising sector since 1989. He can be reached at 703-740-4700 or djohnson@frandata.com.*

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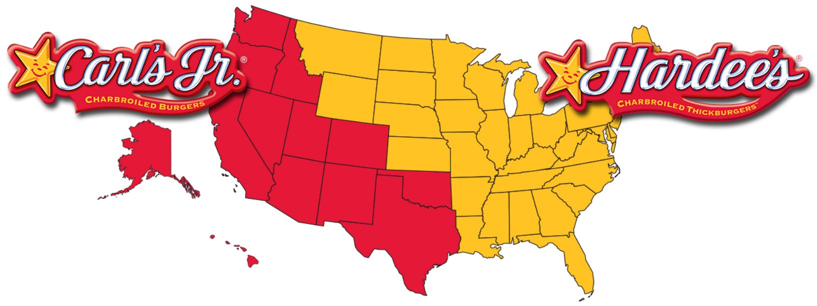

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