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Multi-Unit Franchisee

ISSUE IV 2015

Dominators!

Six exceptional operators open up about their path to success

Tom Garrett, Founder and CEO, GPS Hospitality

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ISSUE IV, 2015

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* Figures reflect averages for the 20 top performing stores of the 55 stores (36%) reporting that opened in 2012 or prior and have been open at least 24 months as published in item 19 of our April 2015 Franchise Disclosure Document. These averages are based on a 52-week annual period from January 2, 2014 through December 31, 2014. Of these 20 stores, 8 (40%) had higher total revenue and 11 (55%) had higher operating income. A new franchise owner's results may differ from the presented performance. 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.

The Simplicity of Dominance

This issue highlights franchise companies that dominate. These are not just companies that have risen to the top and are merely competing, but those really separating themselves from the pack.

Over the years, I have been very fortunate to have been exposed to many leaders who have been very dominating. All of them seemed to have had a similar perspective on this notion of dominance. They all shared some common belief that they didn't see themselves as dominant, but rather were constantly focused on all of the opportunities to improve their businesses, constantly considering all the things they needed to do better. The truth is, most of them had become very dominant in some specific way, giving them an edge and a strategic clarity that drove their success.

I believe the simplicity of their "dominance" is their real secret.

Dominating starts with having a clear vision of what you want to be great at. In our own business, a few similar focuses have propelled our ability to scale successfully. This focus must be simple enough to achieve, very clearly communicated, and must be accompanied by a full-on commitment to surrounding yourself with the talent and culture who believe in its merit. Sustaining such success lies within the systems and tools that create replicability, as well as the routines and discipline to see these tools through to execution. The key to each of these remains *simplicity*.

I'm asked a lot if it's possible to set yourself apart when you are part of a franchise organization. I believe it's very possible to dominate within a franchise model, in fact maybe even easier. The franchising model removes many of the day-to-day focuses business owners are burdened with from the plates of franchise businesses owners. It frees time for creative and innovative ways to win with people and culture, and allows for a greater prioritization of time and energy toward your organization's strategic objectives.

The greatest asset to any of our businesses is the engagement and passion with which our teams embrace our vision. A franchising model provides a great template to keep these objectives the beneficiary of significant time and investment. This focus, paired with strong brands and products, can create huge opportunity for dominance.

I encourage every franchisee to take the time to consider how and where they can *dominate* inside their company and brand, to challenge themselves on whether their vision of what they will be great at is clear, and on having perfectly communicated it. Challenge yourself to improve upon these goals and aspirations, and encourage others in your business to challenge the status quo with regard to historical priorities.

Perhaps the true key to dominance is never acting like you're dominant, but rather acting with the hunger to always strive for dominance.

Michael Kulp
President/CEO
KBP Foods

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Franchise Update Media's annual Multi-Unit Franchising Conference took Las Vegas by storm earlier this year. Total attendance topped 1,300, and included more than 550 franchisees. Big numbers? You bet! Those 550 franchisees accounted for more than 12,000 operating units, more than $8.5 billion in annual revenue, and provided jobs for more than 100,000 people. Mark your calendar for next year's MUFC, April 27–29, 2016 at Caesars Palace in Las Vegas. Meet your peers, explore new brands, and soak up the educational sessions. Need a further reminder? Take a peek back at the 2015 conference at ***www.multiunitfranchisingconference.com***

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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. We call them Empire Builders. ***www.franchising.com/empirebuilders***

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✓RANKINGS *Check out our annual rankings of top franchisees and their multi-unit brands*

and find out "who's on first." Go to ***www.franchising.com/multiunitfranchisees/mu50.html*** for the Multi-Unit 50 rankings; and ***www.franchising.com/multiunitfranchisees/mega99.html*** for the Mega 99 rankings.

✓PUBLICATIONS *"Don't just survive, thrive!"*

Franchise Update Media's *2015 Annual Franchise Development Report* and the best-selling book *Grow to Greatness* by Steve Olson offer invaluable tips for franchise sales success and unit growth in today's economy. To order, 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***

✓GRANDMASTER LUI

"I liked the idea of having a business that allowed you to work *on* it rather than *in* it. I love the strategy of it. It's like playing chess; you always have to think a couple of moves ahead."

— Jon-Anthony Lui, owner of 10 Tutor Doctor locations throughout Greater Toronto

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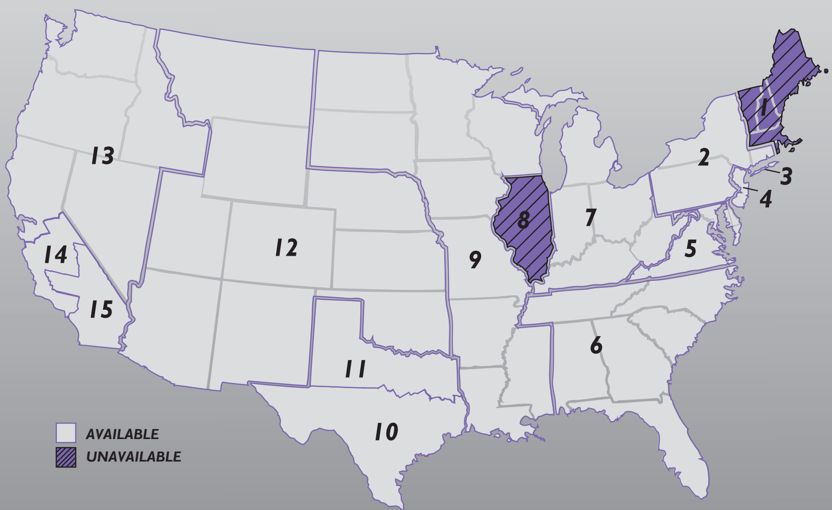


Territory	Population	# of Opened Studios	Status
1	11,083,526	59	~~SOLD~~
2	28,569,000	1	Available
3	7,568,000	0	Available
4	8,938,000	9	Available
5	14,987,522	2	Available
6	56,214,000	4	Available
7	34,360,000	1	Available
8	12,875,255	1	~~SOLD~~
9	24,944,657	4	Available
10	16,998,902	0	Available
11	9,509,856	0	Available
12	26,804,000	0	Available
13	28,023,719	5	Available
14	14,298,827	0	Available
15	11,922,926	0	Available

FOR MORE INFORMATION, CALL 781-444-1913 x 11 OR VISIT GETINSHAPEFORWOMEN.COM

*Average annual revenue and income of Get In Shape for Women corporately owned AR Territory as published in Item 19 of the Get In Shape Franchise, Inc. 2015 AR FDD. There is no assurance that any Area Representative Business can attain these sales, expenses, profits or earnings. This advertisement is not an offering. An offering can be made by prospectus only. We will not offer you a franchise unless and until we have first registered with the applicable state agency in your jurisdiction. Such registration does not constitute approval or endorsement by the state. An offering can only be made by a franchise disclosure document filed with the Department of Law of the State of New York, such filing does not constitute approval by the Department of Law of the State of New York.

BY KERRY PIPES

Dominating Presence

These franchisees "own" their markets

Some people are born with a deep desire to win. They are passionate, determined, aggressive, and persistent. We've come to label these multi-unit franchisees "Dominators." Some have many locations concentrated in one area, while others have units—and brands—spread across many states.

We interviewed six such Dominators to learn what drives them, what motivates them, and what satisfies them. Each has traced a different path to success, but all are characterized by dedication, hard work, and a never-say-die attitude, no matter what challenges come their way—and each story ends at the same place: success.

This year we introduce four new Dominators and have reconnected with two from previous issues. Their stories offer both insight and inspiration for franchisees seeking to replicate their success with their own brands, in their own markets.

• **Becky Finger** was a full-time homemaker and mother of three in Cincinnati the first time she set foot in a Once Upon a Child store in nearby Columbus. That was all it took. She was smitten. Twenty-five years ago when she signed on with the brand, she had 7 employees. Today she has 35, spread across 9 Once Upon A Child stores and 7 Plato's Closets—and those stores have come a long way too. "Earlier, our stores would do maybe $300,000," she says. "Now they're doing $1.5 million or more."

• **Gina Puente** is an innovator with a decidedly non-traditional and energetic approach. Her family business, Puente Enterprises, created a first-of-its-kind winery in an airport back in the 1990s. Since we profiled her in 2010, she has expanded to 19 locations and 10 different brands in 3 Texas airports. In 2013, she created and launched Sky Canyon by Stephan Pyles. This September she won the bid a lease for a quick service BBQ space at DFW for a new concept with Chef Pyles.

• **Mike Pietrzyk** is a man with a big heart. The Firehouse Subs area rep is the person behind the brand's $2 pickle bucket sales, which have raised more than $600,000 for the Firehouse Subs Public Safety Foundation. When we profiled him in 2010, he was working his way through a 58-store development agreement with Firehouse and had 21 open. Today, he's up to 45 with 3 more in development that will open by year-end. His territory now stretches into Virginia, West Virginia, parts of Kentucky, and North Carolina.

• **Jon-Anthony Lui** loves learning. He also likes the idea of franchising which, he says, allows him to work *on* his business instead of *in* it. The 30-year-old Canadian now owns 10 Tutor Doctors, employing 350 tutors and serving 850 families in 10 territories in the Greater Toronto area. In 2013, with help from his wife Clarissa, who joined him early on to manage the back end of the growing business, they became the brand's first franchisee to reach $1 million in sales.

• **Renu Aggarwal**'s success as a franchisee is an American dream story. In 1989, she and her husband moved from India to Texas, where she was a homemaker and sold jewelry wholesale. In 1997, she surprised her family by using her savings to purchase a Subway store. Today she owns 55 Subways in Texas and New York and recently added a new brand, Wing Zone, in Houston. At 51, she still has great ambition. "I'd like to have 100 stores and a lot more people in the next 5 or 10 years," she says.

• **Tom Garrett** epitomizes a franchise Dominator. In mid-2005, he was president of RTM Restaurant Group, which operated 775 Arby's in 22 states with sales of nearly $800 million when it was acquired by the franchisor. After the sale he became COO of Arby's, exiting as CEO in early 2010. Two years later, when he learned Burger King was beginning a huge refranchising initiative, he was ready—and hasn't stopped since: today his company operates 196 Burger Kings in 9 states.

This Dominators issue also includes our annual list of U.S. DMAs with the most franchised units, as well as the dominant franchisee organizations in each state and region. FRANdata provided the numbers.

BY DEBBIE SELINSKY

Brand Smitten

Dedicated homemaker becomes dominator franchisee

At the age of 39, Becky Finger, a full-time homemaker and mother of three from Cincinnati, went with a friend to visit a Once Upon A Child store in Columbus, a couple of hours away. She had seen franchise founder Lynn Blum on the cover of *Entrepreneur* magazine in 1992 and thought her concept was brilliant.

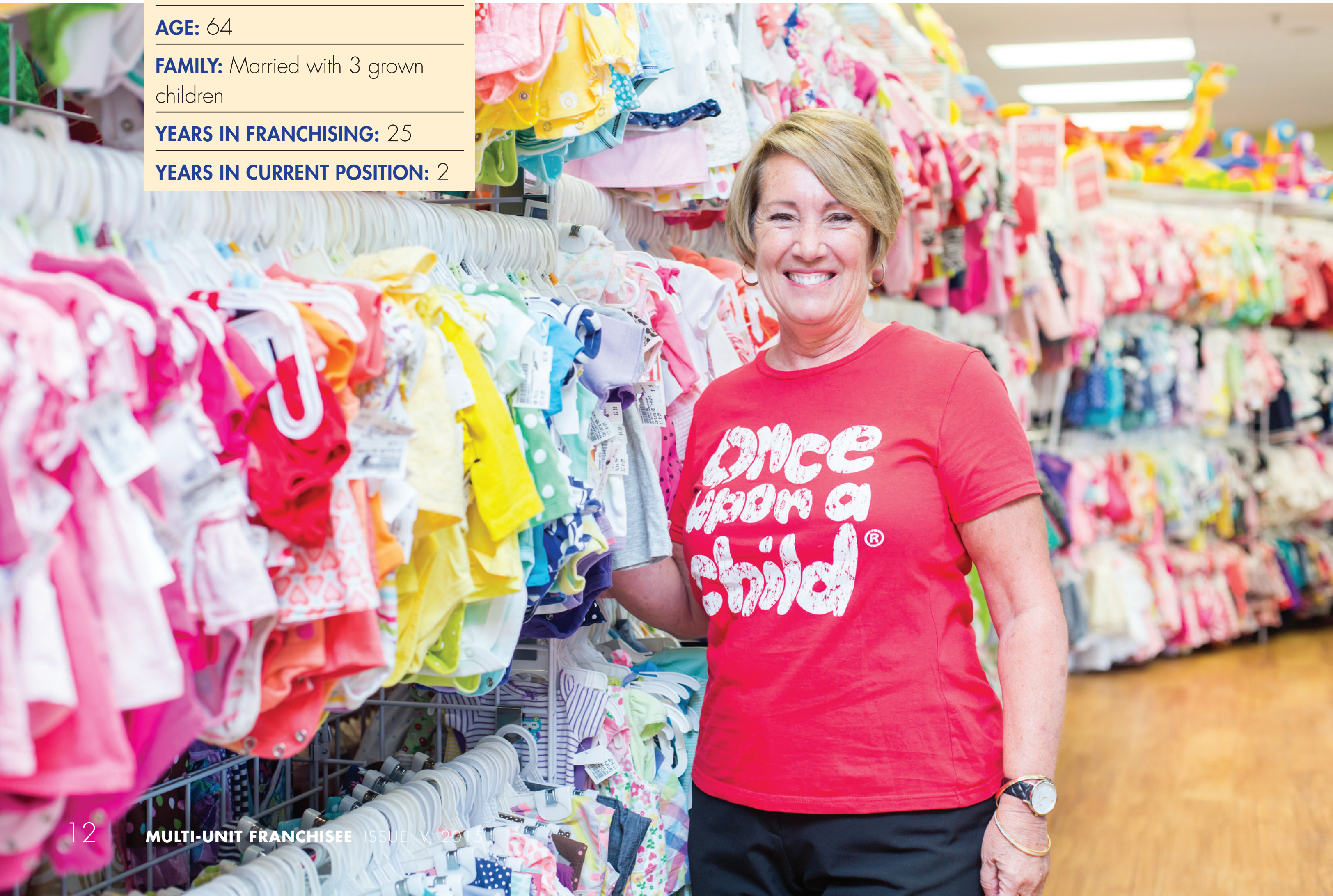
NAME: Becky Finger
TITLE: President
COMPANY: R & R Resale
NO. OF UNITS: Once Upon A Child, 9; Plato's Closet, 7
AGE: 64
FAMILY: Married with 3 grown children
YEARS IN FRANCHISING: 25
YEARS IN CURRENT POSITION: 2

"Lynn has such a passion for resale and for recycling, which you didn't hear as much about 25 years ago," says Finger, now 64 and the owner of nine Once Upon A Child and seven Plato's Closet stores. "Recycling clothes is what she was doing, and that was an added bonus to me."

Finger, who had never run a business, was smitten as soon as she visited the Columbus store. "I liked it because it was clean, organized, and bright. It smelled fresh, everything was gently used, there was a great variety of brands, and it was a family operation, which appealed to me," she says. "I liked the idea of franchising and having a proven model so I didn't have to figure everything out. I'm pretty black-and-white with things. It would have been reinventing the wheel for me to open 'Becky's Used Clothes.' I knew I just had to follow in Lynn's footsteps. Of course I learned a lot along the way and developed my own style."

She and her partner bought the entire Cincinnati-Dayton territory, and she's never regretted it. Their only competition then was Children's Orchard and small mom-and-pop stores.

Finger soon brought her entire family



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** As disclosed in Item 19 of the CycleBar Franchise Disclosure Document (FDD) dated January 6, 2015. This figure reflects the actual EBITDA before royalties achieved during the period from January 1, 2014 to December 31, 2014 for a Studio in Wellesley, MA (61.61%) and in Royal Oak, MI (61.64%), which were the only two Studios that were in operation for the entire 12-month period. Some units have achieved these results. Your individual results may differ. There is no assurance that you'll earn as much. See the FDD dated January 6, 2015 for additional details.

This advertisement does not constitute a franchise offering which may be made only after your receipt of our Franchise Disclosure Document, which first must be filed with certain states. Contact CycleBar Franchising, LLC, 7720 Montgomery Road, Suite 200, Cincinnati, Ohio 45236 to request a copy of our FDD.

into the growing business. "My family was supportive. When I started, my son was in kindergarten and my girls were in 7th and 9th grade—at three different schools. It was a major turning point in their lives. We'd bring in baskets of clothes from my old station wagon and tag them at home. Looking back, it was a crazy time," she recalls. "All three worked in the store, and my husband was also all in. I had great people working for me, too. My most successful employees were customers who believed in the concept."

In retrospect, she says that being a "people person" and an organized, hard worker qualified her for her new life as a multi-unit franchisee; and later, as a multi-brand owner when she took on Blum's newer brand, Plato's Closet.

"I earned my degree in home economics (that's when they still had such a thing) at Ohio University and thought I'd be a mom. I didn't think I'd be an entrepreneur, but I slowly grew into it," she says. "I'm a people person, and I find I'm an HR person more than anything else. When I started I had 7 employees, now I have 35. Earlier, our stores would do maybe \$300,000; now they're doing \$1.5 million or more."

Contributing to her success, she believes, is the fact that her stores are in nice strip centers in neighborhood communities, have big bright, wide aisles, a public bathroom, a playroom for children, and

are open full-time hours "like a real store," she says. "The big difference between us and consignment stores is that we pay our customers for their gently used clothes."

When Blum started Plato's Closet for teens 15 years ago, Finger wasn't sure it was a good idea. "I thought, what teen wants to wear used clothes? Boy, was I wrong. I went into my daughters' bedroom one day, and they were trying on their friends' dresses to wear to the prom. So I jumped into Plato's Closet too."

At the time, Abercrombie & Fitch was at the peak of its popularity, "and we hung our hat on tons of it," Finger says. "The trends are always changing, though, which is why we hire teens and 20s because they know what's in style and what will sell."

Today, two of Finger's children are taking on the day-to-day operations of her 16 stores, all located within an hour's drive. "Kate, my oldest, is running the stores and I'm more of an advisor. We work well together. She's been doing this since she was 14, and she's also a people person who is very good with the staff," she says. "My son Christopher takes care of all 16 stores and our warehouse. There's always a roof leak, a computer down, a door that won't lock. He does all that, as well as transferring merchandise, handling lease negotiations, and remodeling our stores with my husband."

Stepping back a bit, Finger admits she's glad not to cringe every time the phone rings with a "So-and-so didn't show up today" or "The air conditioning isn't working." But she doesn't really see retirement in her immediate future.

PERSONAL

First job: Waitress.

Formative influences/events: My dad, who taught me to work hard, follow the Golden Rule, and have fun.

Key accomplishments: Buying a franchise at the age of 40 and opening 15 stores in 10 years, after being a stay-at-home mom.

Biggest current challenge: To be a good listener and not too quick to comment.

Next big goal: Developing the people who work for me.

First turning point in your career: Hiring a district manager as I was opening up my sixth store. It changed my life!

Best business decision: Buying the whole Cincinnati and Dayton territory, instead of just one store.

Hardest lesson learned: The truth of the 80/20 rule.

Work week: Thanks to the Internet, I am always available, so I am constantly working.

Exercise/workout: 5:30 a.m. boot camp 5 days a week.

Best advice you ever got: Over the years, I've read a lot about public recognition and discovered that if you recognize someone out loud in front of their peers or family, it goes a long way. In our business we've had to find other ways to reward people besides money, and saying "Thank-you" in a public way works.

What's your passion in business? To make every customer a repeat customer.

How do you balance life and work? My kids and husband work with me, so my life is centered around my store.

Guilty pleasure: Playing "Words with Friends."

Favorite book: Nancy Drew mysteries.

Favorite movie: "Beaches" with Bette Midler.

What do most people not know about you? That I taught quilting lessons for 10 years.

Pet peeve: Laziness.

What did you want to be when you grew up? A mother.

Last vacation: A little town called Leland, Mich.

Person I'd most like to have lunch with: Lester Holt (NBC TV news anchor).

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MANAGEMENT

Business philosophy: KISS: Keep It Simple, Stupid.

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Greatest challenge: Employee retention and burnout.

How do others describe you? Most would describe me as optimistic.

One thing I'm looking to do better: Make better hiring decisions. It's interesting that this is same goal I had 25 years ago! I guess that's always a challenge.

How I give my team room to innovate and experiment: Since our business changes based on our customers' wants and needs, I encourage my team to bring new marketing ideas and promotions to our business. If we always do the same thing, we'll get the same results. I like to try new ideas and get the customer feedback.

How close are you to operations? My role has changed over the years. I currently have three district managers, a training manager, and one of my daughters is a general manager who oversees operations. We currently meet every Monday in person, and at the end of each day all upper management team members send everyone email updates on the progress of action items since the meeting (sales, problems, etc.). That way, everyone is in the loop. I also meet in person once a month with all managers for each brand.

What are the two most important things you rely on from your franchisor? Benchmarking and moral support.

What I need from vendors: Being the franchisee of resale brands, I'm in a unique business where my customers are my vendors. Having more customers that sell to us helps us increase inventory and drive sales.

Have you changed your marketing strategy in response to the economy? How? We haven't changed our marketing strategy. From day one, our key focus has been on providing great value and selection for families and young adults.

How is social media affecting your business? It provides us more opportunities to meet our customers and explain how we're different.

How do you hire and fire? Our customers are the best employees. They understand the concept and already have a passion for it, so we like to hire our customers.

How do you train and retain? Our training is ongoing. We never stop training because our business is always changing with recalls, new fashion styles, etc. I've found that if someone is well trained and likes their job, it's easier to retain them longer.

How do you deal with problem employees? We use a corrective action plan that we monitor weekly. The plan spells out the action we're looking to correct, how we are going to correct it, time frame, etc.

Fastest way into my doghouse: Making excuses.

"I still work every day. I get lots of emails since everyone reports to me daily. I have a passion for the business. It would be hard not to be involved. I visit every store once a month or two, but I'm more of a cheerleader now."

Eager to stay on top of shopping trends, Finger, who is pleased with the support she gets from franchisor Winmark Corp., says she and her team keep an eye on Internet sales. "We wonder sometimes if people will keep going to brick-and-mortar stores. But then people today are so aware of the environment, recycling is definitely here to stay. And most still want to see, feel, and touch what they buy. This is a good business. Our sales are still increasing after all these years." MUF

> **"This is a good business. Our sales are still increasing after all these years."**

BOTTOM LINE

Annual revenue: $20 million.

2016 goals: To increase our customer count.

Growth meter: How do you measure your growth? By our margins, customer count, and average sales.

Vision meter: Where do you want to be in 5 years? 10 years? In the next 5 and 10 years, I see my son and daughter becoming co-owners in the business. They'll have all control over operations and everything, and I will be available as an advisor to them as needed. Both my son and daughter have been working in my stores since they were teens. Today, my daughter is our general manager, overseeing operations for all stores in the system, and my son helps in a variety of areas, helping with things like lease negotiations, point-of-sale systems, and fixing physical problems in our stores.

How is the economy in your region affecting you, your employees, your customers? My concepts are recession-proof. Our customer base has increased continually over the past decade, but I think it is because more consumers are value-minded and conscious of the recycling aspect of our business.

Are you experiencing economic growth in your markets? Yes, our system-wide sales, through the end of July, are up 10 percent for Once Upon A Child and 7.4 percent for Plato's Closet.

How do changes in the economy affect the way you do business? Our customers are extremely price-savvy, so we have to adjust what we pay our customers based on the retail prices of mainstream retail stores. For example, if American Eagle lowers its prices, then we have to reduce how much we pay customers for merchandise we buy, so we can then sell it at a lower price.

How do you forecast for your business? We use information provided to us by our franchisor, Winmark Corp., and from our own past experience.

What are you doing to take care of your employees? We offer all our employees advancement opportunities, paid holidays and vacation, medical insurance, vision and dental plans, and a 401(k) plan. Plus, we are a fun place to work and they receive an employee discount.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? It's just a part of doing business. We budget it into our costs.

How do you reward or recognize top-performing employees? With recognition, bonuses, and growth opportunities.

What kind of exit strategy do you have in place? My adult children work in my business and share my passion for the business. They are currently running the day-to-day of the business and will be co-owners of the business with me in the next 5 to 10 years.

BY KERRY PIPES

High Flier

Gina Puente makes life tasty for travelers

Innovation in non-traditional locations defines Gina Puente's approach to business. When we profiled her in 2010, she told us how her family business, Puente Enterprises, had created La Bodega Winery, a winery in an airport, in the mid-1990s. She also had a half-dozen other concepts going in the Dallas/Fort Worth International Airport. We caught up with her recently and she's been at it again.

In 2013, Puente created and launched Sky Canyon by Stephan Pyles, a unique restaurant that serves contemporary Texas cuisine along with a dose of Southern hospitality and charm. It too, of course, is located in an airport—one at DFW and another at Dallas Love Field. She likes to say her company's "unique-ability" is to create and adapt new, innovative concepts into non-traditional environments.

Since we last spoke with her, Puente has also added four more Travelex locations: one more at DFW for a total of six there, and three at Houston's George Bush Intercontinental Airport. In May 2013 she opened Sky Canyon by Stephan Pyles at

NAME: Gina Puente

TITLE: CEO/owner

COMPANY: Puente Enterprises, Inc.

NO. OF UNITS: 1 Main Street News, 2 Wall Street News, 9 Travelex, 1 UFood Grill, 1 Urban Taco, 2 Blimpie/Cereality Cereal Bar/Nrgize Lifestyle Cafe (tri-branded locations), 2 Sky Canyon by Stephan Pyles, 1 La Buena Vida Vineyards

AGE: 47

FAMILY: Single but with 170 extended family members who are a part of the PEI team

YEARS IN FRANCHISING: 19

YEARS IN CURRENT POSITION: 21

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Love Field, and in December she opened a second at DFW. She currently operates 10 different brands in 19 locations.

In early September, she was the successful bidder on a lease for a quick-service barbecue space at DFW. "Chef Pyles and I are again collaborating and we are bringing Stampede 66 Express to DFW," says Puente. "I am thrilled to have the opportunity of turning up a notch what people perceive as quick-service barbecue. I am not a typical barbecue lover, but when I first tasted Chef Pyles' brisket and sandwiches, I knew a whole concept could be carved out to answer this bid."

With all she has going on, Puente keeps a close eye on the markets where she operates—and beyond. "Watching global shifts of retail and food trends, the impact of Millennials and Baby Boomers, and the changing needs of the traveler are all the groundwork for why I have added new concepts," she says. "My company has been completely out in front of the curve on opening airport locations that offer wine, healthy offerings, unique concepts that pique interest, and, more recently, the need for higher-quality food and drinks."

Her company's "unique-ability" is to create new, innovative concepts into non-traditional environments.

She says her company's continued emphasis on chef-driven concepts, quality farm-to-table offerings, and craft cocktails is not accidental. "When such global leaders as McDonald's are having issues with their brand, and with the rise of fast casual, these are the indicators I research to determine what concept we will open next," she says.

Business is always front and center for Puente, but it's been a tumultuous time for her personally over the past few years. She divorced her husband, who had been chief operations officer, and earlier this year her father, Victor Puente, Sr., died. "He was without a doubt, in addition to being an incredible father, my mentor in business," says Puente. MUF

PERSONAL

First job: Child actress in TV commercials and stage productions. I received my first paycheck at the age of 9 for performing in *South Pacific* at the Dallas Summer Musicals.

Formative influences/events: Raised in an entrepreneurial family, I was mentored in business by my father, Victor Puente, Sr., who knew the value of treating people with respect and had a great gut instinct. My mom, Virginia Puente, was my female role model. She was a lady with moxie and assertiveness.

Key accomplishments: Creator of La Bodega Winery, the world's first winery in an airport, in 1995, and creator of Sky Canyon by Stephan Pyles, which opened in 2013. My company's "unique-ability" is creating or adapting new innovative concepts into non-traditional environments.

Biggest current challenge: Mining great talent is our current challenge. Successfully obtaining annual growth opportunities for our company is not an obstacle, however increasing our bench strength can be very difficult. Every single day we are seeking quality people who are not intimidated by working in an airport environment, who are flexible in their job tasks, and who have a clean background to pass TSA requirements. The good news is that once we identify and make offers, it is easy to see within 90 days if new hires will make it in their roles long term. I have noticed that all employees either love or hate being in an airport environment, which allows for long-tenured team members if they make it past the first three months.

Next big goal: My business, like many others, went through an overhaul in 2009 because of the recession. We were top-heavy in management before 2009 and in a structure that was not effective and unproductive in some areas. I eliminated some jobs and outsourced others. Now because of growth and the turn in the economic picture, I need to add the right bench strength to my management team. This is my current big goal.

First turning point in your career: The total experience of exercising *all* skill sets in creating a concept like La Bodega Winery was an incredible foundation to have at the age of 27. The saying "an owner has to wear many hats" definitely came to life for me with having to field regulatory issues, approvals (state, federal, and DFW), meet and negotiate with wineries (getting them comfortable with a another "competitor" winery selling their wines), to marketing, location design, purchasing, hiring, training, wine production (for the La Bodega Winery brand), and finance. It was a great challenge that set up my mindset that anything is possible!

Best business decision: Outsourcing where possible such as payroll support (we use a PEO), IT needs, and consultants who can fill strategic areas when I wasn't quite ready to hire a full-time manager for that role or skill set.

Hardest lesson learned: Never pass up bidding on a project you feel is beyond your company's reach. I saw a competitor who went for something that I didn't because I thought we could not possibly get the location. Well, he did and beat a lot of other bigger companies than ours. I thought that was cool of him and have often told him he taught me a valuable lesson about how to "Go for it!!"

Work week: Sunday to Sunday, mostly 24/7/365.

Exercise/workout: Not consistent enough, but definitely an improvement area that I see value in and work to add more consistency every week.

Best advice you ever got: Cash is king.

What's your passion in business? Creating concepts with magnetic and innovative products or services that fulfill unmet needs of airport traveling guests.

How do you balance life and work? Domestic and international travel when possible. I call it my "R&R&R" time. In addition to rest and relaxation, I fit in research time. I receive inspiration and rejuvenation with international travel and often bring back concept ideas or product lines to the airport.

Favorite movie: "The Godfather." There are some good family business lessons in that entire series.

What do most people not know about you? I am actually an introvert by nature. I push myself to accept speaking engagements and take on high-profile board positions that are very much against my nature.

Pet peeve: People who have a strong BS factor. I want honest answers.

What did you want to be when you grew up? I wanted to be the next Barbara Walters.

Last vacation: New Orleans (domestic); Spain and Portugal (international).

Person I'd most like to have lunch with: My mom and dad. I lost my dad this year and my mom in 2009, so I would welcome the opportunity to have one more lunch with them.

"Always strive to be the best. Even small- to mid-sized companies can compete with multinational companies."

MANAGEMENT

Business philosophy: Always strive to be the best. Even small- to mid-sized companies can compete with multinational companies such as my direct competition in the airports.

Management method or style: Don't take yourself too seriously and always remember your team can make you or break you, so treat them with the respect and care they deserve.

Greatest challenge: Work-life balance.

How do others describe you? Energizer Bunny. Most people wonder if I sleep.

One thing I'm looking to do better: With some additional management placements I hope to visit all my locations in person more frequently. I get buried behind the computer with what I call "administrivia" and get hit hard with an average of 250-plus emails daily. When I identify and hire the right executive assistant—and more importantly a director of operations—the handcuffs to my desk will be removed.

How I give my team room to innovate and experiment: I encourage them to try new things and reiterate that just because something fails the first time, we often "trial" it again to show that ideas sometimes are just too early, or to realize that circumstances change.

How close are you to operations? I currently have 8 direct reports and stay in constant connection with them. However, I realize the buck stops with me and my reputation is on the line every day.

What are the two most important things you rely on from your franchisor? 1) I ask that the franchisors I choose to work with will trust in my 25 years of operating experience in high-profile, non-traditional locations. If there is something better for both the brand and my individual business that may push up against the contract, then I will ask them to work with me and hope we can mutually agree that even a contract can just be the framework, but good decisions will supersede. 2) As a franchisee or licensee, we all pay a percentage of sales for royalty fees. I know all of us can have either a good or bad feeling if we feel the franchisor actually does something of value for those fees… or not. If the franchisor is not obviously reinvesting in the brand, providing new offerings, advertising, and support that is of value to the operator, then it most certainly affects future growth of the brand and the respect of the franchisee.

What I need from vendors: Competency in product knowledge at a fair price.

Have you changed your marketing strategy in response to the economy? How? At an airport, we have fees that contribute to the marketing fund for all airport locations, so those funds and their usage are dictated by the airport.

How is social media affecting your business? It underscores the customer service values we already have in place.

How do you hire and fire? For hiring, layers of candidate screens, including phone and in-person interviews by several sets of managers. Firing is normally a verbal and three written write-ups.

How do you train and retain? We use a series of training webinars and written training materials.

How do you deal with problem employees? Counseling and retraining.

Fastest way into my doghouse: Dishonesty.

BOTTOM LINE

Annual revenue: $62.7 million.

2016 goals: Succession planning.

Growth meter: How do you measure your growth? By adding leases, incremental locations, and brands to our portfolio.

Vision meter: Where do you want to be in 5 years? 10 years? Self-financed operations in 5 years and a succession plan at a halfway completion point by 2025.

How is the economy in your region affecting you, your employees, your customers? The global economy, in addition to the regional economy, affects our daily business as we operate in an international airport. Traffic patterns, new routes, new airlines, or airline bankruptcy or strikes all can affect foot traffic in positive and negative ways. In addition, the global economy directly affects currency rates, which causes transactional changes in our Travelex currency locations at DFW and George Bush Intercontinental.

Are you experiencing economic growth in your market? Yes, especially at Love Field now that the Wright Amendment has been lifted. However in addition, most airlines have lifted out of their bankruptcy or near-bankruptcy status and have soared back to the profit zone, which equates to more airline traffic overall.

How do changes in the economy affect the way you do business? Staffing and reviews of price points if needed.

How do you forecast for your business? Based on traffic enplanement information.

What are the best sources for capital expansion? Traditional bank loans.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We work with several Texas banks for our lending needs.

What are you doing to take care of your employees? Working to add back more training programs to increase their job satisfaction.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We are watching this closely. It makes our analysis of each new opportunity more of a precise exercise.

How do you reward/recognize top-performing employees? Recognition and monetary thank-you's.

What kind of exit strategy do you have in place? I am currently working on an exit strategy that will be completed by 2016.

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A new franchisee's results may differ from the represented performance. There is no assurance that you will do as well and you must accept that risk. This offering is made by prospectus only.

BY KERRY PIPES

Area Rep Supreme

Mike Pietrzyk is setting the pace for Firehouse Subs

Mike Pietrzyk has always loved contributing to charitable causes. So it wasn't surprising that a decade ago the Firehouse Subs area representative came up with the idea of selling his restaurants' empty 5-gallon pickle buckets, rather than tossing them out. He estimates that his idea, at $2 per bucket, has helped the brand raise more than $600,000 for the Firehouse Subs Public Safety Foundation. "Corporate loved the idea, and now Firehouse franchisees everywhere continue raising money by selling the buckets," he says.

The 65-year-old Pietrzyk is a longtime food business veteran and franchise executive. Starting out as a manager in a Burger Chef in Michigan, he went on to work with Pizza Hut, Wendy's, and eventually opened his first Little Caesars franchise

NAME: Mike Pietrzyk
TITLE: Area representative
COMPANY: Firehouse Subs
NO. OF UNITS: 45 Firehouse Subs
AGE: 65
FAMILY: Wife Pam, 4 children, 14 grandchildren
YEARS IN FRANCHISING: 10 with Firehouse Subs, 12 with Little Caesars
YEARS IN CURRENT POSITION: 10

in Virginia in 1984.

When we profiled Pietrzyk in mid-2010, he was blazing his way through a 58-store development agreement with Firehouse Subs and had opened 21 units. Today, he has 45 open, with three more in development that will open for business before year-end. "Our territory now stretches into Virginia, West Virginia, parts of Kentucky, and North Carolina," he says.

His development plan has not been without challenges. He says it can be difficult to find the right candidate who understands both the restaurant business and franchising. "We want it to be a good fit all the way around," he says. "If it's not right, then it's best for all parties to not move forward." He's also glad that the brand is very selective about territories and locations where it will allow expansion. "There is a strict set of criteria for identifying and opening new stores, and it really is beneficial to everyone."

Pietrzyk, a big supporter of the new menu items Firehouse rolled out in 2014, is eagerly anticipating the introduction of cold sandwiches to the brand's predominantly hot sandwich offerings. "In 2014 we added an Under 500 Calories menu of six subs and salads. We are also adding a new line of Cold Deli Heroes," he says. If the market tests now under way at 100 restaurants nationwide are successful, the line of six Cold Deli Heroes sandwiches will be rolled out to the brand's more than 900 locations in 2016.

Though his passion for business and the Firehouse brand has not waned, Pietrzyk is now 65, and his son Chris has been stepping in more and more as a partner. "I think we'll be at our 58 stores within the next 3 years," he says. "I see us renewing our development agreement and Chris taking on more and more responsibility."

In the meantime, Pietrzyk will continue supporting good causes. The Firehouse Subs Public Safety Foundation is continuing to make a difference in communities nationwide. Now in its 10th year, the foundation has donated $14 million in 43 states, providing life-saving equipment to first responders, he says. "That's something I am really proud to be a part of."

PERSONAL

First job: Burger Chef, 1971.

Formative influences/events: I have been fortunate to work for companies at a time they were very successful. This was a major learning curve for me.

Key accomplishments: I've had several. The first would be my first job as a manager in 1971 with Burger Chef when I helped rescue a losing store scheduled to close and made it profitable. In 1994 I received Franchisee of the Year honors with Little Caesars. In 2009 I was named Area Representative of the Year with Firehouse Subs, and in 2010 I received the Firehouse Subs Public Safety Foundation Culture Award.

Biggest current challenge: Part of my job as an area representative is working closely with new and existing franchisees. A challenge has been helping new business owners find the best locations for development in a competitive environment.

Next big goal: To transition my business to my son in the next 5 years.

First turning point in your career: Putting together the necessary financial package and operating plan to buy out my partner in Little Caesars.

Best business decision: In 1984 I gave up a very good position with Wendy's to become a franchisee with Little Caesars.

Hardest lesson learned: The value in having a sound operating agreement with my partners.

Work week: Up at 6 a.m., on the road 2 to 3 days every other week, and home by 6 p.m.

Exercise/workout: A modest to light workout 2 days a week. On Sunday I still play basketball.

Best advice you ever got: From my father-in-law, a well-respected doctor, who said, "Think like a farmer. First you build the barn, take care of the livestock, and then build your house. In other words, take care of the employees and the business, and then the business will take care of you."

What's your passion in business? Today my passion is helping Firehouse Subs franchisees be the best operators. They are "salt of the earth" people investing their hard-earned money in a fantastic brand.

How do you balance life and work? I have learned the hard way that you must make time for yourself and loved ones. I have a great business partner in my son Chris, who assists me with operating our successful business.

Guilty pleasure: Drambuie liqueur and Häagen-Dazs ice cream.

Favorite book: I have read 20-some books over the past 3 years. *Near-Death Experiences* was fascinating.

Favorite movies: "Chariots of Fire" and "Blazing Saddles."

What do most people not know about you? I have been reading the Bible every day for about 30 years. I read it first thing in the morning.

Pet peeve: When people are not honest with me.

What did you want to be when you grew up? As a child, my mother bought me a toy kitchen to play with and make cupcakes. This was the start of my restaurant training.

Last vacation: This spring my wife Pam and I spent two weeks in England.

Person I'd most like to have lunch with: U.S. Senator Shelley Moore Capito, West Virginia.

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"Think like a farmer. First you build the barn, take care of the livestock, and then build your house. In other words, take care of the employees and the business, and then the business will take care of you."

MANAGEMENT

Business philosophy: If you are not a fanatic with all aspects of your business, then you are just okay.

Management method or style: I am a straight shooter. I do not sugarcoat my beliefs, feelings, or information. I rely on my 44 years in the restaurant business to guide my business decisions.

Greatest challenge: Helping franchisees understand the importance of managing all the details, big and small, of running a successful restaurant.

How do others describe you? People would say I back up what I preach.

One thing I'm looking to do better: Because my job as a Firehouse Subs area representative requires me to drive across Virginia and West Virginia, I hope to use some of my time in the car to listen to audiobooks.

How I give my team room to innovate and experiment: Working with a franchise brand, we have a solid foundation of best practices and operations. However, there is room for innovation and I do my best to encourage positive performance.

How close are you to operations? I have a hands-on approach and work closely with each franchisee.

What are the two most important things you rely on from your franchisor? The excellent communication and marketing analysis Firehouse Subs provides.

What I need from vendors: The most important things are on-time deliveries and accurate orders.

Have you changed your marketing strategy in response to the economy? How? This past January, Firehouse Subs began a national television advertising campaign. This has provided an excellent sales increase across the country.

How is social media affecting your business? Social is a great way to reach new and existing guests. Firehouse has a full-time staff to work on taking advantage of multiple social media platforms as a way to engage with consumers and tell them about our brand.

How do you hire and fire? As an area representative, my role is primarily working with franchisees to develop their businesses.

How do you train and retain? We take pride in training our employees to provide heartfelt service to our guests. A customer relationship is of the utmost importance to our brand, so we make sure our employees embody this value. We do our best to recognize employees who take this to heart.

How do you deal with problem employees? It's unfortunate when it happens, but the best way to deal with it is open communication and documentation of the incident.

Fastest way into my doghouse: Trying to cover up an issue.

BOTTOM LINE

Annual revenue: NA.

2016 goals: $31 million.

Growth meter: How do you measure your growth? In 2 parts: the number of new Firehouse Subs restaurants built, and average sales per unit.

Vision meter: Where do you want to be in 5 years? 10 years? After four decades in the restaurant business, I am looking to slow down and enjoy more time with my family. So in 5 years I will transition my business to my son.

How is the economy in your regions affecting you, your employees, your customers? As with most businesses, the slow economic recovery has had an impact on my territory of Virginia and West Virginia. Lately we have been encouraged by strong sales and growth.

Are you experiencing economic growth in your market? Through our national advertising campaign we have increased exposure, and more brand awareness has brought in new guests to our restaurants and driven sales.

How do changes in the economy affect the way you do business? You certainly have to be more goal-specific to stay ahead.

How do you forecast for your business? Firehouse Subs sets system-wide goals each year. They provide support and resources to help us meet those goals.

What are the best sources for capital expansion? The best source is to use any available capital from existing units and borrow only what you need from lenders.

Experience with private equity, local banks, national banks, and other institutions? Why/why not? Regardless of where you borrow the development monies, know what the fees are and don't pay for services not guaranteed.

What are you doing to take care of your employees? We provide a positive working environment, bonus opportunities, and healthcare for full-time employees.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We are fortunate not to have a lot of turnover, therefore training costs are kept at a minimum.

How do you reward/recognize top-performing employees? Top-performing managers can qualify for a quarterly bonus. System-wide, Firehouse Subs recognizes outstanding employees with what we call the Awesome Award, which is a great incentive to our crew members.

What kind of exit strategy do you have in place? I plan to retire and have my son take over the business. Our business is strong and solid, so all the pieces to make this happen should come together.

BY DEBBIE SELINSKY

Tutoring Ninja

Jon-Anthony Lui is passionate about making a difference

When Jon-Anthony Lui was growing up, he watched closely as his father achieved success in franchising, selling products such as real estate and insurance. But the bright young entrepreneur found his niche when he began working for Tutor Doctor, which offers one-on-one tutoring to children in the home.

"Making a difference with young ones has always been a passion of mine. We all remember who made an impact on our lives at some point—a teacher, friend, relative, or mentor—and I liked the idea of capturing that magic and releasing it upon the masses in an organized, structured way. That's a beautiful thing," says Lui, who owns 10 Tutor Doctors, whose 350 tutors serve 850 families in 10 territories in Greater Toronto.

Lui, whose parents died when he was 21, opened his first franchise territory, Tutor Doctor Vaughan, in 2009. In 2013, he became the brand's first franchisee to reach $1 million in sales. In 2014 Lui, the brand's largest franchisee, was named Franchisee of the Year.

His path to success began with five years at an e-learning company, selling design and development services for online training. "I saw that in a face-to-face meeting with people, I could make an impression and be effective. I experienced the same thing with public speaking, starting when I was seven through my church congregation. Over time, I developed a love of that and teaching others. In that sense, I thought being an entrepreneur would leverage and improve those skills," he says.

He also was attracted to franchising. "I liked the idea of having a business that allowed you to work *on* it rather than *in* it," says Lui, who earned his diploma in marketing from Seneca College of Ap-

NAME: Jon-Anthony Lui

TITLE: Owner, with wife Clarissa

COMPANY: Tutor Doctor Vaughan

NO. OF UNITS: Tutor Doctor, 10

AGE: 30

FAMILY: Married to Clarissa Lui

YEARS IN FRANCHISING: 6

YEARS IN CURRENT POSITION: 6

plied Arts and Technology in Toronto. "I love the strategy of it. It's like playing chess: you always have to think a couple of moves ahead."

After leaving the e-learning company, Lui contacted a former colleague of his late father, who offered him a job managing a Tutor Doctor unit for him. "It was a new territory, so I started from scratch and bought it from him six months later," says Lui, adding that he saw Tutor Doctor as having low risk and high potential.

In contrast to tutoring models that were primarily brick-and-mortar centers with a group learning environment, brands such as Tutor Doctor, which was founded in 2000 and began franchising in 2003, struck a chord with parents who wanted one-on-one tutoring for their children at home, says Lui. Tutor Doctor, he says, has grown into the fastest-growing in-home private tutoring franchise in the expanding global tutoring industry.

His wife Clarissa, who also has an entrepreneurial bent and had opened her own business making custom suits for women, was behind him 100 percent. "She was extremely supportive. We both had the desire to create something," he says. "She was enjoying her work, but she saw

"Many people have told me not to worry so much, to just take things one day at a time."

me struggling with paperwork and helped me out. Since I needed more and more help as we grew, we figured we'd focus on this together."

The division of duties fell along the lines of their training and abilities: Clarissa worked in administration on the back end, and her husband focused on the front end, dealing with customer service and marketing. "That was our agreement and we learned to work together pretty well," he says.

"Living in the same house, working across the desk from each other, couples are bound to have challenges, but we set boundaries about work and schedule when to talk about it. It's highly regimented, but what we had to do to attain the lifestyle we want. On a Saturday, unless it's an emergency, we don't talk about work. We save it for Monday when we have a staff meeting." As Jehovah's Witnesses, the couple spend their time off volunteering in the community, leading Bible studies, and going door to door to talk about their church, he says.

Lui's best advice for potential franchisees? "Many people have told me not to worry so much, to just take things one day at a time," he says. "I'd also add: Don't be afraid to ask for help."

Doing just that has led Lui to where he is today. When he decided to become an entrepreneur, he took his late father's address book and called everybody in it. "I started by introducing myself as Mario Lui's son and wondered if they had a minute to talk to me about my father and how they knew him." That strategy eventually led him to that Tutor Doctor job.

In addition to maintaining a strong marriage and a profitable business, Lui says he finds Tutor Doctor's contributions to improving the lives of students and their parents to be most rewarding. "When a family knows someone is helping them address their child's needs, it reduces stress and gives them more time to focus on being a family. That's what it's all about." MUF

PERSONAL

First job: McDonald's when I was 14 years old.

Formative influences/events: My father was always involved in franchising. He worked with Century 21, Prudential, and WSI. This was definitely a career influence. Also, both parents passed away when I was 21. It was a difficult time in my life, a time in which I had to grow up fast.

Key accomplishments: Being the first (and still the only) Tutor Doctor franchisee to reach $1 million in sales (2013), being named 2014 Franchisee of the Year, and winning an award every year I have been in business.

Biggest current challenge: Optimizing the business, trying to be more efficient. Marketing is always an ongoing challenge as we try to find cost-effective ways to market ourselves and our brand. And I continue to develop myself as a leader.

Next big goal: Achieving greater profitability.

First turning point in your career: When I realized that I wanted to be an entrepreneur. This was always something on my mind, but actually making the decision was huge. Buying the franchise turned the distant thought into a reality.

Best business decision: Having the right person in the right seat, having an A team supporting my business.

Hardest lesson learned: Learning that you have to take care of the business so that you can take care of others.

Work week: I work full-time and am always in the office Monday through Thursday.

Exercise/workout: I work out (weight training) three times a week.

Best advice you ever got: Many people have told me to stop worrying, to take one day at a time.

What's your passion in business? Building something significant that has an impact on people.

How do you balance life and work? I compartmentalize. It comes down to a schedule. At work, I am working. When I'm not at work, I try not to work. One way we enjoy making our down time count is by volunteering. We're Jehovah's Witnesses and we're involved in teaching others about the Bible.

Guilty pleasure: Eating. I love Korean food. (I'm not Korean. My parents were originally from Hong Kong, and I also have some Portuguese in my background.)

Favorite book: I'm not a big reader. I prefer to interact and talk to people, including a number of informal mentors.

Favorite movie: I'm not the biggest movie buff.

What do most people not know about you? That I love to cook!

Pet peeve: People who are rude or insensitive, and being rushed.

What did you want to be when you grew up? A ninja.

Last vacation: Mexico on a company vacation with top performers in the system.

Person I'd most like to have lunch with: My wife. We've been married for 7 years.

MANAGEMENT

Business philosophy: It's all about execution. You have to get out there and make things happen. You can't sit around and wait for results. You have to go out and create.

Management method or style: I try to be very organized and I'm very analytical, digging deep into the numbers. I have dashboards telling me key analytics on a weekly basis. All the team members know their KPI and they report in on a weekly basis whether they have achieved it. Coaching comes in one-on-one status meetings with team members to see what's working well and what needs to be improved, or what support needs to be provided.

Greatest challenge: Attaining growth and profitability at the same time. People say if you're growing you're not profitable, and if you're profitable you're not growing. I want to do both.

How do others describe you? At a conference, one person called me a "tutor ninja," which was funny because when I was a kid I wanted to be a ninja, doing back flips and throwing ninja stars. I think most people find me humble and modest.

One thing I'm looking to do better: To choose one thing to be better at and really honing in on that. Right now I'm focusing on leadership. And being less impatient.

How I give my team room to innovate and experiment: Delegating is extremely important. So is building a culture that encourages creativity all the time.

How close are you to operations? Close. I have meetings to discuss strategy and keep things moving forward. However, the operational team really has a lot of control and ownership.

What are the two most important things you rely on from your franchisor? Support (training, systems, beta) and resources (technology).

What I need from vendors: We need partners, people who understand what we're trying to do.

Have you changed your marketing strategy in response to the economy? How? Marketing has always been an important part of the budget, regardless of the economy.

How is social media affecting your business? It's not something that can really be quantified; still in the early phase.

How do you hire and fire? Hire slow, fire fast. In hiring, I take my time and ask out-of-the-box questions. We're always recruiting and we set expectations from the beginning.

How do you train and retain? The training program has to be specific to each person's role. Performance has to be tied to KPI; it cannot be subjective. And retention starts with building a culture where people want to work, creating a second family, and helping them see they are part of making a difference.

How do you deal with problem employees? Communicate with them; try to see what is going on. Having things laid out crystal clear in the beginning provides you with a point of reference to help guide the conversation, identify the gap, and correct it.

Fastest way into my doghouse: Not doing your job and clashing with the company culture.

"I want to build a business that appeals to a lot of buyers. I make every decision with this in mind so that when the time comes, there are plenty of options."

BOTTOM LINE

Annual revenue: $1.5 million last year.

2016 goals: $2.2 million in sales.

Growth meter: How do you measure your growth? By sales, revenue, profitability, number of tutors, and number of students.

Vision meter: Where do you want to be in 5 years? 10 years? Being significant—taking over the world! I want a business that runs without me, so I need to keep hiring the right staff to do the job. I don't have any magic number of units in mind, because things can change so quickly. I want to be happy and to feel good about what I'm doing. I want to have a great relationship with my wife, to be profitable, and to be well-respected in the franchisee community and by my team.

How is the economy in your region affecting you, your employees, your customers? We're not really affected. Because our industry is education, it is always seen as a solution.

Are you experiencing economic growth in your market? Yes, consistent year-over-year growth. Business booms in the summer.

How do changes in the economy affect the way you do business? It really doesn't because education is always in demand.

How do you forecast for your business? By looking at previous years' measurements and conducting comparisons and estimates.

What are the best sources for capital expansion? Strong sales. This self-funds the business.

Experience with private equity, local banks, national banks, other institutions? Why/why not? No, not really. We prefer to self-fund.

What are you doing to take care of your employees? We offer training and coaching, company cars, aligning everyone with the company vision, and are working toward the goal of offering benefits.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? It might come down to raising prices, but we take advantage of government funding and continue to grow the top line to avoid any issues.

How do you reward/recognize top-performing employees? Recognition in front of peers, plaques and awards, team retreats, team-building exercises, professional development, and training and education.

What kind of exit strategy do you have in place? I want to build a business that appeals to a lot of buyers. I make every decision with this in mind so that when the time comes, there are plenty of options.

BY DEBBIE SELINSKY

Golden Opportunity

Jewelry wholesaler turns to franchising and shines

Annie Aggarwal, whose parents Renu and Bharat Aggarwal moved to Texas from India in 1989, recalls her extended family's surprise in 1997 when her mother decided to use her savings to purchase a Subway franchise in Houston.

Renu, who had been a full-time housewife, had saved funds from selling 22-karat gold jewelry from India wholesale to upscale jewelers in Houston and Dallas. She heard about Subway and franchising and decided that being a franchisee would be lower risk than selling jewelry, a "golden ticket" sure to take care of her family in the future.

Despite her husband's initial hesitance, the mother of two, who spoke minimal English and some basic Spanish, went ahead with her plan. Today she owns 55 Subways in Texas and New York, and to diversify, recently added Wing Zone in Houston.

Her husband Bharat, who soon quit his job to join her in the business, is now a proud believer in her business acumen. The couple received All Stars of the Year awards from the Houston Subway development agent in 2009 and 2011, and she was named Businesswoman of the Year

NAME: Renu Aggarwal

TITLE: President and founder

COMPANY: KK Group of Companies

NO. OF UNITS: Subway, 55; Wing Zone, 1

AGE: 51

FAMILY: Bharat, husband of 28 years, daughter Annie, son Keshuv

YEARS IN FRANCHISING: 15-plus

YEARS IN CURRENT POSITION: 15-plus


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in 2012 by the South Asian Chamber of Commerce in Houston.

"In our business, my mother is the decision maker, and my father executes those decisions," says Annie, an attorney who handles legal issues for the company. "I'm not surprised that she is a good businessperson, though some of the extended family might have been at first. She's such a strong role model. In our family, she is the powerhouse. She has a lot of guts. She is not afraid of anything."

Renu insists that the success of the family business is due both to family members employed by the business (her husband, daughter, and son, Keshuv) and the more than 300 employees who have become like a second family to her. "I treat the staff like family. Whenever they need help, I help them. They don't steal money from me because I will help them with family problems and they can pay me back when they have the money," she says.

"She really cares for the staff and some have worked for her for more than a decade and are continuing to grow," says Annie. "When we opened our Wing Zone, they worked above and beyond for us because they are so attached to my mother."

Annie, who graduated from the South Texas College of Law in Houston, is gratified that the entire family can work so well together. "My brother, who has a degree in entrepreneurship from the University of Houston, is working to take on my mother's role, managing operations and people and making sure we have the infrastructure to run smoothly. He has also created his own internal software to increase data efficiency and analysis. We're incorporating that into our daily operations so managers can conduct some operations in their stores by cell phone," she says. "I work with legal issues that come up, and since I also have an accounting degree, I look at financials, bringing in capital, and making the network connections we need."

"In our family, she is the powerhouse. She has a lot of guts. She is not afraid of anything."

—Annie Aggarwal

When Renu's son and husband were researching possible new brands for diversification, they came across Wing Zone. "We flew to Atlanta to try it and liked it very much," she says. "It's a simple concept that we can easily incorporate into our infrastructure."

Now 51, Renu talks about retiring and letting her children operate the business. But they question that idea since she still has great ambition for her two brands. "I'd like to have 100 stores and a lot more people in the next 5 or 10 years," she says. "I may retire, but I'll still be making the decisions. I'll just call on the phone." MUF

PERSONAL

First job: Jewelry wholesaler.

Formative influences/events: I bought my first Subway with savings in 1997, which led to my now owning and operating 55 Subways and 1 Wing Zone.

Key accomplishments: I didn't even know English when I arrived in Houston in 1989. I learned English and transitioned from being a housewife to being a business owner. My husband quit his job and joined me in establishing the business.

Biggest current challenge: Expansion and development. The Subway market in Houston is saturated, so the challenge is growing the company to the next level. That is why we are expanding into different brands such as Wing Zone. They are a growing brand and give rights to develop a whole market.

Next big goal: To grow and develop Wing Zone in Houston.

First turning point in your career: When I purchased my first Subway in 1997.

Best business decision: To bring my children into the business. They bring a different perspective and focus on using technology to increase efficiency.

Hardest lesson learned: Retention. A company like ours runs on the support of key staff members. It is easier and quicker to develop when you retain your employees and keep them happy.

Work week: I spend most of my time in the office reviewing financials and making key decisions.

Exercise/workout: I exercise every morning like clockwork for 30 minutes, followed by 30 minutes of prayer.

Best advice you ever got: Do what you love and work with those you love.

What's your passion in business? My team. They are like family to me or are actually in my family. That is why we call this a family business.

How do you balance life and work? We do not discuss business after 6 p.m. in our house. It's off limits. It's hard not to talk shop all day long since we all work in the family business, but that is our rule.

Guilty pleasure: Indian soap operas.

What do most people not know about you? I am a religious and spiritual person.

Pet peeve: People not showing up on time, tardiness.

What did you want to be when you grew up? Honestly, I didn't think I would run a business. I was going to be a housewife, but then the opportunity presented itself and I ran with it. I would still do anything for my family, but business has become a true passion of mine.

Last vacation: Switzerland with my husband and our two children.

"I look for individuals who are looking to make a long-term career in my company and want to move up the company ladder."

MANAGEMENT

Business philosophy: Treat your staff like family. Take care of them and they will take care of you.

Management method or style: I like to be hands-on but give autonomy to my higher staff.

Greatest challenge: Always finding good staff for our restaurants.

How do others describe you? Caring, to the point, critical, and demanding the best of others.

One thing I'm looking to do better: Delegating some of my own tasks to free up my time for other things.

How I give my team room to innovate and experiment: I encourage them to bring ideas to the table and create solutions to solve problems.

How close are you to operations? When I started, I was heavily involved in day-to-day operations. Now, thankfully, I have a great team that manages daily operations.

What are the two most important things you rely on from your franchisor? Protection of my trade area and advertising support. Subway is one of the best franchisors to work with. We are still new with Wing Zone, but they are dedicated to growth and this is important to us.

What I need from vendors: Product that is on time and fresh.

Have you changed your marketing strategy in response to the economy? How? We haven't really; just using new technologies that didn't exist when we started.

How is social media affecting your business? It plays a tremendous role in advertising. Today's Millennials are all about social media. It's the quickest way to advertise.

How do you hire and fire? In hiring, I look for individuals who are looking to make a long-term career in my company and want to move up the company ladder. We only work with those who are passionate about growth and helping grow Subway and Wing Zone.

How do you train and retain? I don't handle the training. We retain by taking good care of our employees who work hard for us every day.

How do you deal with problem employees? I give my staff three strikes—a fourth and they are out. I have learned that if an individual's values do not match the company's values, then they don't last long.

Fastest way into my doghouse: Tardiness.

BOTTOM LINE

Annual revenue: NA.

2016 goals: To expand and develop more units with Wing Zone. It is a hot, up-and-coming brand and we have a great opportunity to develop Houston.

Growth meter: How do you measure your growth? Number of units.

Vision meter: Where do you want to be in 5 years? 10 years? We'd like to have 100-plus total units and be dominating the Houston market with Wing Zone.

How is the economy in your region affecting you, your employees, your customers? Houston is a great market for growth, so we are fortunate in that respect.

Are you experiencing economic growth in your market? Yes, Houston is growing and is one of the best cities for restaurant owners. We are excited about growth for Wing Zone in this market.

How do changes in the economy affect the way you do business? It doesn't change how we operate.

How do you forecast for your business? 5 percent growth continually.

What are the best sources for capital expansion? Personal finance if you can afford this. Relationships with banks are also important.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I prefer working with private, small banks. They are quicker on the turnaround. Developing relationships with bankers is important.

What are you doing to take care of your employees? We treat them like family. We throw an annual Christmas party that includes gifts such as TVs, PlayStations, etc. We end the night with dancing and dinner.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? With all of the changes, we are still working through this, but we will comply with regulations.

How do you reward/recognize top-performing employees? Top employees are always promoted and we will find a way to keep them in our system. Our people are what make us a strong system.

What kind of exit strategy do you have in place? My kids are slowly transitioning into the business and taking over. Our plan is to continue growth rather than sell.

BY DEBBIE SELINSKY

Burger Kingdom

Arby's ex-CEO returns to his multi-unit roots

Tom Garrett breaks down his 30 years with Arby's—first as an assistant manager, then as the brand's largest franchisee, and finally as CEO of the franchisor—this way: "I like to say that 25 of those years were great, 3 were mediocre, and 2 were miserable—in that order."

In mid-2005, Garrett was president of RTM Restaurant Group (operator of 775 Arby's in 22 states with sales of nearly $800 million) when it was acquired by Triarc Companies (franchisor of the Arby's brand). Following the sale, he became COO of Arby's at a time, he says, when the company was "overleveraged in an economic crisis." However, he adds, the time he spent there, before exiting as CEO of Arby's Restaurant Group in early 2010, was ultimately worthwhile. "I can't say it was fun, but those 5 years made me tougher and smarter and better prepared to go back to what I love: being a multi-unit franchisee."

Following a couple of years as a full-time dad to his two young daughters, Garrett began to look for new opportunities in franchising. "You don't get to be an 800-store franchisee without knowing how to consolidate and how to create value where other people haven't been able to," he says. "So we went about putting together a team and began to look at the best opportunities in the industry. A lot of former RTM employees are on our team and we have great systems and a great culture."

In 2012, the Montgomery, Ala., native knew Burger King was beginning a huge refranchising effort. "This was an unbelievable opportunity to get involved with a brand that enjoys—though it was a little beat up—100 percent brand awareness. They had a smart new management team and we wanted to be part of things," he says.

However, when he called, Garrett learned that all the markets of interest to him were already sold. "That was discouraging, but I knew what I wanted to do. So I went ahead and did my training,

NAME: Tom Garrett

TITLE: Founder, CEO

COMPANY: GPS Hospitality

NO. OF UNITS: 196 Burger Kings

AGE: 53

FAMILY: Wife of 33 years, Mary Frances; daughters, Kaitlyn, 13, and Sarah, 9

YEARS IN FRANCHISING: 32½

YEARS IN CURRENT POSITION: 2½

working in Burger Kings in Atlanta for seven weeks, and waited for God to sort it out for me."

It was unusual to work in a store without an opportunity, but Garrett says he wanted to convey something to Burger King. "It was a leap of faith and I wanted to show them that I was committed. They didn't know me or owe me anything. But within two or three months, the transaction for the Atlanta restaurants fell apart and we stepped in."

In October 2012, GPS Hospitality (Goal Focused, People Oriented, and Service Obsessed) was formed with the purchase of 42 company restaurants in Atlanta. Acquisitions in West Virginia and Ohio added 15 more restaurants, followed by a few more in Atlanta. In September 2014 the company reached 100 units with it fourth acquisition adding 39 more restaurants that needed a "full-on turnaround." By the end of 2014, GPS had added several dozen more restaurants in eastern Pennsylvania. This past July, a 60-store acquisition in Michigan brought the company's total Burger King count to a whopping 196 restaurants in 9 states (Georgia, Indiana, Kentucky, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, West Virginia).

"By late 2014, people were beginning to recognize what kind of company we are, that we're really good operators who run good margins, pay fair prices, and don't re-trade on price or take advantage of sellers," he says. "Sellers began to seek us out for those reasons. We never knocked on a door or called and asked people to sell. That's not what we do. We built a reputation that makes people want to do business with us."

This past June, GPS Hospitality was recognized by the Atlanta chapter of The Association for Corporate Growth as one of the top three honorees of the 2015 Georgia Fast 40 in the Upper Middle Market category.

The re-imaging of BK is going very well, according to Garrett. "Burger King had gotten old and tired, and part of what we're excited about is helping the team in Miami to breathe new life into the brand. It's paying off in a huge way. Burger King is relevant, at the center of pop culture, and possessed of 100 percent brand awareness," he says.

"We couldn't be more pleased with Alex Macedo [EVP and president of North America at BK franchisor Restaurant Brands International] and the entire Burger King team," he says. "They've done a good job from a facilities standpoint with an ambitious renovation and reimaging on 800 stores last year and about 700 this year. They've built on the recognition that you have to give guests a superior experience and followed up with much-improved operations, better people, and better training."

Garrett, who credits his work ethic and success to the great managers he had as a teen at Wendy's and to his partners and mentors at the RTM Restaurant Group and Arby's, says he is an entrepreneur by nature whose priorities are being a good husband and father. "Everything else comes after that." MUF

PERSONAL

First job: Wendy's in Rainbow City, Ala.

Formative influences/events: I joined RTM Restaurant Group as an assistant manager for Arby's in Gadsden, Ala., with the intent of working there a couple of years before attending college. Instead, I spent 25 years with RTM, serving as president my last few years. I am the leader I am today because of the influence of Russ Umphenour and my former partners with RTM.

Key accomplishments: Becoming president of RTM Restaurant Group, CEO of Arby's, and the current success of GPS Hospitality.

Biggest current challenge: Managing our growth.

Next big goal: 400 restaurants, $600 million in revenue.

First turning point in your career: I got my first experience as an entrepreneur when I was promoted to vice president at RTM. It was there that I really learned all the different ways I could grow a business and motivate people to succeed.

Best business decision: Purchasing the 42 company-owned Burger King restaurants in Atlanta. We are excited to be a part of the remarkable turnaround of the brand and enjoy working with Miami-based Burger King Corp. to grow our Burger King business.

Hardest lesson learned: I naively went into a business deal with a friend believing he had the same values as I had. Unfortunately, he did not and reneged on the transaction.

Work week: Every day starts after I take my daughter to school and ends when it ends. I try to focus on my family and children's sports on the weekends, but I do touch the business every day.

Exercise/workout: Three to four times a week.

Best advice you ever got: Be yourself—don't pretend to be what you are not.

What's your passion in business? I love the challenge presented by growth. Whether it is helping a person grow or growing a business, it is very fulfilling, never boring, and requires many different skills.

How do you balance life and work? Total balance is not really my goal. My two biggest priorities are family and GPS Hospitality. That means that during this season of my life some other things have to go on the back burner. I am good with that choice.

Guilty pleasure: Hunting and fishing.

Favorite book: *David and Goliath* by Malcolm Gladwell.

Favorite movie: "Jerry Maguire."

What do most people not know about you? I cry during movies.

Pet peeve: Lack of a sense of urgency.

What did you want to be when you grew up? Engineer.

Last vacation: I spent two weeks in France this summer with my family.

Person I'd most like to have lunch with: Mom.

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"The Burger King brand is part of pop culture, making it very relevant. Burger King has done a great job leveraging social media to rebuild the stature of the brand."

MANAGEMENT

Business philosophy: We like mature brands that offer an operations upside measured in sales and/or margin improvement. We see and create value that many overlook.

Management method or style: I surround myself with smart people who possess common values, align them with exciting goals, share generously as the business grows, and make certain we have the people and systems to sustain it.

Greatest challenge: Making sure we have the team to sustain our growth rate.

How do others describe you? Fair, on an even keel, challenging.

One thing I'm looking to do better: Keep up with technology.

How I give my team room to innovate and experiment: I believe in encouraging risk-taking and trying new things with most people. I don't believe in letting incompetent people try things in the spirit of innovation.

How close are you to operations? We don't view operations as a department, therefore everyone is involved in operations. My role is focused on the growth side of our operations—preparing for growth by ensuring we have the people for sustained growth, maintaining and building a consistent culture, and identifying opportunities that leverage our operations capabilities.

What are the two most important things you rely on from your franchisor? Brand integrity (compliance and brand relevance) and marketing communication.

What I need from vendors: Resources—the talent and systems to support the growth of our company.

Have you changed your marketing strategy in response to the economy? How? Our focus has been on improving the guest experience, which means they are willing to pay a little more as opposed to strictly discounting.

How is social media affecting your business? The Burger King brand is part of pop culture, making it very relevant. Burger King has done a great job leveraging social media to rebuild the stature of the brand.

How do you hire and fire? We apply our GPS values (Goal Focused, People Oriented, and Service Obsessed) to all people decisions. This filter helps us determine who belongs on the team and who does not.

How do you train and retain? We provide the tools and the environment for people to succeed, but we expect the trainee to be accountable for their training. We retain people by providing them with personal growth opportunities and rewarding and recognizing their successes.

How do you deal with problem employees? It depends on the problem. I have little patience for people who don't fit our values. I do believe in providing the training and coaching necessary for people to succeed.

Fastest way into my doghouse: People who require me to micromanage because of their lack of effort or competence.

BOTTOM LINE

Annual revenue: NA.

2016 goals: $200 million.

Growth meter: How do you measure your growth? Against our goals. Did we accomplish what we set out to do?

Vision meter: Where do you want to be in 5 years? 10 years? We call this *Vision 400:* 400 restaurants and an AUV of $1.5 million.

How is the economy in your regions affecting you, your employees, your customers? It's improving in the 9 states in which we operate restaurants.

Are you experiencing economic growth in your markets? Yes.

How do changes in the economy affect the way you do business? QSR rises and falls on disposable income. Improving employment and lower gas prices are improving the outlook for us.

How do you forecast for your business? We have a 5-year outlook, a 1-year annual budget, and a weekly cash forecast.

What are the best sources for capital expansion? Senior debt, equity from family office investors, depending on the transaction.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We do not believe that private equity capital is a good fit for our company.

What are you doing to take care of your employees? We believe that our success is directly tied to the success of our team. We encourage our people to set personal goals and we look for ways to help them achieve them. As they succeed in accomplishing their goals, both personally and professionally, our company wins.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We offer competitive salaries and very aggressive, unlimited bonuses based on growth. Since every employer faces the same issue, we look for efficiencies and adjust, just as our competitors have to do.

How do you reward/recognize top-performing employees? Our culture is all about motivating everyone on the team to perform at a high level. We focus all of our incentives and recognition on this group, which encourages everyone to grow and improve. We are very generous in our reward system: as we grow our business we share a significant percentage with the management team. We will have several restaurant general managers who will earn more than $100,000 this year.

What kind of exit strategy do you have in place? Not thinking about it.

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HOUSTON, TX	6,315
DALLAS, TX	6,010
BOSTON, MA-NH	5,915
PHILADELPHIA, PA-NJ	5,504
NEW YORK, NY	5,389
PHOENIX-MESA, AZ	5,310
MINNEAPOLIS-ST PAUL, MN-WI	5,138
DETROIT, MI	4,948
TAMPA-ST PETERSBURG-CLEARWATER, FL	3,852
SEATTLE-BELLEVUE-EVERETT, WA	3,752
SAN DIEGO, CA	3,630
ST LOUIS, MO-IL	3,584
DENVER, CO	3,573
SAN FRANCISCO-OAKLAND-SAN JOSE, CA	3,535
WASHINGTON-BALTIMORE, DC-MD-VA-WV	3,394
CHARLOTTE-GASTONIA-ROCK HILL, NC-SC	3,184
ORLANDO, FL	3,101
INDIANAPOLIS, IN	2,986
PORTLAND-SALEM, OR-WA	2,973
DALLAS-FORT WORTH, TX	2,873
LAS VEGAS, NV-AZ	2,838
OAKLAND, CA	2,819
NASSAU-SUFFOLK, NY	2,751
KANSAS CITY, MO-KS	2,741
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS, VA-NC	2,565
PITTSBURGH, PA	2,532
SAN ANTONIO, TX	2,511
SACRAMENTO, CA	2,510
RALEIGH-DURHAM-CHAPEL HILL, NC	2,505
NASHVILLE, TN	2,469
AUSTIN-SAN MARCOS, TX	2,420
COLUMBUS, OH	2,406
CLEVELAND-AKRON, OH	2,402
CINCINNATI, OH-KY-IN	2,301
MILWAUKEE-RACINE, WI	2,273
NEWARK, NJ	2,128
FORT LAUDERDALE, FL	2,121
JACKSONVILLE, FL	2,003
MIAMI, FL	2,001
SALT LAKE CITY-OGDEN, UT	1,964
HARTFORD, CT	1,937
RICHMOND-PETERSBURG, VA	1,839
OKLAHOMA CITY, OK	1,793
GREENSBORO-WINSTON-SALEM-HIGH POINT, NC	1,704
WEST PALM BEACH-BOCA RATON, FL	1,676
LOUISVILLE, KY-IN	1,632
GREENVILLE-SPARTANBURG-ANDERSON, SC	1,632
SAN FRANCISCO, CA	1,533
BERGEN-PASSAIC, NJ	1,513
GRAND RAPIDS-MUSKEGON-HOLLAND, MI	1,511
MIDDLESEX-SOMERSET-HUNTERDON, NJ	1,477
MEMPHIS, TN-AR-MS	1,467
MONMOUTH-OCEAN, NJ	1,446
NEW ORLEANS, LA	1,416
KNOXVILLE, TN	1,397
BIRMINGHAM, AL	1,370

LARGEST FRANCHISEES BY STATE

STATE/TERRITORY	LARGEST FRANCHISEE	UNITS
ALABAMA	NPC INTERNATIONAL INC	110
ALASKA	SUBWAY DEVELOPMENT OF ALASKA	26
ARIZONA	DESERT DE ORO FOODS INC	76
ARKANSAS	K-MAC ENTERPRISES INC	103
CALIFORNIA	SOUTHERN CALIFORNIA PIZZA	230
COLORADO	HARMAN MANAGEMENT CORP	90
CONNECTICUT	NORTHEAST FOODS LLC	32
DELAWARE	WENDOVER INC; CATO INC	15
DISTRICT OF COLUMBIA	HENRY HUTH	12
FLORIDA	HESS CORP	204
GEORGIA	NPC INTERNATIONAL INC	90
HAWAII	KAZI MANAGEMENT	43
IDAHO	JACKSON FOOD STORES INC	61
ILLINOIS	HEARTLAND FOOD CORP	155
INDIANA	SERVUS! (BR ASSOCIATES INC)/SIDAL INC	110
IOWA	NPC INTERNATIONAL INC	64
KANSAS	ROTTINGHAUS LLC	180
KENTUCKY	FOURTEEN FOODS LLC	58
LOUISIANA	STRATEGIC RESTAURANTS ACQUISITION CO LLC	128
MAINE	CAPITAL PIZZA HUTS	27
MARYLAND	DAVCO RESTAURANTS INC	104
MASSACHUSETTS	HK ENTERPRISES	64
MICHIGAN	QUALITY DINING INC	82
MINNESOTA	BORDER FOODS INC	70
MISSISSIPPI	NPC INTERNATIONAL INC	146
MISSOURI	NPC INTERNATIONAL INC	101
MONTANA	KENT COLVIN	22
NEBRASKA	HEARTLAND FOOD CORP; JOSEPH ARAGON	40
NEVADA	TERRIBLE HERBST	82
NEW HAMPSHIRE	THE SCRIVANOS GROUP	41
NEW JERSEY	BRIAD RESTAURANT GROUP LLC	68
NEW MEXICO	PALO ALTO INC	70
NEW YORK	CARROLS GROUP	135
NORTH CAROLINA	WILCOHESS LLC	194
NORTH DAKOTA	NPC INTERNATIONAL INC	14
OHIO	THE COVELLI FAMILY LTD PARTNERSHIP	120
OKLAHOMA	WING FINANCIAL SERVICES LLC	103
OREGON	GBMO LLC	59

continued on page 50

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LARGEST FRANCHISEES BY STATE, *continued*

STATE/TERRITORY	LARGEST FRANCHISEE	UNITS
PENNSYLVANIA	VALENTI MANAGEMENT LLC	62
RHODE ISLAND	THE JAN COMPANIES	30
SOUTH CAROLINA	APPLE GOLD INC	39
SOUTH DAKOTA	NPC INTERNATIONAL INC; WALSH	22
TENNESSEE	TRI STAR ENERGY LLC	125
TEXAS	MUY BRANDS LLC	300
UTAH	SIZZLING PLATTER INC	61
VERMONT	PETER NAPOLI; ARISTOTLE SOULIOTIS	14
VIRGINIA	BODDIE-NOELL ENTERPRISES INC	173
WASHINGTON	HEARTLAND AUTOMOTIVE SVCS INC	100
WEST VIRGINIA	LITTLE GENERAL STORE INC	50
WISCONSIN	WISCONSIN HOSPITALITY GROUP LLC	116
WYOMING	KENT COLVIN	17

2015 Dominators

Consolidation. Acquisitions. New territories. New brands. Multi-unit, multi-brand operators and their organizations are becoming larger each year as franchising matures—a trend that continues to accelerate as these Dominators expand their portfolios through refranchising, acquisitions, new units, and by scooping up successful units from retirees. Banking on their good credit, infrastructure, and track record, today's Dominators are creating historically large franchisee organizations, as the rankings from FRANdata demonstrate. And they keep on getting bigger every year.

Today's Dominators are sophisticated, savvy, and experienced at managing organizations with hundreds of units, often spread across several states. They also understand that success is all about unit economics: one customer and one sale at a time.

They create jobs by the hundreds and thousands, hiring young employees and providing a career path for them, and they do business with local suppliers—lots of them. And the best give back to their communities on a large scale, encouraging their employees to support local organizations and charities.

No franchisee gets to the top without years of hard work, sacrifice, perseverance, and an unwavering desire to be the best. Congratulations to this year's Dominators! MUF

LARGEST FRANCHISEES BY REGION

REGION	UNITS
EAST (DC, DE, MD, NJ, NY, PA, WV)	
CARROLS GROUP	173
ADF COMPANIES	160
TARGET CORP	146
HMS HOST	135
DAVCO RESTAURANTS INC	107
MIDWEST (IL, IN, MI, MN, OH, WI)	
HEARTLAND FOOD CORP	217
CARROLS GROUP	215
TARGET CORP	210
FLYNN RESTAURANT GROUP LLC	196
BRIDGEMAN FOODS/ERJ DINING INC	151
MOUNTAIN WEST (CO, ID, MT, UT, WY)	
NPC INTERNATIONAL INC	143
HARMAN MANAGEMENT CORP	114
SIZZLING PLATTER INC	89
JACKSON FOOD STORES INC	61
UNITED STATES BEEF CORP	58
NEW ENGLAND (CT, ME, MA, NH, RI, VT)	
THE SCRIVANOS GROUP	111
NORTHEAST FOODS LLC	99
HK ENTERPRISES	80
CARLOS ANDRADE	75
FLYNN RESTAURANT GROUP LLC	65
PLAINS (IA, KS, MO, NE, ND, OK, SD)	
ROTTINGHAUS LLC	347
NPC INTERNATIONAL INC	279
UNITED STATES BEEF CORP	212
WING FINANCIAL SERVICES LLC	104
K-MAC ENTERPRISES INC	100
SOUTH (AL, AR, FL, GA, KY, IA, MS, NC, SC, TN, TX, VA)	
NPC INTERNATIONAL INC	958
MUY BRANDS LLC	386
SUN HOLDINGS LLC	384
TARGET CORP	358
ARAMARK	347
SOUTHWEST (AZ, NV, NM)	
B & B CONSULTANTS INC	119
TERRIBLE HERBST	82
TANWEER AHMED	79
DESERT DE ORO FOODS INC	77
CRAWFORD OIL INC	75
WEST (AK, CA, HI, OR, WA)	
HARMAN MANAGEMENT CORP	286
TARGET CORP	260
SOUTHERN CALIFORNIA PIZZA	230
HEARTLAND AUTOMOTIVE SVCS INC	158
PACPIZZA LLC	151

Source: FRANdata

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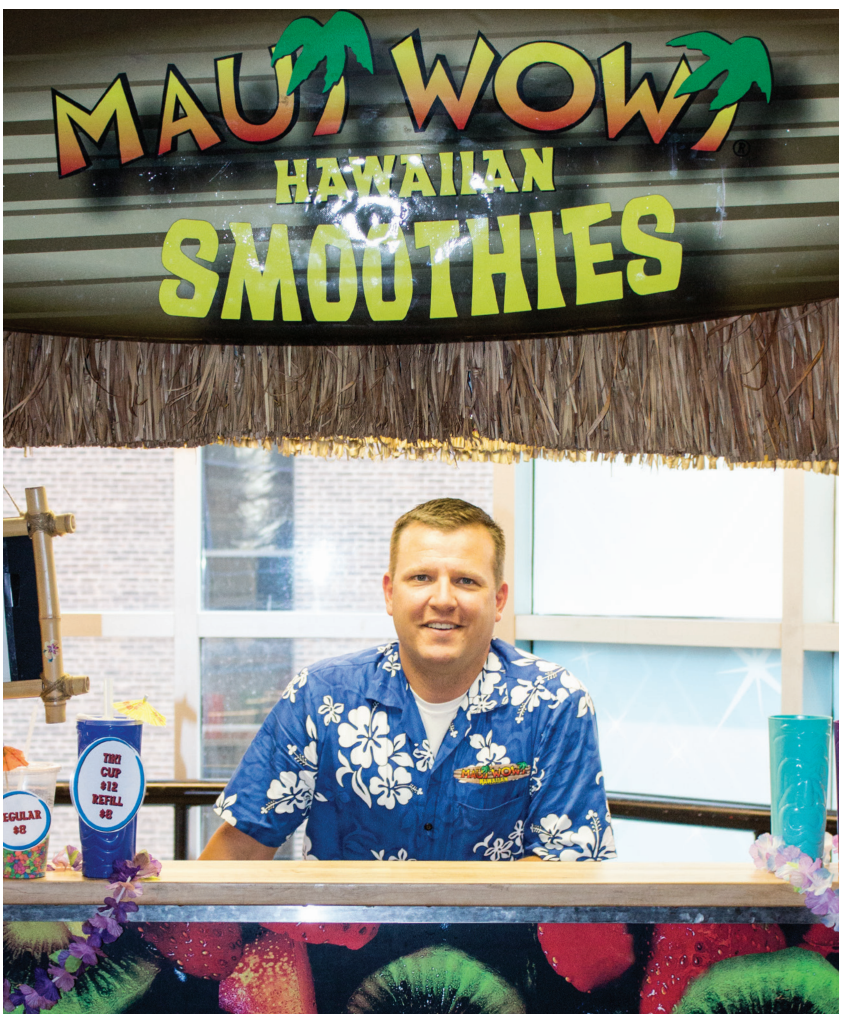
BY HELEN BOND

Branching Out

NON-TRADITIONAL FRANCHISEES DELIVER THE GOODS

Ross Harried has found that a "small" strategy can serve up big business success. His Maui Wowi Ka'anapali Carts (Tiki huts on wheels) are 8 feet wide, 3 feet deep, 8 feet high and can squeeze in most anywhere, which allows him to provide a memorable presence at events ranging from youth and professional sports to concerts, graduations, dance competitions, corporate gatherings, and wherever he's asked to serve up his smoothies.

The mobile units are a signature of Maui Wowi Hawaiian Coffee & Smoothies, which also offers storefront, kiosk, food truck, and enclosed concession trailer options to franchisees. The lower start-up costs of the mobile carts appealed to Harried, who became a Maui Wowi franchisee in February 2013. Since then, he has built a book of repeat customers and lucrative venue contracts in the Minneapolis area and catapulted himself into the fourth largest franchisee in a system with more than 450 units in 7 countries.



Ross Harried

Harried made his mark with Maui Wowi by juggling—and filling—the schedules of six Ka'anapali Carts. Bolstered by contracts with the Minneapolis Convention Center and, most recently, a deal with Target Center, the downtown home of the NBA's Minnesota Timberwolves, those carts are booked most days of the year.

"The mobile cart was highly attractive because the ramp-up time was so short," he says. "Two months into business, I was already in the black. I was able to jump-start my business by bringing the product right to large groups of people and captive audiences."

While arenas, transportation hubs, and campuses provide a captive audience, some non-traditional sites can require plenty of legwork to increase traffic. Today, a weekend volleyball tournament can net Harried $50,000 in smoothie sales, but his early days with Maui Wowi were filled with 90-hour work weeks and loads of cold calling. Most people are surprised, he says, to learn the amount of time, energy, and organization it takes to build a book of business.

"For the first 100 events I did, I probably pursued in excess of 500. You never know, you might get your dream deal, you might not," he says. "I would make sure my units did not sit idle. I wanted to be out there, I wanted to be seen, and it absolutely worked. Sometimes I didn't make money, but something good always came out of it."

Donuts where you want 'em

Bucking tradition to grow as a franchisee is a game plan with staying power. Market saturation and competition for traditional sites has franchisees large and small scrambling for new kinds of locations and innovative ways to cater to customers' changing needs.

Non-traditional franchise locations, as well as mobile units, are popping up wherever people congregate: college campuses, arenas and stadiums, airports, theme parks,

Robert Branca, Jr.

hotels, convention centers, military bases, hospitals, travel stops, big box stores, and anywhere customers gather, pass through, work, or live. Food brands, a natural choice for alternative settings, have received the most fanfare, but retail, health-related brands, and service franchisees such as mailing and tax preparation businesses are finding plenty of non-traditional places to build their brands.

Non-traditional sites are also booming because customers are demanding that brands think—and deliver—differently. Evolving technology and lifestyle changes continually influence customer expectations, says Robert Branca, Jr., chairman of Branded Management Group, which operates more than 80 Dunkin' Donuts in Massachusetts, New York, and Ohio.

"If the consumer interacts with your brand, you have to be where they are and where they want you," he says. "Non-traditional development is a way to do that. It allows you to keep relevant, to not miss transactions, and to further enhance brand loyalty. The other side of that coin is that if you want to continue to grow in highly penetrated markets for your brand, those are sometimes the only opportunities left."

Branca is well-versed on the pros and cons of non-traditional locations. As an attorney, he negotiated some of his company's first non-traditional sites. Today he is the franchisee chair of the brand's Alternative Points of Distribution (APOD) Task Force, which assists franchisees with non-traditional locations and the host relationships that ensue. Dunkin' has been at the forefront of alternative development, with offerings in airports and other mass transportation terminals, casinos and resorts, hospitals, stadiums, grocery stores, C-stores, military bases, and colleges and universities.

"Some of these opportunities are obvious, some are less obvious. It is important for franchisees to pursue them," says Branca, whose extended family owns more than 800 Dunkin' Donuts stores, dominating the brand in the Northeast.

Reaching mobile customers

Gregg Hansen, a Huddle House franchisee in Chattanooga, Tenn., found non-traditional expansion opportunities on the road. Hansen, the brand's 2015 Franchise Partner of the Year, recently partnered with Pilot Flying J, the country's largest operator of travel centers and plazas, to transition 11 Huddle House shared-space sites to his portfolio, which now stretches from Georgia to North Dakota. The move makes Hansen the brand's largest franchisee.

"The strongest advantage is that the demographics of the Pilot Flying J guest are very similar to the demographics of Huddle House," says Hansen, who also owns seven freestanding Huddle Houses. "It's the kind of food that folks want to eat while they are on the road—get filled up and stop and relax a bit. I have always loved the match, and it is what drew me to want to participate. The challenge is that we are in multiple states, and any time you are trying to do anything in multiple states there are obstacles in executing the plan and systems to get the maximum benefit."

Midway through the expansion, for instance, Hansen realized that he would have to revamp his usual local marketing tactics to reach professional drivers, who often are far away from home. "We've had our arms wrapped around trying to develop a marketing program that specifically addresses our professional drivers, which is much different than most people's idea of traditional marketing," he says. "We are pursuing out-of-the-box things to try to figure out how to reach our professional drivers." Most of them so far, he says, are electronic, such as texts and mobile apps.

Gregg Hansen

Ahead of its time

No longer a trend solely for emerging culinary businesses, food trucks also have given brands countless ways to market, reach new customers, test products and trends, and scout geographic areas for future expansion. Service and retail brands are also hitting the road to bring products and business solutions directly to the customer.

Screenmobile started in 1980 when the brand's founders converted a used tent trailer into "The Screenmobile" (which of course doubled as a mobile advertising vehicle). The 35-year-old brand's mobile business model was an early sign of things to come. Today, with 91 locations in 25 states, the franchise is the nation's largest mobile screen repair company specializing in the repair, replacement, and installation of window, door, and patio porch screens, and solar shading products.

Each trailer, truck, or van typically serves eight customers a day, says Arizona franchisee Jeff Ballantyne, with an average ticket of $370. Ballantyne, who has four territories, three in Tuscon and one in Phoenix's East Valley, is one of only a handful of Screenmobile franchisees with a storefront location. (The brand is marketed to potential franchisees as a home-based business.) His centrally located 2,200-s.f. site housing his trucks and trailers has given his business a competitive edge in an industry where ethics and contractor trust are crucial, he says.

"It helps me run employees, rather than independent contractors, which is a big part of my success," he says. "I can train my personnel and keep an eye on my business a little bit better, and having all our trucks and trailers at one location is a big positive."

Jeff Ballantyne

Delivering comfort (food)

Sometimes a non-traditional delivery method developed from necessity can also boost business. When parking and traffic presented challenges for the East Lansing and downtown Detroit locations of Sweet Lorraine's Fabulous Mac n' Cheez, the company introduced a retro bike to deliver its made-to-order comfort food.

Customers love the orange-and-black bicycle and the environment-friendly message it delivers, says Gary Sussman, CEO of Sweet Lorraine's, which operates six locations in Michigan, Illinois, and Ohio and has begun an aggressive franchising expansion plan (10 by year-end 2016, 100 nationwide by 2020). Bicycle delivery is nothing new, but making it work in the ice and snow of the Michigan winter can be challenging. "We customized the bike to handle conventional thermal boxes," says Sussman. Also, "It has promotional value when it sits out front of the store as a subtle reminder that we deliver."

Gary Sussman

Founded by chef Lorraine Platman in 2010 and franchising since 2013, the brand is still exploring how to roll out this delivery method to its franchisees. Sussman, Platman's husband, says they may make the service mandatory for urban and college town locations and optional for suburban franchisees, possibly picking up the tab through advertising and marketing fees. "We are also looking at the ELF electric vehicles, since they sort of bridge the gap between bikes and cars," says Sussman. "They might be quicker and have more marketing appeal—and they have solar cells."

Unique challenges remain

While non-traditional locations frequently offer lower start-up costs and monthly expenses than brick-and-mortar locations, franchisees considering these models and concepts face their own challenges and problems, which vary from brand to brand, as well as by location. These range from encroachment problems with fellow franchisees; navigating the unique requirements of host environments such as airports, college campuses, and hospitals; complying with local and state regulations; and how to adapt a franchisor's standard footprint, model, or equipment to make the space work profitably and efficiently.

For example, a fast food franchise at a college campus can gear up staffing and promotions for large-scale events such as homecoming, parents' weekends, and final exams; or serve more breakfast offerings for the early risers at a military base. Conversely, franchisees must adjust to the fall-off in business that invariably occurs when school is out for the summer or planes are done flying for the day but the airport is still open.

Franchisees can prosper in non-traditional sites by tailoring the experience to the specific location, foot traffic, and community they serve, advises Branca. However, he cautions, "You have to know what you are getting yourself into."

Alternative points of distribution are only going to become more prevalent in today's changing, mobile, online world. And, if it's the right fit, expect brands like Dunkin' Donuts to be there. "Any place we can operate in a sanitary environment that we think will be profitable, we will find a way to be there," says Branca. And never discount the power of non-traditional locations to build the brand and influence future customer loyalty. "I picked up my coffee habit at Boston College," he says.

As Woody Allen famously said, 80 percent of life is showing up. And, closer to home, as Maui Wowi's Ross Harried said, something good is bound to come out of it. MUF

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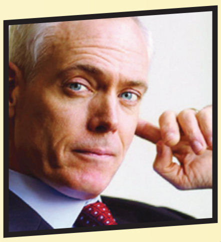

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BY EDDY GOLDBERG

CULTURE *Counts!*

THOSE "INTANGIBLES" ADD UP

You can't measure the ROI on culture with Google analytics, but savvy franchisees and franchisors alike know that a strong, healthy culture pays dividends. Tangible indicators of this intangible asset include a boost to the bottom line, more satisfied customers, lower employee turnover, and overall system growth. Franchise brands have their own culture, as do multi-unit franchisee companies. We spoke with two multi-unit franchisees and two franchisors (one a former franchisee) about their thoughts on the importance of culture to their success.

All you need is love

The culture at Hwy 55 Burgers, Shakes & Fries, says COO Neal Dennis, can be boiled down to three words: "Love your neighbor." And the brand, with 60 franchisees and 118 locations in the U.S., Netherlands, Denmark, Canada, and the United Arab Emirates, has plenty of neighbors—with hundreds more on the way in the next 7 years.

"We have gone for 25 years trying to distill it down to exactly a phrase that fits all situations. 'Love your neighbor' applies to all. Everybody understands it," he says. "If you just remember that, you'll be good. And that's what we try to teach our kids as they come up through the system."

One indicator that the brand practices what it preaches is the pride Dennis takes in how many former hourly-wage employees at its restaurants have become franchisees. That number now stands at more than 40 since the brand began franchising in 1993.

"The way we grew is we brought people up inside the family, teaching them the business and growing them to the point where they were ready to handle a restaurant, from operations to money management," he says. After several years, "We sold them a restaurant and we financed it."

Maintaining and protecting the culture as the system expands is an important part of the leadership team's role, says Dennis. "We take a servant leadership approach focused on serving others before self. It's central to our culture and starts with the leadership team's attitude to customers and employees. It spreads from there."

Training, of course, is a big part of transmitting that culture to the front lines at the restaurants. At Hwy 55, this includes an online training program, videos, phone calls, ongoing training from field reps, a monthly school, quarterly seminars where employees can meet the executive team, and an annual company-wide rally in Durham, N.C., when many of the restaurants close so everyone can attend. "I can understand 'Love your neighbor' all I want to," says Dennis, "but if the young lady serving the customers doesn't…"

His own history is an example of the brand's focus on developing employees. He started at Hwy 55 cooking on the grill and waiting tables before moving up to assistant manager and area supervisor. Today, as COO, he remembers that experience. "The problem I run into is you have a tendency to get insulated from what's happening on the front line. You almost have to force yourself to see what's happening there. Getting out and saying 'Hi' to the kids means the world to them, to know you have their back. Go visit the locations as much as you can. Be hands-on, friendly. Find five things right before you find one thing wrong."

Neal Dennis

He calls these visits "emotional deposits" and says that hiring the right people and putting customers and employees at the top of the company's value pyramid has been key to its success. "Who you hire shapes customers' experience, as does how you treat the people you hire."

The same goes for awarding franchises. Candidates must fit in with the brand's culture or they don't make the grade. "Each franchisee coming in has their own set of perceptions, what the culture is, etc. Our job is to make sure they're operating through the same lenses we are: Love your neighbor and take care of the customers and the associates in the stores."

Dennis is well aware that the brand's approach might be considered unusual by some. "Although this culture is antithetical to the way other businesses may operate, it's core at Hwy 55 because our people want to be a part of a big mission and in on why things work the way they do—even more than they want a paycheck. It makes for a much better customer experience and a much happier life experience."

And it seems to be working just fine. In August, *Nation's Restaurant News* named Hwy 55 one of its "Next 20" brands—chains poised to make a leap in growth in the coming year.

Brent Collier

Southern hospitality

Brent Collier, who operates 14 restaurants from 6 different franchise brands along a 25-mile stretch in the tourist mecca of Pigeon Forge, Tenn., faces a nice kind of problem: his restaurants compete for the same customers. But that's not really a problem, since the area draws more than 11 million tourists a year.

The way he figures it, most visit for an average of three days, which he translates into "nine meal opportunities." So whether it's the buffet at his two Golden Corrals, the fondue at The Melting Pot he operates, or the finger-lickin' treats at his Corky's Ribs & BBQ, he has it covered. His three TGI Fridays and a Quaker Steak & Lube round out his franchised brands, but wait, there's more! He also owns eight Flapjack's Pancake Cabins, has a catering contract with the Gatlinburg Convention Center, and oh yes, don't forget his campground.

With 70 percent of the U.S. population within a 12-hour drive, people visit two or three times a year to see popular attractions ranging from Dollywood to Great Smoky Mountains National Park. "They don't wear it out," he says. And they have to eat. Collier estimates that about a third of the 11 million yearly tourists eat at one of his restaurants. "We try to cross-brand inside, offer a little bit of a discount to my other restaurants," he says.

To keep them coming—and coming back—he offers what he calls Deep South hospitality. "We have a people culture. The tourists are our guests and we make sure they're welcome. We want to take care of them, help them, answer their questions—even about the weather."

How does he transmit all that to his front-line employees? "All the chains have excellent training tools—videos, bilingual, etc., the basics," he says. "But it really comes down to our history, our culture, our managers, and assistant managers." Collier himself started busing tables at a Trotters Restaurant in Pigeon Forge when he was a youngster, and knows the ropes.

He encourages his staff to take smaller sections and spend more time with the customers. "I tell them that if they take care of the customers, treat them nice, they'll get a better tip. Everybody's working to make money. They have a family and kids and have to make ends meet." The end result, he tells them, is that the customers are happier and that they'll make twice as much money and enjoy their job a whole lot more.

What about working with the distinct cultures of his several brands? He has that figured too. "Even though they all have a different culture, they have a baseline similarity to them," he says. "In the restaurant business you stick with the core stuff: hot food hot, cold food cold, and fast, friendly, courteous service. This transcends all brands, and it works."

Pizza capital-ists

Brothers Casey and Sam Askar know their pizza. "We're from Detroit, the pizza capital of the world," says Casey. The area is home to Domino's, Little Caesars, and Hungry Howie's—and when it comes to pizza, they say, you have to be good to survive there.

Casey started out as a pizza company franchisee in 1997, with younger brother Sam providing operational support. Today, through a series of acquisitions, their company, Askar Brands, is the franchisor of four regional pizza brands across the U.S., with about 200 total units: Papa Romano's, Papa's Pizza To Go, Breadeaúx Pizza, and Blackjack Pizza, averaging about 50 stores per chain. They also operate another franchised brand, Mr. Pita, as well as several other food concepts, about two dozen in all. However, says Casey, "Pizza is our bread and butter."

The company's strategy is to acquire mid-sized restaurant companies operated with a mom-and-pop mentality and provide a new level of professionalism, as explained in their mission statement: "To provide world class support to all brands by providing management, marketing, training, and operational materials to allow our franchisees to focus on their execution and customer retention."

"Our first acquisition was 50 locations,"

Sam (left) and Casey Askar

says Casey. "It's much easier to acquire than to build, although we do both. To go into a new market with a 50-store footprint with 20, 30, or 40 years of goodwill is priceless."

Nevertheless, when it comes to introducing its culture and implementing change, their biggest challenge is resistance from the system's franchisees, says Sam, the company's CEO, who focuses on franchise growth and store operations; while Casey, as president, leads the company through big-picture initiatives like acquisitions.

"You have a culture you want to implement for the customers, but the first person you have to get past is the franchise owner," says Sam. "At the end of the day the franchisee is still an entrepreneur and wants to make their own decisions." He says franchisees can get stuck in the ways they've been operating for years, and even if it's sub-optimal, they're still getting by.

"You're tampering with their income. Their money is on the line," says Casey.

Building trust with them and a comfort level with a new culture can be a slow process, says Sam. "We don't make changes immediately. We come in and take some time to understand what the company was built on," working with the previous owner whenever possible. "When they see you're implementing systems that help *them* before it helps us, it makes a big impression. Then it's much easier to create buy-in and start creating the culture you want."

But it still takes time. "When we take over a company, we focus on a system to help our franchisees make more money," says Sam. Nevertheless, it can takes 24 to 36 months to break some bad habits and create new ones. "We were franchisees first, so we understand what it takes to operate a store. We make sure systems are not only easy for franchisees to use, but also for employees. We create programs and systems that have worked well for other operators."

Despite the advantages of the improved systems, marketing support, and expertise Askar Brands offers, some operators just don't fit into the new way of doing things, and the brothers work with them to find the most amicable way to part. While those are not easy conversations, says Sam, he says it's for the best interests of the system over the long term. "You can take good to great in less time than bad to good."

Driving team

Rick Nussle is a first-time franchisee who came to franchising after 32 years in the commercial printing business. He learned about the SafeWay Driving brand in an unusual way: he did their printing and got to know Brad Coleman, a former NASCAR driver who, along with a group of former SafeWay students, bought the brand from the founders four years ago.

Nussle was looking for a change, had been thinking about franchising, and SafeWay offered him the chance to "do some good for the kids and make some money too," he says. Having done the brand's printing for the better part of two years, he'd performed an informal due diligence. And as soon as franchises were available, Nussle bought up all seven school zones (territories) in Katy, Texas.

His attitude? "Let's go do this thing, I believe in it so much," he says. "I told myself I probably wouldn't make money for a year, but about month six or seven I started making money and haven't stopped yet."

What attracted him to the brand was its team culture, which he says is much different from other brands he's looked at. "It's almost like a sports team. We really are a team," he says. Nussle and all the instructors go through the same extensive training at SafeWay University, speak the same language, and share the same values.

"The culture we have is almost like a family," he says, a family that extends to the families of the teens they teach. After each lesson the instructors take time to speak with the parents, rather than just dropping off the students and heading out.

The instructors are all teachers (one is retired), used to working with young people. They work part-time and get together with Nussle regularly on the weekends, usually for breakfast, where they review the week and look for ways to improve as a team. And all are or were sports coaches. "That's where the team mentality comes in," says Nussle.

He also was attracted by the brand's "Driver's Ed at Your Speed" program, a specialized curriculum designed for individuals with high-functioning autism spectrum diagnoses, ADD/ADHD, and learning and processing differences. Developed in partnership with Social Motion Skills, a 501(c)(3) organization, the program offers intellectually capable students a slower pace of instruction, expanded explanations, and additional support to safely master state requirements and real-world driving skills.

Nussle is already is talking about adding new territories. "That's definitely my goal. I don't want to stop with seven," he says. And he's already thinking about how to maintain that team culture and family feel as he expands. "It's easy to do right now because I don't have a ton of employees. That could change as I grow. Right now it's no problem." MUF

BY ERIC STITES

Building a Culture of TRUST

The difference between a weak and a strong franchise is often the alignment between franchisor and franchisees. Franchise Business Review's franchisee satisfaction research shows that franchise brands with strong cultures: 1) have extremely high satisfaction and engagement among their franchisees, and 2) outperform their competitors by a factor of 300 to 400 percent.

Great company cultures don't just happen. They are always the direct result of inspiring leadership and constant efforts to grow, learn, and improve. Trust also plays a crucial role: its absence creates a barrier to performance, while its presence, which promotes creativity and teamwork, accelerates it.

While many franchise brands pay lip service to building trust with franchisees, few actually do. Before you invest in a multi-unit opportunity, be sure it is trust-worthy by asking the following questions of those who know the most about its culture and leadership: its franchisees.

1. Are realistic expectations set? You don't want to invest in a franchise that sells "sunshine and rainbows." It's important to look for one that sets realistic expectations of what your franchise life will look and feel like.

2. Does the franchisor operate transparently? Franchises with happy and productive franchisees empower them by freely sharing information, which helps them feel like an integral part of the company's growth and success. Find out if the franchisor communicates openly and honestly, shares corporate and unit-level performance data system-wide, encourages healthy competition, and ensures that best practices are shared.

3. Are franchisees engaged? Does the franchisor regularly seek its franchisees' opinions and involve them early on about all major decisions? In response to the question, "Senior management involves franchisees in company decisions," there was nearly a 100 percent increase in how franchises at the top ranked, compared with the lowest-ranked franchises surveyed (see graph).

4. Do franchisees and corporate share the same vision? Shared values and a common vision drive franchise success. Does corporate listen to its franchisees' goals and vision and consider them when outlining action plans?

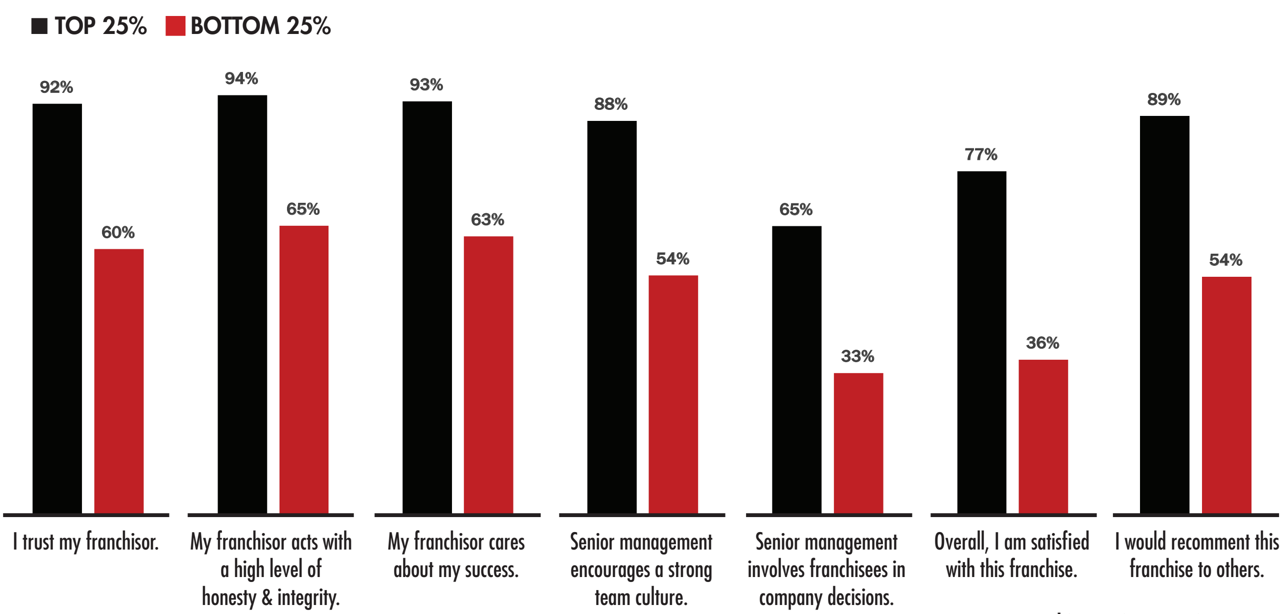
5. Does the franchise question everything and measure constantly? The best brands are obsessed with getting better. They regularly and systematically measure franchisee satisfaction, address critical issues, and are constantly looking for ways to improve results.

It is clear from our data that the chances of your succeeding in franchising dramatically increase if you take the time to identify a brand that collaborates with its franchisees to build a strong culture based on trust. MUF

Eric Stites *is CEO of Franchise Business Review, a national franchisee satisfaction market research firm.*

Cultural Differences Between Franchises Ranked Highest and Lowest By Their Franchisees

Chart shows percentage of two most positive survey response options ("Agree" and "Strongly Agree") to each statement by franchisees of the top and bottom 25% of approximately 350 surveyed franchise brands.



Source: Franchise Business Review, 2015

The 5 E's

Customer engagement is a contact sport

Don't just tell your employees to be present or to provide genuine hospitality without telling them *how*. Make it black-and-white, and make it measurable. One of my favorite hospitality systems for making a customer connection is the "5 E's": 1) eye contact; 2) ear-to-ear smile; 3) enthusiastic greeting; 4) engage; and 5) educate.

1) Eye contact. This eliminates the head-down, uncaring, robotic feeling of a front-line employee just saying, "Next." A great training method for this is to audit the employees by periodically asking them, "What was the color of the customer's eyes?"

2) Ear-to-ear smile. A smile is part of the uniform and a smile has teeth. Demonstrate a positive attitude and let the customers know you are happy to serve them.

3) Enthusiastic greeting. Your greeting must demonstrate genuine warmth and not just a trained greeting. It should be one that has enthusiasm in the voice, coupled with a smile and eye contact. We need to be providing genuine hospitality, as if the customer were an old friend visiting our home.

4) Engage. Many companies provide little direction to employees on how to engage a customer. This doesn't have to be a 10-minute conversation. Every single customer can be engaged within the time it typically takes to serve them, be it 90 seconds in a fast food environment, 2 minutes on a phone call, or 45 minutes in a meeting. This action demonstrates to the customers that they are not a herd of cattle, or one of a hundred customers. It eliminates being too task-focused on the transaction and replaces that approach with real interaction, which starts with using our names and our customers' names. Use any customer intelligence you can: information in a database; a name badge; a picture of their twins on the desk, a hat, college shirt, tie, glasses; or do anything else that helps you connect with the customer.

5) Educate. This is the one that may slightly affect time of service in industries built around rapid pace (fast food) and may have to be an "above and beyond" action when it is warranted (e.g., a new customer unfamiliar with a menu). For the rest of us, it should have no impact on productivity and be demonstrated every single time. Think of stores like Nordstrom and Apple. Their employees are brilliant about their products and applications.

I love the 5 E's for the following reasons. They are so simple to do. They can be effective with every customer. The first four take no time to execute. They demonstrate genuine hospitality. And practically no one else is doing them even 25 percent of the time. The 5 E's also apply to professional service providers or internal customer service, support, or call center environments.

We need to be providing genuine hospitality, as if the customer were an old friend visiting our home.

3 ways to engage customers

Not all 5 E's should be used in every customer encounter, as some might be unrealistic in certain circumstances. Employees engage with customers in three ways:

1) Incidental contact—This is traditionally very brief, like a walk-by, seeing the customers (coming within 10 feet), but not necessarily coming in direct contact with them where you are going to have a conversation. This can be absolutely anyone in your business, from the president to the maintenance personnel. In these cases, only the first two E's (eye contact and ear-to-ear smile) should be executed every time and take a total of 2 seconds to execute.

2) Secondary contact—This type of contact with the customer is usually some type of support team such as a host, greeter, or receptionist. The first three E's (eye contact, ear-to-ear smile, and enthusiastic greeting) should be executed every time. These also take a total of 2 seconds to execute simultaneously.

3) Primary contact—This encounter is more involved. It is typically with the main person who is providing the service, such as a service provider, account executive, consultant, or customer service rep. All five E's must be executed every time. The first three only take a few seconds to execute (see above). The fourth and fifth (engage and educate) are a little more detailed, but can be done extremely quickly and efficiently—and are where the relationships are made and expertise is demonstrated. To engage, use your name, the customer's name, and provide "Secret Service" (family, occupation, recreation, and dreams, or FORD) along with customer intelligence. Finally, to educate, ask "Is there is anything else I can do for you?"

Pre-hiring screening tool

If you are looking for people with the potential to be customer-centric service providers, evaluating them using the 5 E's might be your most powerful tool. Many of our clients have incorporated the 5 E's into their interview process, counting the times an employee candidate demonstrates each.

During the interview process, if candidates are not smiling, making eye contact, and showing enthusiasm, then pass. They do not have the potential to be even average at providing good customer service. No amount of customer service training will change them. The biggest key to trusting this engagement indicator is having an interviewer who constantly displays the 5 E's. MUF

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People BY JULIE MORELAND

It's Broken, Fix It!

How to improve performance reviews

PeopleMatter recently hosted a webinar with our partner and performance management expert, Chris Wright, founder and CEO of Reliant, where he shared why today's performance review process is broken… and how to fix it.

• **Performance feedback is given infrequently or not at all.** Let's face it. The annual review process is a dated model. Everyone goes through the process, and that information is used for promotions, raises, bonuses, etc. The problem is that your employees work all year long, but your managers probably aren't documenting the great (and not-so-great) things their team members do throughout the year. That means there's a lot of feedback employees *should* get that never makes it to them, or into their performance review. This is not healthy for them, you, or your bottom line.

Lack of training, motivation, and/or investment in today's review process means there's also an accountability problem. Many managers aren't delivering feedback to employees. Yes, they're filling out the form and checking the box that it's complete, but they're not having those oh-so-important one-on-one conversations. Nor are they setting up employees with a development plan to start improving.

• **Companies do not measure the right things.** A lot of companies really struggle to define the core competencies they should measure. That typically leads organizations down one of two paths: over-simplifying or over-complicating what they measure. If they're over-simplifying, they may be using very high-level competencies across all positions to measure a person's efficiency, expertise, or ability—when, in fact, they don't relate to every person's role. On the other hand, some companies measure competencies granularly, on the task level, which can lead to an overly burdensome and cumbersome process.

• **Managers are focusing on the negative.** Reviews these days tend to focus more on what employees are doing wrong than on what they're doing right. That, my friends, can be straight out demoralizing, causing employees to shut down. If an employee is doing something wrong, they should be confronted and corrected on the spot and in private, not dinged for it months later in a performance review. There's also the issue of constructive feedback. Some companies have not trained managers to deliver it in a healthy way, while others deliver it but provide no development plans for improvement.

• **"Forced distributions" have tainted the process and lowered morale.** If you aren't familiar with forced distributions, this is something that came out of General Electric. The "rank-and-yank" model typically allows managers to give out only a certain number of high scores, meaning some employees who are indeed high performers won't make the cut. Those who end up on the wrong side of the scale often end up missing out on well-deserved raises—or worse, losing their job. On top of that, critics argue that pitting people against their peers cripples collaboration and creativity. In addition, "rater bias" is prevalent with forced distributions: because managers are limited to how many they can rate as a "high performer," they tend to rate (and reward) their favorites the highest.

• **Companies are using software that is overly complicated.** The KISS principle applies here. You have to arm your managers with the tools they need to complete reviews quickly and easily. The solution you choose should be built on three core beliefs: 1) employees deserve meaningful feedback about how they're doing their job; 2) managers need actionable performance data to make decisions; and 3) organizations should have solutions that are easy to use and effective. If you use software that's overly complicated, your managers will not be engaged in the process.

So why do them?

Employees crave feedback. In fact, a recent GuideSpark survey found that 89 percent of employees want frequent performance feedback (especially Millennials), and they want their manager to be direct when giving it. While some argue that managers should scrap the review process entirely, I couldn't disagree more. It needs to be transformed. *How* a person accomplishes a goal is just as important as whether the goal is accomplished! Without reviews, it's nearly impossible to identify potential leaders, provide the proper career progression advice, and know where to apply additional training resources.

Deloitte sums it up perfectly: "Done poorly, performance management can not only waste valuable time, but also have a negative effect on engagement and retention. Done well, it can be one of the most inspiring and developmental events in an employee's career, as well as drive performance and organization-wide results." MUF

INCREASE THE FREQUENCY OF FEEDBACK
- Review employees within 30 to 90 days of hire.
- Review performance when it happens; praise publicly, coach privately.
- Conduct targeted, simplified reviews more frequently (e.g., quarterly).
- Streamline review forms so they require no more time to do quarterly than annually.
- Make the process quick and convenient with mobile-friendly forms.

MEASURE THE RIGHT THINGS
- Eliminate ratings on behaviors/competencies irrelevant to an employee's role.
- Place more emphasis on employee strengths.
- Focus less on past behaviors/actions and more on future behaviors and goals ("how" the goals will be accomplished).

SIMPLIFY RATING SCALES
- Eliminate "forced distribution" approaches.
- Create four-point rating scales (rather than three or five). This forces the rater to lean toward a positive or negative rating vs. an average/medium rating.
- Develop rating anchors that are positive and developmentally oriented.
- Include qualitative feedback with any behavioral rating to give employees a clear understanding of the rating.

USE THE RIGHT TECHNOLOGY
- Reduce time conducting and evaluating reviews.
- Ensure the process is efficient and easy to use.
- Analyze performance over multiple evaluations.

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EMV, POS, and the Cloud

Get more features for less cost

So, you just found out your POS system needs a software and hardware upgrade to support EMV ("smart chip") technology and you missed the October 1st implementation date. For months, your POS vendor has been telling you it was coming, but they continued to push you off with vague information as to when they would be ready for you and your franchise locations. Now they say they're ready, you need to upgrade right away, and it's going to cost a few thousand dollars per location.

Sound familiar? By now you know you surely should have done the upgrades by October 1st. But if you didn't, just as with Y2K, the sky did not fall and the Earth did not stop turning. While you may be happy that you haven't had to spend any money (yet) to upgrade, you're getting more and more worried about being behind in getting the EMV readers.

As if POS and EMV weren't enough, you also have other technology issues and likely a small IT department. Wouldn't it be nice if you could connect your mobile app, loyalty program, enterprise reporting/central data hub, payroll/timekeeping, inventory management system, menus, implement pay-at-the-table (for food brands), and have a mobile payments app (like Starbucks), etc.?

But you're stuck because your current POS system cost many thousands of dollars to install at each of your locations, and your POS vendor has no real interest in doing all of these integrations. After all, don't they have some of those things already built into their out-of-date software that does *some* of what you want, but not nearly to the level you need? I'm fairly sure they've quoted you a pretty steep number for for doing the upgrades you need, and a pretty long delivery date.

Future-proofing

Still with me, or have you already headed to the bar for a stiff drink? Before making a decision on EMV readers, now is the time to re-examine your overall technology landscape with your POS as the hub. The traditional expensive box your locations are likely using today is a thing of the past. You could very likely upgrade your locations to a cloud-based POS system that runs on a tablet with a Bluetooth-connected cash drawer and receipt printer—all for less than you would spend just getting your current POS upgraded for EMV.

There are hundreds of tablet POS systems hitting the market and gaining share over the traditional POS systems by leaps and bounds. This is a new business model where you will be paying a monthly service fee for access to the POS in the cloud. With that comes all of the flexibility to pull enterprise-level reporting from your franchisees, push menu items and pricing down to them, and pull in data that marries the transactions that happen at the POS with your loyalty and marketing programs.

Want to add pay-at-the-table? Instead of buying the mobile unit your current POS provider wants to sell you for up to $1,000 per unit, you can instead use much less expensive Apple or Android devices. Want to take Apple Pay and Android Pay for NFC transactions? The tablets can do that as well. Want to scan a coupon code presented by a customer on their phone? Yep, the tablets can do that too.

Seriously, what are you waiting for? If you are going to have to spend money on upgrades anyway this year, why not spend a little less and get everything you need? Bring your franchise locations into compliance with EMV and be able to achieve many of your other technology goals at the same time—with less disruption to your life and your bottom line. MUF

The traditional expensive box your locations are likely using today is a thing of the past. You could very likely upgrade your locations to a cloud-based POS system that runs on a tablet.

In its annual survey, "POS Software Trend Report 2015," *Hospitality Technology* asked merchants to rank the top functions they're looking for with their next POS upgrade. Here's how they responded.

- **59%** Integration into mobile technology, payments via customer's mobile devices
- **57%** More robust loyalty tools
- **57%** Tablet-based POS
- **47%** Integration into other systems (reporting, payroll, accounting)
- **39%** Online POS
- **37%** Enterprise-wide/centralized POS
- **35%** Inventory management
- **33%** Social media integration

Tom Epstein *is CEO and founder of Franchise Payments Network, an electronic payments processing company dedicated to helping franchisors and their franchisees improve system performance, increase revenue, and reduce expenses. Contact him at tomepstein@franchisepayments.net or 866-420-4613 x1103.*

What's It Worth?

Business valuation – tips for a faster sale

There are many misconceptions about how to go about valuing your business. In general, most business owners have a value in their mind that is usually several times more than the actual value a sophisticated, competent buyer ultimately pays. The process of getting from perceived value to sale price can be very, very challenging. Here is some helpful information to get you to a successful valuation and faster sale of your business.

Business valuation

• **Asset approach—**Not normally used in evaluating a going concern. Calculated as assets included in the sale less liabilities included in the sale; will be used only if higher than income or market approach.

• **Income approach—**Based on a future earnings stream divided by a rate of return. A typical rate of return is usually between 20 and 40 percent, depending on risk and the type of earnings stream used. For larger businesses, the earnings stream can be based on EBITDA.

• **Market approach—**The subject company is compared against others in the same or similar industry; typically used to value multipliers such as price-to-revenue and price-to-EBITDA.

• **Equity or "assets"—**The most common transaction structure is an "asset sale." The buyer acquires only the tangible assets, such as furniture, fixtures, equipment, and inventory plus goodwill (intangibles). A stock or "equity" acquisition includes items such as cash, A/R, and liabilities. The net effect is usually added if positive or subtracted if negative to the asset price.

Earnings bases

• **EBITDA—**Take the above and deduct a fair replacement salary for an owner/operator. This earnings base is primarily what the bank will look for.

• **Add-backs—**Non-recurring or discretionary items that owners may expense to limit their tax liability. For lending purposes, these would need to be either 1) clearly defined on the tax return (officer's compensation, auto expense, W-2, etc.), or 2) verified by a CPA.

Value enhancement

• **Stability—**This could be a number of different things, but operations with 3 or more years usually will attract higher values than a 1- or 2-year startup. Stable growth or earnings margins are a good sign.

• **Growth—**Not only growth in topline sales, but in overall profit and profit margins.

• **Cash flow—**Valuation, especially for the SBA, is based on sustainable cash flow and the ability to pay debt and still generate a fair ROI. Do not be focused primarily on growing sales.

• **Management transition—**The easier the management transition, the lower the risk. If the business is severely dependent on the seller, most likely there will be a lower value.

• **Clean financial statements—**The first order of business when preparing a business for sale is to clean up the financial statements and show as much profit as possible. Buyers are willing to pay as much as a 20 percent premium for businesses with clean financial statements.

Typical value multiples

Price to revenue: 50% to 80%. Price to EBITDA: 2x to 4x. The price-to-sales multipliers had a wider variance, primarily based on EBITDA: the higher the EBITDA, the higher the multiplier. The EBITDA multiplier had a relatively tight range, with the median average multiplier being approximately 3x. I would start with a 3x multiplier of EBITDA, and increase/decrease this by 5 percent based on the risk factors above. If all 5 factors above are positive, you could possibly add 25 percent to the 3x multiplier, which calculates to 3.75x.

Valuation checklist

The following indicates what the business evaluator and/or potential buyer will need to complete their valuation and/or purchase. Other information may be needed.

• **Federal tax returns.** Copies for the preceding 3 years, including all notes and attachments.

• **YTD balance sheet and income statement.** Statement should be less than 60 days old.

• **Accounts receivable and accounts payable.** Listing and aging with summary page of current, 30-, 60-, 90-, and 120-day or greater accounts, with the same date as the balance sheet.

• **Statement of seller financing.** The seller must provide written documentation indicating the level of financing they will provide.

• **Purchase contract or LOI.** Copy signed by both buyer and seller.

• **Asset allocation.** Actual or estimated value of assets to be purchased including real estate, equipment, inventory, A/R, and any other assets. List values as close to actual as possible as they will need to be verified before loan closing; a lesser value for any asset may require a matching decrease of the purchase price.

• **Add-backs to cash flow.** This should include any expenses the current owners have incurred that the new owner will not incur that may not be readily evident on the tax returns or financial statements. These may include salaries of current owner, family members, or non-essential personnel who may leave the company after the sale; current owner's insurance benefits or automobile expense; one-time expenses (nonrecurring legal bills); repairs on equipment or building; gain/loss of an asset, etc. These items may require verification.

• **Litigation details.** Any information regarding current or potential lawsuits.

• **Business plan.** Completed by the buyer, in conjunction with the seller if necessary. It should include a description of the business and the services it offers; competition and barriers to entry for new competition; a list of management/office staff and their current duties (including the current owners) and their future duties under new ownership; marketing and sales efforts; availability of the local labor pool; the demographics of the franchise territory; and a one-year projection by month (with annualized total) of how the buyer estimates the business will operate under the new ownership, with a detailed explanation. MUF

Rod Bristol *is executive vice president at Profit Mastery. Learn more at www.profitmastery.net, 800-488-3520 x14 or write to bristol@profitmastery.net.*

Protecting Your Assets In the Internet Age

Defending yourself against online risks

The world we live in and the way we interact with it—and with each other—has shifted significantly in the past several decades. The pace of change and the corresponding alterations to many of our routines has been so rapid it's almost shocking to recall what things were like before personal computers, the Internet, Google searches, mobile phones, and millions of other everyday conveniences (and distractions). Almost no single interaction or activity carried out today is immune from technology's impact. Yet while much of today's online activity has moved world knowledge and convenience forward, it has brought with it a host of less-than-desirable outcomes.

The Internet had its genesis decades ago in funding from the U.S. government and various defense and research/higher education partnerships. The architecture was constructed to facilitate collaboration among trusted peers with legitimate intentions. The specific way data was packaged and transmitted was decentralized, with key decisions made at the outset to favor rapid and "democratized" information flow and access.

As commercialization and other applications mushroomed, purveyors were loath to change the open, interactive architecture that underpinned the best attributes of the system. Rapid adoption spread through all strata of users, from those with intellectually pure applications to those with more nefarious intentions. The amount of personal information that users freely provide through social media posts, and the tracking systems innate in the simplest free apps in our never-leave-our sides mobile phones, have added to the insecurity of our cyber world. One result is that companies and governments can store and cross-reference all that data cheaply and effectively.

The motivations for unsavory Internet usage are no longer as "simple" as individuals wanting to perpetrate fraud for financial gain or show off their hacking prowess. Increasingly, government-backed terrorism and sophisticated, globally based crime rings perpetrate corporate and geopolitical espionage.

In addition to more "traditional" hacks, cyber-to-physical attacks are an increasing threat as more devices and systems are connected to each other and to global networks (power and transportation grids, air traffic control systems, manufacturing plants, medical records, manufacturing machines, etc.). The benefits of having all these "Internet of Things" connections are enormous, but those benefits come with heightened risks.

As attacks have become more sophisticated and subtle, corporate and governmental goals have shifted from *preventing* an attack toward detection, remediation, and recovery. According to a report from security provider FireEye, 69 percent of attacks were detected not by the entity being hacked, but by an outside party, such as a security blogger (which is how the Target hack came to light). Even more alarmingly, the report noted that the median length of time a hacker was inside a system before detection was 205 days!

How to respond

In the public and private spheres, any system to prevent and detect intrusion is only as strong as its weakest link. And that weakest link is often a human who either unwittingly or unknowingly behaves carelessly. Remediation of fraud and hacks is time-consuming and costs businesses, governmental entities, and individuals many thousands of hours and tens of millions of dollars to address each year. Adopting a diligent mindset of monitoring and common-sense security practices will go a long way to helping you partake of the significant benefits that being wired can bring.

1) Best practices for users

- Make passwords easy for you to remember and hard for others to guess (avoid the obvious).
- Make passwords a combination of letters, numbers, and symbols.
- Change user names, passwords, and security questions frequently.
- Do not access the Internet through open/unsecure networks at coffee shops and airports; use encrypted access only.
- Don't post on social media when you will be traveling; don't post from out-of-town locales while you're away; don't allow various apps to update and post your whereabouts.
- Don't open attachments, click links in emails, or respond to emails from suspicious or unknown senders.
- Always sign on to sites directly through a known and secured website address.
- Use secure email to request and confirm financial transactions.
- Never respond to a text or email request for personal or financial information, including account numbers, passwords, authorization credentials (token codes), Social Security number, or birth date.

2) Prevention

- Limit access points and enforce multiple layers of authentication.
- Consider outsourcing security and network maintenance to outside firms and the cloud. Many of these firms have the resources and sophistication to stay up on the latest trends, technologies, and systems. Cloud providers have the potential to be far more secure than the corporations whose data they are holding.

3) Constant vigilance!

- Monitor all transactions in each account, ideally on a daily basis. Fraudsters are increasingly sophisticated and can infiltrate systems in subtle ways, diverting individual payments to other-than-intended recipients by mimicking a user's email, style, and activities to send fraudulent requests for funds transfers and set up new accounts with the data and information obtained.
- Regularly pull and monitor credit reports.
- Enroll in a credit monitoring system and check reports regularly.
- Maintain a skeptical mindset. MUF

Carol M. Schleif, *CFA, is a director in Asset Management at Abbot Downing, a Wells Fargo business that provides products and services through Wells Fargo Bank, N.A. and its affiliates and subsidiaries. She welcomes questions and comments at carol.schleif@abbotdowning.com.*

BY DEAN ZUCCARELLO

Getting in the Game

New entrants must pay more to play

"The secret of getting ahead is getting started."
—Mark Twain

Financial and first-time buyers are showing tremendous interest in the franchise space. Yet as they are continually outbid for attractive opportunities, the frustration in entering certain systems may be at an all-time high. Why is this the case? One reason is that to be competitive, they will typically have to accept a below-market return on their first deal. This is also known as the price of first-time entry, a key facet of doing deals known to industry insiders.

At the other end of the spectrum, we have seen consolidation in the big franchise systems in recent years, which has in turn created the "mega franchisee." Why does it seem so easy for these massive franchise operators to continue to grow their holdings, while other prospective qualified buyers struggle to gain entry?

Sitting in the position of a first-time buyer or new entrant to a particular franchise concept can be a huge challenge. Not only do you have to prove you are capable of operating in a new business model, you also have to worry about making the right connections to earn the designation of "legitimate prospect."

Let's assume we have three hypothetical buyers. Buyer A is a new entrant, Buyer B is a small to mid-sized franchisee in the system, and Buyer C is a mega franchisee. Employing hard-earned business savvy, Buyer A made it onto the short list of potential buyers for our hypothetical franchise transaction. Yet why is this buyer still at a disadvantage? What it comes down to is a lack of operating leverage. Lacking an existing operating infrastructure to leverage, Buyer A enters the game down 2-0 from the start. This is where Buyers B and C have a distinct advantage.

Consider Buyer B. Being a franchisee already in the system provides an immediate advantage over Buyer A. Buyer B is familiar with how this franchise system functions and has the ability to leverage an existing infrastructure and business platform to operate additional stores at a lower cost than Buyer A.

Yet it is Buyer C who typically has the greatest advantage of all. Not only does this buyer have the existing infrastructure and business platform to leverage, Buyer C's organization has grown to a level of operational sophistication where it can run the business at a lower cost, thereby producing higher profit margins, ultimately enabling him to either pay a higher price or enjoy a materially higher return at the same price as Buyer A. This higher return means there is more capital to then redeploy, continuing the cycle. This well-oiled machine of an entity has the ability to take on new stores with very little incremental costs associated with the acquisition. Buyer C has full confidence in exactly what action is needed to integrate the acquisition, having done it many times before.

These factors all heavily influence the purchasing power of Buyers A, B, and C. Buyer A, with no existing business platform to leverage, has very little room to maneuver when submitting a bid to hit a targeted ROI—and is left in a position where the purchase must include the seller's infrastructure and platform of operations. As a result, Buyer A's cost of infrastructure on this transaction will be higher than that of his deal competitors, who can acquire the transaction with a far smaller incremental cost. This ultimately translates into Buyer A submitting a lower offer in order to achieve the returns Buyers B and C can expect.

The net effect is that Buyers B and C can "overpay" by the standards of Buyer A because their forward multiple is much lower than the trailing 12-month multiple. Because of this, Buyer A must be prepared to pay a higher price to secure a market competitive deal. Buyer A's other option is to consider acquiring a business that has more challenges and is therefore less competitive but has additional risk.

At some point, Buyer A must get started, and usually that means paying an above-market multiple to acquire the ongoing business platform. Completing this first acquisition will put Buyer A into a more competitive position for the next deal bid on.

This is the cost of entry in the restaurant industry, but it is important for Buyer A to remember that his company has the potential to become Buyer B and even Buyer C in the future. MUF

Dean Zuccarello *is CEO and founder of The Cypress Group, a privately owned investment bank and advisory services firm focused exclusively on the multi-unit and franchise business for 25 years. He has more than 30 years of financial and transactional experience in mergers, acquisitions, divestitures, strategic planning, and financing in the restaurant industry. Contact him at 303-680-4141 or dzuccarello@cypressgroup.biz.*

BY DARRELL JOHNSON

The Numbers Are Clear

Franchising creates jobs and trains unskilled and low-skilled workers

As we know, the unemployment rate is quite low by historical standards. We also know that it hides a lot of information we should understand about labor trends, so I looked at the underlying Bureau of Labor Statistics (BLS) data. My conclusion, from an economic perspective, is that the sheer size of the available labor pool will suppress unskilled wage rates well into the future, making minimum wage a continuing political topic, even as the economy continues to improve.

The franchise business model should see two positives from that. With a substantial need for unskilled and low-skilled labor, the labor cost increases will be modest in relation to skilled labor wage increases (absent political intervention). Yet it's the political intervention that should lead to the other positive for franchising. With its substantial ability to create unskilled and low-skilled jobs, along with demonstrated labor training and skills-enhanced upward mobility, the franchise business model *should* be perceived as a powerful part of the solution in addressing economic improvement for workers.

The relatively low August unemployment rate usually leads to wage escalation as a natural result of supply and demand. Yet, while wage escalation is happening in the skilled job categories, the core of middle-income households, it is not happening in the unskilled ranks. Why is that? To try to answer that, let's look at more data.

The 5.1 percent August unemployment rate translates to 8 million people seeking work; while that seems like a lot, in just the past 12 months that number has decreased by 1.5 million. This would lead to a reasonable conclusion that the minimum wage issue, and perhaps other labor issues, may become less of a political issue, at least until we look further.

A key factor in the employment picture is the length of time unemployed. In August, the number of those unemployed for 5 weeks or less decreased by 393,000 to 2.1 million. The number of long-term unemployed (jobless for 27 weeks or more) in August held steady at 2.2 million and accounted for 27.7 percent of the unemployed; over the past 12 months, that number fell by 779,000.

Implications one could draw from these data are that 1) the recently unemployed are finding new jobs at an accelerating pace, and 2) the trend is improving for active job seekers unemployed more than half a year.

It's time to get the data to prove our message is aligned with our actions—and communicate it.

Then there are those who are employed part-time for economic reasons (sometimes referred to as involuntary part-time workers). That number, at 6.5 million, was little changed in August. These individuals—who would have preferred full-time employment—were working part-time because their hours had been cut back or because they were unable to find a full-time job.

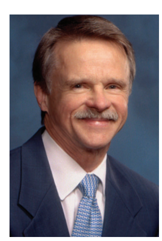
The final unemployment piece of the jobs puzzle is the 1.8 million Americans in August who were "marginally attached" to the labor force. These individuals were not in the labor force, wanted and were available for work, and had looked for a job some time in the previous 12 months; this number also is down from a year earlier, by 329,000. Yet they were not counted by BLS as unemployed because they had not searched for work in the 4 weeks preceding the survey. BLS estimated their number at 624,000 in August, down 151,000 from a year earlier. These "discouraged" workers are not currently looking for work because they believe no jobs are available for them. The remaining 1.2 million marginally attached in August had not searched for work for reasons such as school attendance or family responsibilities.

Let's add up all these numbers and see what they suggest for the political environment and franchising. Eight million people are seeking work today, a trend that has improved significantly in the past year, although it likely will slow down. Within that total are about 2 million unemployed for 5 weeks or less, a large portion of whom should be expected to be employed again soon; plus a similar number of those unemployed for six months or more (2.2 million), which one could assume will have greater challenges finding employment for a variety of reasons. Outside of those 8 million are another 6.5 million part-time workers and 1.8 million marginally attached.

From an employment standpoint, if I assume that a relatively lower percentage of those seeking work for more than six months have less appeal, I still have at least 7 million job seekers. Adding the majority of part-time workers seeking full-time work gets me to an employment pool of at least 13 million people. Categorizing the rest of the long-term unemployed and marginally attached as a reserve pool adds another 3 million or so potential workers.

If this continues to be a long-term issue, why isn't franchising being considered part of the solution?

I think the missing piece here is that we are not collecting the right labor information to prove the very points we know to be true: that franchising 1) creates jobs, 2) trains unskilled workers, and 3) helps low-skilled workers move into the middle class. This reality is quite the opposite of the common perception of franchising being a dead-end, hamburger flipping machine. It's time to get the data to prove our message is aligned with our actions—and communicate it. MUF



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