Multi-Unit Franchisee

ISSUE IV 2017

Dominators!

Six stories of franchisees who mastered their markets

Amin Dhanani operates 270 Popeyes and 26 La Madeleines

ALSO:

- **SOCIAL MEDIA MARKETING**
  How brands are using social media locally to spark increased customer engagement
- **BUYING & SELLING UNITS**
  4 operators share hard-won lessons on finding the right time and right price
- **ANNUAL MSA RANKINGS**
  Franchising's largest U.S. markets and the operators who dominate them

“ARBY’S REMARKABLE RESURGENCE CONTINUES”

-QSR MAGAZINE, 2017

“ARBY’S HAS THE MEATS AND A WINNING FORMULA”

-FORTUNE, 2017

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ISSUE IV, 2017

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*Buildout costs can vary due to several factors. Please refer to our Franchise Disclosure Document for a complete breakdown of costs.

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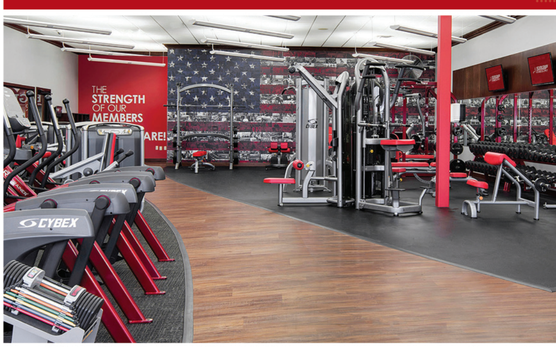




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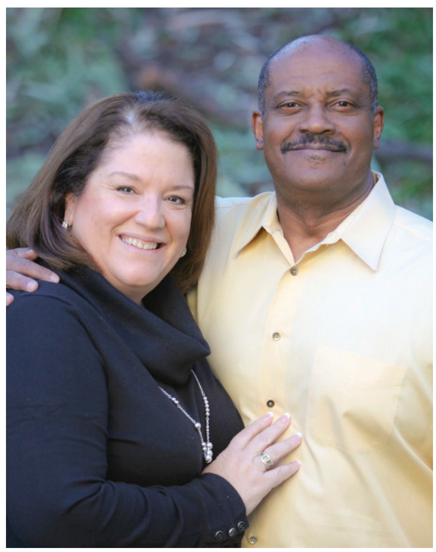
Where Are the Women?

Joey and I are excited to be co-chairing the 2018 Multi-Unit Franchising Conference next April. We take this honor seriously and of course want the 2018 MUFC to be the best yet, so we are doing some homework. When we start to look at numbers I tend to defer to Joey, who lives numbers and enjoys it. This time though, I saw a number that just demanded further explanation.



For the past few years, less than 20 percent of franchisee attendees at the conference were women. How could that be true? There are certainly more women, either in partnership or on their own, being "dominators" in their industry, in their brand, and in their businesses. Why aren't they coming and learning with us? Don't their batteries need to be "recharged" like mine do? Won't they take the time to share their areas of expertise with their peers?

I don't mean this to sound like a lecture. Instead it is a plea. I absolutely understand that work/home balance doesn't always play out the same for women as it does for men. I certainly remember my own daughter calling me while I was out of town on business to report that dad did a terrible job on hair brushing and ponytail holders, so I know it can be hard to travel.

I can also share with you that the same daughters whose ponytails were askew are proud and independent leaders in the workforce today. They are proud of me and help me continue to grow with all the new skills that are still a struggle to a parent of a certain age.

This really isn't about the difference between men and women. It is more about how much our behavior and continuing education affects our team, our people, and the next generation. Let's develop strong leaders in our brands and our businesses. Let them be the reflection of our workforce. Let's help where we can to create a meaningful career ladder.

Bring someone new to the Multi-Unit Franchising Conference. Maybe she will grow into a dominator, or maybe "just" into an incredible innovative leader and partner. I guarantee you will learn something new when you share the experience.

"Success unshared is failure." (John Paul DeJoria)

Cyl & Joey

Cheryl & Joey Robinson
2018 Conference Co-Chairs

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✓CONFERENCES

2018 Multi-Unit Franchising Conference

Planning is well under way for the 2018 Multi-Unit Franchising Conference, to be held April 3–6 at Caesars Palace in Las Vegas. Keynote speakers will be Steve Young, record-setting quarterback for the San Francisco 49ers, and George Will, author, sports fan, and political commentator. Attendees at the 2017 conference enthusiastically told us it was a highly worthwhile experience, filled with educational sessions they were eager to take home for immediate implementation. This annual gathering is a unique, must-attend opportunity for multi-unit franchisees to meet and learn from the best in the business, explore new brands, and soak up invaluable expertise at the panels and sessions—not to mention the many networking opportunities and more than 220 exhibitors with the latest solutions to your current challenges. Stay in touch with developments as the year progresses and keep current at ***www.multiunitfranchisingconference.com***

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✓NEW ONLINE VIDEOS

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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. ***watch.franchising.com/empire-builders/***

✓FRANCHISE OPPORTUNITIES

Looking for your next franchise opportunity?

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

✓RANKINGS

Check out our annual rankings of the top multi-unit franchisees and their brands to find out "who's on first." This issue contains our annual Dominator lists, ranking the largest franchisees by region, as well as by MSAs with the largest number of franchisees. To see our Mega 99 rankings of the largest multi-unit organizations and their most popular brands, go to ***www.franchising.com/multiunitfranchisees/mega99.***html. For our Multi-Unit 50 rankings of brands with the most multi-unit franchisees, go to ***www.franchising.com/multiunitfranchisees/mu50.html.***

✓PUBLICATIONS

"Don't just survive, thrive!"

Franchise Update Media's *2017 Annual Franchise Development Report* and the best-selling book *Grow to Greatness* by top franchise consultant Steve Olson, offer invaluable tips for franchise sales success and unit growth. 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***

✓STILL KICKING

"If you got into business for yourself, you controlled your destiny: how much you could make, how hard you would work, and if you want to kick butt or not."

— Kris Brown, former NFL kicker and Dunkin' Donuts multi-unit franchisee on how post-football life offered him the chance to be his own boss.

"2016 **Restaurant Business Magazine** #2 Consumers' Favorite Chains"

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*Figures reflect 2016 averages for 301 franchised traditional McAlister's Restaurants that were in operation continuously during the period from January 1, 2016 through December 31, 2016 and from whom we received complete and timely financial information for such period, as published in Item 19 of our April 2017 Franchise Disclosure Document. There were an additional (i) 35 franchised traditional McAlister's Restaurants which were not added to the sample because they did operate continuously during the 2016 period, and (ii) 19 franchised express McAlister's Restaurants which were not added to the sample because they are not traditional McAlister's Restaurants. Of the 331 restaurants in the sample, 147 restaurants [or 44%] attained or exceeded the average total net sales. You should review our Franchise Disclosure Document for details about these figures. 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.

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BY EDDY GOLDBERG

Dominating Their Worlds

These multi-unit operators rock and rule!

This issue's six profiles of multi-unit franchisees include immigrants from three different countries (India, Pakistan, and Armenia), all living the American Dream in their own way; a military veteran and former franchisor executive (KFC, Burger King, and Quiznos); a former Arby's CEO who also was president of a 775-unit Arby's franchisee organization; and a retired NFL placekicker who has successfully transitioned to life after football as a franchisee.

Each represents a different path an entrepreneurial-minded person can take to become a multi-unit or multi-brand operator. Between them, the six operate more than 800 units—ranging from a low of just 3 units for our "Under 30" profile to nearly 400 for the largest.

As we've noted before, multi-unit operators are a unique breed, fun to interview, and inspiring to read about. Some control their markets by having a large number of units from different brands, some by operating many units of a single brand, and many are the top-performing operators in their regions. No matter how they do it, they dominate where they operate.

Once a year we devote an issue to these hard-working, successful franchisees. As usual, they're an interesting mix, but the results are similar: a combination of grit, determination, and perseverance has led each to success and domination with their chosen brands and markets. Their stories and the paths they've followed are insightful and revealing. Here are this year's "Dominators"!

• **Amin Dhanani.** From his childhood growing up in Houston, the Pakistani-born Dhanani never considered anything other than going into the family business—the billion-dollar Dhanani Group, a large Burger King franchisee and operator of its own massive convenience store holdings. Today he is president of two companies: one for his 270 Popeyes Louisiana Kitchens, the other for the 26 La Madeleine French Bakery & Cafés he recently acquired.

• **Kamal Singh.** After starting out working as a cashier at McDonald's, Singh, born in India, delivered sub sandwiches, opened his own Lenny's Subs shop, began adding other franchise brands, took over and turned around underperforming KFCs and Taco Bells, and recently bought 34 Sonic restaurants and 10 more KFC/Taco Bells in Houston. All this by just age 31.

• **Clyde Rucker.** A U.S. Army veteran and self-described military brat, Rucker told us he spent years working his way to the top in corporate America and as a franchise executive for one reason: so he could become a successful franchisee. Following stints at KFC, Burger King, and Quiznos, he finally made the move to franchising and now operates 60 Jack in the Box restaurants and 10 Denny's in Arizona and Texas.

• **Tom Garrett.** When we last interviewed him only 2 years ago, Garrett's GPS Hospitality operated 196 Burger Kings. That's grown to 376 Burger Kings, and he's added 19 Popeyes to the mix. Rapid growth and big numbers are nothing new for Garrett, who previously worked at RTM Restaurant Group, which operated 775 Arby's when the company was sold back to the franchisor in 2005 and he moved from president of RTM to COO of the newly formed Arby's Restaurant Group. He left the company in 2010 as CEO before taking another dip into the franchisee pool.

• **Kris Brown.** After kicking his way through 12 seasons in the NFL, Brown is kicking it as a Dunkin' Donuts franchisee. Following his retirement in 2011, Brown partnered with a former teammate and began operating Dunkin' franchises. Today at 40, he is the owner and CEO of the Berliner Group, which has 12 Dunkin' stores, 4 in Kansas City and 8 in Omaha, and is under contract to open 17 stores with the brand.

• **Albert Tadevosyan.** As an MMA fighter in the Northwest, Tadevosyan retired with a professional fight record of 7-1-1. Now, at just 25, this Armenian immigrant owns three Baskin-Robbins stores in Washington, is a State Farm-approved candidate looking to start his own insurance agency, and is a husband and new dad to an 8-month-old daughter. Tadevosyan still remembers growing up poor and vowing to not have any money problems when he got older and was on his own. Welcome to America!

Once again we've teamed up with FRANdata to bring you the 2017 listing of the MSAs with the most franchised units, and the dominant franchisee organizations in each state and region. MUF

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*Figures reflect averages for 188 franchised restaurants that were in operation continuously for 3 or more years and that provided us with complete financial information for the full calendar year of 2016, as published in Item 19 of our April 2017 Franchise Disclosure Document. These averages are based on a 52-week annual period from January 1, 2016 through December 31, 2016. Of these 188 restaurants, 72 Restaurants (or 38%) attained or exceeded the average total Gross Sales and 72 Restaurants (or 38%) attained or exceeded the average EBITDA. 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.

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BY DEBBIE SELINSKY

Dhanani Dynasty II

Youngest son of family business branches out

From his childhood growing up in Houston, Pakistani-born Amin Dhanani watched his father, the late Hassan Ali Dhanani, and family members build The Dhanani Group—a billion-dollar, mega-successful franchisee for Burger King and its own massive convenience store business.

The last of 11 children, Amin Dhanani never really considered anything other than going into the family business. His first job, working on the Whopper line at Burger King, was followed by various stints of working in the family business as a youth. After graduating from Southern Methodist University with a degree in business and accounting, the ambitious young entrepreneur joined the family business "for real" in 2000.

"I spent the first 10 years learning the business and the restaurant industry," he says. "I'd always wanted to be a businessman and run a corporation. So in 2010, I ventured out on my own under the umbrella of The Dhanani Group." He remains a general partner of The Dhanani Group, which owns 510 Burger Kings and 150 convenience stores.

In 2017, the youngest Dhanani is president of two Sugar Land, Texas-based companies: Z&H Foods, Inc., for his 270 Popeyes Louisiana Kitchens (Texas, Arizona, Utah, Colorado, Illinois, Missouri, and Ohio); and the newly formed HZ LM Casual Foods, which includes his acquisition of 26 La Madeleine French Bakery & Cafés (Houston, Austin, and Louisiana).

Now the largest Popeyes franchisee, he continues to think big, aiming for 1,000 total units in the next five years or so, and/or owning his own brand under The Dhanani Group umbrella. Based on his track record—both acquiring and building restaurants—it could well happen.

Dhanani, a husband and father of two, says he chose both his brands with his pas-

NAME: Amin Dhanani

TITLE: President

COMPANY: ZNH Foods, HZ LM Casual Foods

NO. OF UNITS: 270 Popeyes Louisiana Kitchen, 26 La Madeleine French Bakery & Café

AGE: 40

FAMILY: Married with two children

YEARS IN FRANCHISING: 25

YEARS IN CURRENT POSITION: 7

"It's great to delegate some things, but if you want to grow, you've got to be hands-on."

PERSONAL

First job: Working on the Whopper line in Burger King.

Formative influences/events: Ever since I was a kid, my whole family—my older brothers and my father—have operated our businesses. I'm the 11th child, so I wanted to eventually carve out my own place. I'm a big sports fan, so I like to use the analogy that if you're six-foot-five or seven-feet-two you can probably get to the NBA, but how well you do there is based on how hard you want to work. I feel I had an opportunity from my family and availed that to the max. I had the financial; I wanted to see where I could take myself.

Key accomplishments: Becoming the largest franchisee in the Popeyes system in five years. I bought my first two in 2010, and in 2012 I made a large, 49-store acquisition. That put us on the map. I've had many acquisitions, about 30 a year, but I've also built 60 or 70 restaurants, which is a great learning experience.

Biggest current challenge: It continues to be hiring great leaders for my infrastructure.

Next big goal: I'd like to get to 1,000 stores in the next five years and/or own my own brand.

First turning point in your career: Buying my first Popeyes in my hometown of Houston. It was the most exciting thing. I finally felt contentment doing it on my own.

Best business decision: To learn the QSR business from the ground up in the stores.

Hardest lesson learned: Probably learning how to balance life with work and family. It's definitely tough when I look at what I want to do during a day: work, family, prayer, workout, personal time. It was really tough earlier on. Today, I'm in a better place because I have my infrastructure set up and everything is working well.

Work week: About 55 to 60 hours. I try to keep weekends free to do things with my family, but I'll still do a mystery shop at a store on the way to a game or a lunch.

Exercise/workout: I try to work out three times a week. I run, do cardio, and play basketball. I also love to watch basketball and football.

Best advice you ever got: From my father, who died in 2016. He always said, "Work from your heart and passion, and success will follow. But always stay humble."

What's your passion in business? I love opening new stores from scratch.

How do you balance life and work? I spend lots of time with my wife and kids when I'm not working. I try to attend many of my kids' games and school activities. They're always busy.

Guilty pleasure: Great food! I love to eat Indian food, desserts, Chinese, burgers, and Popeyes chicken, which I can only eat every two weeks. I've got to stay in shape.

Favorite book: I always liked *To Kill a Mockingbird* by Harper Lee.

Favorite movie: "Rocky" with Sylvester Stallone.

What do most people not know about you? That I have more of a sense of humor than they know.

Pet peeve: Lying and laziness.

What did you want to be when you grew up? I always wanted to be CEO of a large corporation.

Last vacation: We went to Laguna, California, for my nephew's destination wedding. I love California. The weather is great year-round. My dream is to have a house in California in the hills or in Malibu on the water.

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

MANAGEMENT

Business philosophy: Work hard and smart and always treat your people with respect.

Management method or style: I have a very hands-on approach. I know many managers by name and they can always contact me at any time.

Greatest challenge: Finding and hiring passionate people.

How do others describe you? I think they'd say I'm strict at work, disciplined, and, hopefully, hard-working.

One thing I'm looking to do better: I'm trying to be more caring and responsive to the needs of others.

How I give my team room to innovate and experiment: I let them run their own show and hold their own people accountable. I give them the freedom to be innovative but still expect strong numbers.

How close are you to operations? I'm very close to operations on a daily basis. I talk to my VPs and directors every day.

What are the two most important things you rely on from your franchisor? We need great marketing and operations coaching support at the store level with the managers.

What I need from vendors: Good pricing and on-time deliveries.

Have you changed your marketing strategy in response to the economy? How? Yes. I have not raised my prices in the past two years and have asked my people to step up service to the guests.

How is social media affecting your business? Social media and the Millennials are changing a lot about the way we do business. During the second half of this year, we'll be doing more social media in many markets with Popeyes.

How do you hire and fire? We use our company core values to recruit sion—as his late father advised—as well as his business acumen. "I've eaten at both Popeyes and La Madeleine for years and I love the food!" he says. Acquiring his 26 La Madeleines in August, along with securing the development rights for another 57 in Houston, Austin, Louisiana, and other states, added a fast casual brand to his large QSR brand holdings.

The deal came a month after La Madeleine announced plans for rapid growth, refranchising entire existing markets to strong multi-unit operators of other brands. With Dhanani's deal, La Madeleine has successfully completed the first phase of its refranchising program.

"My family and I have been guests at La Madeleine for years, and it's easy to see today that the brand is strong and cultivates a loyal following with industry-leading AUVs," says Dhanani. "I have no doubt that La Madeleine is ripe for expansion, and we look forward to growing with them."

When he's not working, Dhanani enjoys spending time with his family—his daughter is into volleyball and swimming and his son plays basketball and football—and pursuing his own love of sports. A huge Houston Rockets fan, he can also be found every Sunday during NFL season in front of his TV with his pals.

In the future, he'd like to carve out time to give back to the community. "I'd like to help those who are less fortunate in the community and the world," he says. His organization is currently working on a scholarship program to benefit employees and their children.

His best advice for would-be franchisees? "The restaurant business is a great one that will always be there, so consider that when you're looking," he says. "If you want to grow, you'll need to be hands-on in your business. Don't just leave somebody else to run it. It's great to delegate some things, but if you want to grow, you've got to be hands-on." MUF

MANAGEMENT, *continued*

talent. We find that word of mouth is important. If you treat your employees well, it's a small world out there, and those working for other brands will hear about it. As for firing, I believe in second chances. Anybody can mess up once. But if it happens again, we'll move on.

How do you train and retain? We supply internal training classes and more support to our managers at all levels. We also offer great incentives to them such as a bonus program, vacation pay, and monthly allowances. All these help to retain good people.

How do you deal with problem employees? I try to see if they have any personal issues that are affecting their work and help them through those.

Fastest way into my doghouse: By lying and being lazy!

BOTTOM LINE

Annual revenue: $500 million.

2018 goals: To raise sales by 4 percent and profitability too.

Growth meter: How do you measure your growth? By sales and traffic counts from the year before. Organic growth helps to get our top line numbers up.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, I would like to double my current revenues and store count. In 10 years, I would like to semi-retire out in California and only work a couple of hours to check my daily numbers.

How is the economy in your regions affecting you, your employees, your customers? Customers are still looking for discounts, which hurts the gross profits of the business.

Are you experiencing economic growth in your market? Yes, in some markets such as Texas and Colorado.

How do changes in the economy affect the way you do business? When the economy gets worse, customers are looking for more discount deals. That can affect my bottom line and sales too.

How do you forecast for your business? We budget every quarter and at the end of the year for the following year.

What are the best sources for capital expansion? Great relationships with various lenders.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I haven't worked with private equity groups, but we use local and national banks all the time.

What are you doing to take care of your employees? I offer vacation pay and a few forms of bonuses and annual merits.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? I'm trying to make strategic and cost-effective decisions and am basically growing the top line to cover the difference.

How do you reward/recognize top-performing employees? We reward them at the yearly meetings in front of their peers, and some of them get a paid vacation for two from the company to a great destination.

What kind of exit strategy do you have in place? None. I'm not a seller. I like to buy!

BY KERRY PIPES

Sonic Boom

Kamal Singh adds punch to his portfolio

Kamal Singh worked as a cashier at McDonald's, delivered sub sandwiches, opened his own Lenny's Subs shop, began adding other franchise brands, took over and turned around underperforming KFCs and Taco Bells, and recently bought 34 Sonic restaurants and 10 more KFC/Taco Bells in Houston. All this by just age 31.

Born in India, Singh emigrated to the U.S. with his family in 1999 when he was 14. He went on to earn an accounting degree from the University of Houston before moving into a career in the restaurant business.

"Through a commitment to excellence in operations, culture, results, assets, and strong relationships, we've found a formula for success with our brand partners and stakeholders," says Singh, president of Emerge Group, which now oversees 60 franchise locations, with more on the horizon.

Early in his career Singh became something of a specialist at running a tight ship and buying poor-performing locations and turning them into solid producers. When he got the chance to tackle some distressed KFC/Taco Bell stores in Texas and Louisiana, he didn't hesitate. He says he liked taking on challenges and moving up to the big leagues of restaurant franchises. "I learned how to increase performance levels at smaller restaurants and I now do that with larger ones," he says. Including the 10 KFC and Taco Bell locations he just purchased, he now has a total of 26.

His history of success has allowed him greater access to the kind of capital he needs to grow. The timing of Sonic's refranchising initiative was perfect for Singh, allowing him the opportunity to take on 34 Sonic locations in the Houston area. "Sonic has great numbers," he says. "The product and legacy are there." And he has plans to build 20 more Sonic restaurants in the area. "I think there is room for those additional locations. Houston is a fast- growing area."

For a man who had just seven units two years ago and now operates 60, the future is bright. MUF

NAME: Kamal Singh

TITLE: President

COMPANY: Emerge Group

NO. OF UNITS: 34 Sonic Drive-In, 13 KFC, 13 KFC/Taco Bell

AGE: 31

FAMILY: Wife Sonali, married 5½ years; sons Aryavir and Shaurya Vir

YEARS IN FRANCHISING: 8

YEARS IN CURRENT POSITION: 8

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"I don't believe in management, but in leadership. I want to inspire our teams to achieve greatness within themselves."

PERSONAL

First job: Cashier at McDonald's.

Formative influences/events: My father-in-law taught me the ropes of business. I can always go to him if I ever need any advice.

Key accomplishments: I broke into the QSR industry in 2015 with seven units. Since then, Emerge Group has grown to 60 units in less than two years.

Biggest current challenge: Continuing to expand in a very competitive QSR industry.

Next big goal: To grow my brands through acquisition and new unit development.

First turning point in your career: Leaving an accounting position and buying my first restaurant in 2009.

Best business decision: Going into the restaurant business.

Hardest lesson learned: I've always been very hands-on with my employees throughout my career. I've learned to back off a bit and trust my teams to execute.

Work week: I spend a typical work week in team meetings, on conference calls, and a couple of days making restaurant visits. I usually take off early on Saturdays and spend Sundays with my family.

Exercise/workout: When time permits, my preferred workout is a two- to three-mile jog.

Best advice you ever got: After many years of trying to break into the top-tier brands, I was coached by a multi-unit franchisee who advised me to "get a seat at the table."

What's your passion in business? I'm passionate about growing the organization and the people within it.

How do you balance life and work? When I'm home, I "switch off" from work and give my full attention to my family.

Guilty pleasure: My wife's home-cooked dinners. She is a fantastic cook.

Favorite book: *It's Your Ship: Management Techniques from the Best Damn Ship in the Navy* by Michael Abrashoff.

Favorite movie: "The Pursuit of Happyness."

What do most people not know about you? When I left my accounting job in 2009, I used my college savings to buy a sandwich restaurant that was going into bankruptcy.

Pet peeve: Inefficient time management and non-urgency.

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

Last vacation: Last summer I traveled to Cancun.

Person I'd most like to have lunch with: Steve Jobs. His passion for innovation and excellence has always inspired me.

MANAGEMENT

Business philosophy: Today's QSR industry delivers a highly competitive environment. Therefore, I ensure a competitive advantage by continually improving operations and generating breakthrough ideas that develop people, processes, and profits.

Management method or style: I don't believe in management, but in leadership. I want to inspire our teams to achieve greatness within themselves and within their teams. Our restaurant leaders are given a path to which they can always look for further growth. We know that if we provide a growth path to self-actualization and professional development, we will achieve future success and growth in our organization.

Greatest challenge: Some may say the youth of our organization, but I find it one of our greatest strengths. They bring new energy, an innovative mindset, and competitive spirit to the brands to achieve breakthrough results.

How do others describe you? A passionate leader who is relentless about excellence and growth, but who also knows how to stop and recognize achievements and reward genuine hard work.

One thing I'm looking to do better: Continual development/improvement from the core of all our leaders, from junior management to our executive team. We look to the industry for best practices to evolve and better execute the brand vision and guest experience.

How I give my team room to innovate and experiment: I leverage all our leaders' abilities and experiences. We have an ear to the ground in our restaurants, always looking to learn from all levels within our units. We empower our higher-level leaders through delegation. Additionally, we provide them with the opportunity to own key components of our organization.

How close are you to operations? Operations is the heart of the business and the key to growing our organization. It's great to spend time in the restaurants driving more thoughtful conversation for desired results. Training

"As a growing organization, we must adapt to any changes and move the business forward. We focus on what we can control."

MANAGEMENT, *continued*

events also allow us to maintain knowledge of brand rollouts and initiatives.

What are the two most important things you rely on from your franchisor? Growth opportunities and a strong brand vision that provides evolutionary enhancements in operations and marketing.

What I need from vendors: Integrity and partnership.

Have you changed your marketing strategy in response to the economy? How? We strongly believe in supporting the national marketing strategy. We also believe in a strong, community-focused local store marketing approach as an integral part of developing customer loyalty within the neighborhoods and trade areas we serve.

How is social media affecting your business? Our brands take the lead in this aspect through national marketing. We have an internal social media tool called Yammer that we use to share wins, culture heroes, and the fun our teams have at the restaurants.

How do you hire and fire? I pursue talent who share our genuine belief in people and growth while focusing on providing a great guest experience. Accountability is essential to maintaining profit and limiting liability. We strongly enforce our policies and procedures.

How do you train and retain? Training is asymmetrical for us because people learn in different ways. We find the key component to training is having validation processes in which we test knowledge and identify gaps to improve operations. We retain employees by providing a clear path of growth and sharing the success of others and the organization itself.

How do you deal with problem employees? I explore the issue, analyze the root cause, respond with an action plan (coaching and/or acceptance), and follow up with the resolution.

Fastest way into my doghouse: Have a fixed mindset versus a growth mindset.

BOTTOM LINE

Annual revenue: $70 million.

2018 goals: Continue to grow my businesses.

How do you measure your growth? Through people capability and top-line revenue.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, to be a brand leader in all metrics and unit count with our brands. In 10 years, to become a top 10 franchisee organization in unit count domestically.

How is the economy in your regions affecting you, your employees, your customers? Fortunately, the brands we are involved with have done well in the last couple of years. With the robust growth, we can offer growth opportunities to our employees.

Are you experiencing economic growth in your market? Sales for our organization are up YTD.

How do changes in the economy affect the way you do business? As a growing organization, we must adapt to any changes and move the business forward. We focus on what we can control.

How do you forecast for your business? Each brand has its consumer segment or approach to sales forecasts. We leverage the tools, historical data, and best-demonstrated practices provided by our brand partners to best prepare for sales growth or swings.

What are the best sources for capital expansion? In our case, it is self-funded capital.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have great relationships with the lender community. We have used national banks to fund our growth. With our proven track record in the QSR industry, capital has been easy to find.

What are you doing to take care of your employees? Make recognition of paramount importance by consistently and frequently showing appreciation through bonus compensation, rewards, or growth opportunities.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We analyze the price sensitivity of all our menus and increase prices from time to time. We also work to reduce turnover and increase labor efficiency through improved processes and leadership development.

How do you reward/recognize top-performing employees? We have a great culture of recognition within our organization. I lead by example by consistently recognizing top-performing supervisors and regional general managers at our weekly and quarterly meetings.

What kind of exit strategy do you have in place? At this point in my career, I don't have an exit strategy. I am fully focused on building a world-class organization.

BY DEBBIE SELINSKY

A Blue-Chip Kind of Guy

Nothing but the best for Clyde Rucker

Clyde Rucker, a U.S. Army veteran and self-described military brat, said he spent years working his way to the top in corporate America and as a franchise executive for one reason: so he could become a successful franchisee.

After serving in the Army, where he achieved the rank of Captain in the Inactive Ready Reserve, Rucker was recruited by Ford Motor Co. as a zone manager. From there, he accepted a position at KFC back when it was still part of PepsiCo. Following that, he spent more than a dozen years as a senior executive at Burger King. When the company went public, Rucker went to work with former Burger King Chairman/CEO Greg Brenneman at Quiznos, where he became executive vice president and then president of international.

Rucker has no complaints about his work on the franchisor side. In fact, he says, "I loved it." But the fun really began in 2010, when the husband and father of five formed Rucker Restaurant Holdings in Phoenix.

"I was just waiting for the right opportunity to become a franchisee for a real blue-chip brand," he recalls. "Working for a franchisor was an intermediate goal to gain a lot of learning, as well as to excel in a corporate environment. I enjoyed it tremendously and what it did, both directly and indirectly, was give me the opportunity to understand the true definition of a good franchisee and a good business model."

Working in corporate franchise leadership, he says, enabled him to demonstrate the leadership and managerial skills he'd acquired in the military, which were directly transferable to business. "I further enhanced and balanced that with my soft skills," he adds.

The University of Colorado graduate says he also worked with some of the best franchisees in the business. "There were some difficulties, but I learned from both franchisor and franchisees about the type of franchisee I'd like to be."

When the time came to choose his first brand as a franchisee, Rucker went with Jack in the Box. "There are a lot of brands you can go out there and work with, but there are certain brands that you aspire to be part of, brands that define who you are. If you have a certain passion for a brand, it makes you a better franchisee for it," he says. In January 2011, after a year of training, he closed on his first 10 Jack in the Box restaurants. He now has 60, in Arizona and Texas.

"What I liked about Jack in the Box was the tremendous core equities, the menu variety, the franchisee-franchisor relationship, and the tenure of the leadership team and franchisees. It is a complex thing, being a 24-hour brand and serving every menu item 24 hours. That's hard to replicate," he says. "I'd eaten there for years (my favorite is the Sourdough Jack) and the food quality is phenomenal. I see it as a power brand that has a tremendous amount of untapped potential even though it's over 60 years old. The brand has upside and a bright future ahead."

Rucker then entered a period of hyper-growth. "You can't grow without having a great plan and great people! So we developed a core team that continues to develop. We've all been able to play off each other as we've developed our teams. Growing to

NAME: Clyde Rucker

TITLE: CEO

COMPANY: Rucker Restaurant Holdings

NO. OF UNITS: 60 Jack in the Box, 10 Denny's

AGE: 54

FAMILY: Wife Jessica; sons Darren, Nathan, Dominic, Nico, and Donny

YEARS IN FRANCHISING: 7

YEARS IN CURRENT POSITION: 7

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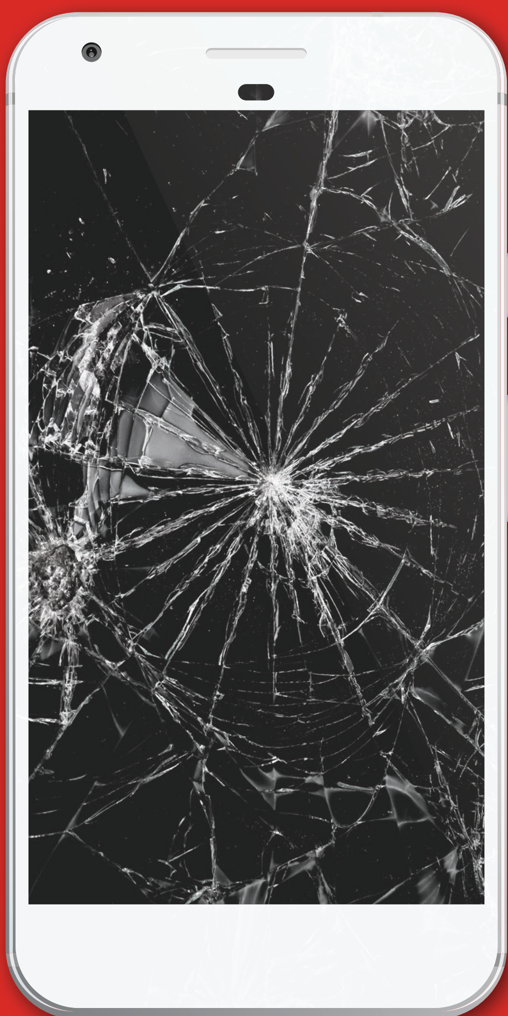

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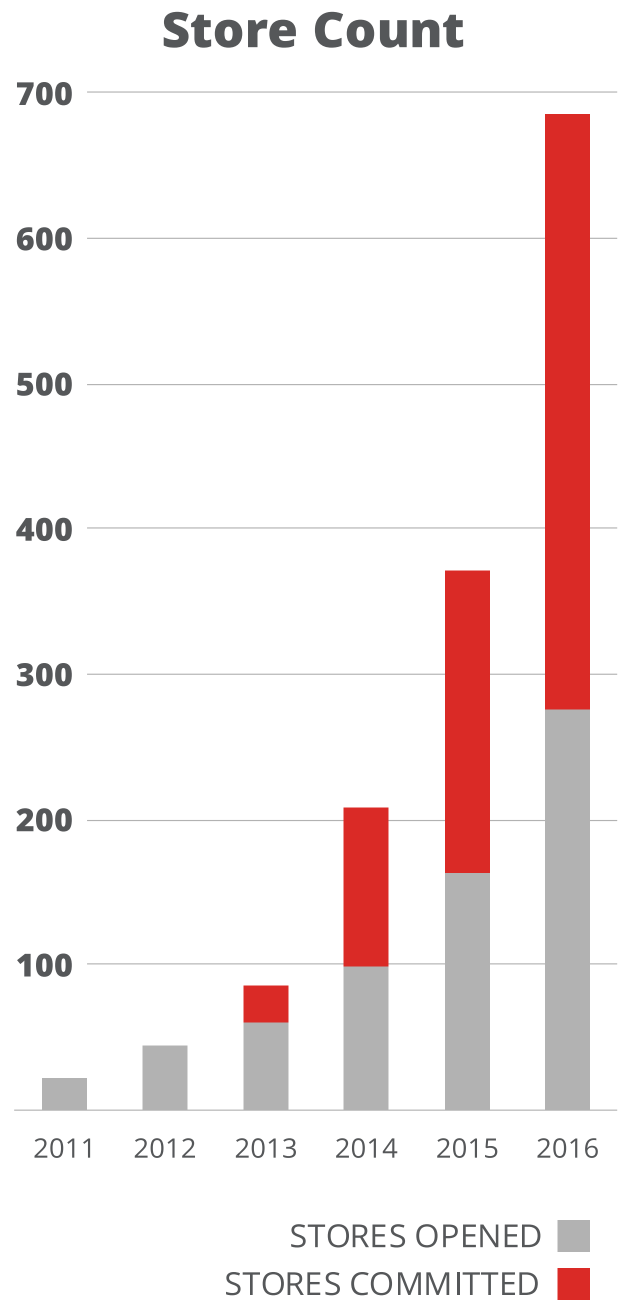

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> "Each of the leaders has the ability to share and own an initiative that could find its way to becoming a 'blue chip' for the entire enterprise."

PERSONAL

First job: Dishwasher at the Officer's Club on Lowry Air Force Base, Denver.

Formative influences/events: My parents were a major influence in my life. My father is a retired U.S. Army Command Sergeant Major and my mother was a homemaker, and they modeled parenthood outstandingly. Both were extremely involved with my siblings and me on a day-to-day basis to ensure that we all stayed on track.

Key accomplishments: Receiving a BA from the University of Colorado-Boulder, and an MS degree at Central Michigan University. Being an Army ROTC graduate achieving the rank of captain. I also had a 20-plus year career on the corporate side of the restaurant industry, where I ascended to executive team level.

Biggest current challenge: Increasing performance at all levels and striving to maintain a competitive edge at all levels.

Next big goal: The next acquisition!

First turning point in your career: Becoming a franchisee! This was a complete transformation along with "hyper growth" (from 10 to 70 units in seven years), so we developed an infrastructure that is able to grow at the pace needed for success to continue.

Best business decision: Becoming a Jack in the Box and Denny's franchisee! They are both "blue chip brands" that have many core equities you can continue to build on for the long term.

Work week: I am in the markets where we have restaurants every day unless I am at brand-associated meetings. The week will probably make up 80 to 90 hours. But I'm having lots of fun doing it!

Exercise/workout: I'm an exercise enthusiast. I run 4-plus miles every day except Saturday and Sunday and couple that with weight training. I have been able to maintain this for quite some time now. It gives me the energy needed for our business.

Best advice you ever got: "To stay the course." Be tenacious and never let up! Continue to drive for results with unwavering discipline.

What's your passion in business? People! This is the root of our success. We have to take care of our people while also getting them to look out of the same lens. We must all have a common view of the opportunity.

How do you balance life and work? The good news is that I have a family that really understands this business and its demands. So even when we are vacationing, I'm never completely disconnected. I'm still having fun vacationing and able to be in touch with the business.

Guilty pleasure: Chocolate cake, brownies, and chocolate-chip cookies.

Favorite book: *My American Journey* by Colin Powell.

Favorite movie: "Hacksaw Ridge."

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

Pet peeve: Leaving things unfinished.

What did you want to be when you grew up? An Army General.

Last vacation: Breckenridge, Colo.

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

MANAGEMENT

Business philosophy: "No task is too difficult. No sacrifice is too great."

Management method or style: I have a democratic style, but one that fosters decision processes that are streamlined.

Greatest challenge: Getting to the point where our organization is truly the employer of choice in the markets where we do business.

How do others describe you? A person with high integrity who cares about people, a growth driver, open to feedback, and collaborative.

One thing I'm looking to do better: I want to constantly improve at all levels/aspects of our business.

How I give my team room to innovate and experiment: As we have our leadership calls and on-site meetings, we openly share best practices and discuss ways to improve throughout the enterprise. Each of the leaders has the ability to share and own an initiative that could find its way to becoming a "blue chip" for the entire enterprise.

How close are you to operations? Extremely close! Operations is the heartbeat of our business. We scorecard it and discuss it on a daily/weekly basis.

What are the two most important things you rely on from your franchisor? Strategic foresight with focus on trends and brand stewardship. Understanding the franchise P&L, EBITDA, capex, etc.

What I need from vendors: Outstanding products and service with "thought leadership" 2 to 5 years out.

Have you changed your marketing strategy in response to the economy? How? My marketing strategy is about executing in a differentiated way within the four walls of the restaurant. That's my controllable.

How is social media affecting your business? It is becoming an integral part of life for my consumer base. This is the way they want to hear about what's going on in our business. We must invest in it and use it.

How do you hire and fire? We do our best to grow from within, seeking out the best performers and stretching them into roles where they can succeed, benefit themselves, their families, and our organization. Separately, we are a performance-driven company that focuses on results and accountability.


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60 restaurants was a team effort. I'm the franchisee but I say 'we' because it takes a team," he says, adding that Jack in the Box also has a healthy base of franchisees with tremendous institutional knowledge that is openly shared throughout the franchise community.

While considering a second brand, Rucker had his eye on another blue-chip franchise, Denny's. His opportunity came earlier this year when he acquired seven Denny's restaurants in Houston. "I wanted to choose a blue-chip brand with great legacy and dynamic consumer appeal, but also one with a promising future. And Denny's is a great franchisor that really values its franchisees. They focus on the consumer, have tremendous innovation and brand positioning, and they compete very well."

Rucker says Denny's, which is in the family dining category, works well with his QSR brand Jack in the Box. "Family dining is a steady category. Consumers want to have a great place to take the family for breakfast, lunch, dinner, or even late night," he says. "Having an understanding of the 24-hour business model where you sell every product every hour is the same way that Denny's works. It's just a different category and execution. The similarities between the two have also helped us develop opportunities for our teams on both sides, which means opportunities for internal career growth."

Known for his energy and discipline, Rucker believes flawless execution is key to maintaining strong results—along with a robust capital structure and high standards within an organization. "As a franchisee, you need to lead with impact, grow a consistent and team-focused culture, and maintain a positive tone, especially during high-growth periods."

He understands his role as a franchisee to mean operating well and developing his two brands. At this point, he plans to grow both organically and to pursue smart acquisitions—and execute operations at the level, he says, "that the franchisor expects and that you expect of yourself."

Rucker attributes much of his success as a franchisee to his team and employees. He acknowledges it can be a challenge to find great people, but says it's not insurmountable. "You have to have a good culture. Because we've been in hyper-growth mode, we are continuing to work to improve on the basics of our culture. We're doing things like providing performance equity plans, which gives key people a chance to look out of the same lens as you as a franchisee," he says, adding that a key aspect of his philosophy is doing more for employees than the law requires.

"What makes this all so great is that you have a team of people working together with a common view of what success is," says Rucker. MUF

BOTTOM LINE

Annual revenue: Just shy of $100 million.

2018 goals: To acquire additional restaurants and continue to improve the existing base through operations and remodels in both the Jack in the Box and Denny's brands.

Growth meter: How do you measure your growth? Through revenue, operating metrics, facility image, and brand relevance.

Vision meter: Where do you want to be in 5 years? 10 years? I haven't set that goal. I'm focused on smart growth and developing a great team. We will see where that takes us in 5 to 10 years.

How is the economy in your regions affecting you, your employees, your customers? It is extremely robust in the market where we have presence. This also presents a challenge when it comes to competing for the best employees. Additionally, we compete heavily for our share as it relates to QSR and family dining restaurants.

Are you experiencing economic growth in your market? Yes, the unemployment rate continues to decline and consumers are spending. But we all have our challenges when it comes to driving traffic to our respective restaurants. It's imperative for the franchisor to continue revisiting the brand strategy for any possible tweaks or improvements and, as a franchisee, we will improve our controllables.

How do you forecast for your business? Best sources are cash flow, cash on balance sheet, and senior debt (leveraging conservatively).

What are the best sources for capital expansion? Whenever possible, always reinvest in your business; the best source for expansion is the cash on your balance sheet. You've got to deploy that in the right way. It's also smart to conservatively leverage the business while continuing to use senior debt to help you grow or remodel.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I do have experience with private equity, but I think it's important to pick a good institutional partner with a great investment philosophy that works for both of you. Right now, we're working with BofA as our lender. They're a great lender!

What are you doing to take care of your employees? We put together retention plans for employees that will maintain continuity leadership at the restaurant level. It's important to do what you say you'll do when it comes to employees in terms of providing competitive salaries, wages, benefits, and bonus programs. Be consistent in what you're communicating as it relates to the employee programs that are going to be in place. Make goals and objectives achievable. That's a good way to develop a long-term relationship with your team.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? It's challenging, but I'd say it's not impossible to do. Hopefully it's not something we are doing because it has become a requirement. We want to get ahead of the requirements by doing it because it's the right thing to do for our employees. It also gives you a competitive edge, being able to have the foresight to take care of your employees. If you go beyond the requirements, you can get the best people. If you get a reputation for going beyond what the law says you must do, you have a good chance of becoming an employer of choice. That's what we want to be!

How do you reward/recognize top-performing employees? Through the incentives we provide, quarterly contests, and annual contests. We like to tie some things to the holiday time frame, giving people a chance to earn extra dollars along with their regular bonus, to have additional funds for their families during the holidays. We also do ongoing things—baseball and football tickets, basketball tickets, iPads. We provide opportunities for employees to achieve certain service goals or other operating metric goals.

What kind of exit strategy do you have in place? I am actually passionate about the business and am having a blast at it. And everything I do when it comes to this business makes good commercial sense. With that said, I have no exit strategy in place. Let's keep growing!

BY KERRY PIPES

Doubling Down, Doubling Up

Tom Garrett returns to franchising with a bang

To say Tom Garrett has been a busy man since we last profiled him in 2015 would be a gross understatement. When we first met up with Garrett, his Atlanta-based GPS Hospitality company was operating 196 Burger King locations. The industry veteran had become a franchisee of the brand during a refranchising push in 2012. During the past two years he has grown GPS to 376 Burger Kings and added 19 Popeyes to the mix. But fast growth and big numbers are nothing new for Garrett.

Garrett previously worked at RTM Restaurant Group, which operated 775 Arby's when the company was sold back to the franchisor, Triarc Companies, in 2005. At that point, he moved from president of RTM to COO of the newly formed Arby's Restaurant Group, a wholly owned subsidiary of Triarc. He left the company in 2010, as CEO. "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," he told us in 2015.

The call of the multi-unit operator brought him back to life on the franchisee side. GPS Hospitality was formed in October 2012 with the acquisition of 42 Burger Kings in Atlanta. That was just the beginning. The acquisitions and store openings kept adding up, and last year he hit the mother lode. In December 2016, GPS Hospitality acquired 194 Burger Kings in Alabama, Arkansas, Florida, Louisiana, and Mississippi.

"Since 2015, we have continued to grow through acquisition of Burger King restaurants, including our largest acquisition to date, which allowed us to almost double in size and put us firmly among the top three largest Burger King franchisees in the United States," he says.

But there was even more to the business plan in 2016. It began when Garrett's

NAME: Tom Garrett

TITLE: Founder/CEO

COMPANY: GPS Hospitality

NO. OF UNITS: 376 Burger King, 19 Popeyes Louisiana Kitchen

AGE: 55

FAMILY: Wife Mary Frances, 35 years; daughters Kaitlyn 15, Sarah 11

YEARS IN FRANCHISING: 35

YEARS IN CURRENT POSITION: 5

PERSONAL

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

Formative influences/events: Joined RTM Restaurant Group as an assistant manager for Arby's in Gadsden, Alabama 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 at RTM.

Key accomplishments: Rapid, successful growth of GPS Hospitality.

Biggest current challenge: Managing our growth.

Next big goal: 650 restaurants and $1 billion in sales.

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

Best business decision: Starting GPS Hospitality and assembling a team of top performers.

Hardest lesson learned: Staying in a bad investment too long. I don't like to quit.

Work week: Every day starts after I take my daughter to school and ends when it ends. I do try to focus on my family and my 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? We encourage everyone on our team to make family activities, soccer games, and ballet recitals a priority, and I am sure to set the example.

Guilty pleasure: Purchased a new Ranger Bass Boat this year.

Favorite book: *The Bible.*

Favorite movie: "Jerry Maguire."

What do most people not know about you? I like to cook.

Pet peeve: Lack of a sense of urgency.

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

Last vacation: Took the family to see Wimbledon this summer.

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

company acquired 7 Popeyes in Georgia. "Aligned with similar core values, we saw Popeyes as a highly recognizable brand for guests, as well as an organization that has solid plans to sustain the momentum they've achieved over the past few years. This year, we purchased 11 more restaurants," he says.

Garrett likes to take care of his business and his employees. "From the beginning, we've remained committed to investing in both our people and our facilities," he says. "In 2016, we remodeled 19 and built eight new Burger King restaurants. We're on track to remodel more than 40 and build 10 new locations this year."

GPS Hospitality is on a path to reach $1 billion in revenue during its first 10 years, says Garrett, who has named the goal "Journey to 1 Billion."

"To help us reach that goal, we decided to hire industry veteran Michael Lippert as our chief operating officer. He brings more than 30 years of QSR experience and a shared vision for growth and development of a world-class team," he says.

There's no telling where Garrett's GPS Hospitality will be in another 2 years. He says his next big goal is 650 restaurants and $1 billion in sales.

MANAGEMENT

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

Management method or style: 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, even-keeled, 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? 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 fit our strategy.

What are the two most important things you rely on from your franchisor? 1) Brand integrity (compliance), and 2) brand relevance (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? We focus on improving operations, which helps create value for our guests.

How is social media affecting your business? The Popeyes and Burger King brands are part of pop culture, making them very relevant within social media. We use social media to raise the awareness of GPS Hospitality and recognize our people for their accomplishments.

How do you hire and fire? We apply our values (Goal Focused, People Oriented, Service Obsessed) to all people decisions, including hiring and firing. 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: Lack of effort.

BOTTOM LINE

Annual revenue: NA.

2018 goals: $600 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 it "Journey to 1 Billion"—reaching $1 billion in sales within our first 10 years.

How is the economy in your regions affecting you, your employees, your customers? Improving. GPS operates 395 restaurants in 11 states: Alabama, Arkansas, Florida, Georgia, Louisiana, Michigan, Maryland, Mississippi, New Jersey, Pennsylvania, and West Virginia.

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 low inflation are improving the outlook for GPS Hospitality.

How do you forecast for your business? We have a five-year outlook, a one-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.

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


Entrepreneur
FRANCHISE 500 RANKED 2017
$1,110,530
AUV[Δ]
$67 Billion
Pet Industry Size
26.2%
Comp Sales Growth[◊]
120+
In Development
No Inventory
Simple Operations
Recurring Revenue
Recession Resistant
Major Markets Available
Multi-Unit Opportunities
Alex Samios
Vice President, Franchise Development
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BY KERRY PIPES

From Football to Donuts

Former NFL kicker scores big in franchising

Kris Brown kicked his way through 12 seasons in the NFL. The former University of Nebraska standout and two-time National Champion was drafted by the Pittsburgh Steelers in 1999. In his first six years in the NFL, he converted 132 of 173 field goals and scored 573 points. His career included stints with the Pittsburgh Steelers, Houston Texans, and San Diego Chargers.

Following his retirement from the NFL in 2011, Brown partnered with a former Houston teammate and began opening Dunkin' Donuts franchises. Today at 40, Brown is in charge as the owner and CEO of the Berliner Group, which has 12 Dunkin' stores, four in Kansas City and eight in Omaha. He holds the territory rights to the two markets and is under contract to open 17 stores with the brand.

The transition from sports to franchising was a natural for Brown. "There are a lot of qualities you must have to succeed as an athlete," he says. "You have to know how to work and work hard, but running a franchise is really about following the operations manual, which tells you, 'This is how to run the business.'"

Brown is quick to point out other connections between sports and franchising. "Working on sports teams and running a franchise are similar," he says. "You are bringing a group of people together, setting a vision, and setting goals." He says the structured nature of the NFL translates easily into being a successful franchisee by following the structure the franchisor provides. "It's already given to you, and that's a fit with a lot of professional athletes."

Employees, just like teammates, are crucial to any organization's success and Brown understands the challenges of finding and keeping good ones. "What makes people get up and go to work at 5 a.m.? It's because we want to energize and reward

NAME: Kris Brown

TITLE: Owner/CEO

COMPANY: Berliner Group

NO. OF UNITS: 12 Dunkin' Donuts

AGE: 40

FAMILY: Wife Amy, 18 years; son Kolby 13, daughter Carly Bea 11, son Burke 9

YEARS IN FRANCHISING: 5

YEARS IN CURRENT POSITION: 3

our guests and our team and our community. It's about defining those things and getting into alignment so people have a deeper appreciation and understanding for what we do," he says.

Life after football was not a scary proposition for Brown, who says he was drawn to the idea of being his own boss. "If you got into business for yourself, you controlled your destiny: how much you could make, how hard you would work, and if you want to kick butt or not."

Brown, who used to kick footballs, now is doing just that as a multi-unit franchisee. MUF

MANAGEMENT

Business philosophy: Communicate our mission and vision every day. Hire people who possess our core values.

Management method or style: Servant leadership. My job is to serve our team in whatever capacity they need to do their job.

Greatest challenge: Finding and retaining great talent.

How do others describe you? Energetic, serious, and compassionate.

One thing I'm looking to do better: Communicate our mission, vision, and values more consistently.

How I give my team room to innovate and experiment: We learn from mistakes, therefore the worst thing we can do is *not* make a decision. If it is wrong, we will grow and learn.

How close are you to operations? I started as the director of operations, so it is near and dear to my heart.

What are the two most important things you rely on from your franchisor? Brand value and the ops playbook.

What I need from vendors: Reliable service and products.

Have you changed your marketing strategy in response to the economy? How? We have used the digital space much more since we joined the Dunkin' Brands system.

How is social media affecting your business? It gives guests an opportunity to give real-time feedback, both positive and negative.

How do you hire and fire? We do both based on our core values.

How do you train and retain? Both with an introduction and indoctrination to our company culture. If you create an atmosphere where your team enjoys working together, it fosters a sense of belonging to something greater than yourself.

How do you deal with problem employees? If they stray from our mission, vision, and values, we ask them to leave the team.

Fastest way into my doghouse: Not accepting responsibility or being accountable.

ATHLETICS

What skills/experience from sports have you carried over to operating a business? Teamwork and incorporating a unified vision.

Which do you find more competitive, sports or business? They are both equally competitive.

Why did you choose franchising as an investment option? It was a proven, established system with significant brand value.

What was your greatest achievement in sports, and what has been your biggest accomplishment as a franchisee? Playing 12 years in the NFL, and opening 10 stores in 28 months.

PERSONAL

First job: Window washer at my dad's office during the summer.

Formative influences/events: Being part of a team my whole life.

Key accomplishments: Graduating college in four years as a student athlete; 2-time National Champion; marrying my college sweetheart and love of my life!

Biggest current challenge: Time management.

First turning point in your career: Moving from director of operations to CEO.

Best business decision: To assume the responsibilities of our finance position to understand what that role entails.

Hardest lesson learned: Always trust your gut instincts.

Work week: Weekdays 7 a.m. to 5 p.m., Saturday 7 a.m. to noon. There has to be balance in your work/family life or you can burn yourself out.

Exercise/workout: Try to get four days a week in, with a mix of strength and interval cardio training.

What's your passion in business? Being able to build a team of people who are developing their talents and experiencing opportunities in life because of our organization.

How do you balance life and work? Make it all part of your weekly schedule.

Favorite book: *The Energy Bus* by Jon Gordon.

Favorite movie: "Forrest Gump."

What do most people not know about you? I went to nine different schools growing up.

What did you want to be when you grew up? Professional athlete.

Last vacation: Vail, Colorado.

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

BOTTOM LINE

Annual revenue: About $8 million.

2018 goals: Positive EBITDA.

Growth meter: How do you measure your growth? Sales, EBITDA, and net income.

Vision meter: Where do you want to be in 5 years? 10 years? 20 stores in 5 years.

How is the economy in your region affecting you, your employees, your customers? The Midwest's economy has been robust and is only affecting our recruiting. Unemployment has been low and has made it hard to find quality talent.

Are you experiencing economic growth in your market? Yes.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We prefer the local banks who really care about our business and building a personal relationship.

What are you doing to take care of your employees? Providing additional compensation through an incentive plan, health insurance, and paid time off.

How do you reward/recognize top-performing employees? We try to "catch" team members executing our mission, vision, or values and reward them with gift cards, store pizza parties, movie tickets, etc. It is amazing how these smallest gestures make the greatest impact!

What kind of exit strategy do you have in place? None.

BY KERRY PIPES

MMA-ade in America

From cage fighter to franchisee — and more!

Albert Tadevosyan was an MMA (Mixed Martial Arts) fighter with a professional fight record of 7 wins, 1 loss, and 1 draw. Now, at 25, he owns three Baskin-Robbins stores in Washington, is a State Farm-approved candidate looking to start his own insurance agency, and is a husband and new dad to an 8-month-old daughter.

The Armenian native remembers growing up poor and vowing to not have any money problems when he grew up and was on his own. After moving to the U.S. and settling in the Kent, Wash., area, he built a career in cage fighting. Cage fighting is a tough business, and Tadevosyan fought his way up to being recognized as one of the top fighters in the Pacific Northwest. He fought at the amateur and professional levels before a discussion with his brother-in-law helped him learn about the Baskin-Robbins opportunity, and he decided to pursue his business interests.

He's been with Baskin-Robbins for about three years, growing from one location to three, and employs 20 people. He says the franchise model made sense and has worked well for him. "The one-on-one support, simple operations, easy-to-use store planning tools, and strong brand recognition are among many of the reasons I was able to expand quickly. The franchise model gave me the chance to achieve more than I could ever dream of through a conventional career," he says.

Tadevosyan hasn't completely given up his desire to stay in top physical shape. "I still run at least 30 minutes a day and do Brazilian Jiu-Jitsu and kickboxing training anywhere from two to four times a week," he says.

Looking ahead, Tadevosyan is working to become a State Farm insurance agent, plans to continue expanding his Baskin-Robbins stores, and envisions starting a cage fighting/mixed martial arts gym of his own. MUF

NAME: Albert Tadevosyan

TITLE: Owner

COMPANY: Albert Tadevosyan Corp.

NO. OF UNITS: 3 Baskin-Robbins

AGE: 25

FAMILY: Wife Alvard, 8-month-old daughter Mariam

YEARS IN FRANCHISING: 3+

YEARS IN CURRENT POSITION: 3+



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"The franchise model gave me the chance to achieve more than I could ever dream of through a conventional career."

PERSONAL

First job: Selling ice cream and snacks at a park in Armenia at age 13.

Formative influences/events: We were always poor growing up. My dad always flew outside of the country to work and support us, so my goal was to simply never have any money problems.

Key accomplishments: Paying off all of my stores, which created a lot of flexibility and free time for me to spend with my family. I have also been the number-one ranked cage fighter in the Pacific Northwest.

Biggest current challenge: Working 47 hours a week while managing 3 Baskin-Robbins stores.

Next big goal: Become a State Farm agent, expand my stores, start a cage fighting gym.

First turning point in your career: That happened this year when I paid off all my debts for the business and experienced my first paycheck with no deductions.

Best business decision: To take a risk and commit to buying a business and multiplying it.

Hardest lesson learned: To manage time the correct way.

Work week: I work for State Farm during the week from Monday to Friday, while my wife helps manage the stores. I handle employee meetings, check on all the stores, and train employees.

Exercise/workout: Minimum 30-minute run daily, as well as Brazilian Jiu-Jitsu and kickboxing training two to four times a week.

Best advice you ever got: Teach yourself to be happy with what you have. Always work hard but take a step back and appreciate all of your blessings.

What's your passion in business? I am passionate about my Baskin-Robbins stores and take pride in improving and growing them.

How do you balance life and work? I try to work efficiently and keep a set schedule with work, exercise, and diet in order to maintain energy.

Guilty pleasure: Ice cream! Also, mixed martial arts training.

Favorite book: *The Bible* and *Living with the Seal*.

Favorite movie: "300."

What do most people not know about you? I am very stubborn. I don't need to be pushed as I push myself the most when no one's watching.

Pet peeve: People who are disrespectful.

What did you want to be when you grew up? Nothing in particular except that I wanted to make enough money to not have to worry about finances. Now I understand that life is about balance and money is not everything.

Last vacation: Back home to Yerevan (Armenia) to visit family.

Person I'd most like to have lunch with: Francis Chan, a successful public speaker and preacher, because I admire his mindset and how he strives to always help people. Also, David Goggins, a famous Navy SEAL, who I admire for his self-discipline and ability to overcome obstacles.

MANAGEMENT

Business philosophy: Manage employees correctly and you can multiply businesses as much as you want. Managing people is the best skill set you can have in business.

Management method or style: Approach with patience and understanding, less demanding, more coaching and reasoning.

Greatest challenge: Managing, time, tasks, and people.

How do others describe you? Hard-working, mellow, determined.

One thing I'm looking to do better: Improve the work environment for all employees.

How I give my team room to innovate and experiment: We have monthly meetings, and I follow the book *The 4 Disciplines of Execution* and let employees commit to tasks at each meeting. This allows them to follow through on a task and helps with engagement. I also stay open with my teams to allow them to speak at meetings and give feedback.

How close are you to operations? My wife and manager handle day-to-day operations. I help manage the team during monthly meetings and stay in touch with store managers.

What are the two most important things you rely on from your franchisor? Advertising and quality of product.

What I need from vendors: Timeliness, on-time delivery.

Have you changed your marketing strategy in response to the economy? How? Increased use of technology, emphasis of online presence, and managing social pages more consistently.

How is social media affecting your business? With the food business it's all about visuals and reminders, especially ice cream. Once customers see ice cream, they want it. With social media it's very easy to target a particular area to send our visual advertisements to.

How do you hire and fire? I give a logic test before interviews, then my wife and manager interview them before I conduct the final interview. We always look for honest, quick-thinking, and enthusiastic employees. I give several warnings before any terminations, and, if necessary, have a friendly talk and explain the situation.

How do you train and retain? They all go through employee training, including training videos that Baskin-Robbins provides. Next, they go through hands-on work under experienced employees for 2 weeks. I retain by giving smaller, more frequent raises so they always feel like they are growing with the company and are motivated to continue working hard. I understand that it's a temporary job for most, so I encourage them to see the bigger picture and that it's a stepping-stone to develop good work habits, which will allow them to be successful anywhere in life.

How do you deal with problem employees? Before I give a warning I talk to them one-on-one in a nonjudgmental way to try to work through the issue.

Fastest way into my doghouse: Stealing or lying, because it breaks the trust in the relationship.

BOTTOM LINE

Annual revenue: About $650,000.

2018 goals: Open up a State Farm agency and buy a house for my family.

Growth meter: How do you measure your growth? Daily transactions increase for stores.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years I see myself having a very successful State Farm agency and purchasing one more store. In 10 years, open my own cage fighting/mixed martial arts gym.

How is the economy in your region affecting you, your employees, and your customers? The unemployment rate is very low right now, and the increasing minimum wage forces me to increase prices.

Are you experiencing economic growth in your market? Yes. Seattle is currently one of the fastest-growing cities in the U.S.

How do changes in the economy affect the way you do business? We have to continue to evolve, and as we get busier I have to constantly improve my system.

How do you forecast for your business? I monitor weather closely to forecast how much business to expect. Also, based on experience I can predict both the times of day and days of the week that will experience the most traffic.

What are the best sources for capital expansion? For me it is friends and family.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I do not yet have any experience with these institutions.

What are you doing to take care of your employees? I work hard to create a positive work environment and give employees more freedom to set their schedules.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? I gradually increase prices once a year, and spend more on advertising to drive sales.

How do you reward/recognize top-performing employees? I will give bonuses to employees who receive good reviews from customers, as well as free product.

What kind of exit strategy do you have in place? I don't see myself ever selling or retiring, but I anticipate handing the business over to my children one day if they are interested.

UNDER 30

How did you get into franchising at such a young age? I never liked school and always wanted to focus on cage fighting, but came across this opportunity through my brother-in-law. I spoke to the CEO of our territorial contractor who gave me a shot, so I made sure to not disappoint him and have been successful ever since.

Was becoming a franchisee something you'd planned on? No, but at that time I was open to any opportunity that came my way.

Did you have a mentor or inspiration for getting into franchising? Rod Birkland, CEO of the territory contractor for Baskin-Robbins, guided me through the process, motivated me, and gave me the chance to own my own store.

What jobs, skills, and experience have helped you operate a franchise business? Working at my brother's business and learning from him allowed me to better manage my employees and serve customers.

What kinds of obstacles did you face in franchising at such a young age? Handling all the responsibility of owning a business at a young age was challenging. I learned to adapt and grew my confidence as I went along.

How would you describe your generation? As a younger Generation Y and older Generation Z person, I believe our generation has to work much harder to keep up with increasing inflation and cost of living. We basically have to work twice as hard to afford the same things that our parents did.

Do you see franchising as a stepping-stone or a career for you? Both. I think I'll always be in franchising as part of my career, but would also like to grow in other aspects.

DOMINATORS

ENTIRE U.S.
(50 states, Washington, D.C., Guam, Puerto Rico, and the Virgin Islands)

MSA	FRANCHISED UNITS
NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-CT-PA	19,017
LOS ANGELES-RIVERSIDE-ORANGE COUNTY, CA	18,814
CHICAGO-GARY-KENOSHA, IL-IN-WI	11,901
WASHINGTON-BALTIMORE, DC-MD-VA-WV	11,001
DALLAS-FORT WORTH, TX	9,504
HOUSTON-GALVESTON-BRAZORIA, TX	8,080
SAN FRANCISCO-OAKLAND-SAN JOSE, CA	8,028
ATLANTA, GA	7,816
BOSTON-WORCESTER-LAWRENCE, MA-NH-ME-CT	7,791
PHILADELPHIA-WILMINGTON-ATLANTIC CITY, PA-NJ-DE-MD	6,959
DETROIT-ANN ARBOR-FLINT, MI	6,342
PHOENIX-MESA, AZ	5,560
SEATTLE-TACOMA-BREMERTON, WA	5,073
MINNEAPOLIS-ST PAUL, MN-WI	5,027
MIAMI-FORT LAUDERDALE, FL	4,505
DENVER-BOULDER-GREELEY, CO	4,394
TAMPA-ST PETERSBURG-CLEARWATER, FL	4,017
SAN DIEGO, CA	3,964
ST LOUIS, MO-IL	3,775
CHARLOTTE-GASTONIA-ROCK HILL, NC-SC	3,399
PORTLAND-SALEM, OR-WA	3,332
ORLANDO, FL	3,312
CLEVELAND-AKRON, OH	3,150
SACRAMENTO-YOLO, CA	3,011
INDIANAPOLIS, IN	2,996
CINCINNATI-HAMILTON, OH-KY-IN	2,933
LAS VEGAS, NV-AZ	2,845
SAN ANTONIO, TX	2,772
KANSAS CITY, MO-KS	2,769
AUSTIN-SAN MARCOS, TX	2,702
RALEIGH-DURHAM-CHAPEL HILL, NC	2,688
PITTSBURGH, PA	2,680
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS, VA-NC	2,639
NASHVILLE, TN	2,492
COLUMBUS, OH	2,413
MILWAUKEE-RACINE, WI	2,393
JACKSONVILLE, FL	2,102
SALT LAKE CITY-OGDEN, UT	2,043
HARTFORD, CT	1,968
OKLAHOMA CITY, OK	1,889
RICHMOND-PETERSBURG, VA	1,858
WEST PALM BEACH-BOCA RATON, FL	1,795
GREENSBORO-WINSTON-SALEM-HIGH POINT, NC	1,769
GREENVILLE-SPARTANBURG-ANDERSON, SC	1,719
LOUISVILLE, KY-IN	1,697
NEW ORLEANS, LA	1,562
MEMPHIS, TN-AR-MS	1,540
KNOXVILLE, TN	1,456
GRAND RAPIDS-MUSKEGON-HOLLAND, MI	1,439
BIRMINGHAM, AL	1,396
OMAHA, NE-IA	1,301
DAYTON-SPRINGFIELD, OH	1,261
TULSA, OK	1,259

LARGEST FRANCHISEES BY STATE

STATE (and D.C.)	LARGEST FRANCHISEE	UNITS
ALABAMA	TACALA LLC/BOOM FOODS LLC	110
ALASKA	SUBWAY DEVELOPMENT OF ALASKA	26
ARIZONA	HOT TACOS INC	79
ARKANSAS	K-MAC ENTERPRISES INC	99
CALIFORNIA	SOUTHERN CALIFORNIA PIZZA	261
COLORADO	HARMAN MANAGEMENT CORP	88
CONNECTICUT	NORTHEAST FOODS LLC	33
DELAWARE	RYAN S GROUP INC; MITRA QSR KNE LLC; NICKOLAS NISTAZOS	15
DIST. OF COLUMBIA	KONSTANTINO SKRIVANOS	20
FLORIDA	NPC INTERNATIONAL INC	173
GEORGIA	NPC INTERNATIONAL INC	90
HAWAII	KAZI MANAGEMENT	42
IDAHO	NPC INTERNATIONAL INC	37
ILLINOIS	HEARTLAND FOOD CORP	145
INDIANA	FLYNN RESTAURANT GROUP LLC	127
IOWA	NPC INTERNATIONAL INC	54
KANSAS	ROTTINGHAUS LLC	177
KENTUCKY	MDF HOLDINGS I LLC	60
LOUISIANA	STRATEGIC RESTAURANTS ACQUISITION COMPANY LLC	128
MAINE	CAFUA MANAGEMENT COMPANY LLC	31
MARYLAND	DAVCO RESTAURANTS INC	101
MASSACHUSETTS	HK ENTERPRISES	70
MICHIGAN	TSFR APPLE VENTURE LLC/KING VENTURE INC	66
MINNESOTA	BORDER FOODS INC	75
MISSISSIPPI	NPC INTERNATIONAL INC	135
MISSOURI	NPC INTERNATIONAL INC	101
MONTANA	HIGH PLAINS PIZZA INC	22
NEBRASKA	HEARTLAND FOOD CORP	41
NEVADA	SUBWAY DEVELOPMENT OF LAS VEGAS	63
NEW HAMPSHIRE	CONSTANTINE SCRIVANOS	40
NEW JERSEY	BRIAD RESTAURANT GROUP LLC	70
NEW MEXICO	B & B CONSULTANTS INC	68
NEW YORK	KONSTANTINO SKRIVANOS	135
NORTH CAROLINA	JAMES HUMPHREY	175
NORTH DAKOTA	FARMERS UNION OIL CO	20
OHIO	THE COVELLI FAMILY LIMITED PARTNERSHIP	129
OKLAHOMA	WING FINANCIAL SERVICES LLC	103
OREGON	GBMO LLC	59

continued on page 38

LARGEST FRANCHISEES BY STATE, *continued*

STATE/TERRITORY	LARGEST FRANCHISEE	UNITS
PENNSYLVANIA	VALENTI MANAGEMENT LLC	61
RHODE ISLAND	THE JAN COMPANIES	30
SOUTH CAROLINA	APPLE GOLD INC	39
SOUTH DAKOTA	NPC INTERNATIONAL INC	22
TENNESSEE	NPC INTERNATIONAL INC	89
TEXAS	MUY BRANDS LLC	327
UTAH	SIZZLING PLATTER INC	68
VERMONT	ARISTOTLE SOULIOTIS	21
VIRGINIA	BODDIE-NOELL ENT INC	173
WASHINGTON	OIL EXPRESS INC	98
WEST VIRGINIA	LITTLE GENERAL STORE INC	49
WISCONSIN	WISCONSIN HOSPITALITY GROUP LLC	71
WYOMING	HIGH PLAINS PIZZA INC	22

2017 Dominators

Multi-unit, multi-brand operators continue expanding each year—a trend that continues to accelerate as these "Dominators" grow their portfolios through acquisitions, building new units, refranchising, and scooping up successful units from retiring franchisees. Banking on their good credit, solid 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 to grow, and they do business with local suppliers—lots of them. And they 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	182
KONSTANTINO SKRIVANOS	160
ADF COMPANIES	151
TARGET CORP	144
HMS HOST INC	128
MIDWEST (IL, IN, MI, MN, OH, WI)	
FLYNN RESTAURANT GROUP LLC	281
CARROLS GROUP	239
HEARTLAND FOOD CORP	208
TARGET CORP	188
BRIDGEMAN FOODS/ERJ DINING INC	153
MOUNTAIN WEST (CO, ID, MT, UT, WY)	
NPC INTERNATIONAL INC	143
HARMAN MANAGEMENT CORP	111
SIZZLING PLATTER INC	107
UNITED STATES BEEF CORP	68
HIGH PLAINS PIZZA INC	53

REGION	UNITS
NEW ENGLAND (CT, ME, MA, NH, RI, VT)	
CONSTANTINE SCRIVANOS	114
NORTHEAST FOODS LLC	100
CAFUA MANAGEMENT COMPANY LLC	91
HK ENTERPRISES	87
CARLOS ANDRADE	76
PLAINS (IA, KS, MO, NE, ND, OK, SD)	
ROTTINGHAUS LLC	341
NPC INTERNATIONAL INC	265
UNITED STATES BEEF CORP	221
K-MAC ENTERPRISES INC	134
WING FINANCIAL SERVICES LLC	104
SOUTH (AL, AR, FL, GA, KY, IA, MS, NC, SC, TN, TX, VA)	
NPC INTERNATIONAL INC	929
MUY BRANDS LLC	421
JAMES HUMPHREY	361
TARGET CORP	348
TACALA LLC/BOOM FOODS LLC	347

REGION	UNITS
SOUTHWEST (AZ, NV, NM)	
B & B CONSULTANTS INC	117
HOT TACOS INC	79
STINE ENTERPRISES INC	69
PALO ALTO INC	63
SUBWAY DEVELOPMENT OF LAS VEGAS	63
WEST (AK, CA, HI, OR, WA)	
HARMAN MANAGEMENT CORP	278
SOUTHERN CALIFORNIA PIZZA	261
TARGET CORP	230
FLYNN RESTAURANT GROUP LLC	201
PAC PARTNERS LLC	156

Source: FRANdata

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WAYNE SAUER

Missouri
9 Locations

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New York
3 Locations

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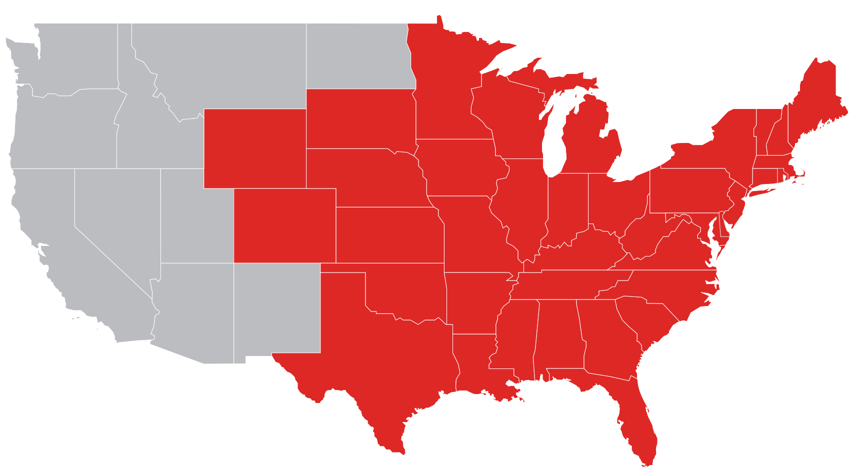

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BY EDDY GOLDBERG

Social SKILLS

MARKET LOCALLY WITH SOCIAL MEDIA

Social media marketing has evolved from the new kid on the block to its more proper role as a part of a brand's overall marketing strategy—a large part that is still expanding—much as the Internet did since business first "discovered" it in the mid-1990s.

Social media is still a moving target—as are its mobile customers. But franchises are learning to use it in their advertising and marketing campaigns more effectively with each passing year. We asked a dozen brands what they're currently doing with social media, their plans for 2018, and how they educate and train franchisees to uphold brand standards as they employ it as a local marketing tool. We broke out two mini-case studies from forward-thinking franchisees (see page 44), along with comments from marketers at those dozen brands.

In researching this story, we received more responses than we have room for here. In the months ahead, look for in-depth stories from each brand in our Franchise Consumer Marketing Report newsletter. (Subscribe at franchising.com, Newsletters.)

Let's get to it!

Training, training, training

"Social media is a big part of our marketing strategy for all our franchisees," says Patrick Conlin, senior vice president at Wayback Burgers, which has 135 units open in the U.S., 6 more overseas, and 20 under construction. Social media training for new franchisees begins during their week-long initial training at Wayback University. The training includes all the usuals—operations, accounting, etc.—with marketing as a day-long session. "The feedback we get is that day is the most enjoyable part," says Conlin.


Patrick Conlin

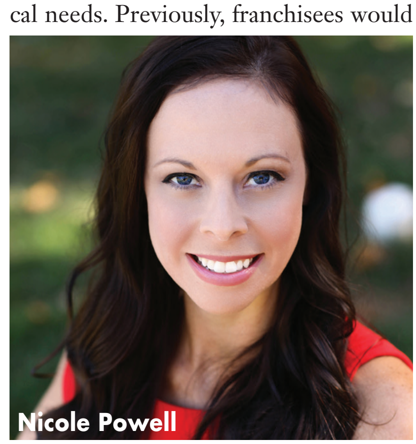
"The first thing we do is set up a Facebook page for each restaurant, and we act as administrator," he says. New franchisees are shown how to add a post on their own, and franchise coordinators (30 stores each) are in contact with them at least once a week. "Once they open their restaurant, the coordinator goes over what the franchisee wants to post. The coordinator can do that for them or walk them through it if they're capable on their own. In addition to what the franchisees do, we do national Facebook posts at least 3 to 4 times a month." The brand also uses Instagram nationally, but doesn't push franchisees to do it themselves.

Locally, franchisees are encouraged to do fundraisers and participate in their communities—and post about it. If they don't feel comfortable doing it themselves, "They can send us the pictures and we can do Instagram for them," says Conlin. "We want to make sure it happens, because it's a really important part of our marketing."

Digital asset management

"Our corporate strategy for social media is that the local voice is really the most important for driving foot traffic to our franchise locations," says Monkee's Marketing Manager Nicole Powell. Monkee's, with 25 locations and plans to add four more in 2018, is a ladies boutique selling shoes, clothing, and accessories. With the brand's focus on fashion, she says, "Instagram has really been the driver of our business for the past few years."

Powell, who joined the brand "before social media hit the franchise world by storm," says that corporate only recently recognized the need to rev up its social media game to meet its franchisees' local needs. Previously, franchisees would


Nicole Powell

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HUNGRY HOWIE'S PIZZA & SUBS INC., 30300 STEPHENSON HIGHWAY, SUITE 200, MADISON HEIGHTS, MI 48071, 248-414-3300 submit requests for social media materials, which were handled in-house. "With social media so ephemeral, there's a sense of urgency, and they can't necessarily wait a few days for our branded graphics," she says.

To become more responsive to franchisees' requests, Powell began to research digital asset management (DAM) systems. "We discovered a lot of amazing, robust ones, but the one key thing for us was simplicity," she says. "We wanted something that would be very easy for our store owners to use, even on the go. Our franchisees are boutique owners so they travel a lot."

She selected We Brand, which she described as a "very new" company. The upside was that the company was willing to partner with her before the public release of its DAM product, allowing her to provide feedback as its features were finalized. "It gives us the ability to provide branded assets so our owners can show their local spirit and personality, but make sure they do it within our guidelines," says Powell. "It's perfect for our small-business owners."

One thing she found is that Monkee's customers value authenticity over slickness. "Our local social media may not always have professional pictures and may not always be perfect, but that authenticity is what's always important to our customers," she says. And for the franchisees, so is speed, and the new DAM system makes it possible to provide real-time branded graphics that franchisees can customize—and it's accessible on any desktop, laptop, or mobile device, 24 hours a day.

The new system was launched September 1 to franchisees with a wide range of comfort (and discomfort) levels with new technology. The brand was founded in 1995, well before social media was even a thing. Powell's solution was to train them individually, which is possible in a smaller system, as well as by recording a webinar and some mini-training videos: 30- to 60-second clips showing how to perform a specific task, from changing a font to changing a photo. That's also available any time.

"We spent a lot of time testing and building out the system. It seems to be working very well for our owners," she says. "This is a very big change, a disruption to how we've supported our franchisees, so it was very important to make sure they were comfortable with the new system." It also helped to show them how it will positively affect their business. "They're savvy business people—scared of technology or not—and can see how it will improve their bottom line."

Changes afoot

"For reasons that are readily apparent, social media plays an increasingly important role in the marketing mix of any branded foodservice concept with multi-unit operations, and Saladworks is no exception," says CMO Steve McMahon. He says the role of social media at Saladworks is not only expanding, it's also evolving to support the emerging needs of both guests and franchisees as the brand evolves.


Steve McMahon

Saladworks recently began franchising again after an 18-month hiatus, following its acquisition out of bankruptcy by Centre Lane Partners in mid-2015 for about $17 million. "We just started actively pursuing franchising again," says McMahon. Most of the brand's franchisees own single units, but that's about to change if all goes as planned.

"While we're not as far along from a franchisee standpoint, we are making changes in social media capability and capacity that reflect a strategic shift in our franchisee target," he says. "Going forward, we're focusing on larger, better-capitalized, multi-unit operators with multiple concepts, many of whom are Millennials. Like their consumer counterparts, they tend to be heavier users of social media themselves."

To support this new mix of franchisees, the brand is consolidating all its social media pages, as well as its Google business listings, under a single corporate umbrella. This strategy, says McMahon, "will allow us to create a single look and feel consistent with our brand positioning, while allowing for customizable content by those franchisees who have the capability and capacity (and marketing sophistication) required to establish relationships with consumers in social media."

The brand also has reallocated all of its non-promotional spending to reach a redefined consumer target, "leading with social media messaging and allowing other media, like digital display, paid search, and even loyalty marketing, to play supporting roles," he says.

Specifically, within the brand's social media mix, he says Saladworks leverages different types of posts with different creative content to either build the brand or drive guest visits. It also uses continuous boosted posts on its pages to build the brand by activating different aspects of its brand positioning—for example, reinforcing choice and customization by showcasing the number of salad combinations guests can create from 65 ingredients and 17 dressings.

The efforts are already paying off. "We more than doubled our new loyalty member sign-ups this summer by promoting a special offer for new guests in dark posts in social media," he says. "As with all of our digital media, we collect and capture the metrics we need from social media to make fact-based decisions, including impressions, CTRs, and in some cases, conversion rates."

Time to hire?

"As of today, we control all social media profiles for our local markets at the national level. Our franchisees aren't really engaged on a local basis in terms of execution," says Scott Iversen, vice president of marketing at Toppers Pizza.

"That said, just today we extended an offer to someone to join our internal marketing team in the newly created role of director of social media and PR. This person will bring all leadership and execution of social media in-house versus how we currently use our lead ad agency for strategy and execution. We believe very strongly in the power of localized social content—so much so that we are making a big investment in this new person to lead it."

For thoughts from more marketers on how they use social media for local marketing and how they enforce brand standards, see page 46. MUF

"I'm Sandy from Saladworks!"

In 2010, Sandy Webb left the corporate world to become a Saladworks franchisee. Two years later she opened her first in Dover, Del. She closed that one and today has one open in Middletown, Del., another about to open in Dover, and plans a third by 2020. She's become one of the brand's social media enthusiasts. "I had no background in using social media before," she says. "People who know me were surprised how I embraced it."

In August she created a Facebook page for her new store. Her first post "did okay," she says, but her second one, with paid boost, really took off: 61,000 impressions—about 57,000 to 58,000 organic—and more than 8,000 post clicks. The paid boost, she says, produced only about 400 post clicks.

"I do think a lot of it is our crazy little state. People were sharing left and right, and that's where the organic growth came from," she says. "People are really excited. We were in the Dover Mall previously and people were singing our praises."

Although she had a Facebook presence for her Middletown store, it was only in the past year that she really embraced it as a local marketing tool. "Before, I did some things just to keep up my visibility." Now her Facebook feeds are integrated with Instagram, automatically feeding into that platform. She mostly posts visuals of salads and the salad case, has online contests, and gives away free food. "Customers love it," she says.

Webb works hard to make social media work for her. She's attended Facebook training; attends monthly meetings of a local think tank for women entrepreneurs; and learns every day from her employees, customers, and people she meets, both online and in person. "I kind of do random conversational surveys when I talk to people," she says.

She also follows local feeds from towns, neighborhoods, and other groups in the area. "I stay on top of all of them. I can have a conversation with somebody I don't even know and I can become a part of their lives on a real, personal level," she says. "I've won business by staying up and following feeds. Everybody knows I'm 'Sandy from Saladworks.'"

The other side of the coin, she says is the chance to field negative comments. "Even on my post that was so overwhelmingly successful, I had maybe five negatives," she says. "Even when people post negative stuff, I love it. It gives me the opportunity to give a public response in a public forum so others who may be thinking the same thing can see it." MUF

Local Posts Are the Best!

At Amphibious Holdings, which operates six Rockin' Jump trampoline parks, the focus is on local postings—but with centralized training, guidance, and the goal of creating a consistent brand message across all its parks.

Like most, the company's social media involvement began with Facebook, and later added Instagram, says Monique Perretti, vice president of sales and marketing. She will be introducing Snapchat geofilters this quarter and into 2018. The target demographic is two-pronged: parents (especially mothers), and the kids themselves. "Kids are on Snapchat. It's about generating awareness," she says.

Each month, a central team creates a monthly social media calendar that includes what she calls "generic posts." For example, since there's a frog in the brand's logo, the parks celebrate National Frog Day in June. While the central team creates tweakable materials all the parks can use, "Local posts receive higher engagement than brand or generic ones," says Perretti. Posting local events, she says, builds on what the central team does and produces better results in local communities.

She encourages local franchisees to get involved in street fairs, ballgames, and other community events. "We want the local parks to go social themselves. Social media for family entertainment centers is not about just posting content, but engaging with guests as well," she says.

On the local level, each park is responsible for events like birthday parties or other group activities. "We encourage the parks to take pictures and share them locally," she says. This also goes for videos. Each park has a rock climbing wall, and one posted a video of kids climbing and shared it with the other parks. The key for local success, however, is not for other parks to use that video. "We really encourage people to make their own. The families and kids in that video tag it, so all of their friends see it and like it," she says.

To keep everyone on the same page, Perretti created a best practices document to guide each park in the most effective ways to use social media. It establishes guidelines on how to maintain the same voice, respond to online reviews, handle complaints, and tips on how to share photos and videos. For instance, if a video is great—or not so great—she will let them know. "If they're unsure, they'll share it with me first," she says.

To keep everyone current, she holds a weekly marketing call with all the parks, makes site visits, and has additional calls during the week with individuals. "So many of our parks are new. There's a learning curve," she says. "The sharing of information between the parks is what's most beneficial," she says. "I'm in constant dialogue with them." MUF

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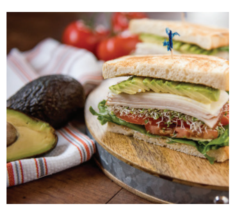

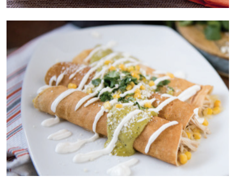

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How are you using social media at the local level?

Justin McCoy, Vice President of Marketing, Cousins Subs—We are currently active on three platforms: Facebook, Instagram, and Twitter. These channels are managed by my internal digital and social media team and myself. We distribute national, regional, and location-specific messaging and advertising not only to our brand page, but also to optimized local pages for all locations.

Jason Van Acker, Marketing Manager, Breadsmith—In recent years, we've put additional emphasis on our digital marketing efforts, including social media. We've helped our franchisees publish content on a more frequent basis, regularly engage with their guests, and maximize any advertising dollars they spend to drive traffic to the bakeries.

Todd Sanning, Vice President of Marketing, Scooter's Coffee—We provide franchisees with a toolkit/guidelines for local store marketing. We are also exploring online location management service programs. We continue to enhance our mobile app to increase customer engagement. We use local Facebook pages, Snapchat filters, and Twitter and Instagram.

Jodie Conrad, Vice President of Marketing, Fazoli's—At the local level, we use our restaurant location pages and geo-targeting to drive awareness and engagement with our fans. We share news about new menu items, local fundraisers, and events we are involved with in the community. Outlets like Facebook have been a great tool to connect with fans in communities about where and when we will be opening new locations, and they are among the first to know.

Brittany Johnson, Marketing Executive, Our Town America—We run social media on a national level, and encourage our local franchisees to follow suit locally. For 2018, we will put a strategic social content calendar into place.

Laura Rea Dickey, CEO, Dickey's Barbecue Pit—We have a "social media sentiment listening room" that tracks our brand fans, reviews, and generates online conversation across social platforms. We use our proprietary BI platform, in conjunction with Chatmeter, to measure online sentiment. We use social channels such as Facebook and Instagram that support the brand as a whole, and provide guidance for all owners on their local Facebook and Instagram pages.

J. Patrick Galleher, Partner & Managing Director, sweetFrog—We use NUVI for posting to multiple stores and for monitoring sentiment. We post social-only offers, and we have #sweetthoughts and #sweetfacts every week. We use Facebook for mom messaging, Instagram for kids, and Twitter for a mix. We have started using local Snapchat filters.

How do you enforce brand standards at the local level?

J. Patrick Galleher, Partner & Managing Director, sweetFrog—We let franchisees manage their local social media accounts but require admin rights.

Laura Rea Dickey, CEO, Dickey's Barbecue Pit—All our locations have the option to sign up for our Fall Off the Bone program, which is a parent-child relationship between the national Facebook page and the local pages. These posts, which go out daily, are a great example to our owners of how to create their own social posts and stay consistent with brand standards. We provide guidelines, guidance, and posts, but certainly encourage our franchisees to use their own authentic experiences to talk to guests as well.

Justin McCoy, Vice President of Marketing, Cousins Subs—Given that we manage these platforms for the system, the controls are already in place. In the rare instance that one of our franchisees is working with us, we monitor any activity and have policies in place that require the approval of any posted material to ensure brand standards are met and social media best practices are being followed.

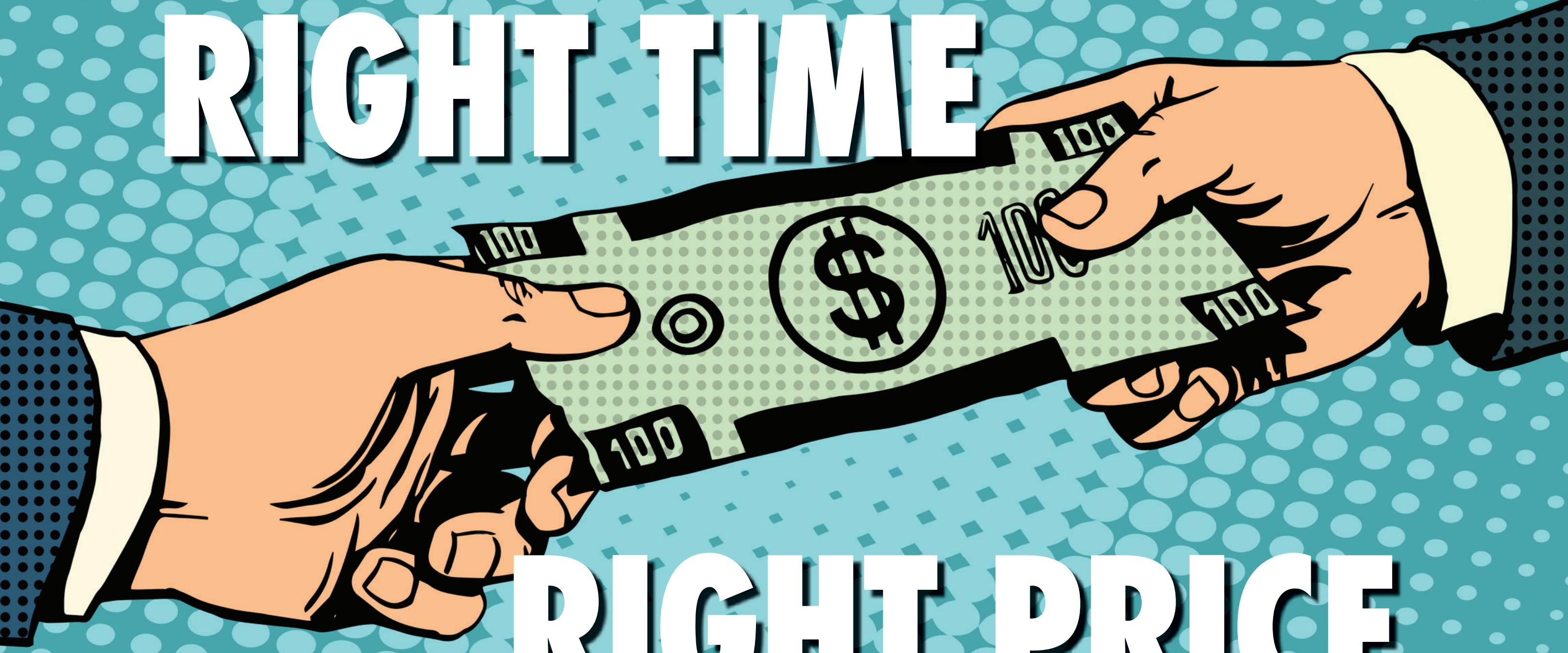
Emily Schafer, Marketing Technology Manager, Paul Davis Restoration—Our cloud-based marketing hub, PDConnect, is the central resource for all our marketing initiatives. Our franchisees integrate their social media profiles to the platform, which allows us to post on their behalf and monitor their content streams to see what they are posting. PDConnect is also where we post all marketing assets. We post a mix of content they can customize and some pieces that are non-editable. It's a great tool to see what content is resonating most with our followers across all local pages, and where we may need to make some changes.

Jodie Conrad, Vice President of Marketing, Fazoli's—The brand handles management of all social platforms for our franchisees. We have open lines of communication, sharing our social plan for every promotional window. Franchisees connect when they want to do posts around hiring or a community event or offering/special. We are partners in the process. We have an in-house team whose sole focus is on social media and engaging with fans.

Jason Van Acker, Marketing Manager, Breadsmith—Franchisees must sign an agreement to adhere to our brand's social media guidelines. They are then given access to a library of downloadable promotional materials. Many also take advantage of our brand's marketing and graphics support services to request special materials for use in their local market. Brand enforcement is never easy, but we do our best to monitor our franchisees' efforts and partner with them to make adjustments when needed.

BY HELEN BOND

RIGHT TIME



RIGHT PRICE

BUYING AND SELLING — PART ART, PART SCIENCE

Whether you are a multi-unit franchisee looking to grow or a seasoned operator ready to retire, the bottom line for successfully buying or selling franchise units is the same.

"At the end of the day, it's all about timing and price," says Allen Peake, co-owner of the Macon, Ga.-based C&P Restaurant Co. Peake, a multi-unit franchisee with six different branded restaurants, recently wrapped up the sale of his company's 11 Cheddar's restaurants.

Buying and selling franchise units at the right time for the right price is part art and part science, with each presenting challenges that require a considered, strategic approach. Owners must be flexible and agile enough to navigate the hurdles that inevitably arise with any transaction, says Mark Schostak, executive chairman of Livonia, Mich.-based Team Schostak Family Restaurants, one of Michigan's largest multi-brand restaurant groups.

"The franchise restaurant marketplace is constantly changing and evolving, and owners must understand that plans may need to pivot accordingly," says Schostak. "We rely on our deep understanding of the restaurant industry, market conditions, and strength of our team to seamlessly pivot our plan as needed."

Team Schostak operates 65 Applebee's, 8 MOD Pizzas, 5 Del Taco restaurants, and owns the regional non-franchised Olga's Kitchen restaurant chain. No matter the direction, the company's foundation as a fourth-generation, family-owned, and family-run company is a factor in any buying or selling decision.

"To be specific, generational family planning comes into play when we are selling a business division *and* when considering getting into another new business," says Schostak. "There are times when we need to harvest a business unit, and other times when we need to start planting the seeds on a new opportunity."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"Strategically, you have to look at making the smart or best decision at the time the concept is hot and has a high value." — ALLEN PEAKE

Allen Peake and Mike Chumbley

Smart mistake, costly lesson

David Harrison learned the hard way to "operate in markets that I'm comfortable." Harrison owns 24 RNR Tire Express & Custom Wheels locations in Arkansas, Indiana, Louisiana, Missouri, Oklahoma, and Texas, with four more set to open in September, including in the new market of Sarasota, Fla. A franchisee since 2005, his biggest lesson in buying and selling came in 2008 with the sale of a single store in Dallas.

"I lost about half a million dollars on this store and sold it at an additional loss, and it was one of the smartest moves I've ever made," says Harrison, the first area developer for the tire and wheel retailer. "It was draining my entire company. We didn't have the unit counts and marketing budget to get the pool of labor that we needed to cover when things happened. It was expensive to operate."

Harrison began studying the common denominators of his most profitable stores to develop a profile for future buying based on a target market's demographics and economics. The analysis has served him well, enabling him to solidly predict the potential success of a site. "I've learned to operate in smaller markets," he says.

For now, Harrison is focused on growing organically, with a goal to be a $100 million franchisee by 2023. His biggest buying challenge these days is finding the right real estate. "Labor costs are going up substantially in construction and my timelines seem to be getting longer, instead of shorter, to get a store built," he says. "And the inventory for pre-existing buildings is just not there."

Franchisees are also facing buying challenges from an increase in private equity acquisition groups that have pushed valuations "beyond what is appropriate for an operating business that is capital-intensive," he says. "Private equity firms can bring capital and expertise. However, owner-operators should be in the lead and serving as the overall decision-maker in the business."

Always looking to buy

Any acquisition talk is music to the ears of Nick Crouch, a Jacksonville, Fla.-based Tropical Smoothie Cafe franchisee with 14 cafes in North Florida and South Georgia, and six more under development. "I'm always looking for acquisitions—all the time," says Crouch, the brand's 2016 Franchisee of the Year.

Crouch, who opened his first cafe in 2012 and used the cash flow to purchase a second location, uses multiple buying approaches, depending on the seller's situation. The key for existing sites, he says, is to understand the stories of the franchisees who may (or may not) be looking to sell. Every quarter, for instance, he sends a "simple, polite" email to the owners of six cafes he hopes to eventually acquire in one of his Florida markets. He takes a slow, fair, and transparent approach.

"I begin with asking their interest, and if they will entertain it I will take them out to coffee to talk about it," says Crouch. "It is never a quick 'This is what I'll give you' type of thing."

With an aim to add four to five cafes per year, and always on the hunt for larger acquisitions, Crouch has found the best buying success in striking deals that are beneficial to both parties. "You really have to accept that you might overpay in one place and you might get it for a steal in another," he says. "But for a higher mul-


Nick Crouch


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“There are times when we need to harvest a business unit, and other times when we need to start planting the seeds on a new opportunity.” —MARK SCHOSTAK

tiple you may be able to free up another area that you couldn't develop organically.”

Buying tips

Buying into a new brand requires additional homework to ensure the acquisition is a good fit. For more established brands, “We look to make sure there is a good management and leadership team, a knowledgeable and effective marketing and advertising and PR department, and a robust testing process so they have a business case before rolling new initiatives out to franchisees,” says Schostak. “For early emerging brands, it is critical that the franchisor has a commitment to own and operate corporate units so they are shoulder-to-shoulder with the franchisee.”

Previously, as CEO of RMS Family Restaurants, Peake (who is also a Georgia state representative!) operated 130 restaurants under five brand names before selling in 2000. He says investing in a brand is akin to a marriage where franchisees can sink or swim based on a franchisor's success. Would-be investors should have a passion for the food and believe in the franchisor's leadership and vision, he recommends. Today his C&P Restaurant Co. owns two Fazoli's, with the rights to build five more.

When it comes to growing with an established concept, Peake and longtime business partner and co-owner Mike Chumbley look for strong sales results and a track record of success. “The concepts we have bought and looked into buying have always been ones that have shown, slow, disciplined growth,” says Peake. “We have stayed away from concepts that were so hot they were building everywhere and required franchisees to sign unrealistic development agreements. That is an absolute formula for failure.”

Selling tips

There are myriad reasons franchisees may sell a unit—or an entire business. With Peake, 56, and Chumbley, 65, the decision to sell their portfolio of restaurants to Darden Restaurants, the new owner of Cheddar's Scratch Kitchen (formerly Cheddar's Casual Café), was a profitable exit strategy with the perfect buyer. Most concepts, says Peake, have an ebb and flow, but you can get a sense of the health of your investment by keeping a close eye on same store sales.

Mark Schostak

“You never want to be forced into a situation where you have to sell. That is the worst scenario you can be in because you're never going to get a good value for your asset,” says Peake. “That is why, strategically, you have to look at making the smart or best decision at the time the concept is hot and has a high value. Maybe that is the best time to make your move.”

Once the decision to sell is made, finding the right buyer that will honor company traditions and commit to employees and the local communities can be a challenge. Even when that seems a sure thing, selling a store or a group of assets can be bittersweet, even for veteran owners.

“We were in effect putting our child up for adoption and we were absolutely concerned that whoever was buying our baby was someone who could provide growth opportunities and could take very good care of it,” says Peake, who was a Cheddar's franchisee for 17 years. “It was a key component of the deal, and we would not have sold them to just anybody.”

Final advice

Whether buying or selling, multi-unit franchisees opt for a variety of tactics for help—often using a mix of internal and external specialists to get a deal done.

Team Schostak, for instance, uses internal specialists for buying and selling and due diligence, and outside advisors and investment bankers for higher-level financial modeling, marketing the business for sale, financing alternatives, and deal execution.

Harrison relies on the guidance of an investment sales specialist and land developer who now serves as the broker for the entire brand. “He knows what I'm looking for and will do the research on traffic, demographics, and income mix of a particular area I'm interested in and give me sites to check on,” says Harrison. “Sometimes I buy those, but more often than not, we end up buying something in the general vicinity. It gives me a good starting place.”

A solid relationship with your franchisor can also aid the process. Tropical Smoothie has assisted Crouch with transfer fees, especially when he has sought to acquire a distressed store and turn it around.

Getting top dollar for your franchise locations means being a top operator. Schostak says nowhere was that more clear for him than in 2015 when, as a 34-year Burger King franchisee, his company sold its portfolio of 60 Burger Kings to GPS Hospitality. The move was a strategic decision as the company expands with other brands. (For more on GPS, see Tom Garrett's profile on page 26.)

“Throughout the process of selling our Burger King restaurants, we learned that smart, strategic buyers recognize strong operating cultures—and those franchises are more desirable for purchase,” says Schostak. “They understand that a strong culture will yield better results for their portfolio in the future as they will not only have a well-maintained restaurant, but also a talented team that will help them continue to grow and succeed years beyond the purchase.” MUF

Winds of Change

Caught in the crosshairs of uncertainty

As we near the perpetual end-of-year market ritual of review and predict, we suspect that few strategists called this year's twists and turns in the domestic and geopolitical scenes with any great degree of accuracy. Even if they could have accurately forecasted just a small percentage of events, each seemingly more incongruous than the last, market moves did not reflect the political and geopolitical angst.

The U.S. stock markets finished 2017's first half on a decidedly optimistic note, closing at new highs after gaining nearly 10 percent—despite the fact that Congress failed to repeal, replace, or repair the ACA, nor pass tax reform, a budget, a debt ceiling increase, or an infrastructure bill. Yet markets did what they do best when left to their own devices: they focused on underlying fundamentals, which continued to improve on many fronts (consumer spending, housing, employment, sentiment, balance sheet cleanup, and capital spending according to the Consumer Confidence Index), a trend that began in the summer of 2016.

Despite harsh news on the political, geopolitical, and social media fronts, markets continued to march to a steady stream of new highs. This comes as fundamentals have begun to level off a bit. While we believe optimism remains strong, many sectors and businesses seem to be caught in the crosshairs of uncertainty. It's tough to gauge how many employees you can carry into 2018 if you are uncertain that government healthcare subsidies will continue. Similarly, it's tough to want to add onto the plant, or install new equipment in the restaurant's kitchen if there may be capital expenditure relief right around the corner.

A look ahead

As 2017 draws to a close, we are wishful that the executive and legislative branches can begin to sing a more harmonious tune. Resolution on key budget items such as corporate tax reform, an infrastructure spending plan, and continued progress on regulatory rollout would go a long way to turn business and consumer optimism into concretely improved economic statistics. If that fails to happen, richly valued domestic markets could appear at a disadvantage to other parts of the globe where economic outlooks are brightening but valuations are cheaper. According to data from the Investment Company Institute, funds flows are shifting toward a host of other developed and emerging markets. Supporting this trend, the World Bank recently increased its expectation for growth from emerging economies, expecting the category overall to grow more than twice as fast as economies in the U.S. and other developed markets.

While we are not calling for a radical or immediate change in fortunes, the tailwinds that have supported domestic companies for many years may be showing signs of age. Given the long streak of outperformance, it's important for investors who have been overweight in this asset class to consider broadening their exposure globally.

One of the broadest-based measures of global markets exposure, the Morgan Stanley & Company All Country World Index, has a domestic/international split of roughly 51/49 percent. In other words, if your stock portfolio is not distributed nearly 50/50 domestic/non-U.S., you are underweight in international investments. For many long-term investors this feels risky. But is it any less risky to be highly overweight in a single country that is 4 percent of the world's population and just 16 percent of global GDP (as measured by purchasing power parity)?

Given the significant drive to improve the lives of billions of their citizens and move them from poverty to middle class and beyond, countries like India and China are commanding global investor attention. Further, a host of important market reforms have been instituted in individual economies as countries strive to make investing in their markets more transparent and liquid and improve the ability of capital to flow freely from one place to another.

Headwinds ahead?

As investors, it's hard to sell or trim an asset or asset class that is doing well, especially if those funds are redeployed to one where the headlines may not be quite as positive. But that's precisely what long-term investing wisdom would suggest is often the wisest course of action. To give you some reasons to consider such tweaks, we point out a few of the headwinds domestic companies could be facing in the quarters ahead:

- Rising employment costs (given the low unemployment rate, aging Boomers, increased workforce mobility, lackluster participation rates, rising minimum wage, and higher employee healthcare costs)
- Higher relative commodity costs (oil prices, e.g., have nearly doubled off the bottom)
- Rising financing costs
- Increased tech and compliance spending
- Lack of clarity on regulation
- Stiffer competition, particularly from business model destruction
- Potential changes in taxation (some good, some bad)
- Consumers saving more and living within (or on less than) their means, versus credit spending
- Changes in the dollar (a strong dollar makes U.S. goods less competitive on a global stage, though it allows domestic consumers to buy goods at lower rates)

It is often said that bull markets or bull economies don't die of old age; they expire when excesses build and eventually burst. While there are no overt ones at present—especially relative to the excesses seen before the tech and real estate meltdowns—there are increasing signs in some pockets (auto loans, student debt delinquencies, commercial real estate, multi-family construction in selected high-density regions, and real estate prices in tech hubs) that give us pause.

Further, improvements in other developed and emerging economies prompt us to want to favor global/non-U.S. markets for marginal investment dollars from a tactical perspective. The winds of change are not yet at gale force levels, but they do bear watching as U.S. markets move into their ninth year of upturn. MUF

Carol M. Schleif, *CFA, is deputy chief investment officer at Abbot Downing, a Wells Fargo business that provides products and services through Wells Fargo Bank and its affiliates and subsidiaries. She welcomes questions and comments at carol.schleif@abbotdowning.com.*

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[2] 2017 Average and Median Food and Paper Cost for 12 Company Owned Restaurants operated by Huddle House Inc. for the entire last fiscal year ending April 29, 2017. Six of the 12 Company Owned Restaurants have Food and Paper Cost greater than the average and median of 28.7%. The highest was 30.5% and the lowest was 26.4%. Some outlets have sold this amount. There is no assurance you will do as well. See Item 19 of our August 9, 2017 Franchise Disclosure Document.

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Heads Up!

Is it time to turn down the technology?

In previous columns I've written about relying too heavily on technology if it places a barrier between the customer experience and your brand—and of the need for policies that empower employees to have genuine, flexible interactions with each customer. In this column I examine the downside of how an overly digital perspective can diminish the customer experience.

Currently, we are seeing a negative side effect to what many consider the over-digitalization of our everyday lives. Results from studies on over-digitalization are troubling. Social media appears to promote narcissism, smartphones could be causing insomnia, screens seem to make people less empathetic, and the Internet makes people less innovative, more negative, and reduces our memory. Based on these studies, here are a few thoughts.

• **What is a digital detox?** A digital detox is switching off all mobiles, smartphones, tablets, laptops, and computers for a certain length of time. One study featured in *Fast Company* ("What Really Happens To Your Brain and Body During a Digital Detox") showed that after three days without technology, people began to make better eye contact, rather than stare downward into their screens. This better eye contact also appeared to encourage people to connect with one another more deeply. They were able to relax into conversations and seemed more empathetic toward one another.

• **Google is a conversation killer.** In a connected world, when a general trivia question comes up, people immediately Google the answer, ending that particular line of questioning. However, without Google, people keep talking as they look for an answer, which often results in creative storytelling. "These are the conversations that really form bonds between people," says Kate Unsworth, an expert in social change. "You gain insight into the way someone's mind works, and it is not typically a conversation anyone has had before, so it is engaging and memorable."

• **Improved memory.** Even after a few days without technology, people were more likely to remember obscure details about one another, such as the names of distant relatives mentioned in passing. The neuroscientists believe that this is because people were more present in conversation, so their brains were able to process and store new information more easily. With the many distractions of technology, our brains have been trained not to register seemingly insignificant details, which is very important in the process of bonding and learning about other people.

Think about how you and your organization may be allowing technology to come between you and your next customer's experience.

• **Life-changing.** One of the most powerful findings was that people tended to make significant changes to their lives when they were offline for a while. Some decided to make big changes in their career or relationships. The lack of constant distraction appeared to free people's minds to contemplate more important issues in their lives, and it also made them believe they had the will power to sustain a transformation.

• **Do you suffer from MSA?** There is a new emerging crisis called Mental Stimulation Addiction (MSA). Today, millions of people are smartphone junkies, needing to constantly be texting, checking Facebook, Twitter, LinkedIn, Instagram, or a multitude of other social media habits. I am guilty of this. If I have a few minutes of downtime (sitting in a doctor's office or riding on an elevator) I am checking all of my social media accounts, as well as other website forums I belong to. And after I have exhausted all of those resources, I find myself immediately going through them again, only minutes after I just checked them. It's like I can't just sit and relax—not to mention the impact these distractions have on our personal and professional productivity.

• **Is technology killing creativity?** We have all heard how technology is hurting our social skills, but something just as bad is that it is killing our creativity. Downtime and a relaxed mental state are the best environments for our mind to veer off from its stressful mainstream thought patterns and venture into the unknown. Think about it. When have you gotten your best ideas? When you daydream. When did you used to daydream? Early mornings with your coffee on the patio, in the shower, some say in the bathroom (just repeating what I heard), on vacation, and other idle times that now come few and far between. Technology has gobbled up the majority of our idle time. A decrease in creativity is dangerous in our lives, both professionally and personally.

• **Schedule time to daydream.** Limit your time on your smartphones, tablets, laptops, desktops, and social media outlets. Make a commitment. To start, actually schedule downtime on your calendar at least three times a day: early morning, middle of the afternoon, and before bed. If you find yourself stale lately, you may be suffering from MSA. We need to protect our peaceful idle time, let our minds rest, reset, be reinvigorated, rejuvenated, and just daydream. You will be surprised at how stimulated you may become.

So the next time you find yourself or your front-line associates head-down, staring at that entrancing little rectangle of light, think instead about how you and your organization are connecting with customers—with a focus on how you may be allowing technology to come between you and your next customer's experience. MUF

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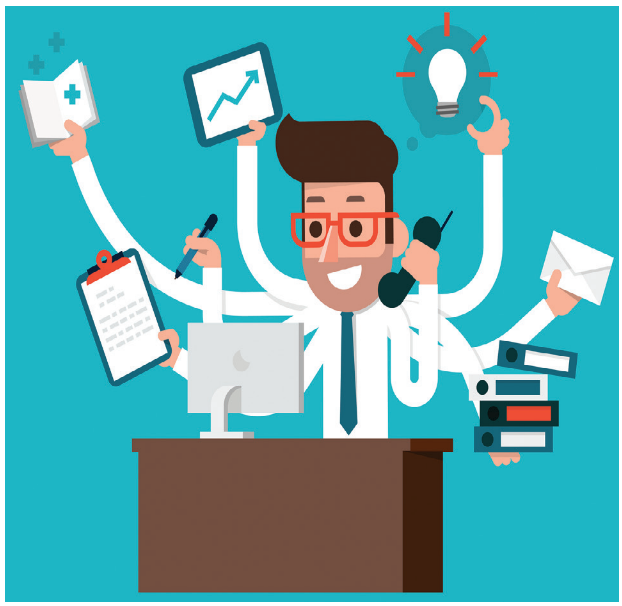
BY DEAN ZUCCARELLO

Operators Wanted!

Skilled operators are a hot commodity

For decades now, franchised concepts have attracted consumers and investors alike, who often feel compelled by one simple notion: they know what they are going to get. Whether it's a familiar menu or a stable cash flow, recognizable brands put people at ease. This mindset has played a huge role in creating such a successful climate for multi-unit concepts over the years, with more and more people looking to buy into franchised systems.

In the restaurant space for example, interest is so great that there's ample opportunity to acquire restaurants in scale and in all segments of the industry. However, the ability to invest does not necessarily translate into the ability to operate, which rings true in regard to any franchised business, regardless of industry. Herein lies the problem: the ratio of skilled operators to prospective purchasers/investors is skewed heavily toward the latter group.



The fact is, there is more capital available for transactions presently than there are talented operators. Equity is available from a variety of sources. Be it embedded equity in franchised stores from franchisees of the same brand, embedded equity from investments in other brands, family offices, or private equity, there is no shortage of capital. Debt markets are also functioning well, with an adequate debt level available, attractive advance rates, and terms/conditions for major brands well-established.

What we have found is that quite often the missing piece of this puzzle is a proven operator or operating partner who runs the business on a day-to-day basis. Talented operators are truly a scarce commodity, and finding the right person for the job can be one of the greatest challenges facing investors today.

As already mentioned, it is not difficult to find parties seeking investments in franchised concepts. Investors are usually comfortable with the segment and the risks involved, and already understand how to own and operate a business in general. Financial returns and engineering are largely applied across any industry, also adding to the investors' basic operational knowledge. The primary issue stems from the investors' lack of skill or experience in operating a specific brand.

Franchisors will typically embrace or consider different types of equity capital ownership, but they are consistently seeking out franchise groups that have operators experienced in their brand or similar concepts, especially when it comes to deals that are larger in scale. All companies and their respective systems were not created equal. Thus, having the proper knowledge and insight into how a specific brand functions can be of paramount importance in achieving operational success.

Franchisors are well aware of this, and thus approve and select prospective purchasers fitting this description at a significantly greater rate over those who do not have the same brand- or segment-specific operating experience. Too often, new equity investors fail to address this critical need early enough, often chasing the deal before solving the operator question. As a result, they often get passed over in a competitive process, regardless of their financial strength. Additionally, franchisors undertaking refranchising initiatives can make their brand more attractive to prospective purchasers by assisting in the placement of operators.

Therefore, operators proving to be the "right fit" find themselves in the unique position where they can and should demand attractive opportunities in exchange for partnering with an investor. Furthermore, in certain situations deals may be contingent upon keeping the current operators with the business, providing them with an even more critical ongoing role. That being said, operators would be wise to augment their skill set to be viewed as capable of running the business, as opposed to simply managing restaurant operations.

Essentially, the two main takeaways here are:

1) If you are an investor looking to purchase stores in a new brand or industry, it would greatly behoove you to seek out the right operator as one of your first steps. This will substantially increase your chance of being selected as the winning bidder, while also boosting your capacity to achieve subsequent financial success.

2) On the flip side, if you are an experienced operator, it is imperative to remember that you have a highly marketable skill set. There are numerous investors out there today searching for you. Make a point of becoming visible to those groups and you will likely find an exciting opportunity 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 more than 25 years. He has more than 35 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.*

Cool and Disruptive!

Using technology to improve the human experience

I've been fortunate over the years to consistently think about and work on the intersection of people's experiences and how technology can help make them better. As an executive at Ticketmaster, I witnessed the box office going online, paper tickets nearly disappearing, and online sales happen in seconds, not hours. During my time at OpenTable, we helped eliminate the phone tree for Friday night reservations and built the ability to pay the check without waitstaff delivering the bill.

As I look at where we are evolving today, and experience these advances as a consumer and as a partner to many of these brands, I'm amazed at how technology continues to disrupt "the norm." Just as I get used to a technological innovation, something new presents itself to make me question my behavior all over again.

Companies are automating their workforces in new and interesting ways. Amazon recently announced Amazon Go, a brick-and-mortar store where customers scan their phones when they enter, track their desired items as they are removed from shelves, and automatically get their Amazon account charged when they leave. Uber and others aim to promote self-driving cars. Restaurants are blazing the trail, too, with self-serve kiosks. Chipotle is using drones to deliver food to college students. And some restaurants, like Eatsa, are trying out almost fully automated experiences.

Throughout all of these advances, I've always believed in the power and necessity of human connection. With restaurants it is easy to picture: you tend to dine out and eat with people because you want to connect face-to-face. Renowned restaurateur Danny Meyer shared a great point of view in an interview in *Fast Company:*

We're watching what's happening not out of fear of eliminating people's value, but revealing where it might gain new definition.

"First of all, the goal should not be to remove humans from the equation, but [to] empower human beings who actually have a beating heart and who are caring people to achieve a greater *degree* of hospitality. The moment you tell me that tech should be used to remove people, that's just not something I want to be part of."

The human factor

At Snagajob, we spend time thinking about how technological advances may affect the millions of workers in retail, restaurant, and hospitality businesses, among others. Our mission is to put people in the right fit positions so they can lead more fulfilling lives. Among this population, there is a valid concern over what may happen. But as we watch what is being experimented with around us, it's important to strive to learn from this innovation—and resist the urge to fight it.

Why? Advances can give us valuable insights into how we can improve roles that cannot be automated and that will always require a human touch (think quality reviewers, improved hospitality, customer service, etc.). Additionally, changes in consumer expectations, such as speed and flexibility, open doors to new ways of thinking about traditional roles. It starts with asking the question: "What would help drive the best *human* experience?"

We have some ideas on how to bring this to life for hourly workers and employers inspired by the appetite for speed and flexibility within this audience. One we are experimenting with now is an on-demand network that connects employers in real time with a pre-screened pool of workers so a shift can literally be filled in minutes.

We're exploring other places where technology can help, such as the interview process and the onboarding path. Our aim is not to reduce the people in the process, but to reduce staffing and operational challenges that prevent people from using their time where it can be best spent and appreciated.

We hope to create a technology that is both cool and disruptive—our version of a burrito-delivering drone. We continue to be inventive and respond to consumer demands, but we keep workers and employers at the heart of every product innovation. We're watching what's happening around us not out of fear of eliminating people's value, but revealing where it might gain new definition. MUF

Jocelyn Mangan *is the COO of Snagajob, the nation's largest online marketplace connecting hourly workers to employers.*

Ad Index

Growing Broke?

"Financial Gap"—know before you grow

"Obviously, if my sales are going up I will have more cash!" Think again. Growth *costs* money, yet most entrepreneurs believe that much of their growth can be funded from their growing company. The sad truth is that, invariably, businesses on a continuous high-growth curve run out of cash and blow up.

Wouldn't it be helpful to have a financial tool that, in about 10 minutes, would enable you to predict, using your company's financial structure, how much money it *takes* to grow? There is, and that is what I would like to teach you in this column.

Fundamentally, there are only four sources of money to grow a business: 1) your equity (yours, neighbors, family, extended family, and anyone else you can talk into giving you money to help fund the cash-eating beast); 2) your suppliers giving you trade credit, which usually lasts only about 60 days, and after that you're on COD; 3) your retained earnings (usually small because we hire accountants to keep them that way to avoid paying taxes); and 4) the bank, your credit cards, and hard money lenders.

Determining our "Financial Gap" gives us the ability to go to the bank and answer two critically important questions: 1) How much will we need at various levels of growth?; and 2) How long will we need it?

To calculate Financial Gap, we're going to do something entirely weird: we're going to take your balance sheet and cut it in half right below Total Assets. Then we're going to put Total Assets and Total Liabilities and Net Worth side by side as in the Evergreen Distributing illustration.

Then it gets even weirder. We're going to use the process of calculating your Variable Assets and Variable Liabilities—not as a percentage of Total Assets as you would normally expect, but as a percentage of the sales those Assets and Liabilities support.

So as you can see in the illustration, Evergreen Distributing, with sales of $600,000, has a balance sheet with Cash of $24,000, which represents 4% of those sales, Accounts Receivable at $108,000 representing 18% of sales, and so on. Then, as you can see, we calculate both

Evergreen Distributing — Sales at $600,000

Net Profit After Tax: 3% of Sales

For the year just completed — sales of $600,000 — the balance sheet looked like this:

ADD GOING DOWN

Evergreen Distributing Balance Sheet

Assets		% of Sales*	Liabilities		% of Sales*
Cash	$24,000	4%	Notes Payable		Financial Gap
Accounts Receivable	108,000	18%	Accounts Payable	$90,000	15%
Inventory	156,000	26%	Accruals	42,000	7%
Total Current Assets	288,000		Total Current Liabilities	132,000	
Equipment	150,000	25%	Long-Term Liabilities	140,000	
Land/Building (fixed)	120,000		Total Liabilities	272,000	
Total Fixed Assets	270,000		Net Worth	286,000	
Total Assets	558,000		Total Liabilities & Net Worth	558,000	

Subtract Going Up

***Key Tip: Each variable balance sheet category is calculated as a percentage of sales.**

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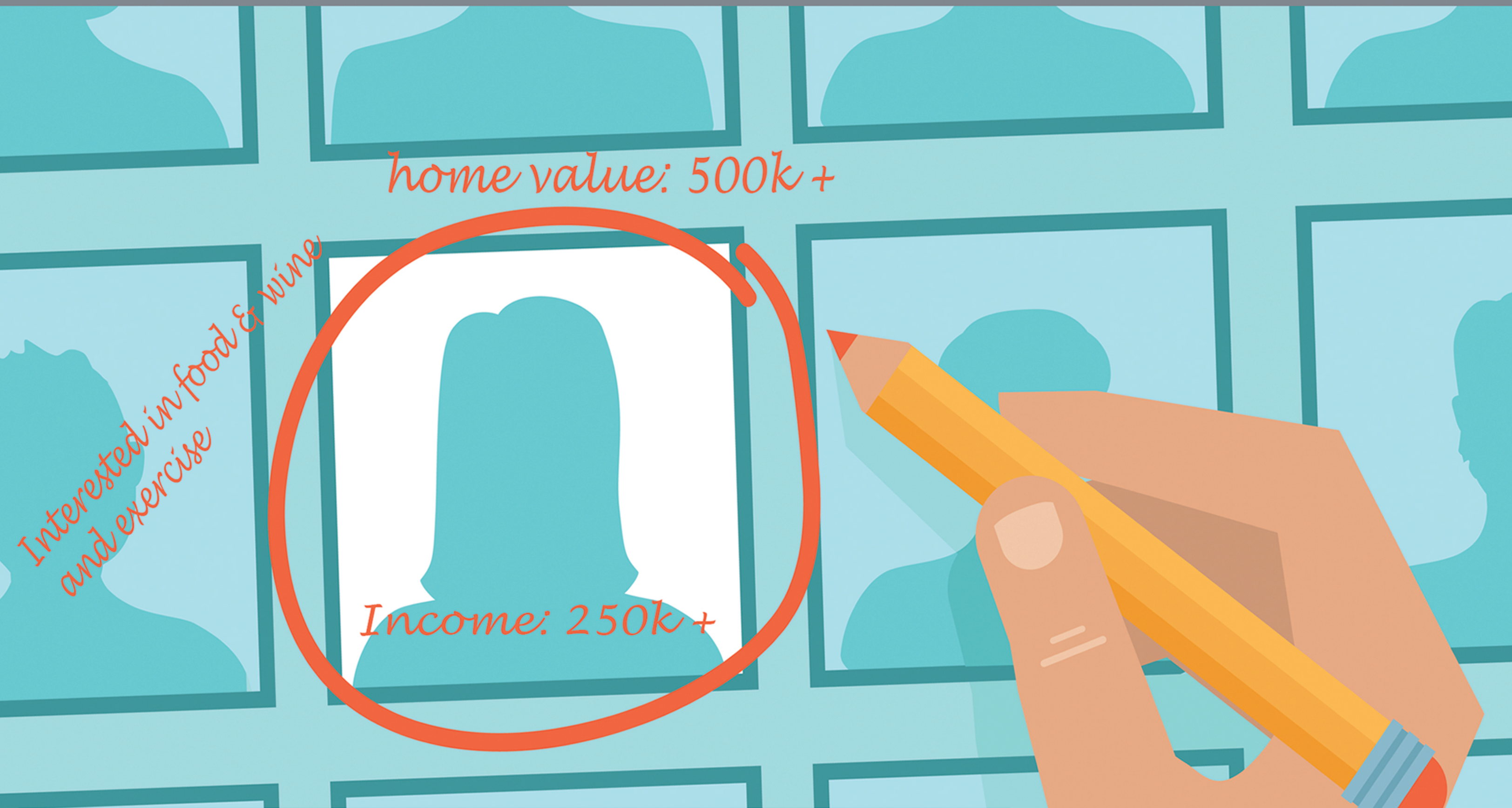

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Once we have those amounts calculated, we add going *down* the left-hand side of the balance sheet and calculate Total Assets. Amazingly enough, the balance sheet still has to balance, even when it's side by side, so those Total Assets now are moved over to the right-hand side and become our Total Liabilities and Net Worth.

Now things get even weirder, and totally counter-intuitive! As you can see, following the diagram, we're going to subtract going *up* the right-hand side of the balance sheet, taking our Total Liabilities and Net Worth and subtracting out Net Worth, leaving us with just Total Liabilities. We then subtract out our Current Liabilities, our Accruals, and Accounts Payable and find out that in the year Evergreen had sales of $600,000 they needed no short-term borrowing from the bank to create those sales.

Act II: Sales increase

Now, using that same financial structure, we are going to grow and project Evergreen at $900,000 of sales and predict very accurately what it will require in new money to pay for it—in this case, we're calculating our short-term line of credit.

Remember those four sources of money to grow? We're going to use one of them right now. We're going to project our earnings for next year at 3% of sales of $900,000 (the same 3% that they were at $600,000), which is $27,000. We are going to add them to our old Net Worth of $286,000 and create a new Net Worth of $313,000. In other words, we are using all of our retained earnings for next year to help fund our growth. But, as we will see, that will not be enough!

Now, using the same financial structure as we had at $600,000, we're going to calculate all of our Variable Assets and Variable Liabilities, based on the same percentages, but at a higher sales level.

At $900,000 in sales, Cash in Evergreen will go from $24,000 to $36,000, (4% of $900,000), Receivables will go to $162,000, (18% of $900,000), and so on for the rest of the calculations. Now we complete the process by adding, again going down the left-hand side of the balance sheet and discover that at $900,000 in sales, Evergreen will use $777,000 in Total Assets to create it. Even at this higher level of sales, the balance sheet still has to balance. That $777,000 now goes to the right-hand side and becomes our new Total Liabilities and Net Worth.

Now, repeating the weirdness, we subtract going up the right-hand side of the balance sheet and discover that for Evergreen to grow to $900,000 in revenue, the owners will need $126,000 in new debt to fund it. Thus, calculating Financial Gap gives you the great advantage to "Know Before You Grow."

The complete Financial Gap process is taught in our Profit Mastery University curriculum. Please contact us for more information. MUF

Rod Bristol *is executive vice president at Profit Mastery. For over 30 years, franchisors and franchisees have improved their financial performance and unit profitability by following the Profit Mastery process: financial training, benchmarking, and accountability/bankability modeling. Learn more at www.profitmastery.net, 800-488-3520 x13 or email bristol@brs-seattle.com.*

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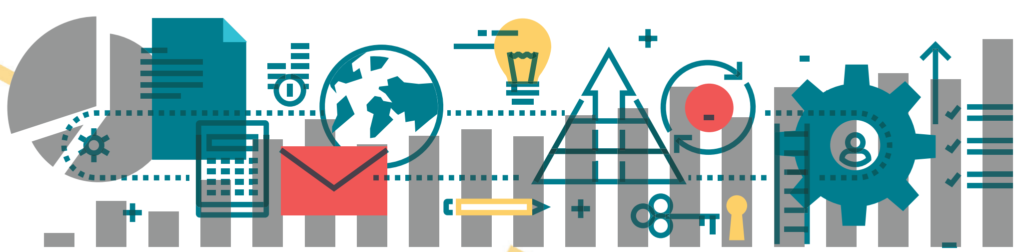

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A Tale of Two Loyalties

Is your staff asking the *second* question?

Most people reading this article probably are members of several loyalty programs. Some are franchisees whose systems have a loyalty program they and their staff have had to implement. From a franchisee's perspective, they want the best possible loyalty technology with all the latest bells and whistles. And if a competitor has a better loyalty program or cooler technology, their franchisor needs to follow suit.

There is no doubt that technology is advancing at such a fast pace that there will always be something new you may think is better than what you are currently using. At FPN Loyalty, we are constantly vetting new technologies to optimize loyalty program performance and outpace the competition. However, no matter how cool a new technology may seem, or what the potential rewards of implementing it may be, my ultimate test is whether it is simple enough to execute at the store level and engage as many customers as possible. If your staff will not work with it, it simply will not be successful. Let me tell you about two experiences I recently had with loyalty programs.

Good (but not enough)

There is a Panera Bread near the gym where I work out. I go there early on Saturday mornings, and at least twice a month for my 13-year-old daughter, who asks me to bring back a cheese soufflé. Panera seems to have a great loyalty program that's completely integrated into their POS system, and they have done what would seem to be an excellent job training their staff. Every time I place my order, the service staff asks if I am a member of their loyalty program. Every single time, no fail! Every employee I encounter. Sounds like great execution, right?

Wrong. The problem is I am *not* a member. And, every single time, I respond that I'm not a member. Yet not once has a single employee ever asked me if I wanted to join. Not once! After several months, I went in on a day the store seemed understaffed and the manager rang me up. He asked if I was a member. I said no, and he *also* didn't ask me if I wanted to join.

I couldn't take it any more! I asked him why no one ever asked the all-important second question: Would you like to join now?

Instead, he just looked at me and said he never really thought about it—and then asked if I wanted to join. I politely declined. And still, to this day, I get asked if I am a member, but I'm never asked to join. In addition, there is also nothing by the registers that mentions the program or how to join. According to Panera's Q2 financials, 26 percent of all sales are digital (online or mobile orders for pick-up), and 50 percent of their total transactions can be tracked back to a customer in the loyalty program. Imagine how much better it could be for them if their staff were fully engaged.

No matter how cool a new technology may seem, my ultimate test is whether it is simple enough to execute at the store level.

Better (just ask!)

Second example. I was having dinner with some of our team members at Del Frisco's recently. When we asked for the check our server asked if I was a member of the loyalty program. I said I thought I was and gave her my phone number (that's how they track it). When she came back she said I was not in the system, gave me a card that explained the program and how my points would add up, and handed me the registration card (kind of old school, as most now are online). She went on to sell me on the benefits of the program and how it made sense for me to join. I signed up right away. And since they now had all my contact info, that same server sent me a handwritten thank-you card thanking us for coming in and dining with them!

Del Frisco's program is not as high-tech or fancy as Panera's, but who do you think is getting the better return on investment and delighting their customers more?

Best (practices)

Loyalty programs, no matter how sophisticated, succeed or fail with staff execution! No matter what plan you put into place, you can not optimize results if you and your staff do not embrace the plan and execute on the basics of engaging your customers.

We manage loyalty for a national chain with more than 400 locations. These guys are fanatical about engaging their customers. Each employee knows that every time someone comes in they must give their phone number to see if they are in the loyalty program. If not, they are handed a card at the POS and registered on the spot.

At this brand, three of every four transactions are from a customer they actually know something about. If a customer is fully registered, they know where they live, male or female, age, etc. How effective could your marketing be if you gained such rich customer data? How effective would your future site selection be if you knew where people were coming from to visit your current locations? How effective would your product mix be if you knew who was buying what, how much, and how often?

Think about it. Kinda makes you want to train your staff on this and pay more attention to your month-end reports. MUF

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.*

BY DARRELL JOHNSON

Changing the Narrative

Franchising: the best little training program in America

This past June, the White House announced a program intended to widen the scope of the government's apprenticeship and skills training programs. According to news reports at the time, a senior White House official said that third-party entities such as companies, unions, and trade associations would be tasked with establishing specific criteria in their industries for these training programs. The Department of Labor (DOL) would then consider them for approval. The DOL also announced the formation of the Task Force on Apprenticeship Expansion to solicit additional input from the private sector on skills training.

In September, the Bureau of Labor Statistics reported a record high 6.2 million positions went unfilled as of July 31. While overall unemployment is low by historical standards, for unskilled labor it is still high. The rising number of job openings suggests structural challenges beneath the improving labor market. Simply put, we have a skills gap and not solving that gap has long-term political, economic, and social consequences.

In the U.S., we are predominately a service-based economy. What sorts of skills training would open the door for unskilled people to qualify for, or at least get onto the first rung of, skilled positions? I'm not an employment expert, but as an employer I can offer a list of some of the more obvious non-technical soft skills we look for when hiring in service industries:

• **Sales.** Almost all service-based jobs require some level of salesmanship, so let's start there. This begins at the interview level, when we want to see if candidates have the ability to sell themselves.

• **Communication.** We prize employees with good communication skills, regardless of the level of the position.

• **Customer service.** This skill is closely aligned with sales. After all, the very description of a service industry job implies providing services to people. Attentiveness, patience, a calming presence, and an ability to persuade are but a few of the attributes needed to pass our interview test in this category.

• **Multitasking.** Most service industry jobs require performance of many individual tasks involving some level of judgment about which tasks to perform when, and how best to perform them.

• **Teamwork.** Almost all service industry jobs are performed in teams. Learning to work in teams is an acquired skill. We tend to value this skill highly and judge candidates on this from the start of the interview.

If the DOL is looking for an apprenticeship home run, it needs to look no further than franchising.

• **Technology.** We would be hard-pressed to identify a service-based job today that doesn't involve the use of technology. We have moved from a time when computer and social media skills were nonexistent to now, when they are necessary and expected.

• **Attitude.** Most employers agree that a service employee's attitude is among their most highly appealing attributes. Attitude can be an acquired skill that training can improve.

Franchising's already done it!

A significant component of the administration's proposed solution to the jobs gap is to emphasize experiential learning through apprenticeship programs. The concept of experiential learning is an answer to this mismatch between workforce demand and workforce supply, Secretary of Labor Alexander Acosta said in June: "I think if we get this right, we are going to do so much for the American worker."

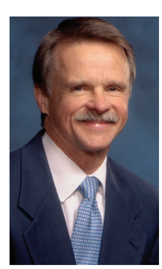
I'm sure the administration would like to show that a million people benefited from its apprenticeship initiatives. But here's the punch line: the franchise business model does this *every year!*

Today there are nearly 8 million people employed by 750,000 businesses using the franchise business model. A reasonable estimate is that at least 1 million people a year are given the very experiential learning that Secretary Acosta is seeking to provide in service industry jobs. Go back and look at the list of soft skills I listed. Every one of them is built into the training programs required for the successful execution of the franchise business model.

Last year's IFA Chair Aziz Hashim pushed to "change the narrative" during his term. He articulately described the upward mobility of the franchise business model, where an unskilled minimum-wage employee can rise to become a manager and even a business owner. The model provides the path. It just takes employee initiative. However, the emphasis was on the upward mobility, which is terrific and real, but that involves only a small subset of the millions of franchise employees.

Hidden in plain sight was one of the strongest attributes of the entire franchise business model: *skills development for every employee who walks in the door.* In that context, the more people franchising touches, for however long they stay, the better it is for the economy. Franchising provides the vital first career-rung skills missing for so many Americans today.

If the DOL is looking for an apprenticeship home run, it needs to look no further than franchising. By redefining franchise training programs as skills-based apprenticeship programs, we can truly change the narrative—from a business model associated with dead-end minimum wage jobs to the premier apprenticeship program for the service economy. MUF



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

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